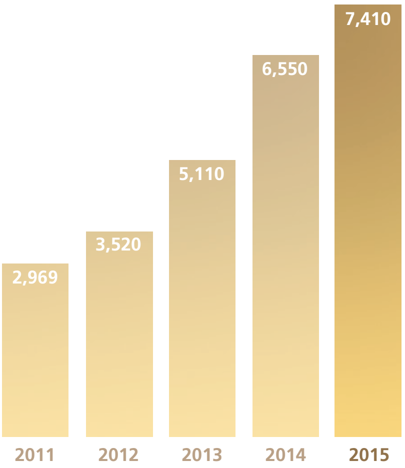
BROOKS MACDONALD
Group plc

Annual Report & Accounts
for the year ended 30 June 2015

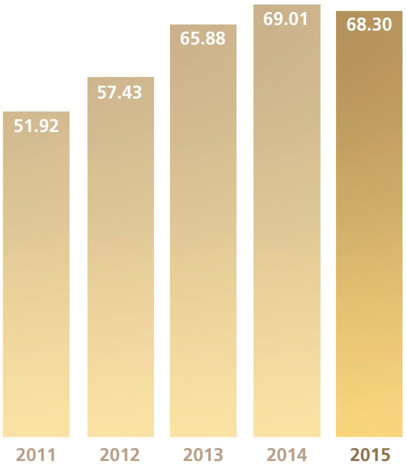
Contents

Financial highlights

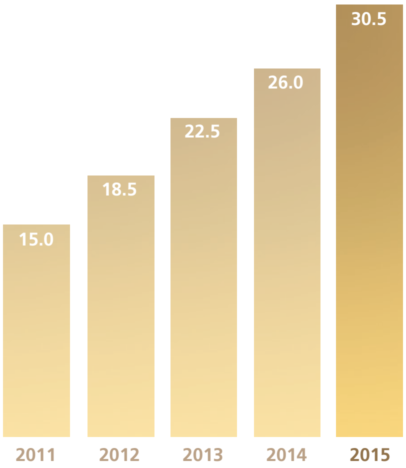
Funds under management (£m)



Earnings per share (p)



Dividend per share (p)



+13%

Discretionary funds under management increased from £6.55 billion to £7.41 billion during the year.

+13%

Underlying pre-tax profit* for the year was £15.078 million compared to £13.316 million in 2014.

+8%

Pre-tax profit for the year was £11.420 million compared to £10.568 million in 2014.

+6%

Underlying basic earnings per share* increased from 86.24p to 91.33p

+17%

Total dividend per share has increased from 26.0p to 30.5p, including a proposed final dividend of 20.5p per share.

*Excludes acquisition costs, finance costs of deferred consideration and amortisation of intangible assets.

Chairman's statement

"We have grown the business organically over the last year and with the continued changes to the regulatory landscape we are pleased with the progress we have made."

Christopher Knight Chairman

This has been a year of significant progress in which we have continued to invest in the Group's future, increased our profits and grown our funds under management.

Underlying pre-tax profits for the year were £15.1m (2014: £13.3m), a rise of 13.5%, and underlying earnings per share have risen to 91.33p (2014: 86.24p).

The board is recommending a final dividend of 20.5p per share which, if approved by shareholders, will result in total dividends for the year of 30.5p. This represents an increase of 17% over the total dividends paid the previous year of 26.0p per share. The final dividend will be paid on 28 October 2015 to shareholders who are on the register at the close of business on 25 September 2015. We remain cash generative as a business and your board will continue its progressive dividend policy.

Our discretionary funds under management grew strongly over the year and as at 30 June 2015 totalled £7.41bn (2014: £6.55bn), a rise of 13.13%. This compares favourably to the growth of the WMA index of 3.75%.

In August we were pleased to announce the appointment of Andrew Shepherd as the Group's Deputy Chief Executive. Andrew joined Brooks Macdonald in 2002 and for the last seven years has been joint managing director of Brooks Macdonald Asset Management ('BMAM'). At the same time Nick Holmes was appointed the sole Managing Director of BMAM.

These appointments broaden the senior management team and will provide Chris Macdonald with more time to focus on delivering the Group's growth ambitions.

The Group has continued to change and develop over the last year. We are undertaking a complete IT upgrade for all our investment businesses, we continue to invest in regulatory oversight, our investment performance remains strong and we remain focused on delivering high performance and service standards for our clients. We have grown the business organically over the last year and with the continued changes to the regulatory landscape we are pleased with the progress we have made.

Christopher Knight
Chairman

16 September 2015

Chief Executive's review

"This has been a year of substantive progress for the group. We have continued to grow funds under management and increase profits whilst making considerable progress on our IT development, our distribution, improving our governance, completing two strategic alliances, broadening the senior management team and moving our head office."

Chris Macdonald Chief Executive

Introduction

I would like to start by thanking all our staff for their hard work for the Group over the last 12 months. In an industry that is highly dynamic, from a regulatory, distribution and market perspective, the Group has made significant progress and this is only possible with their commitment.

Over the year we achieved double digit growth in underlying pre-tax profits, continued to increase our discretionary funds under management, improved our distribution both on and offshore and continued to invest in infrastructure, governance and IT, as well as remaining one of the Sunday Times Best 100 companies to work for.

We also successfully moved our London head office in May to new West End premises; this will facilitate further expansion and underlines our growth ambitions for the future. We have also broadened the senior management team and, coupled with our continued investment programme, these developments have the objective of ensuring we continue to grow in a highly disciplined manner.

Funds under management

Our discretionary funds under management rose to over £7.4bn, an increase of over £860m over the year. This represents an increase of 13.1% supported by investment markets; investment performance across the Group accounted for £218m and net new business for £645m. Across the business we have three avenues for growth in our discretionary funds; our Bespoke Portfolio Service ('BPS'), Managed Portfolio Services ('MPS') and Funds. In all cases we work closely with institutions and professional intermediaries to introduce business and I am delighted that we now work with over 770 firms both in the UK and offshore. We remain firmly committed to working closely with these firms and are grateful for their ongoing and growing support.

Our core offering, BPS, which targets individuals with £200,000 or more to invest, continues to attract funds and our service is split between the management of pension funds (largely Self Invested Personal Pensions –'SIPPs') private portfolios and charities and trusts. The dynamics behind all three areas constantly evolve. Pension legislation changes continue to make SIPPs more attractive but at the same time 'lifetime caps' now restrict the size of individual pension funds. Private portfolios remain a significant area of growth, which is supported by the backdrop of a low interest rate environment, and we are also seeing growth in our trust remits, most notably offshore.

MPS, which is a discretionary service targeted at those with £20,000 or more to invest, has three areas of growth. The first two relate to smaller investment clients, firstly those portfolios that we administer and secondly, portfolios that are held on external administrative platforms. In both cases there have been pricing pressures over the last few years that have now plateaued.

Chief Executive's review

continued

Funds under management *continued*

The third area of growth for MPS is the multi-asset funds which sit within our Funds business. The growth of our Funds business, which now has £663m under management (2014: £518m), stems from our specialist funds as well as the multi-asset funds within MPS.

In our Channel Islands business there have been some management changes as well as increased collaboration with professional intermediaries overseas. The business is now more integrated into the Group. Funds under management have now grown to £1.16bn.

In all cases we manage money on a team and risk based approach, working off a centralised investment process. This continues to deliver strong risk adjusted returns for our clients and allows the business to publish its performance data, ensuring a robust and scalable investment management proposition.

Braemar Estates, our specialist property manager, had a tough year. Whilst assets under administration are broadly unchanged, new business in the first half was slower than we had hoped for. This has been addressed in the second half with mandate wins that will benefit the second half of the new financial year.

Financial planning has had a mixed year; our consulting business was ahead of expectations but employee benefits proved more challenging than we had hoped, not assisted by the substantive changes required to deliver an auto enrol solution to businesses in a profitable manner. This is an area where we are looking to dovetail more work with our Asset Management business and I expect progress here over the next six months and beyond.

Industry background

The amount of change in the sector and industry does not slow down. In the sector we continue to see consolidation and I believe this trend will continue largely due to the growth of wealth management as an industry and the high cost base required to be able to manage and administer client assets.

Regulatory costs have been high over the past two years with the required repapering of all clients, the Retail Distribution Review ('RDR'), FATCA and the like, but we believe these have now stabilised. However, MiFID II, which will impact in January 2017 will bring further business requirements and additional costs. We are sheltered to some degree as we are undertaking a full IT system upgrade, which is due to be completed in the final calendar quarter of 2016. We have built in as many of the known requirements of MiFID II as possible into the system specifications to enable us to comply with this new European legislation.

Strategies for growth

We continue to focus on our core strategies for growth: organic, service and performance development and on-going investment in the business.

Our main strategic focus remains working with quality professional advisers. We have seen this sector grow in the UK over the last 12 months and the opportunities to work with more firms across all of our regional offices is greater today than before the implementation of RDR in 2012. Offshore, we are focussing on three principal areas: South Africa, where we have recently obtained regulatory permissions to market our services to intermediaries and clients alike; the Far East (mainly MPS funds); and the Middle East working with intermediaries.

We continue to grow the number of firms where we have strategic relationships and I am pleased that this has grown to 17 during the past financial year.

In addition to organic opportunities we always look to recruit quality experienced staff across the Group and we will continue with our successful trainee programme.

Summary and outlook

This has been a year of substantive progress for the business. We have continued to grow funds under management and increase profits whilst making considerable progress on our IT development, our distribution, improving our governance, completing two strategic alliances, broadening the senior management team and moving our head office.

Over the coming year we will look to continue with the progress made and look to drive performance, service and new business. Investment markets remain volatile and this is clearly a headwind for the industry as a whole, but encouragingly our new business has been strong for the first quarter of the new financial year.

Chris Macdonald
Chief Executive

16 September 2015

Strategic report

Principal activities

The Group is an integrated wealth management group offering a range of fee based bespoke advice and services principally to private high net-worth individuals, charities and trusts. The Group offers the services through six principal companies and operates out of ten UK based offices giving broad geographic coverage and two offshore offices in Jersey and Guernsey.

Company	Location	Services	Clients
Brooks Macdonald Asset Management Limited ('BMAM')	London, Hampshire, Manchester, Tunbridge Wells, Edinburgh, Taunton, York and Leamington Spa	Discretionary investment management, custody, nominee and dealing	Private individuals, charities and trusts
Brooks Macdonald Financial Consulting Limited ('BMFC')	London and York	Independent financial advice, personal tax and mortgage services	Private individuals and families
		Employee benefits consultancy	Businesses and their employees
Brooks Macdonald Funds Limited ('BMF')	Hale and London	Manager to a range of regulated OEICs and specialist property and structured return funds	Private individuals, charities and trusts
Braemar Estates (Residential) Limited	Hale	Estate and block property management	Institutions, property fund managers and private individuals
Brooks Macdonald Asset Management (International) Limited ('BMI')	Jersey and Guernsey	Discretionary investment management, custody, nominee, dealing, advisory and stockbroking	Private individuals, charities and trusts
Brooks Macdonald Retirement Services (International) Limited ('BMRSI')	Jersey and Guernsey	Independent financial advice	Private individuals, families, trusts and businesses

Strategic report

continued

Performance for the year

The financial year 2015 has seen some uncertainty and volatility in the financial markets and yet despite this the Group has increased revenue by 12% to £77.69m (2014: £69.13m). Underlying profits before tax have increased by 13% to £15.08m (2014: £13.31m) and profit before tax has increased by 8% to £11.42m (2014: £10.57m).

Extracts from the Consolidated Statement of Comprehensive Income

	2015 £m	2014 £m
Operating revenue	**77.7**	69.1
Underlying operating expenses	**(62.5)**	(55.8)
Net finance income and losses on investments	**(0.1)**	–
Underlying profit before tax[1]	**15.1**	13.3
Underlying operating margin[2]	**19.4%**	19.2%
Profit before tax	**11.4**	10.6
Effective tax rate	**20.9%**	14.3%
Taxation	**(2.3)**	(1.5)
Profit after tax	**9.1**	9.0
Underlying earnings per share	**91.33p**	86.24p
Earnings per share	**68.30p**	69.01p
Dividend per share[3]	**30.5p**	26.0p

[1] Profit before tax excluding charges in relation to amortisation of client relationships, finance costs and adjustments to deferred consideration and acquisition costs.

[2] Underlying profit before tax as a % of operating revenue.

[3] The total interim dividend and final proposed for the financial year.

Underlying operating expenses

The major part of the underlying operating expenses of the Group are staff costs comprising 66% (2014: 65%) and of the total staff costs, 37% (2014: 38%) were variable costs. During the year the Group continued to invest into enhanced IT systems in order to improve the services we offer clients and to realise operational efficiencies across the business as a whole.

In May 2015, on the expiry of the leases on our offices, we moved into new head office premises in the West End giving the Group further room for expansion and the benefits of locating all staff on one floor. The additional costs of this new property are estimated at £0.7m in a full year.

In line with the increasing regulatory requirements of the financial services industry generally we are also investing further in our corporate governance, risk and compliance departments and we have incurred an increase in the levies from the FSCS to £0.5m (2014: £0.3m).

Underlying profit before tax

Underlying profit before tax and underlying earnings per share are non GAAP alternative performance measures, considered by the board to be a better reflection of true business performance than looking at the Group's results on a statutory basis only. These measures are widely used by research analysts covering the company. Underlying results exclude expenditure falling into the categories explained below and a full reconciliation between underlying profit and the profit attributable to shareholders is provided in the following table.

Strategic report

continued

Reconciliation of underlying profit before tax to profit before tax

	2015 £m	2014 £m
Underlying profit before tax	**15.1**	13.3
Amortisation of client relationships and software	**(2.7)**	(2.2)
Finance costs on deferred consideration	**(0.8)**	(0.3)
Changes in fair value of deferred consideration	**(0.1)**	–
Acquisition costs	**(0.1)**	(0.2)
Profit before tax	**11.4**	10.6

Amortisation of client relationships and software (note 14)

As explained in notes 2(d) and 2(m), client relationship intangible assets are created in the course of acquiring funds under management. The amortisation charge associated with these assets and software represents a significant non-cash item and it has therefore been excluded from underlying profit, which represents largely cash-based earnings.

Finance costs and changes in fair value of deferred consideration

When the Group makes acquisitions of both corporate entities and teams of fund managers in the course of acquiring funds under management the typical structure of the acquisition, in order to continue to incentivise and motivate the vendors, is to make deferred payments over a period of time based on the retention and growth in funds under management. The initial estimated fair value of the deferred payments will be based on future projections of funds under management and where the actual payment is different from the original estimates then charges or credits will be made in arriving at the profit before tax. The directors consider that the effect of these changes to the original projected payments can distort the results of a particular period and have therefore excluded them from underlying profit.

Initial estimates of the deferred cash payments are recognised in the financial statements at their present value based on an inherent rate of implied interest. The difference between the discounted present value of deferred consideration and the estimated future cash payment is recognised as a charge over the duration of the deferral period in arriving at profit before tax. The directors consider that this charge, which is a non-cash item can distort the results of a particular period and have therefore excluded the charge from underlying profit.

Acquisition costs

The acquisition cost in the year were incurred in relation to the purchase of Levitas Investment Management Services Limited.

Cash resources and regulatory capital

The Group is cash generative and cash flow from operating activities as detailed in note 26 increased to £20.1m (2014: £13.7m). During the year, as detailed in the Consolidated Statement of Cash Flows on page 27, deferred consideration payments in respect of acquisitions increased by £6.6m over the previous year which, together with increased payments for intangible assets and dividends paid to shareholders, resulted in an increase in cash resources at the year end of £1.2m to £19.3m (2014: £18.1m). The Group had no borrowings at 30 June 2015 (2014: £nil).

As required under Financial Conduct Authority (FCA) rules and both Jersey and Guernsey Financial Services Commissions we perform a regular Internal Capital Adequacy Assessment Process (ICAAP) and Adjusted Net Liquid Asset (ANLA) calculation which includes performing a range of stress tests to determine the appropriate level of regulatory capital and liquidity that the Group needs to hold. Surplus levels of capital are forecast taking into account investment requirements and proposed dividends to ensure that appropriate buffers are maintained. The Group's Pillar 3 disclosures are published annually on our website (www.brooksmacdonald.com).

Segmental review

The Group reports its results in four key operating segments; Investment management, Financial planning Fund and property management and Channel Islands. The principal activities of the Group are described in detail above on page 5.

Strategic report
continued

Segmental review *continued*

One of the key performance indicators is the growth in discretionary funds under management in total across all parts of the Group which are reported on a quarterly basis throughout the year. The increase in the year is analysed in the table below.

	Funds under management (£m)
At 1 July 2014	6,550
Inflows – net new discretionary business*	645
– acquisitions	–
– investment growth	218
At 30 June 2015	**7,413**
Organic growth net of markets	9.8%
Total net growth	13.2%

* Includes clients leaving and capital or income withdrawals of larger than £50,000 for Bespoke Portfolio Service ('BPS') and larger than £20,000 for Managed Portfolio Service ('MPS').

A large proportion of the net new discretionary business comes from professional intermediaries with whom we have worked over a number of years. As well as introducing discretionary management funds they also introduce to other parts of the Group and the number of introducing firms has increased to 770 (2014: 670) at 30 June 2015.

Investment management

The investment management service is the core part of the Group contributing 70% (2014: 71%) of the Group turnover and delivering 96% (2014: 85%) of the Group profit on a segmental basis as detailed in note 3 to the consolidated financial statements. Investment management principally provides discretionary investment management to private investors, charities and trusts through BPS and MPS. Despite considerable changes within the industry and volatility within the financial markets we have continued to grow funds under management ('FUM') as shown in the table above.

Financial planning

The financial planning business delivers both fee based financial planning to high net-worth individuals and employee benefits consultancy to small and medium sized employers throughout the UK and remains a major introducer of new investment management to the Group. During the year there was further revenue growth to £4.2m (2014: £4.0m) as the business continued to invest in additional staff and systems, particularly as part of the employment benefits consultancy resulting in a small loss for the year of £0.1m (loss 2014: £0.1m). The Board believes that the business is now positioned to return to profitability in the next financial year.

Fund and property management

It has been another year of considerable growth for Brooks Macdonald Funds, as part of the increase in the table shown above, with total FUM increasing by 28% to £663m (2014: £518m) at 30 June 2015. This growth was achieved both organically through the net new investment in the existing seven funds, as well as by the investment in North Row Capital LLP, which manages the Liquid Property Fund that was launched in February 2014 and has contributed £30m to the year end total of FUM. The Group exercised its option to acquire Levitas on 31 July 2014 with FUM of £89m and at 30 June 2015 this had increased to £114m.

Brooks Macdonald Funds has broken even for this financial year and given the current level of FUM and projected growth it is expected to make a net contribution to the Group in the year ending 30 June 2016.

Braemar Estates has had particularly difficult year with assets under administration broadly unchanged at £1.14bn (2014: £1.13bn) against an increased cost base and the loss of a number of mandates. New business instructions were slower in the first half of the financial year than anticipated although this has improved and the benefits of this will be seen in the second half of the new financial year. Since the year end a strategic review of the business had been undertaken resulting in a number of changes to the board of Braemar Estates which the directors believe will result in an improved performance in the forthcoming year.

Strategic report

continued

Channel Islands

Our Channel Islands business as detailed above comprises BMI and BMRSI both operating in Jersey and Guernsey and results from the acquisition of Spearpoint Limited in November 2012 and DPZ Capital Limited ('DPZ') in April 2014.

During the year both businesses have undergone significant changes in personnel and integration costs following the acquisition of DPZ and during the year the both the chief executives of BMI and BMRSI left the Group resulting in some one-off costs. Darren Zaman has been appointed as CEO and has led a reorganisation of the structure of the businesses and the services offered, including the initiation of an international MPS and the development of links with professional intermediaries overseas focussing on three principal areas: South Africa, where we have recently obtained regulatory permissions to market our services to intermediaries and clients alike; the Far East; and the Middle East.

The profits from the Channel Islands as shown in the segmental analysis on page 35 have reduced in the year to £1.3m (2014: £2.4m) as a result of the increased costs and a reduction in some of the higher margin but more transactional revenues. With a number of opportunities that we are pursuing internationally, the directors believe there will be an improvement in profitability in year to 30 June 2016.

Corporate governance

The principal board committees are the Audit, Remuneration and Risk and Compliance committees, all of which have specific terms of reference which are periodically reviewed and approved by the Board. These terms of reference are available on the Group website.

Audit Committee

The members of the Audit Committee are three of the non-executive directors: Richard Price (Chairman), Christopher Knight and Colin Harris. Richard Price became a member of the committee from the date of his appointment to the board, 1 August 2014, and was appointed Chairman on 8 September 2014 in succession to Christopher Knight. The board is satisfied that all members of the committee have recent and relevant financial experience.

The committee met four times during the year ended 30 June 2015. As well as being responsible for reviewing the external audit arrangements with regard to compensation, scope and period of office, the committee also considers the accounting policies of the Group and the significant issues and judgements in connection with statutory financial reporting.

The committee reviews the audit control memorandum and the audit engagement letters and has discussions with the auditor without management present.

Risk and Compliance Committee

The Group's risk management framework is designed to ensure risks are identified, reported and managed at every level of the corporate structure. Individual business units follow documented processes and procedures and their activities are monitored on an ongoing basis. Monitoring output is reported to business managers and identified risks are reported to business-level risk committees. Each risk committee is responsible for reviewing identified risks and implementing procedure reviews and mitigating action as necessary. Identified risks are ranked according to potential impact and reported up through the risk management framework according to the Group's escalation policy. Business-level risk committees report to a Group Risk Committee and, ultimately, to the Risk and Compliance Committee of the Group Board.

The membership of the Risk and Compliance Committee is made up of the Group's four non-executive directors and is chaired by Colin Harris. Business managers and representatives from the legal, risk and compliance functions attend committee meetings as necessary to report on identified risks and mitigating action.

During the year ended 30 June 2015 the committee met on seven occasions. Its principal responsibilities include monitoring identified risks and the effectiveness of mitigating action, keeping risk assessment processes under review, assessing material breaches of risk limits and reviewing client complaints.

The Group's risk management framework is subject to ongoing review.

The principal risks identified as having a potential material impact on the Group are detailed below, together with the principal means of mitigation.

Financial risks

The Group's principal financial risks relate to credit risk, liquidity risk and market risk and the measures and policies for the management of those risks are set out in note 32 to the consolidated financial statements. Further details on capital management processes can be found in note 33.

Strategic report

continued

Non-financial risks

The significant non-financial risks faced by Group have been reviewed by the committee, which believes they remain broadly the same as in previous years and are as follows:

Reputational risk

Impact

The Group has a growing reputation as a provider of high quality investment and wealth management services. There is a risk that significant damage to reputation could lead to the loss of existing clients as well as impacting on the ability to gain new clients, which would lead to a fall in financial income. Such risk could arise from events such as poor investment performance, poor client service or regulatory censure.

Mitigation

This risk is minimised by ensuring the Group maintains a culture of high ethical and professional standards whilst focussing on delivering a first class service to all of our clients. The Group maintains separate, independent risk and compliance departments, which ensures conformity with the regulations of the Financial Conduct Authority, as well as relevant statutes, in all of our dealings with our clients.

Regulatory risk

Impact

The sector in which the Group operates is heavily regulated and any breach of regulations could lead to fines or disciplinary action against the Group or its staff.

Mitigation

The Group monitors compliance with existing law and regulations and keeps abreast of future changes to assess likely business impact and to ensure that the Group has sufficient resources to implement any necessary changes.

People risk

Impact

Our business is dependent on client relationships with our staff. Operating in a competitive market there is a risk of loss of existing clients due to poor performance or service, a failure to respond to changes in the market place, or the loss of key investment professionals.

Mitigation

To minimise this risk, the Group continues to invest in its employees and monitors developments in the marketplace in which it operates to ensure that the Group continues to offer a wide range of services. Recruitment policies are designed to attract high quality staff and the Group regularly reviews and benchmarks its remuneration packages and contractual arrangements and motivation is measured through a sentiment index. Structured training is provided by the Group's Learning & Development team.

Technology risk

Impact

A key part of the high quality service delivered to clients is facilitated by a flexible and robust internal ICT infrastructure.

Mitigation

New ICT projects are regularly reviewed and appraised at board meetings in order to ensure that the Group continues to develop and maintain its ICT capabilities. Business continuity is assured through our network of offices and our remote working capabilities.

Strategic report

continued

Non-financial risks *continued*

Operational risk

Impact	Mitigation
Operational risk is the risk that the Group suffers a loss of business resulting from inadequate or failed internal processes, people and systems or from the failure of outsourcing partners or external suppliers.	Due diligence takes place prior to the commencement of any outsourcing or supply, to maintain a robust procurement process and good contract governance. We keep our key outsourcing partners under review and have in place procedures to regularly assess the performance of such suppliers as well as identifying suitable and viable alternatives.

Investment performance risk

Impact	Mitigation
There is a risk that portfolios will not meet their investment objectives which could result in the Group suffering loss of business. There is a risk on the suitability of portfolios for clients and where the suitability responsibility lies between a professional introducing the client and the group company.	Portfolio performance, valuations and risk profiles are monitored by management, allowing issues to be identified and mitigated as they arise. The Group has in place BITA Monitor portfolio risk oversight tools to assist with supervising portfolio management. The Group keeps its client documentation under review and updates it regularly to ensure clients are properly informed about investment policy and risks.

Remuneration Committee

The Remuneration Committee comprises Diane Seymour-Williams (Chair), Christopher Knight and Colin Harris. The committee (in consultation with the Chief Executive) determines the specific remuneration packages for each executive director and certain senior executives including base salary, annual bonus, long-term incentives, benefits and terms of employment. The committee is also responsible for setting the broad parameters for the annual base salary review for all staff across the Group and reviews all awards made under various long-term incentive schemes operated by the Group.

Remuneration policy

Brooks Macdonald recognises the importance of its employees to the success of the Group and consequently the remuneration policy is designed to be market competitive in order to attract, retain and motivate high-calibre individuals. External third party data is used to validate rather than to benchmark the total reward.

The remuneration policy, which applies to directors and employees of the Group, is based on the following key principles:

- designed to encourage the retention of staff through deferred variable compensation, where appropriate;
- the need to provide a market competitive balanced package of benefits;
- inclusion of both annual and long term elements;
- differentiation by merit and performance;
- an emphasis on variable, performance driven remuneration bonus payments funded from retained profits;
- compliant with financial services rules and regulations;
- alignment with shareholders' interests with significant long term equity participation; and
- clarity, transparency and fairness of process.

The current remuneration package for an executive director has four main elements: basic salary and benefits, profit related bonus, long-term equity based incentives and pension. The total reward is designed to include a balance of fixed and variable pay with an element of deferral.

Strategic report
continued

Remuneration Committee *continued*

Single total figure of remuneration for each director

The remuneration of directors in 2015 and 2014 is set out in the table below.

	Salary and fees		Taxable benefits		Annual bonus[1]		Long term incentive schemes		Pension related benefits		Total	
	2015 £'000	2014 £'000	**2015 £'000**	2014 £'000	**2015 £'000**	2014 £'000	**2015[2] £'000**	2014[3] £'000	**2015 £'000**	2014 £'000	**2015 £'000**	2014 £'000
Executives												
C A J Macdonald	**253**	247	**3**	3	**272**	256	**88**	58	**–**	–	**616**	564
N I Holmes	**166**	162	**2**	2	**192**	160	**133**	29	**25**	24	**518**	377
S J Jackson	**188**	167	**4**	3	**140**	120	**48**	38	**–**	18	**380**	346
A W Shepherd	**188**	167	**2**	2	**176**	160	**132**	29	**–**	18	**498**	376
R H Spencer	**188**	183	**3**	3	**148**	132	**42**	34	**–**	–	**381**	352
S P Wombwell	**194**	189	**3**	3	**104**	132	**159**	–	**–**	–	**460**	324
	1,177	1,115	**17**	16	**1,032**	960	**602**	188	**25**	60	**2,853**	2,339
Non-executives												
C J Knight (Chairman)	**86**	75	**–**	–	**–**	–	**–**	–	**–**	–	**86**	75
C R Harris (Senior independent director)	**45**	40	**–**	–	**–**	–	**–**	–	**–**	–	**45**	40
D Seymour-Williams	**40**	36	**–**	–	**–**	–	**–**	–	**–**	–	**40**	36
R Price (appointed 1 August 2014)	**37**	–	**–**	–	**–**	–	**–**	–	**–**	–	**37**	–
Total	**1,385**	**1,266**	**17**	**16**	**1,032**	**960**	**602**	**188**	**25**	**60**	**3,061**	**2,490**

Notes

1 The annual bonus represents the cash amount receivable for the relevant financial year. An additional amount of 20% for each executive director is deferred and awarded by way of ordinary shares under the terms of the LTIS as disclosed below in table 2.

2 The amounts represent the value vested in the year from three year long term incentive plans awards arising from the deferred element of the 2011 annual bonus together with any additional awards made on similar terms. The awards satisfied the performance conditions requiring an increase in the diluted earnings per share of the Company of at least 2% per annum more than the increase in the RPI over the period of three financial years starting with the financial year in which the date of the grant falls and ending with the financial year in which the third anniversary of the date of the grant falls. The vesting date was 20 October 2014 and the market price on that date was £13.42.

3 The amounts represent the value vested in the year from three-year Long Term Incentive Scheme awards arising from the deferred element of the 2010 annual bonus together with any additional awards made on similar terms. The awards satisfied the performance conditions requiring an increase in the diluted earnings per share of the Company of at least 2% per annum more than the increase in the RPI over the period of three financial years starting with the financial year in which the date of the grant falls and ending with the financial year in which the third anniversary of the date of the grant falls. The vesting date was 27 October 2013 and the market price on that date was £14.02.

Notes to the single total figure of remuneration for each director table

Basic salary

Basic salary is paid monthly in cash through payroll determined by the committee and any changes are implemented from 1 July each year or when an individual changes position or responsibility. In deciding appropriate levels the committee considers salaries throughout the group and information on comparable companies of a similar size and complexity, provided by advisers to the committee. The views of the Chief Executive are taken into consideration when setting the salary of other directors. The base salaries of executive directors were increased on 1 July 2014 by a total of 2.6% compared to an overall average increase for all employees of 3.7%.

Strategic report
continued

Remuneration Committee *continued*

Notes to the single total figure of remuneration for each director table *continued*

Non-executive directors' fees

The non-executive directors' salaries were similarly reviewed and increased on average by 9.3% with the approval of the board to reflect their additional responsibilities and commitments as the Group grows.

The Chairman's fee was increased from £75,000 to £90,000 on 1 September 2014 and the basic non-executive director's fee was increased from £36,000 to £40,000 on 1 July 2014.

Taxable benefits

Taxable benefits are the provision of private medical insurance for the executive directors and their dependents and the provision of interest-free season ticket loans as disclosed in note 35 to the consolidated financial statements.

Annual bonus

Awards to executive directors and some other senior employees of the Group of profit related bonuses are made from a pool of profits in the region of 10-20% of the Group pre-tax profit after the payment of all bonuses to all other staff. The committee determines the overall size of the pool based on the performance of the Group against a number of key performance indicators including the growth in profits, the movement in funds under management, various internal client service metrics and the performance against budget of each of the operating divisions.

The total payment to executive directors, including the amounts deferred into shares, represented 10.0% (2013: 10.9%) of Group pre-tax profit. The total bonus payment to all senior employees who participate in this scheme was 11.9% (2014: 12.1%).

Awards to individual executive directors are determined by the committee following recommendations from the Chief Executive, taking into account a number of financial and non-financial factors. These are intended to give a broad assessment of the annual performance objectives of each director, including the results of the business, investment performance, net new business, management of risks facing the Group and cost control within each individual's area of responsibility.

The Remuneration Committee has decided that 20% of the bonus awarded will be made in shares deferred for a period of three years under a Long Term Incentive Scheme ('LTIS'). In addition, directors may choose to defer a further amount of any bonus awarded, up to a maximum of 20%, making 40% in total, into shares under the LTIS.

Long Term Incentive Scheme ('LTIS') and Employee Benefit Trust ('EBT')

The Group established an EBT on 3 December 2010. The Trust was established to acquire ordinary shares in the Company in connection with the deferred share element of the profit related bonus under the LTIS as detailed above. The EBT is also used for other long-term awards to members of the Board and to other senior employees.

The Remuneration Committee has made additional awards under the LTIS to certain executive directors and other senior employees. The conditional awards are subject to the same performance and other conditions as those applying to the deferred profit related bonus share options.

The LTIS awards reported are the historic awards vesting at the end of the three year cycle valued using the share price on the date of the vesting. In addition to the deferred element of the annual bonus described above the executive directors are awarded rights to acquire ordinary shares. The scheme has performance conditions attached to the deferred award, requiring a minimum growth in the diluted earnings per share of the Group of 2% per annum above the increase in the Retail Price Index (RPI) over the three year period.

Pensions

Executive directors may participate in the pension arrangements of the Group or receive cash in lieu of pension on the same basis as other employees. The Group's contributions are currently 15% of base salary.

Strategic report
continued

Remuneration Committee *continued*

Directors' interests in shares

At 30 June 2015, directors' shareholdings were as set out in table 1.

Table 1: Directors' shareholdings and interest in shares at 30 June 2015

Number of shares or options	Beneficially owned shares	Interest in shares LTIS[2]	Sharesave	EMI schemes	CSOP	Total
Executives						
C A J Macdonald	835,410	18,371	649	–	–	19,020
N I Holmes	54,895	12,210	1,298	10,500	2,067	26,075
S J Jackson	79,534	10,991	1,298	–	2,067	14,356
A W Shepherd	47,915	13,316	1,494	–	2,067	16,877
R H Spencer	776,743	10,306	1,455	–	1,087[1]	12,848
S P Wombwell	89,189	10,416	1,298	–	2,067	13,781
Non-executives						
C J Knight (Chairman)	71,585	–	–	–	–	–
C R Harris (Senior independent director)	6,086	–	–	–	–	–
D Seymour-Williams	5,000	–	–	–	–	–
R Price (appointed 1 August 2014)	–	–	–	–	–	–
Total	**1,966,357**	**75,610**	**7,492**	**10,500**	**9,355**	**102,957**

Notes

[1] In the year ended 30 June 2015, a new award with an aggregate market value of £15,000 was made under the CSOP to R H Spencer. The number of options to be granted and the option price for this award will be determined based on the share price at the grant date in October 2015.

[2] In the year ended 30 June 2015 further awards were made to the executive directors under the LTIS scheme together with the deferred element of the annual bonus award. The monetary values of the awards are shown below and the actual number of shares awarded will be determined based on the share price at the grant date in October 2015.

Table 2: Monetary value of awards made under LTIS

	Deferred bonus £'000	Additional awards £'000	Total £'000
Executives			
C A J Macdonald	68	–	68
N I Holmes	48	30	78
S J Jackson	35	25	60
A W Shepherd	44	40	84
R H Spencer	37	–	37
S P Wombwell	26	25	51
Total	**258**	**120**	**378**

Strategic report
continued

Remuneration Committee *continued*

Directors' interests in shares *continued*

Table 3: LTIS

	Plan cycle	Performance period end date	Vesting date	At 1 July 2014	Granted in the year	Exercised in the year	At 30 June 2015
C A J Macdonald	2010-13	30.06.2013	27.10.2013	4,112	–	–	4,112
	2011-14	30.06.2014	20.10.2014	6,536	–	(6,536)	–
	2012-15	30.06.2015	25.10.2015	5,354	–	–	5,354
	2013-16	30.06.2016	01.11.2016	4,372	–	–	4,372
	2014-17	30.06.2017	14.10.2017	–	4,533	–	4,533
N I Holmes	2010-13	30.06.2013	27.10.2013	2,095	–	(2,095)	–
	2011-14	30.06.2014	20.10.2014	9,886	–	(9,886)	–
	2012-15	30.06.2015	25.10.2015	4,724	–	–	4,724
	2013-16	30.06.2016	01.11.2016	2,528	–	–	2,528
	2014-17	30.06.2017	14.10.2017	–	4,958	–	4,958
S J Jackson	2010-13	30.06.2013	27.10.2013	2,715	–	(2,715)	–
	2011-14	30.06.2014	20.10.2014	3,595	–	(3,595)	–
	2012-15	30.06.2015	25.10.2015	4,567	–	–	4,567
	2013-16	30.06.2016	01.11.2016	2,528	–	–	2,528
	2014-17	30.06.2017	14.10.2017	–	3,896	–	3,896
A W Shepherd	2010-13	30.06.2013	27.10.2013	2,095	–	(2,095)	–
	2011-14	30.06.2014	20.10.2014	9,804	–	(9,804)	–
	2012-15	30.06.2015	25.10.2015	4,567	–	–	4,567
	2013-16	30.06.2016	01.11.2016	3,791	–	–	3,791
	2014-17	30.06.2017	14.10.2017	–	4,958	–	4,958
R H Spencer	2010-13	30.06.2013	27.10.2013	2,405	–	(2,405)	–
	2011-14	30.06.2014	20.10.2014	3,105	–	–	3,105
	2012-15	30.06.2015	25.10.2015	2,677	–	–	2,677
	2013-16	30.06.2016	01.11.2016	2,186	–	–	2,186
	2014-17	30.06.2017	14.10.2017	–	2,338	–	2,338
S P Wombwell	2011-14	30.06.2014	20.10.2014	11,847	–	(11,847)	–
	2012-15	30.06.2015	25.10.2015	3,780	–	–	3,780
	2013-16	30.06.2016	01.11.2016	2,528	–	–	2,528
	2014-17	30.06.2017	14.10.2017	–	4,108	–	4,108
Total				**101,797**	**24,791**	**(50,978)**	**75,610**

Strategic report
continued

Remuneration Committee *continued*

Directors' interests in shares *continued*

Table 4: Sharesave

	Grant date	Number of options: At 1 July 2014	Granted in the year	Exercised in the year	Lapsed in the year	At 30 June 2014	Earliest exercise date	Latest exercise date	(£) Market value of shares at grant date	(£) Exercise price
C A J Macdonald	21.05.14	649	–	–	–	649	01.06.17	01.12.17	17.32	13.86
N I Holmes	21.05.14	1,298	–	–	–	1,298	01.06.17	01.12.17	17.32	13.86
S J Jackson	21.05.14	1,298	–	–	–	1,298	01.06.17	01.12.17	17.32	13.86
A W Shepherd	14.05.13	767	–	–	–	767	01.06.16	01.12.16	14.65	11.72
	22.05.15	–	727	–	–	727	01.06.18	01.12.18	15.46	12.37
R H Spencer	21.05.14	1,298	–	–	(1,298)	–	01.06.17	01.12.17	17.32	13.86
	22.05.15	–	1,455	–	–	1,455	01.06.18	01.12.18	15.46	12.37
S P Wombwell	21.05.14	1,298	–	–	–	1,298	01.06.17	01.12.17	17.32	13.86
Total		**6,608**	**2,182**	**–**	**(1,298)**	**7,492**				

Sharesave Scheme ('Sharesave')

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

Enterprise Management Incentive Scheme ('EMI')

The Brooks Macdonald Group Enterprise Management Incentive Scheme ('EMI') was adopted by the shareholders of the Company on 11 February 2005.

Options granted can be exercised if there has been an increase in the diluted earnings per share of the Company of at least 2% per annum more than the increase in the RPI over the period of three financial years starting with the financial year in which the date of grant falls and ending with the financial year in which the third anniversary of the date of grant falls.

Options may not normally be exercised before the third anniversary of the date of the grant and expire on the tenth anniversary of the grant. Due to the increase in the size of the Company it is no longer eligible under HMRC rules to grant options under this EMI scheme and the last options were awarded to directors under this scheme on 17 October 2007.

Strategic report

continued

Remuneration Committee *continued*

Company Share Option Plan ('CSOP')

Following discussions regarding remuneration structures and incentives schemes for senior employees and directors the Company decided to set up a CSOP which was approved by shareholders at the annual general meeting on 17 October 2013 and by HMRC on 21 November 2013.

The scheme is a discretionary scheme whereby employees or directors are granted an option to purchase the Company's shares in the future at a price set on the date of the grant. The maximum award under the terms of the scheme for an individual is a total market value of £30,000. There are performance conditions attaching to the scheme similar to those in place for the EMI Scheme above whereby there must be an increase in the diluted earnings per share of the Company of 2% more than the increase in the RPI over the three years starting with the financial year in which the option is granted.

Dilution

Not more than 15% of the issued ordinary share capital of the Company (adjusted for bonus and rights issues) will be issued for all EMI and share incentive schemes operated by the Company in any ten year rolling period. The Company satisfies the various equity-based schemes it operates using a combination of market purchased, newly issued and treasury shares.

Service contracts for executive directors

The Company has service contracts with its executive directors with a notice period of 12 months and it is company policy that such contracts should not normally contain periods of more than 12 months.

External appointments

Prior approval of any new appointment is required by the Board with any fees in excess of £15,000 per annum paid to the Company.

Non-executive directors

Non-executive directors do not have contracts of employment but as with other directors are now required to stand for re-election. The executive directors are responsible for determining the fees of the non-executive directors who do not receive pension or other benefits from the Group and do not participate in any Group incentive schemes.

Report of the directors

The directors present herewith their annual report, together with the audited financial statements of the Group for the year ended 30 June 2015.

Results and dividends

The profit before taxation for the year ended 30 June 2015 was £11,420,000 (2014: £10,568,000) and the profit after taxation was £9,151,000 (2014: £9,056,000).

The Company paid an interim dividend during the year of 10.0p (2014: 7.0p) per share. The directors recommend a final dividend of 20.5p (2014: 19.0p) per share. This results in total dividends for the year of 30.5p (2014: 26.0p) per ordinary share. These dividends amount to a total distribution to shareholders of £4,102,000 (2014: £3,453,000) in the year.

Retirement and re-appointment of directors

Andrew Shepherd, Nick Holmes and Simon Wombwell will retire by rotation at the annual general meeting and are eligible to nominate themselves for re-election.

Directors' indemnities

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

Employment policies

Employees are encouraged to identify and become involved with the financial performance of the Group and are rewarded by involvement in profit sharing arrangements. Employees also have the opportunity to participate in the Group's share incentive plans.

Directors and their interests

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

	At 30 June 2015 Number of shares	At 30 June 2014 Number of shares
Chairman		
C J Knight	**71,585**	71,585
Executives		
CA J Macdonald	**835,410**	828,874
N I Holmes	**54,895**	41,495
S J Jackson	**79,534**	79,534
A W Shepherd	**47,915**	48,915
R H Spencer	**776,743**	774,338
S P Wombwell	**89,189**	89,189
Non-executives		
C R Harris	**6,086**	6,086
R Price	**–**	–
D Seymour-Williams	**5,000**	5,000

Details of share options held by the directors at the beginning and the end of the year can be found within the Remuneration Committee report on pages 11 to 17.

The Group considers that communication with our employees is very important and indeed vital for the success of the Group. Employees are informed of important issues by electronic mail and seminars.

The Group considers that regular training is extremely important. This is achieved by the provision of in-house and external training courses and the training team provide a number of continuing professional development activities. All staff are encouraged to report their specific training needs to their line managers, which are then co-ordinated through the central Learning and Development department.

The Group operates a graduate training scheme in respect of its trainee investment fund managers and financial planning consultants.

The Group is an equal opportunities employer. All job applicants and employees are treated fairly and on merit, regardless of their race, gender, marital status, age, disability, religious belief or sexual orientation. Applications from disabled persons are always considered and where employees become disabled efforts are made to continue their employment within the group by providing training and the supply of equipment if necessary so that they are able to continue their role.

All staff have the option to take an interest free annual season ticket loan. To retain the Group's employees and to improve staff morale, the Group recognises the need for employees to have an appropriate work-life balance. Long serving employees are entitled to additional annual leave dependent on their length of service.

Under the terms of the Pensions Act 2008, on commencing employment all eligible employees are 'auto-enrolled' into the Group pension scheme.

Report of the directors

continued

Employment policies *continued*

As at 1 September 2015, the Company had received notification of substantial interests in its shares of 3% or more as follows:

Substantial shareholdings	Number of shares	Percentage holding
Liontrust Asset Management	2,423,872	17.74%
Octopus Investments	1,025,713	7.51%
Artemis Fund Managers	972,843	7.12%
Hargreave Hale	932,426	6.83%
C A J Macdonald	835,410	6.12%
R H Spencer	776,743	5.69%
Standard Life Investments	749,082	5.48%
J M Gumpel	661,265	4.84%
Invesco Asset Management	467,211	3.42%

Events since the end of the year

Details of events after the reporting date are set out in note 37 to the consolidated financial statements.

Independent auditors

The Audit Committee has recommended to the Board of Directors that the incumbent auditor, PricewaterhouseCoopers LLP, be reappointed. PricewaterhouseCoopers LLP have expressed their willingness to continue in office as auditor and a resolution to reappoint them as auditor will be proposed at the forthcoming annual general meeting.

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

Annual general meeting

The 2015 annual general meeting will be held on 27 October 2015 at 72 Welbeck Street, London, W1G 0AY. The notice of the meeting is on pages 71 to 73 with details of the resolutions proposed and explanatory notes on pages 69 to 70.

On behalf of the Board of Directors.

S Broomfield
Company Secretary

16 September 2015

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, and the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether IFRSs as adopted by the European Union and applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Group and parent company financial statements respectively;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

The directors are responsible for the maintenance and integrity of the Group's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Financial statements

Consolidated financial statements

Company financial statements

Shareholders' information

Other information

Independent auditors' report

to the members of Brooks Macdonald Group plc

Report on the group financial statements

Our opinion

In our opinion, Brooks Macdonald Group plc's group financial statements (the 'financial statements'):

- give a true and fair view of the state of the Group's affairs as at 30 June 2015 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The financial statements comprise:

- the Consolidated Statement of Financial Position as at 30 June 2015;
- the Consolidated Statement of Comprehensive Income for the year then ended;
- the Consolidated Statement of Cash Flows for the year then ended;
- the Consolidated Statement of Changes in Equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and IFRSs as adopted by the European Union.

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, the information given in the Strategic Report and the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

Other matters on which we are required to report by exception

Adequacy of information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion, we have not received all the information and explanations we require for our audit. We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 20, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ('ISAs (UK & Ireland)'). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

Independent auditors' report

to the members of Brooks Macdonald Group plc | *continued*

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report and Accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Other matter

We have reported separately on the parent company financial statements of Brooks Macdonald Group plc for the year ended 30 June 2015.

Marcus Hine (Senior Statutory Auditor) for and on behalf of PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors

London
16 September 2015

Consolidated statement of comprehensive income

for the year ended 30 June 2015

	Note	**2015 £'000**	2014 £'000
Revenue	4	**77,686**	69,133
Administrative costs		**(65,371)**	(58,207)
Realised gain on investment	5	**540**	–
Other gains and losses	6	**(754)**	–
Operating profit	7	**12,101**	10,926
Finance income	9	**86**	119
Finance costs	9	**(763)**	(349)
Share of results of joint venture	17	**(4)**	(128)
Profit before tax		**11,420**	10,568
Taxation	10	**(2,269)**	(1,512)
Profit for the year attributable to equity holders of the Company		**9,151**	9,056
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss			
Revaluation of available for sale financial assets	10	**–**	(131)
Revaluation reserve recycled to profit or loss	16	**68**	–
Total comprehensive income for the year		**9,219**	8,925
Earnings per share			
Basic	11	**68.30p**	69.01p
Diluted	11	**68.14p**	68.67p

The accompanying notes on pages 28 to 60 form an integral part of the consolidated financial statements.

Consolidated statement of financial position

as at 30 June 2015

	Note	**2015 £'000**	2014 £'000
Assets			
Non-current assets			
Intangible assets	14	**65,258**	54,874
Property, plant and equipment	15	**3,539**	2,971
Available for sale financial assets	16	**1,532**	2,182
Investment in joint venture	17	**628**	232
Deferred tax assets	18	**709**	809
Total non-current assets		**71,666**	61,068
Current assets			
Trade and other receivables	19	**21,402**	21,432
Financial assets at fair value through profit or loss	20	**3**	478
Cash and cash equivalents	21	**19,274**	18,056
Total current assets		**40,679**	39,966
Total assets		**112,345**	101,034
Liabilities			
Non-current liabilities			
Deferred consideration	22	**(9,442)**	(2,943)
Deferred tax liabilities	18	**(4,694)**	(5,117)
Other non-current liabilities	23	**(95)**	(115)
Total non-current liabilities		**(14,231)**	(8,175)
Current liabilities			
Trade and other payables	24	**(16,894)**	(15,178)
Current tax liabilities		**(1,463)**	(1,076)
Deferred tax liabilities	18	**(119)**	–
Provisions	25	**(5,474)**	(9,147)
Total current liabilities		**(23,950)**	(25,401)
Net assets		**74,164**	67,458
Equity			
Share capital	27	**136**	135
Share premium account	27	**35,600**	35,147
Other reserves	28	**5,101**	4,720
Retained earnings	28	**33,327**	27,456
Total equity		**74,164**	67,458

The consolidated financial statements were approved by the Board of Directors and authorised for issue on 16 September 2015, signed on their behalf by:

C A J Macdonald
Chief Executive

S J Jackson
Finance Director

Company Registration Number 4402058.

The accompanying notes on pages 28 to 60 form an integral part of the consolidated financial statements.

Consolidated statement of changes in equity

for the year ended 30 June 2015

	Share capital £'000	Share premium account £'000	Other reserves £'000	Retained earnings £'000	Total £'000
Balance at 1 July 2013	133	31,868	3,952	21,607	57,560
Comprehensive income					
Profit for the year	–	–	–	9,056	9,056
Other comprehensive income:					
Revaluation of available for sale financial asset	–	–	(131)	–	(131)
Total comprehensive income	–	–	(131)	9,056	8,925
Transactions with owners					
Issue of ordinary shares	2	3,279	–	–	3,281
Share-based payments	–	–	1,288	–	1,288
Share-based payments transfer	–	–	(545)	545	–
Purchase of own shares by employee benefit trust	–	–	–	(732)	(732)
Tax on share options	–	–	156	–	156
Dividends paid (note 12)	–	–	–	(3,020)	(3,020)
Total transactions with owners	2	3,279	899	(3,207)	973
Balance at 30 June 2014	135	35,147	4,720	27,456	67,458
Comprehensive income					
Profit for the year	–	–	–	9,151	9,151
Other comprehensive income:					
Revaluation of available for sale financial asset	–	–	–	–	–
Revaluation reserve recycled	–	–	68	–	68
Total comprehensive income	–	–	68	9,151	9,219
Transactions with owners					
Issue of ordinary shares	1	453	–	–	454
Share-based payments	–	–	1,315	–	1,315
Share-based payments transfer	–	–	(1,334)	1,334	–
Purchase of own shares by employee benefit trust	–	–	–	(742)	(742)
Tax on share options	–	–	332	–	332
Dividends paid (note 12)	–	–	–	(3,872)	(3,872)
Total transactions with owners	1	453	313	(3,280)	(2,513)
Balance at 30 June 2015	**136**	**35,600**	**5,101**	**33,327**	**74,164**

The accompanying notes on pages 28 to 60 form an integral part of the consolidated financial statements.

Consolidated statement of cash flows

for the year ended 30 June 2015

	Note	2015 £'000	2014 £'000
Cash flow from operating activities			
Cash generated from operations	26	**20,094**	13,671
Taxation paid		**(1,756)**	(2,318)
Net cash generated from operating activities		**18,338**	11,353
Cash flows from investing activities			
Purchase of property, plant and equipment	15	**(1,558)**	(1,342)
Purchase of intangible assets	14	**(1,879)**	(552)
Purchase of available for sale financial assets	16	**(250)**	(750)
Acquisition of subsidiary companies, net of cash acquired	13	**37**	(3,340)
Deferred consideration paid	22	**(9,218)**	(1,866)
Interest received	9	**86**	119
Purchase of financial assets at fair value through profit or loss	20	**(40)**	(478)
Proceeds of sale of financial assets at fair value through profit or loss	20	**263**	–
Investment in joint venture	17	**(400)**	(360)
Net cash used in investing activities		**(12,959)**	(8,569)
Cash flows from financing activities			
Proceeds of issue of shares	27	**454**	584
Purchase of own shares by employee benefit trust	28	**(742)**	(732)
Dividends paid to shareholders	12	**(3,873)**	(3,020)
Net cash used in financing activities		**(4,161)**	(3,168)
Net increase / (decrease) in cash and cash equivalents		**1,218**	(384)
Cash and cash equivalents at beginning of year		**18,056**	18,440
Cash and cash equivalents at end of year	21	**19,274**	18,056

The accompanying notes on pages 28 to 60 form an integral part of the consolidated financial statements.

Notes to the consolidated financial statements

for the year ended 30 June 2015

1. General information

Brooks Macdonald Group plc ('the Company') is the parent company of a group of companies ('the Group'), which offers a range of investment management services and related professional advice to private high net worth individuals, charities and trusts. The Group also provides financial planning as well as offshore fund management and administration services and acts as fund manager to regulated OEICs, providing specialist funds in the property and structured return sectors and managing property assets on behalf of these funds and other clients.

The Company is a public limited company, incorporated and domiciled in the United Kingdom under the Companies Act 2006 and listed on AIM. The address of its registered office is 72 Welbeck Street, London, W1G 0AY.

2. Principal accounting policies

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

a) Basis of preparation

The Group's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRS IC) interpretations, as adopted by the European Union and the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared on the historical cost basis, except for the revaluation of available for sale financial assets such that they are measured at their fair value.

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

b) Basis of consolidation

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

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

The Group has disclosed all of its subsidiary undertakings in note 41 in the parent company's financial statements.

c) Changes in accounting policies

The Group's accounting policies applied to these financial statements are consistent with those disclosed within the financial statements for the year ended 30 June 2014.

New accounting standards, amendments and interpretations adopted in the year

In the year ended 30 June 2015 the Group did not adopt any new standards or amendments issued by the IASB or interpretations issued by the IFRS Interpretations Committee (IFRS IC) that have had a material impact on the consolidated financial statements.

Other new standards, amendments and interpretations adopted, that have not had a material impact on the amounts reported in these financial statements but may impact the accounting for future transactions and arrangements, were:

Standard, amendment or interpretation	Effective date
Consolidation of investment entities (amendments to IFRS 10, 12 and IAS 27)	1 January 2014
Recoverable amount disclosures for non-financial assets (amendments to IAS 36)	1 January 2014
Offsetting financial assets and financial liabilities (amendments to IAS 32)	1 January 2014
IFRIC 21 'Levies'	17 June 2014
Contributions to defined benefit plans (amendments to IAS 19)	1 July 2014
IFRS3 clarifications relating to business combinations	1 July 2014
IFRS 13 amendment of the treatment of short term receivables and payables	1 July 2014

Notes to the consolidated financial statements

for the year ended 30 June 2015 | *continued*

2. Principal accounting policies *continued*

c) Changes in accounting policies *continued*

New accounting standards, amendments and interpretations not yet adopted

A number of new standards, amendments and interpretations, which have not been applied in preparing these financial statements, have been issued and are effective for annual and interim periods beginning after 1 July 2015:

Standard, amendment or interpretation	Effective date
Revenue from Contracts with Customers (IFRS15)	1 January 2017
Financial Instruments (amendments to IFRS 9)	1 January 2018
IFRS 11 amendments for accounting for acquisitions of interests in joint operations	1 January 2016
IAS16 and IAS38 clarification of acceptable methods of depreciation and amortisation	1 January 2016

These changes are currently being assessed but none are expected to have a significant impact on the Group's future consolidated financial statements.

d) Critical accounting estimates and judgements

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

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

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

Intangible assets

The Group has acquired client relationships and the associated investment management contracts as part of business combinations (as described in note 13), through separate purchase and purchased with newly employed teams of fund managers (as described in note 14). In assessing the fair value of these assets the Group has estimated their finite life based on information about the typical length of existing client relationships. Contracts acquired with fund managers and acquired client relationship contracts are amortised on a straight line basis over their estimated useful lives, ranging from 5 to 20 years.

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

Deferred consideration

As described in note 22, the Group has a deferred consideration balance in respect of the acquisition of JPAM Limited in July 2012; DPZ in April 2014; and Levitas Investment Management Services Limited in July 2015. Deferred consideration is recognised at its fair value, being an estimate of the amount that will ultimately be payable in future periods. This has been calculated allowing for estimated growth in the acquired funds, discounted by the estimated cost of capital. The Group considers that reasonably possible changes to these assumptions would not result in a material change in the fair value of the deferred consideration.

Notes to the consolidated financial statements

for the year ended 30 June 2015 | *continued*

2. Principal accounting policies *continued*

d) Critical accounting estimates and judgements *continued*

Share-based payments

The Group operates various share-based payment schemes in respect of services received from certain employees. Estimating the fair value of these share-based payments requires the Group to apply an appropriate valuation model and determine the inputs to that model (notes 24 and 29). The charge to the Consolidated Statement of Comprehensive Income in respect of share-based payments is calculated using assumptions about the number of eligible employees that will leave the Group and the number of employees that will satisfy the relevant performance conditions. These estimates are reviewed regularly.

Provisions

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

e) Exceptional items

Exceptional items are disclosed and described separately in the financial statements where it is necessary to do so to provide further understanding of the underlying financial performance of the Group. These include material items of income or expense that are shown separately due to the significance of their nature or amount.

f) Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured at the fair value of the aggregate amount of the consideration transferred at the acquisition date, irrespective of the extent of any minority interest. Acquisition costs are charged to the Consolidated Statement of Comprehensive Income in the year of acquisition.

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

Any contingent consideration to be paid by the Group to the vendor is recognised at its fair value at the acquisition date. Subsequent changes to the fair value of contingent consideration are recognised in accordance with IAS 39 in the Consolidated Statement of Comprehensive Income.

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

Impairment

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

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

g) Fees, commissions and interest

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

Notes to the consolidated financial statements

for the year ended 30 June 2015 | *continued*

2. Principal accounting policies *continued*

g) Fees, commissions and interest *continued*

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

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

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

Interest receivable is recognised on an accruals basis.

h) Cash and cash equivalents

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

i) Share-based payments

Equity-settled schemes

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

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

Cash settled schemes

The Group engages in cash settled share-based payment transactions in respect of services received from certain employees. On the grant date, the liability is measured at its fair value. The liability is subsequently re-measured at the end of each reporting period and on the date of settlement, with any changes in fair value recognised in the Consolidated Statement of Comprehensive Income. The cost of the services received from employees in respect of this scheme is recognised in the Consolidated Statement of Comprehensive Income with a corresponding credit to accruals.

j) Segmental reporting

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

k) Fiduciary activities

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

The Group holds money on behalf of some clients in accordance with the client money rules of the Financial Conduct Authority. Such monies and the corresponding liability to clients are not included within the Consolidated Statement of Financial Position as the Group is not beneficially entitled thereto.

Notes to the consolidated financial statements

for the year ended 30 June 2015 | *continued*

2. Principal accounting policies *continued*

l) Property, plant and equipment

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

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

Fixtures and fittings	3 to 6.67 years
Equipment	5 years
Leasehold improvements	over the term of the lease
Motor vehicles	4 years

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

m) Intangible assets

Amortisation of intangible assets is charged to administrative expenses in the Consolidated Statement of Comprehensive Income on a straight line basis over the estimated useful lives of the assets (4 to 20 years).

Acquired client relationship contracts and contracts acquired with fund managers

Intangible assets are recognised where client relationship contracts are either separately acquired or acquired with investment managers who are employed by the Group. These are initially recognised at cost and are subsequently amortised on a straight line basis over their estimated useful economic life. Separately acquired client relationship contracts are amortised over 15 to 20 years and those acquired with investment managers over 5 years. Both types of intangible asset are reviewed annually to determine whether there exists an indicator of impairment or an indicator that the assumed useful economic life has changed.

Computer software

Computer software costs are amortised on a straight line basis over an estimated useful life of four years.

Goodwill

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

n) Investments in joint ventures

A joint venture is an entity in which the Group holds a long-term interest and is jointly controlled by the Group and one or more third parties under a contractual agreement. Under the equity method of accounting, interests in joint ventures are initially recognised at cost in the Consolidated Statement of Financial Position and subsequently adjusted to reflect changes in the Group's share of the net assets of the entities. The Group's share of the results of joint ventures is included in the Consolidated Statement of Comprehensive Income.

If the Group's share of the losses of a joint venture equals or exceeds its investment, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture.

Notes to the consolidated financial statements

for the year ended 30 June 2015 | *continued*

2. Principal accounting policies *continued*

o) Financial investments

The Group classifies financial assets in the following categories: fair value through profit or loss; available for sale; loans and receivables; and held-to-maturity. The classification is determined by management on initial recognition of the financial asset, which depends on the purpose for which it was acquired.

Fair value through profit or loss

Financial instruments are classified as fair value through profit or loss if they are either held for trading or specifically designated in this category on initial recognition. Assets in this category are initially recognised at fair value and subsequently re-measured, with gains or losses arising from changes in fair value being recognised in the Consolidated Statement of Comprehensive Income.

Available for sale

Available for sale financial assets are non-derivatives that are either specifically designated in this category or are not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period. Available for sale financial assets are initially recognised at fair value and are subsequently revalued based on the current bid prices of the assets as quoted in active markets. Changes in fair value are recognised directly in equity, through the Consolidated Statement of Changes in Equity, with the exception of impairment losses which are recognised in the Consolidated Statement of Comprehensive Income. The cumulative gain or loss recognised in equity is recycled to the Consolidated Statement of Comprehensive Income when an available for sale financial asset is derecognised or impaired.

Loans and receivables

Loans and receivables are non-derivative assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets except where they have maturities of more than 12 months after the end of the reporting period, in which case they are classified as non-current assets. The Group's loans and receivables are recognised within 'trade and other receivables'.

Held-to-maturity

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinate payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. Held-to-maturity financial assets are measured at amortised cost.

p) Provisions

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

Client compensation

Complaints are assessed on a case-by-case basis and provisions for compensation are made where it is judged necessary.

q) Foreign currency translation

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

r) Retirement benefit costs

Contributions in respect of the Group's defined contribution pension scheme are charged to the Consolidated Statement of Comprehensive Income as they fall due.

s) Taxation

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

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

Notes to the consolidated financial statements

for the year ended 30 June 2015 | *continued*

2. Principal accounting policies *continued*

s) Taxation *continued*

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

t) Trade receivables

Trade receivables are initially recognised and subsequently measured at the original invoice amount less an allowance for any amounts that are expected to be uncollectable. Doubtful debts are provided for when the collection of the full amount is no longer probable, whilst bad debts are immediately written off when identified.

u) Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. These are classified as current liabilities if payment is due within 12 months or less (or in the normal operating cycle of the business if longer). Otherwise, they are presented as non-current liabilities in the Consolidated Statement of Financial Position.

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

v) Operating lease payments

Rent payments due under operating leases are charged to the Consolidated Statement of Comprehensive Income on a straight line basis over the term of the lease. Where leases include lease incentives such as rent-free periods, the benefit of these incentives is recognised over the lease term as a reduction in the rental expense.

w) Financial instruments

The Group classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement. Financial instruments are recognised in the Consolidated Statement of Financial Position at fair value when the Group becomes a party to the contractual provisions of the instrument.

x) Carried interest receivable

The Group earns a performance fee, carried interest receivable, on some of the funds it manages on behalf of its investors. Carried interest receivable is recognised where, at the reporting date, the performance criteria have been met based on the valuations of the funds. Carried interest that has been earned but is not yet due for payment is discounted to its present value. This is included within current liabilities in the Consolidated Statement of Financial Position.

y) Employee Benefit Trust ('EBT')

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

The EBT is considered to be a Structured Entity, as defined in note 36. In substance, the activities of the trust are being conducted on behalf of the Group according to its specific business needs, in order to obtain benefits from its operation. On this basis, the assets held by the trust are consolidated into the Group's financial statements.

z) Share capital

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

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

Notes to the consolidated financial statements

for the year ended 30 June 2015 | *continued*

2. Principal accounting policies *continued*

aa) Dividend distribution

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

3. Segmental information

For management purposes the Group's activities are organised into four operating divisions: investment management, financial planning, fund and property management and the Channel Islands. The Group's other activity, offering nominee and custody services to clients, is included within investment management. These divisions are the basis on which the Group reports its primary segmental information. In accordance with IFRS 8 'Operating Segments', disclosures are required to reflect the information which the Board uses internally for evaluating the performance of its operating segments and allocating resources to those segments. The information presented in this note follows the presentation for internal reporting to the Group Board of Directors.

Revenues and expenses are allocated to the business segment that originated the transaction. Revenues and expenses that are not directly originated by a particular business segment are reported as unallocated. Sales between segments are carried out at arm's length. Centrally incurred expenses are allocated to business segments on an appropriate pro-rata basis. Segmental assets and liabilities comprise operating assets and liabilities, those being the majority of the balance sheet.

Year ended 30 June 2015	**Investment management £'000**	**Financial planning £'000**	**Fund and property management £'000**	**Channel Islands £'000**	**Total £'000**
Total segment revenues	54,464	4,191	6,044	13,200	77,899
Inter segment revenues	(101)	(69)	(43)	–	(213)
External revenues	54,363	4,122	6,001	13,200	77,686
Segment result	15,774	(68)	(564)	1,315	16,457
Unallocated items					(5,037)
Profit before tax					11,420
Taxation					2,269
Profit for the year					**9,151**

Year ended 30 June 2014	Investment management £'000	Financial planning £'000	Fund and property management £'000	Channel Islands £'000	Total £'000
Total segment revenues	48,988	4,034	5,061	11,556	69,639
Inter segment revenues	(156)	(223)	(127)	–	(506)
External revenues	48,832	3,811	4,934	11,556	69,133
Segment result	12,324	(109)	(102)	2,376	14,489
Unallocated items					(3,921)
Profit before tax					10,568
Taxation					(1,512)
Profit for the year					**9,056**

Notes to the consolidated financial statements

for the year ended 30 June 2015 | *continued*

3. Segmental information *continued*

a) Geographic analysis

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

	2015 £'000	2014 £'000
United Kingdom	**64,486**	57,577
Channel Islands	**13,200**	11,556
Total operating income	**77,686**	69,133

b) Major clients

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

4. Revenue

	2015 £'000	2014 £'000
Fee income	**66,443**	59,197
Financial services commission	**235**	291
Advisory and other income	**11,008**	9,645
Total revenue	**77,686**	69,133

5. Realised gain on investment

During the year, the Group realised a gain of £540,000 on disposal of its investment in Sancus Holdings Limited ('SHL') (note 16).

6. Other gains and losses

Other gains and losses represent the net changes in the fair value of the Group's financial instruments recognised in the Consolidated Statement of Comprehensive Income.

	2015 £'000	2014 £'000
Impairment of available for sale financial assets (note 16)	**(718)**	–
Loss from changes in fair value of financial assets at fair value through profit or loss (note 20)	**(252)**	–
Gain from changes in fair value of deferred consideration (note 22)	**216**	–
Other gains and losses	**(754)**	–

Notes to the consolidated financial statements

for the year ended 30 June 2015 | *continued*

7. Operating profit

Operating profit is stated after charging:

	2015 £'000	2014 £'000
Staff costs (note 8)	**38,558**	33,872
Acquisition costs (see below)	**120**	187
Auditors' remuneration (see below)	**280**	220
Financial Services Compensation Scheme Levy (see below)	**510**	351
Depreciation (note 15)	**990**	981
Amortisation (note 14)	**2,708**	2,212

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

	2015 £'000	2014 £'000
Fees payable to the Company's auditor for the audit of the consolidated group and parent company financial statements	**61**	37
Fees payable to the Company's auditor and its associates for other services:		
– Audit of the Company's subsidiaries pursuant to legislation	**185**	145
– Audit-related assurance services	**34**	29
– Other advisory services	**–**	9
Total auditors' remuneration	**280**	220

Acquisition costs

Administrative costs for the year ended 30 June 2015 include £120,000 (2014: £187,000) of directly attributable business acquisition costs in relation to the exercise of the Group's option to purchase Levitas Investment Management Services Limited (note 13).

Financial Services Compensation Scheme levies

Administrative costs for the year ended 30 June 2015 include a charge of £510,000 (2014: £351,000) in respect of the Financial Services Compensation Scheme ('FSCS') levy. This includes the Group's levy for the 2015/16 scheme year of £502,000.

Notes to the consolidated financial statements

for the year ended 30 June 2015 | *continued*

8. Employee information

a) Staff costs

	2015 £'000	2014 £'000
Wages and salaries	**32,670**	28,867
Social security costs	**3,129**	2,863
Other pension costs	**1,331**	1,012
Share-based payments	**1,428**	1,130
Total staff costs	**38,558**	33,872

Pension costs relate entirely to a defined contribution scheme.

b) Number of employees

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

	2015	2014
Professional staff	**183**	169
Administrative staff	**284**	253
Total staff	**467**	422

c) Key management compensation

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

	2015 £'000	2014 £'000
Short-term employee benefits	**2,434**	2,242
Post-employment benefits	**25**	60
Share-based payments	**346**	398
Total compensation	**2,805**	2,700

Notes to the consolidated financial statements

for the year ended 30 June 2015 | *continued*

8. Employee information *continued*

d) Directors' emoluments

Further details of directors' emoluments are included within the Remuneration Committee Report on pages 11 to 17.

	2015 £'000	2014 £'000
Salaries and bonuses	**2,209**	2,075
Non-executive directors' fees	**208**	151
Benefits in kind	**17**	16
	2,434	2,242
Pension contributions	**25**	60
Amounts receivable under long term incentive schemes	**378**	240
Total directors' remuneration	**2,837**	2,542

The aggregate amount of gains made by directors on the exercise of share options during the year was £913,000 (2014: £458,000). Retirement benefits are accruing to one directors (2014: three) under a defined contribution pension scheme.

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

	2015 £'000	2014 £'000
Remuneration and benefits in kind	**528**	506
Amounts receivable under long term incentive schemes	**68**	64
Total remuneration	**596**	570

The amount of gains made by the highest paid director on the exercise of share options during the year was £90,000 (2014: £6,000).

9. Finance income and finance costs

	2015 £'000	2014 £'000
Finance income		
Bank interest on deposits	**86**	109
Tax repayment supplement	**–**	10
Total finance income	**86**	119
Finance costs		
Bank interest paid	**3**	–
Finance cost of deferred consideration	**760**	349
Total finance costs	**763**	349

Notes to the consolidated financial statements

for the year ended 30 June 2015 | *continued*

10. Taxation

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

	2015 £'000	2014 £'000
UK Corporation Tax at 20.75% (2014: 22.5%)	**2,776**	2,477
Over provision in prior years	**(231)**	(17)
Total current tax	**2,545**	2,460
Deferred tax credits	**(276)**	(473)
Effect of change in tax rate on deferred tax	**–**	(475)
Income tax expense	**2,269**	1,512

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

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the time apportioned tax rate applicable to profits of the consolidated entities in the UK as follows:

	2015 £'000	2014 £'000
Profit on ordinary activities before tax	**11,420**	10,568
Profit on ordinary activities multiplied by the standard rate of tax in the UK of 20.75% (2014: 22.5%)	**2,370**	2,378
Tax effect of:		
– Lower tax rates in other countries in which the Group operates	**(255)**	(618)
– Disallowable expenses	**385**	77
– Non-taxable income	**–**	(1)
– Tax losses unutilised on which no deferred tax is provided	**–**	168
– Change in rate of Corporation Tax applicable to deferred tax	**–**	(475)
– Over provision in prior years	**(231)**	(17)
Tax charge for the year	**2,269**	1,512

The deferred tax credits totalling £276,000 (2014: £473,000) represent a charge of £28,000 (2014: £122,000 credit) arising from the share option reserve at the balance sheet date, a charge of £117,000 (2014: £10,000 credit) relating to accelerated capital allowances and a credit of £421,000 (2014: £341,000) arising from the amortisation of acquired client relationship contracts.

On 1 April 2015, the standard rate of Corporation Tax in the UK was reduced from 21% to 20%. As a result the effective rate of Corporation Tax applied to the taxable profit for the year ended 30 June 2015 is 20.75% (2014: 22.5%).

In addition to the change in the rate of UK Corporation Tax disclosed above, the Finance Bill 2015 (which has yet to be substantively enacted) will further reduce the main rate of UK Corporation Tax to 19% in 2017 and 18% in 2020. Deferred tax assets and liabilities are calculated at the rate that is expected to be in force when the temporary differences unwind, but limited to the extent that such rates have been substantively enacted.

Notes to the consolidated financial statements

for the year ended 30 June 2015 | *continued*

10. Taxation *continued*

Consequently the tax rate used to determine the deferred tax assets and liabilities remains at 20% (2014: 20%) and will be reviewed when the aforementioned legislation has passed through Parliament.

The tax charge relating to components of other comprehensive income is as follows:

	2015 £'000	2014 £'000
Revaluation of available for sale financial assets	**–**	(150)
Tax credit on revaluation of available for sale financial assets	**–**	19
Total other comprehensive income	**–**	(131)

11. Earnings per share

The directors believe that underlying earnings per share provide a truer reflection of the Group's performance in the year. Underlying earnings per share are calculated based on 'underlying earnings', which is defined as earnings before acquisition costs, finance costs and changes in the fair value of deferred consideration and amortisation of intangible non-current assets. The tax effect of these adjustments has also been considered.

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

	2015 £'000	2014 £'000
Earnings attributable to ordinary shareholders	**9,151**	9,056
Acquisition costs (note 7)	**120**	187
Finance cost of deferred consideration (note 9)	**760**	349
Changes in fair value of deferred consideration	**70**	–
Amortisation (note 14)	**2,708**	2,212
Tax impact of adjustments	**(571)**	(486)
Underlying earnings attributable to ordinary shareholders	**12,238**	11,318

Basic earnings per share is calculated by dividing earnings attributable to ordinary shareholders by the weighted average number of shares in issue throughout the year. Diluted earnings per share represents the basic earnings per share adjusted for the effect of dilutive potential shares issuable on exercise of employee share options under the Group's share-based payment schemes, weighted for the relevant period.

The weighted average number of shares in issue during the year was as follows:

	2015 Number of shares	2014 Number of shares
Weighted average number of shares in issue	**13,399,031**	13,123,634
Effect of dilutive potential shares issuable on exercise of employee share options	**30,996**	64,289
Diluted weighted average number of shares in issue	**13,430,027**	13,187,923

Notes to the consolidated financial statements

for the year ended 30 June 2015 | *continued*

11. Earnings per share *continued*

Earnings per share for the year attributable to equity holders of the Company were:

	2015 (p)	2014 (p)
Based on reported earnings:		
Basic earnings per share	**68.30**	69.01
Diluted earnings per share	**68.14**	68.67
Based on underlying earnings:		
Basic earnings per share	**91.33**	86.24
Diluted earnings per share	**91.12**	85.82

12. Dividends

Amounts recognised as distributions to equity holders of the Company in the year were as follows:

	2015 £'000	2014 £'000
Final dividend paid for the year ended 30 June 2014 of 19.0p (2014: 16.0p) per share	**2,535**	2,102
Interim dividend paid for the year ended 30 June 2015 of 10.0p (2014: 7.0p) per share	**1,338**	918
Total dividends	**3,873**	3,020
Final dividend proposed for the year ended 30 June 2015 of 20.5p (2014: 19.0p) per share	**2,757**	2,535

The interim dividend of 10.0p (2014: 7.0p) per share was paid on 21 April 2015.

A final dividend for the year ended 30 June 2015 of 20.5p (2014: 19.0p) per share was declared by the Board of Directors on 16 September 2015 and is subject to approval by the shareholders at the Company's annual general meeting. It will be paid on 28 October 2015 to shareholders who are on the register at the close of business on 25 September 2015. In accordance with IAS 10 'Events After the Reporting Period', this dividend has not been included as a liability in these financial statements.

13. Business combinations

On 31 July 2014, the Group exercised its option to acquire the entire share capital of Levitas Investment Management Services Limited ('Levitas'). Levitas is the sponsor of two funds known as TM Levitas A and TM Levitas B, to which Brooks Macdonald Asset Management Limited acts as the investment adviser. The funds were launched in July 2012 and aggregate assets under management on exercise of the option were £89m. The Levitas investment proposition uses a blend of the two funds to match investments to a client's specific risk rating, thus simplifying the investment and rebalancing processes while keeping down costs.

The consideration payable by the Group is dependent on the future assets under management in the Levitas funds, calculated at agreed milestones up to 1 November 2018 and payable in a series of instalments, with the final payment date being on or around 8 November 2020. Under the terms of the option agreement, the maximum consideration payable will be £24,000,000. The fair value of the liability at the acquisition date was measured at £11,264,000, based on the Levitas business plan and forecasts. This included an initial payment of £724,000, which was made to the vendors following the exercise of the option.

Notes to the consolidated financial statements

for the year ended 30 June 2015 | *continued*

13. Business combinations *continued*

Directly attributable acquisition costs of £120,000 were incurred during the year as a result of the acquisition and have been charged to the Consolidated Statement of Comprehensive Income.

Goodwill of £11,213,000 was recognised on acquisition in respect of the expected future growth of the Levitas funds and the resulting economic benefit to the Group in the form of sponsorship income earned by Levitas.

The fair values of the assets acquired are the gross contractual amounts and all are considered to be fully recoverable. The fair value of the identifiable assets and liabilities acquired, at the date of acquisition, are detailed in (a) below. The value of finite lived intangible assets is considered immaterial.

In the financial year ended 30 June 2014, the Group acquired the entire share capital of DPZ Capital Limited ('DPZ'). Details of the acquisition are disclosed in note 9 of the 2014 Annual Report and Accounts. There have been no adjustments to the goodwill recognised in relation to the acquisition of DPZ.

a) Net assets acquired through business combinations

	£'000
Trade and other receivables	37
Cash and cash equivalents	37
Other current liabilities	(23)
Total net assets recognised by acquired company	**51**
Net identifiable assets	51
Goodwill	11,213
Total purchase consideration	**11,264**

b) Results from date of acquisition

	Revenues from external customers £'000	Profit for the year £'000
Levitas Investment Management Services Limited	382	118

Had Levitas Investment Management Services Limited been consolidated from 1 July 2014, the Consolidated Statement of Comprehensive Income would show pro-forma revenue of £77,778,000 and post-tax profit for the year of £9,182,000.

c) Net cash outflow resulting from business combinations

	£'000
Total purchase consideration (note 13a)	11,264
Less: deferred cash consideration	(10,540)
Cash paid to acquire subsidiary	724
Less: cash held by subsidiary acquired	(37)
Cash paid to acquire subsidiary net of cash acquired	**687**

Notes to the consolidated financial statements

for the year ended 30 June 2015 | *continued*

14. Intangible assets

	Goodwill £'000	Computer software £'000	Acquired client relationship contracts £'000	Contracts acquired with fund managers £'000	Total £'000
Cost					
At 1 July 2013	20,758	333	24,872	2,574	48,537
Additions	4,035	78	7,875	474	12,462
Disposals	–	–	–	–	–
At 30 June 2014	24,793	411	32,747	3,048	60,999
Additions	–	1,405	–	474	1,879
Additions on acquisition of subsidiaries at fair value	11,213	–	–	–	11,213
At 30 June 2015	**36,006**	**1,816**	**32,747**	**3,522**	**74,091**
Accumulated amortisation					
At 1 July 2013	–	159	2,013	1,741	3,913
Amortisation charge	–	110	1,758	344	2,212
At 30 June 2014	–	269	3,771	2,085	6,125
Amortisation charge	–	129	2,167	412	2,708
At 30 June 2015	**–**	**398**	**5,938**	**2,497**	**8,833**
Net book value					
At 1 July 2013	20,758	174	22,859	833	44,624
At 30 June 2014	24,793	142	28,976	963	54,874
At 30 June 2015	**36,006**	**1,418**	**26,809**	**1,025**	**65,258**

a) Goodwill

Goodwill acquired in a business combination is allocated at acquisition to the cash generating units ('CGUs') that are expected to benefit from that business combination. The carrying amount of goodwill at 30 June 2015 comprises £3,550,000 in respect of the Braemar Group Limited ('Braemar') CGU, £21,243,000 in respect of the Brooks Macdonald Asset Management (International) Limited, Brooks Macdonald Retirement Services (International) Limited and DPZ (collectively 'Brooks Macdonald International') CGU and £11,213,000 in respect of the Levitas Investment Management Services Limited ('Levitas') CGU.

Goodwill is reviewed annually for impairment and its recoverability has been assessed at 30 June 2015 by comparing the carrying amount of the CGUs to their expected recoverable amount, estimated on a value-in-use basis. The value-in-use of each CGU has been calculated using pre-tax discounted cash flow projections based on the most recent budgets approved by the relevant subsidiary boards of directors, covering a period of up to five years. Cash flows are then extrapolated beyond the forecast period using an expected long-term growth rate.

Notes to the consolidated financial statements

for the year ended 30 June 2015 | *continued*

14. Intangible assets *continued*

a) Goodwill *continued*

Based on the value-in-use calculation, at 30 June 2015 the calculated recoverable amount of the Brooks Macdonald International CGU was £35,120,000, indicating that there is no impairment. The key underlying assumptions of the calculation are the discount rate, the short-term growth in earnings and the long-term growth rate of the business. A pre-tax discount rate of 9.25% has been used, based on the Group's assessment of the risk-free rate of interest and specific risks relating to Brooks Macdonald International. Annual earnings growth rates of between 13% and 32% are forecast over the next five financial years, the period covered by the most recent forecasts, which reflect historic actual growth and planned management actions and are considered to be achievable given current market and industry trends. The 2% long-term growth rate applied is considered prudent in the context of the long-term average growth rate for the funds, investment management and financial planning industries in which the CGU operates.

In relation to the Levitas CGU, based on the value-in-use calculation the calculated recoverable amount at 30 June 2015 was £22,195,000, indicating that there is no impairment. The key underlying assumptions of the calculation are the discount rate, the growth in funds under management of the Levitas funds and the long-term growth rate of the business. A pre-tax discount rate of 9.25% has been used, based on the Group's assessment of the risk-free rate of interest and specific risks relating to Levitas. Annual funds under management growth rates of between 16% and 91% are forecast in the next five financial years, the period covered by the most recent forecasts, which reflect historic actual growth and planned management activities and are considered to be achievable given current market and industry trends. The 2% long-term growth rate applied is considered prudent in the context of the long-term average growth rate for the funds industry in which the CGU operates.

The key assumptions inherent in the value-in-use calculations for the Braemar CGU were similarly a pre-tax discount rate of 9.25%, annual revenue growth rates ranging from 13% to 28% and a long-term growth rate of 2%.

Significant headroom exists in the calculations of the respective recoverable amounts of these CGUs over the carrying amounts of the goodwill allocated to them. On this basis, the directors have concluded that there is no impairment. The directors consider that no reasonably foreseeable change in any of the key assumptions would result in an impairment of goodwill, given the margin by which the estimated recoverable amounts of the CGUs exceed the carrying amounts of the goodwill allocated to each.

b) Computer software

Software costs are amortised over an estimated useful life of four years on a straight line basis.

c) Acquired client relationship contracts

This asset represents the fair value of future benefits accruing to the Group from acquired client relationship contracts. The amortisation of client relationships is charged to the Consolidated Statement of Comprehensive Income on a straight line basis over their estimated useful lives (15 to 20 years).

During the year ended 30 June 2015, the Group acquired client relationship contracts of £nil (2014: £7,875,000) as part of business combinations (note 13), which were recognised as separately identifiable intangible assets in the Consolidated Statement of Financial Position.

d) Contracts acquired with fund managers

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

Notes to the consolidated financial statements

for the year ended 30 June 2015 | *continued*

15. Property, plant and equipment

	Motor vehicles £'000	Fixtures and fittings £'000	Equipment and leasehold improvements £'000	Total £'000
Cost				
At 1 July 2013	35	1,622	4,748	6,405
Additions	–	276	1,066	1,342
Additions on acquisition of subsidiaries	–	189	–	189
At 30 June 2014	35	2,087	5,814	7,936
Additions	25	69	1,528	1,622
Disposals	–	(64)	–	(64)
At 30 June 2015	**60**	**2,092**	**7,342**	**9,494**
Accumulated depreciation				
At 1 July 2013	4	668	3,312	3,984
Depreciation charge	9	291	681	981
At 30 June 2014	13	959	3,993	4,965
Depreciation charge	15	307	668	990
At 30 June 2015	**28**	**1,266**	**4,661**	**5,955**
Net book value				
At 1 July 2013	31	954	1,436	2,421
At 30 June 2014	22	1,128	1,821	2,971
At 30 June 2015	**32**	**826**	**2,681**	**3,539**

16. Available for sale financial assets

	2015 £'000	2014 £'000
At beginning of year	**2,182**	1,582
Additions	**250**	750
Disposals	**(250)**	–
Loss from changes in fair value	**–**	(150)
Accumulated loss on revaluation reserve recycled	**68**	–
Impairment loss	**(718)**	–
At end of year	**1,532**	2,182

The Group holds investments of 1,426,793.64 class B ordinary shares, representing an interest of 10.88% in Braemar Group PCC Limited Student Accommodation Cell ('Student Accommodation fund') and 750,000 zero dividend preference shares in GLI Finance Limited ('GLIF'), an AIM-listed company incorporated in the Channel Islands.

Notes to the consolidated financial statements

for the year ended 30 June 2015 | *continued*

16. Available for sale financial assets *continued*

The Student Accommodation fund is promoted by Brooks Macdonald Funds Limited, a subsidiary of the Group. Although trading is currently suspended on this fund, the fund manager continues to publish a price based on the fair value of the underlying assets of the fund. At 30 June 2015, based on the most recent valuation, the fair value of the investment was £782,000 (2014: £1,432,000). An impairment loss of £718,000 was recognised on this investment in the Consolidated Statement of Comprehensive Income during the year, reflecting the perceived permanent diminution of value of the underlying assets of the fund. This included the recycling of the accumulated loss on the revaluation reserve of £68,000 as at 30 June 2014 and an additional £650,000 loss from changes in fair value in the current year. In the year ended 30 June 2014, a revaluation loss of £150,000 was recognised in other comprehensive income in the Consolidated Statement of Comprehensive Income.

At 1 July 2014, the Group had an investment of £250,000 in the ordinary shares of SHL, an unlisted company incorporated in the Channel Islands. In December 2014 SHL sold its subsidiary company, Sancus Limited, to GLIF for consideration of £17.75m, settled through the issue of new ordinary GLIF shares. SHL subsequently sold its shareholding in GLIF and distributed the proceeds to its ordinary shareholders, prior to being voluntarily liquidated. Through this transaction, the Group realised a gain of £540,000 on its original investment of £250,000 in SHL ordinary shares, which is recognised as a realised gain on investment in the Consolidated Statement of Comprehensive Income.

Prior to the sale of Sancus Limited, the Group made an additional investment of £250,000 in SHL zero dividend preference shares increasing the Group's total investment to £750,000. As part of the transaction, the Group's entire holding of SHL zero dividend preference shares was exchanged for newly issued £1 GLIF zero dividend preference shares. In the opinion of the directors, the market value of the GLIF zero dividend preference shares at 30 June 2015 remains £750,000 as the conditions attached to these shares are similar to those of the equivalent SHL zero dividend preference shares for which they were exchanged.

The table below provides an analysis of the financial instruments that, subsequent to initial recognition, are measured at fair value. These are grouped into the following levels within the fair value hierarchy, based on the degree to which the inputs used to determine the fair value are observable:

- Level 1 – derived from quoted prices in active markets for identical assets or liabilities at the measurement date;
- Level 2 – derived from inputs other than quoted prices included within level 1 that are observable, either directly or indirectly; and
- Level 3 – derived from inputs that are not based on observable market data.

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Braemar Group PCC Limited Student Accommodation Cell	–	782	–	782
Sancus Holdings Limited	–	–	–	–
GLI Finance Limited	–	–	750	750
Total	–	782	750	1,532

There were no movements between any of the levels during the year.

17. Investment in joint venture

In the year ended 30 June 2014, Brooks Macdonald Funds Limited, a Group company, entered into a new partnership, North Row Capital LLP, in which it holds a 60% interest and has joint control. The balance is owned by two individual partners who developed the investment approach behind the IFSL North Row Liquid Property Fund, which was launched in February 2014. The fund offers investors liquid exposure to global real estate markets by investing predominantly in property derivatives, as well as property equity and debt, to gain exposure to the direct property markets.

The establishment of the partnership and the fund required an initial investment of £135,000 by Brooks Macdonald Funds Limited and additional working capital of £400,000 (2014: £225,000) in the year ended 30 June 2015. The Group's share of the loss for the year reported by North Row Capital LLP was £4,000 (2014: £128,000 loss), which has been recognised in the Consolidated Statement of Comprehensive Income with a corresponding reduction in the investment in joint venture recognised in the Consolidated Statement of Financial Position.

Notes to the consolidated financial statements

for the year ended 30 June 2015 | *continued*

18. Deferred income tax

Deferred income tax assets are only recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. An analysis of the Group's deferred assets and deferred tax liabilities is shown below.

	2015 £'000	2014 £'000
Deferred tax assets		
Deferred tax assets to be settled after more than 12 months	**207**	204
Deferred tax assets to be settled within 12 months	**502**	605
Total deferred tax assets	**709**	809
Deferred tax liabilities		
Deferred tax liabilities to be settled after more than 12 months	**(4,694)**	(5,115)
Deferred tax liabilities to be settled within 12 months	**(119)**	(2)
Total deferred tax liabilities	**(4,813)**	(5,117)

The gross movement on the deferred income tax account during the year was as follows:

	2015 £'000	2014 £'000
At 1 July	**(4,308)**	(3,640)
Credit to the Statement of Comprehensive Income (note 10)	**276**	948
Credit recognised in other comprehensive income	**–**	19
Charge recognised in equity	**(72)**	(60)
Additions on acquisition of subsidiaries	**–**	(1,575)
At 30 June	**(4,104)**	(4,308)

The change in deferred income tax assets and liabilities during the year was as follows:

	Share-based payments £'000
Deferred tax assets	
At 1 July 2013	858
Credit to the Statement of Comprehensive Income	11
Charge to equity	(60)
At 30 June 2014	**809**
Charge to the Statement of Comprehensive Income	(28)
Charge to equity	(72)
At 30 June 2015	**709**

Notes to the consolidated financial statements

for the year ended 30 June 2015 | *continued*

18. Deferred income tax *continued*

The carrying amount of the deferred tax asset is reviewed at each reporting date and is only recognised to the extent that it is probable that future taxable profits of the Group will allow the asset to be recovered.

	Accelerated capital allowances £'000	Available for sale financial assets £'000	Intangible asset amortisation £'000	Total £'000
Deferred tax liabilities				
At 1 July 2013	12	19	4,467	4,498
Additions on acquisition of subsidiaries	–	–	1,575	1,575
Credit to the Statement of Comprehensive Income	(10)	-	(927)	(937)
Charge to other comprehensive income	–	(19)	–	(19)
At 30 June 2014	2	–	5,115	5,117
Additions on acquisition of subsidiaries	–	–		
Debit/(credit) to the Statement of Comprehensive Income	117	–	(421)	(304)
Charge to other comprehensive income	–		–	
At 30 June 2015	**119**	**–**	**4,694**	**4,813**

19. Trade and other receivables

	2015 £'000	2014 £'000
Trade receivables	**5,854**	9,653
Other receivables	**3,426**	1,299
Prepayments and accrued income	**12,122**	10,480
Total trade and other receivables	**21,402**	21,432

20. Financial assets at fair value through profit or loss

	2015 £'000	2014 £'000
At beginning of year	**478**	–
Additions	**40**	478
Disposals	**(263)**	–
Loss from change in fair value	**(252)**	–
At end of year	**3**	478

These investments are classified as Level 1 as defined in note 16.

21. Cash and cash equivalents

	2015 £'000	2014 £'000
Cash at bank	**19,240**	17,994
Cash held in employee benefit trust	**34**	62
Total cash and cash equivalents	**19,274**	18,056

Cash and cash equivalents are distributed across a range of financial institutions with high credit ratings in accordance with the Group's treasury policy. Cash at bank comprises current accounts and immediately accessible deposit accounts.

Notes to the consolidated financial statements

for the year ended 30 June 2015 | *continued*

22. Deferred consideration

Deferred consideration, which is also included within provisions in current liabilities to the extent that it is due to be paid within one year of the reporting date (note 25), relates to the directors' best estimate of amounts payable in the future in respect of certain client relationships and subsidiary undertakings that were acquired by the Group. Deferred consideration is measured at its fair value based on the discounted expected future cash flows. The movements in the deferred consideration balance during the year were as follows:

	2015 £'000	2014 £'000
At 1 July	**11,236**	7,927
Added on acquisitions during the year	**11,264**	4,826
Finance cost of deferred consideration	**760**	349
Fair value adjustments	**(216)**	–
Payments made during the year	**(9,218)**	(1,866)
At 30 June	**13,826**	11,236
Analysed as:		
Amounts falling due within one year	**4,384**	8,293
Amounts falling due after more than one year	**9,442**	2,943
Total deferred consideration	**13,826**	11,236

Deferred consideration of £11,264,000 (2014: £4,826,000) was recognised during the year (note 13), relating to the acquisition of Levitas Investment Management Services Limited. Payments of £9,218,000 (2014: £1,866,000) were made during the year, representing £1,010,000 to the vendors of JPAM Limited and £5,093,000 to vendors of Brooks Macdonald Asset Management (International) Limited and Brooks Macdonald Retirement Services (International) Limited, £2,391,000 to vendors of DPZ and £724,000 to vendors of Levitas Investment Management Services Limited.

Deferred consideration is classified as Level 3 as described in note 16.

Amounts falling due after more than one year from the reporting date are presented in non-current liabilities as shown below:

	2015 £'000	2014 £'000
At 1 July	**2,943**	5,804
Added on acquisitions during the year	**11,264**	2,435
Finance cost on acquisitions during the year	**482**	26
Transfer to current liabilities	**(5,247)**	(5,322)
At 30 June	**9,442**	2,943

The amount payable in respect of acquisitions during the year of £11,264,000 (2014: £2,435,000) is the deferred consideration relating to the acquisition of Levitas Investment Management Services Limited (note 13). An amount of £5,247,000 (2014: £5,322,000), representing the deferred consideration of £2,304,000 payable in respect of the acquisition of Levitas Investment Management Services Limited, £482,000 relating to the acquisition of JPAM Limited and £2,461,000 relating to the acquisition of DPZ, was transferred to provisions within current liabilities. A range of final outcomes for the expected total deferred consideration payable cannot be estimated as the future value of the funds under management is dependent on several unpredictable variables, including client retention and market movements.

23. Other non-current liabilities

Other non-current liabilities relate to employer's National Insurance contributions arising from share option awards under the LTIS scheme. An additional liability of £74,000 (2014: £82,000) was recognised during the year in respect of existing awards, granted in previous years, which are expected to vest in the future. During the year, an amount of £94,000 (2014: £92,000) was transferred to current liabilities, reflecting awards that will vest within the next 12 months.

Notes to the consolidated financial statements

for the year ended 30 June 2015 | *continued*

24. Trade and other payables

	2015 £'000	2014 £'000
Trade payables	**2,854**	2,134
Other taxes and social security	**2,580**	1,712
Other payables	**1,429**	1,319
Accruals and deferred income	**10,031**	10,013
Total trade and other payables	**16,894**	15,178

Included within accruals and deferred income in 2015 is an accrual of £282,000 in respect of employer's National Insurance contributions arising from share option awards under the LTIS (note 29b). In 2014 £310,000 was accrued which was also included in the Phantom Share Option Schemes granted in October 2008 and October 2009. The schemes are cash settled and payments are made to participants in respect of their awards by the Group's subsidiary undertakings. The options are awarded at no cost to the participants. The amount that is ultimately payable to participants of the scheme is equal to the increase in market value of the Company's ordinary shares over a three year vesting period. The award will vest after three years to the extent that the performance conditions are satisfied and will be forfeited in total if performance fails to meet the minimum criteria.

The options have been valued using a Black Scholes model based on the market price of the Company's shares at the grant date (note 29). The total charge to the Consolidated Statement of Comprehensive Income for the year for all Phantom Share Option Schemes and employer's National Insurance contributions arising from share option awards under the LTIS (note 29b) was £114,000 (2014: £150,000). No Phantom Share Options were outstanding at 30 June 2015 (at 30 June 2014: nil).

25. Provisions

	Client compensation £'000	Deferred consideration £'000	FSCS levy £'000	Total £'000
At 1 July 2013	420	2,123	240	2,783
Charge to the Statement of Comprehensive Income	233	–	351	584
Added on acquisitions during the year	–	2,367	–	2,367
Finance cost of deferred consideration	–	321	–	321
Transfer from non-current liabilities	–	5,348	–	5,348
Utilised during the year	(150)	(1,866)	(240)	(2,256)
At 30 June 2014	503	8,293	351	9,147
Charge to the Statement of Comprehensive Income	400	–	510	910
Added on acquisitions during the year	–	2,304	–	2,304
Finance cost of deferred consideration	–	278	–	278
Fair value adjustments	–	(216)	–	(216)
Transfer from non-current liabilities	–	2,943	–	2,943
Utilised during the year	(202)	(9,218)	(472)	(9,892)
At 30 June 2015	**701**	**4,384**	**389**	**5,474**

a) Client compensation

Client compensation provisions relate to the potential liability arising from client complaints against the Group. Complaints are assessed on a case by case basis and provisions for compensation are made where judged necessary.

b) Deferred consideration

Deferred consideration has been included within provisions as a current liability to the extent that it is due to be paid within one year of the reporting date.

Notes to the consolidated financial statements

for the year ended 30 June 2015 | *continued*

25. Provisions *continued*

b) Deferred consideration *continued*

Deferred consideration payable within one year of £2,304,000 (2014: £2,367,000) was recognised during the year. An amount of £2,943,000 (2014: £5,348,000) was transferred from non-current liabilities, representing a payment to the vendor of JPAM Limited and a payment of deferred consideration paid to vendors of DPZ Capital Limited. Provisions of £9,218,000 (2014: £1,866,000) were utilised during the year on payment of £1,010,000 to the vendors of JPAM Limited, £2,391,000 paid to the vendors of DPZ, £5,093,000 to vendors of Brooks Macdonald Asset Management (International) Limited and Brooks Macdonald Retirement Services (International) Limited and £724,000 paid to vendors of Levitas Investment Management Services Limited.

c) FSCS levy

Following confirmation by the FSCS in April 2015 of its final industry levy for 2015/16, the Group initially made a provision of £502,000 (2014: £351,000) for its estimated share. At 30 June 2015, an amount of £389,000 is included within provisions for this levy, £113,000 having been transferred to trade and other payables on receipt of invoices prior to the end of the year.

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

	2015 £'000	2014 £'000
Operating profit	**12,101**	10,926
Adjustments for:		
Depreciation of property, plant and equipment	**990**	981
Amortisation of intangible assets	**2,708**	2,212
Other gains and losses	**1,004**	–
Decrease / (increase) in receivables	**67**	(2,910)
Increase in payables	**1,693**	990
Increase in provisions	**236**	194
Decrease in non-current liabilities	**(20)**	(10)
Share-based payments	**1,315**	1,288
Net cash inflow from operating activities	**20,094**	13,671

In the year ended 30 June 2015, the Group obtained control of Levitas Investment Management Services Limited. The net cash outflow resulting from this business combination is presented in note 13c.

Notes to the consolidated financial statements

for the year ended 30 June 2015 | *continued*

27. Share capital and share premium account

The movements in share capital and share premium during the year were as follows:

	Number of shares	Exercise price (p)	Share capital £'000	Share premium account £'000	Total £'000
At 1 July 2013	13,347,974		133	31,868	32,001
Shares issued:					
– as consideration	158,032	1,706.4	2	2,696	2,698
– on exercise of options	29,500	215.0-290.5	–	72	72
– to Sharesave Scheme	56,669	578.0-916.0	–	511	511
At 30 June 2014	13,592,175		135	35,147	35,282
Shares issued:					
– on exercise of options	29,500	155.5-290.5	–	50	50
– to Sharesave Scheme	38,545	916.0-1,054.0	1	403	404
At 30 June 2015	**13,660,220**		**136**	**35,600**	**35,736**

The total number of ordinary shares, issued and fully paid at 30 June 2015 was 13,660,220 (2014: 13,592,175) with a par value of 1p per share.

On 12 April 2014, the Company issued 158,032 ordinary shares with a market value of £2,696,658 as part consideration for the acquisition of DPZ by Brooks Macdonald Asset Management (International) Limited.

Shares issued on exercise of options and to Sharesave Scheme members resulted in a £1,000 increase in share capital in the year ended 30 June 2015 (2014: shown as £nil due to rounding).

Employee Benefit Trust

The Group established an Employee Benefit Trust ('EBT') on 3 December 2010 to acquire ordinary shares in the Company to satisfy awards under the Group's Long Term Incentive Scheme ('LTIS') and other share-based payment schemes (note 29). At 30 June 2015, the EBT held 207,532 (2014: 249,696) 1p ordinary shares in the Company, acquired for a total consideration of £2,803,000 (2014: £3,168,000) with a market value of £3,668,000 (2014: £3,906,000). They are classified as treasury shares in the consolidated financial statements and their cost has been deducted from retained earnings within shareholders' equity.

28. Other reserves and retained earnings

Other reserves are comprised of the following balances:

	2015 £'000	2014 £'000
Share option reserve	**4,909**	4,596
Merger reserve	**192**	192
Available for sale reserve	**–**	(68)
Total other reserves	**5,101**	4,720

Notes to the consolidated financial statements

for the year ended 30 June 2015 | *continued*

28. Other reserves and retained earnings *continued*

The movements in other reserves during the year were as follows:

	2015 £'000	2014 £'000
Share option reserve		
At beginning of the year	**4,596**	3,697
Share-based payments	**1,315**	1,288
Transfer to retained earnings	**(1,334)**	(545)
Tax on share-based payments	**332**	156
At end of the year	**4,909**	4,596
Available for sale reserve		
At beginning of the year	**(68)**	63
Recycling of reserve due to impairment	**68**	(131)
At end of the year	**–**	(68)

The movements in retained earnings during the year were as follows:

	2015 £'000	2014 £'000
At beginning of the year	**27,456**	21,607
Profit for the financial year	**9,151**	9,056
Purchase of own shares by Employee Benefit Trust	**(742)**	(732)
Transfer from share option reserve	**1,334**	545
Dividends paid	**(3,872)**	(3,020)
At end of the year	**33,327**	27,456

29. Equity-settled share-based payments

All share options granted to employees under the Group's equity-settled share-based payment schemes are valued using a Black Scholes model, based on the market price of the Company's shares at the grant date and annualised volatility of up to 50%, covering the period to the end of the contractual life. Volatility has been estimated on the basis of the Company's historical share price subsequent to flotation. The risk-free annual rate of interest is deemed to be the yield on a gilt edged security with a maturity term of 3 years, ranging from 0.30% to 2.00%.

For options granted during the year, the Black Scholes model was based on the market price of the Company's shares at each respective grant date and volatility of 27% to 28% with a dividend yield of 1.8%, an expected vesting period of three years and a risk-free annual rate of interest of between 0.9% and 1.0%.

The share options issued under the various equity-settled share-based payment schemes have been valued at prices ranging from £0.58 to £14.64 per share. The charge to the Consolidated Statement of Comprehensive Income for the year in respect of these was £1,315,000 (2014: £1,288,000). The weighted average remaining contractual life of all equity-settled share-based payment schemes at 30 June 2015 was 1.62 years (2014: 2.08 years). The weighted average share price of all options exercised during the year was £14.84 (2014: £15.79). The total charge to the Consolidated Statement of Comprehensive Income for the year for all share-based payment schemes was £1,428,000 (2014: £1,130,000).

Notes to the consolidated financial statements

for the year ended 30 June 2015 | *continued*

29. Equity-settled share-based payments *continued*

The exercise price and fair value of share options granted during the year was as follows:

	Exercise price (p)	Fair value (p)
Company Share Option Plan	13,805	231
Long Term Incentive Scheme	nil	1,335
Employee Sharesave Scheme	1,237	471

a) Enterprise Management Incentive Scheme ('EMI')

Under the approved EMI Scheme, certain employees hold options to subscribe for shares in the Company at prices ranging from 155.5p to 775p. Options are conditional on the employee completing three years' service (the vesting period) and are exercisable three years from the grant date. The options have a contractual option term of seven years from the date they become exercisable. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

	2015		2014	
	Number of options	**Weighted average exercise price (£)**	Number of options	Weighted average exercise price (£)
At 1 July	**69,253**	**2.90**	98,753	2.77
Forfeited in the year	**–**	**–**	–	–
Exercised in the year	**(29,500)**	**1.71**	(29,500)	2.47
At 30 June	**39,753**	**3.81**	69,253	2.90

The number of share options outstanding at the reporting date was as follows:

Scheme year (grant date)	Exercise price (p)	Vesting period	**2015 Number of options**	2014 Number of options
2005	155.5	2008 – 2015	–	25,000
2006	215.0	2009 – 2016	4,500	6,500
2007	290.5	2010 – 2017	27,150	29,650
2010	775.0	2013 – 2020	8,103	8,103
All years			39,753	69,253

b) Long Term Incentive Scheme ('LTIS')

The Company has made annual awards under the LTIS to executive directors and other senior executives. The conditional awards, which vest three years after the grant date, are subject to the satisfaction of specified performance criteria, measured over a three year performance period. All such conditional awards are made at the discretion of the Remuneration Committee.

	2015 Number of options	2014 Number of options
At 1 July	**233,496**	205,613
Granted in the year	**70,624**	45,068
Exercised in the year	**(95,215)**	(11,376)
Forfeited in the year	**(10,614)**	(5,809)
At 30 June	**198,291**	233,496

Notes to the consolidated financial statements

for the year ended 30 June 2015 | *continued*

29. Equity-settled share-based payments *continued*

b) Long Term Incentive Scheme ('LTIS') (continued)

The number of share options outstanding at the reporting date was as follows:

Scheme year (grant date)	Exercise price (p)	Vesting period	2015 Number of options	2014 Number of options
2010	nil	2013	**10,550**	22,962
2011	nil	2014	**10,622**	91,554
2012	nil	2015	**68,320**	74,937
2013	nil	2016	**42,163**	44,043
2014	nil	2017	**66,636**	–
All years			**198,291**	233,496

c) Employee Benefit Trust ('EBT')

Brooks Macdonald Group plc established an Employee Benefit Trust ('the Trust') on 3 December 2010. The Trust was established to acquire ordinary shares in the Company to satisfy rights to purchase shares on the exercise of options awarded under the LTIS. All finance costs and administration expenses connected with the Trust are charged to Consolidated Statement of Comprehensive Income as they accrue. The Trust has waived its rights to dividends. The following table shows the number of shares held by the Trust that have not yet vested unconditionally.

	2015 Number of shares	2014 Number of shares
At 1 July	**249,696**	212,172
Acquired in the year	**53,051**	48,900
Exercised in the year	**(95,215)**	(11,376)
At 30 June	**207,532**	249,696

d) Company Share Option Plan ('CSOP')

The Company has established a Company Share Option Plan ('CSOP'), which was approved by HMRC in November 2013. The CSOP is a discretionary scheme whereby employees or directors are granted an option to purchase the Company's shares in the future at a price set on the date of the grant. The maximum award under the terms of the scheme is a total market value of £30,000 per recipient. The performance conditions attached to the scheme require an increase in the diluted earnings per share of the Company of 2% more than the increase in the RPI over the three years starting with the financial year in which the option is granted.

	2015		2014	
	Number of options	**Weighted average exercise price (£)**	Number of options	Weighted average exercise price (£)
At 1 July	**21,016**	**14.52**	–	–
Granted in the year	**22,110**	**13.81**	21,361	14.52
Lapsed in the year	**(3,199)**	**14.07**	(345)	14.52
At 30 June	**39,927**	**14.16**	21,016	14.52

The number of share options outstanding at the reporting date was as follows:

Scheme year (grant date)	Exercise price (p)	Vesting period	2015 Number of options	2014 Number of options
2013	14.52	2016	**19,810**	21,016
2014	13.81	2017	**20,117**	–
All years			**39,927**	21,016

Notes to the consolidated financial statements

for the year ended 30 June 2015 | *continued*

29. Equity-settled share-based payments *continued*

e) Employee Sharesave Scheme

Under the scheme, employees can contribute up to £500 a month over a three year period to acquire shares in the Company. At the end of the savings period, employees can elect to receive shares or receive their savings in cash.

	2015 Number of options	**2015** Weighted average exercise price (£)	2014 Number of options	2014 Weighted average exercise price (£)
At 1 July	**231,472**	**12.85**	147,323	10.23
Granted in the year	**96,466**	**12.37**	149,083	13.86
Forfeited in the year	**(67,673)**	**13.39**	(8,265)	10.52
Exercised in the year	**(36,601)**	**10.48**	(56,669)	9.04
At 30 June	**223,664**	**12.86**	231,472	12.85

The number of share options outstanding at 30 June 2015 was as follows:

Scheme year (grant date)	Exercise price (p)	Vesting period	**2015 Number of options**	2014 Number of options
2011	916.0	2014	**–**	1,654
2012	1,054.0	2015	**3,922**	44,512
2013	1,172.0	2016	**30,656**	36,612
2014	1,386.0	2017	**92,620**	148,694
2015	1,237.0	2018	**96,466**	–
All years			**223,664**	231,472

30. Lease commitments

The Group leases various office premises under non-cancellable operating lease arrangements. The future aggregate minimum lease payments under these leases are as follows:

	2015 £'000	2014 £'000
Within one year	**1,234**	1,373
Second to fifth years inclusive	**5,892**	1,882
After five years	**1**	46

31. Discretionary funds under management

The Group holds client money and assets on behalf of clients in accordance with the client money rules of the Financial Conduct Authority. Such money and the corresponding liabilities to clients are not shown in the Consolidated Statement of Financial Position as the Group is not beneficially entitled thereto. The total market value of client money and assets held is shown below:

	2015 £'000	2014 £'000
Client money bank accounts	**544,855**	573,204
Client assets under management	**6,868,145**	5,976,796
Total client funds under management	**7,413,000**	6,550,000

Notes to the consolidated financial statements

for the year ended 30 June 2015 | *continued*

32. Financial risk management

The Group has identified the financial risks arising from its activities and has established policies and procedures as part of a formal structure for managing risk, including establishing risk lines, reporting lines, mandates and other control procedures. The structure is reviewed regularly. The Group does not use derivative financial instruments for risk management purposes.

a) Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its payment obligations associated with its financial liabilities when they fall due.

The primary objective of the Group's treasury policy is to manage short-term liquidity requirements and to ensure that the Group maintains a surplus of immediately realisable assets over its liabilities, such that all known and potential cash obligations can be met.

The table below shows the cash inflows and outflows from the Group under non-derivative financial assets and liabilities, together with cash and bank balances available on demand.

At 30 June 2015	On demand £'000	Not more than 3 months £'000	After 3 months but not more than 1 year £'000	After 1 year but not more than 6 years £'000	Financial assets with no fixed repayment date £'000	Total £'000
Cash flows from financial assets						
Available for sale financial assets	–	–	–	–	1,532	1,532
Financial assets at fair value through profit or loss	–	–	–	–	3	3
Cash and balances at bank	19,274	–	–	–	–	19,274
Trade receivables	–	5,854	–	–	–	5,854
Other receivables	–	9,936	122	–	–	10,058
	19,274	**15,790**	**122**	**–**	**1,535**	**36,721**
Cash flows from financial liabilities						
Trade payables	–	2,854	–	–	–	2,854
Other financial liabilities	–	12,331	4,602	9,537	–	26,470
	–	15,185	4,602	9,537	–	29,324
Net liquidity gap	**19,274**	**605**	**(4,480)**	**(9,537)**	**1,535**	**7,397**

At 30 June 2014						
Cash flows from financial assets						
Available for sale financial assets	–	–	–	–	2,182	2,182
Financial assets at fair value through profit or loss	–	–	–	–	478	478
Cash and balances at bank	18,056	–	–	–	–	18,056
Trade receivables	–	9,653	–	–	–	9,653
Other receivables	–	–	132	–	–	132
	18,056	**9,653**	**132**	**–**	**2,660**	**30,501**
Cash flows from financial liabilities						
Trade payables	–	2,134	–	–	–	2,134
Other financial liabilities	–	12,588	7,891	3,058	–	23,537
	–	14,722	7,891	3,058	–	25,671
Net liquidity gap	**18,056**	**(5,069)**	**(7,759)**	**(3,058)**	**2,660**	**4,830**

Notes to the consolidated financial statements

for the year ended 30 June 2015 | *continued*

32. Financial risk management *continued*

b) Market risk

Interest rate risk

The Group may elect to invest surplus cash balances in short-term cash deposits with maturity dates not exceeding three months. Consequently, the Group has a limited exposure to interest rate risk due to fluctuations in the prevailing level of market interest rates.

A 1% fall in the average monthly interest rate receivable on the Group's cash and cash equivalents would have the impact of reducing interest receivable and therefore profit before taxation by £190,000 (2014: £180,000). An increase of 1% would have an equal and opposite effect.

Foreign exchange risk

The Group does not have any material exposure to transactional foreign currency risk and therefore no analysis of foreign exchange risk is provided.

Price risk

Price risk is the risk that the fair value of the future cash flows from financial instruments will fluctuate due to changes in market prices (other than those arising from interest rate risk or currency risk). The Group is exposed to price risk through its holdings of equity securities and other financial assets, which are measured at fair value in the Consolidated Statement of Financial Position (notes 16 and 20). A 1% fall in the value of these financial instruments would have the impact of reducing total comprehensive income by £15,000 (2014: £22,000) and profit before tax by £nil (2014: £5,000). An increase of 1% would have an equal and opposite effect.

c) Credit risk

The Group may elect to invest surplus cash balances in highly liquid money market instruments with maturity dates not exceeding three months. The difference between the fair value and the net book value of these instruments is not material. To reduce the risk of a counterparty default, the Group deposits the rest of its funds in approved, high quality banks. At 30 June 2015 there was no significant concentration of credit risk in any particular counterparty (2014: none).

Assets exposed to credit risk recognised on the Consolidated Statement of Financial Position total £19,274,000 (2014: £18,056,000), being the Group's total cash and cash equivalents.

Trade receivables with a carrying amount of £5,854,000 (2014: £9,653,000) are neither past due nor impaired. Trade receivables have no external credit rating as they relate to individual clients, although the value of investments held in each individual client's portfolio is always in excess of the total value of the receivable. All trade receivables fall due within three months (2014: all).

33. Capital management

Capital is defined as the total of share capital, share premium, retained earnings and other reserves of the Company. Total capital at 30 June 2015 was £74,164,000 (2014: £67,458,000). Regulatory capital is derived from the Group Internal Capital Adequacy Assessment Process (ICAAP), which is a requirement of the Capital Requirements Directive. The ICAAP draws on the Group's risk management process which is embedded within the individual businesses, function heads and executive committees within the Group.

The Group's objectives when managing capital are to comply with the capital requirements set by the Financial Conduct Authority, to safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain a strong capital base to support the development of the business.

Capital adequacy and the use of regulatory capital are monitored daily by the Group's management. The Group's 2015 ICAAP was approved in August 2015. There have been no capital requirement breaches during the year. Brooks Macdonald Group plc's Pillar III disclosure is presented on our website at www.brooksmacdonald.com.

34. Guarantees and contingent liabilities

The Company has an agreement with the Royal Bank of Scotland plc to guarantee settlement for trading with CREST stock on behalf of clients. The Group holds client assets to fund such trading activity.

Additional levies by the Financial Services Compensation Scheme may give rise to further obligations based on the Group's income in the current or previous years. Nevertheless, the ultimate cost to the Group of these levies remains uncertain and is dependent upon future claims resulting from institutional failures.

Notes to the consolidated financial statements

for the year ended 30 June 2015 | *continued*

35. Related party transactions

Certain directors have taken advantage of the Group's interest-free season ticket loan facility which is available to all employees. The directors who have such loans are as follows:

	Loan balance		Maximum amount	
	2015 £'000	2014 £'000	**2015 £'000**	2014 £'000
S J Jackson	**5**	5	**10**	10

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

	Amounts owed by related parties		Amounts owed to related parties	
	2015 £'000	2014 £'000	**2015 £'000**	2014 £'000
Brooks Macdonald Funds Limited	**1,126**	–	–	–
Braemar Facilities Management Limited	**2**	–	–	–
Braemar Estates (Residential) Limited	**42**	–	–	–
North Row Capital LLP	**2**	–	–	–
Braemar Group Limited	**655**	2,150	**–**	–
Brooks Macdonald Financial Consulting Limited	**259**	311	**–**	–
Brooks Macdonald Asset Management Limited	**–**	–	**7,553**	14,724
Brooks Macdonald Nominees Limited	**–**	–	**2,583**	2,583

All of the above amounts are interest-free and, with the exception of the subordinated loan to Braemar Group Limited, are repayable on demand.

The Group manages a number of collective investment funds that are considered related parties. Available for sale financial assets include an investment of 1,426,793.64 class B ordinary shares in Braemar Group PCC Limited Student Accommodation Cell (note 16). This transaction was conducted on an arms length basis at market value.

The Group has an interest in a joint venture details of which are given in note 17 of these financial statements.

36. Interest in unconsolidated structured entities

Structured entities are those entities that have been designed so that voting or similar rights are not the dominant factor in deciding who has control, such as when any voting rights relate to administrative tasks only, or when the relevant activities are directed by means of contractual arrangements. The Group's interests in consolidated and unconsolidated structured entities are described below.

The only consolidated structured entity is the Employee Benefit Trust ('EBT'), details of which are given in note 27.

The Group has interests in structured entities as a result of contractual arrangements arising from the management of assets on behalf of its clients. Assets under management within the Fund and Property management segment, include those managed within structured entities. These structured entities consist of unitised vehicles such as Open Ended Investment Companies (OEICs) which entitle investors to a percentage of the vehicle's net asset value. The structured entities are financed by the purchase of units or shares by investors. As fund manager, the Group does not guarantee returns on its funds or commit to financially support its funds. Where external finance is raised, the Group does not provide a guarantee for the repayment of any borrowings. The business activity of all structured entities, in which the Group has an interest, is the management of assets in order to maximise investment returns for investors from capital appreciation and/or investment income. The Group earns a management fee from its structured entities, based on a percentage of the entity's net asset value.

The main risk the Group faces from its interest in FUM managed on behalf of external investors is the loss of fee income as a result of the withdrawal of funds by clients. Outflows from funds are dependent on market sentiment, asset performance and investor considerations. The assets under management for unconsolidated structured entities is £398m (2014: £232m). Included in revenue on the consolidated statement of comprehensive income is management fee income of £1,980,000 (2014: £1,324,000) from unconsolidated structured entities managed by the Group.

37. Events since the end of the year

There have been no significant events since the end of the financial year.

Independent auditors' report

to the members of Brooks Macdonald Group plc

Report on the parent company financial statements

Our opinion

In our opinion, Brooks Macdonald Group plc's parent company financial statements (the 'financial statements'):

- give a true and fair view of the state of the parent company's affairs as at 30 June 2015;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The financial statements comprise:

- the Company Balance Sheet as at 30 June 2015; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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

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

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 20, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ('ISAs (UK & Ireland)'). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the parent company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report and Accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Other matter

We have reported separately on the Group financial statements of Brooks Macdonald Group plc for the year ended 30 June 2014.

Marcus Hine (Senior Statutory Auditor) for and on behalf of PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors

London

16 September 2015

Company balance sheet

as at 30 June 2015

	Note	£'000	2015 £'000	£'000	2014 £'000
Fixed assets					
Investments	41		**65,244**		53,315
Current assets					
Debtors	42	**1,846**		6,730	
Cash at bank and in hand		**526**		5,254	
Total current assets		**2,372**		11,984	
Creditors: amounts falling due within one year	43	**(13,051)**		(27,750)	
Net current liabilities			**(10,679)**		(15,766)
Total assets less current liabilities			**54,565**		37,549
Creditors: amounts falling due after more than one year	44		**(9,442)**		–
Net assets			**45,123**		37,549
Financed by:					
Capital and reserves					
Called up share capital	45		**136**		135
Share premium account	45		**35,600**		35,148
Share option reserve	46		**4,404**		4,202
Revaluation reserve	46		**–**		(68)
Profit and loss account	46		**4,983**		(1,868)
Total shareholders' funds	47		**45,123**		37,549

The company financial statements were approved by the Board of Directors and authorised for issue on 16 September 2015, signed on their behalf by:

C A J Macdonald
Chief Executive

S J Jackson
Finance Director

Company Registration Number: 4402058.

The accompanying notes on pages 63 to 68 form an integral part of the consolidated financial statements.

Notes to the company financial statements

38. Principal accounting policies

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

a) Basis of preparation

The Company's financial statements are prepared in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. The financial statements have been prepared on the historical cost basis, except for the revaluation of investments such that they are measured at their fair value.

At the time of approving the financial statements, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements. As permitted by Section 408 of the Companies Act 2006, the company has elected not to present its own Profit and Loss Account and Cash Flows Statement for the financial year.

b) Investments in subsidiary companies

Investments in subsidiaries are recognised at cost less provisions for impairment.

c) Share-based payments

The Company has applied the requirements of FRS 20 'Share-based Payment' and has adopted the requirements of UITF 44. Equity-settled share-based payments are measured at fair value at the grant date and the charge to the Profit and Loss Account is recognised on a straight line basis over the period in which the related services are provided, based on the number of shares that are expected to vest.

d) Operating lease payments

Rent payments due under operating leases are charged to the Profit and Loss Account on a straight line basis over the term of the lease. The Company benefited from a rent-free period under the terms of its current property lease. In accordance with UITF 28 'Operating Lease Incentives', the benefit is allocated over the shorter of the lease term and the date of the market rent review specified in the lease. During the rent-free period a rental charge has been recognised in the Profit and Loss Account and accrued as a liability in the Balance Sheet.

e) Retirement benefit costs

Contributions in respect of the Group's defined contribution pension scheme are charged to the Profit and Loss Account as they fall due.

f) Employee Benefit Trust

Where the Company holds its own equity shares through an Employee Benefit Trust these shares are shown as a reduction in shareholders' equity. Any consideration paid or received for the purchase or sale of these shares is shown as a reduction in the reconciliation of movements in shareholders' funds. No gain or loss is recognised in the Profit and Loss Account or the Statement of Total Recognised Gains or Losses on the purchase, sale, issue or cancellation of these shares.

g) Other investments

Other quoted investments are designated as available for sale and re-valued each reporting period to their fair value according to the most recently available market information.

39. Profit for the year

Brooks Macdonald Group plc reported profit after tax for year ended 30 June 2015 of £10,352,000 (2014: £2,602,000). Auditors' remuneration is disclosed in note 7 of the consolidated financial statements. The average monthly number of employees during the year was ten (2014: nine). Directors' emoluments are set out in note 8 of the consolidated financial statements.

40. Dividends

Details of the Company's dividends and proposed, subject to approval at the annual general meeting are set out in note 12 of the consolidated financial statements.

Notes to the company financial statements

continued

41. Investments

Net book value	Group undertakings £'000	Quoted investments £'000	Total £'000
At 1 July 2013	45,049	1,582	46,631
Additions:			
– Share options	1,288	–	1,288
– Acquisition of subsidiary	5,546	–	5,546
Revaluation	–	(150)	(150)
At 30 June 2014	51,883	1,432	53,315
Additions:			
– Share options	1,315	–	1,315
– Acquisition of subsidiary	11,264	–	11,264
Transfer to profit and loss account on impairment	–	68	68
Impairment	–	(718)	(718)
At 30 June 2015	**64,462**	**782**	**65,244**

Quoted investments represent the Company's holding of 1,426,793.64 B shares in Braemar Group PCC Limited Student Accommodation Cell. Although trading is currently suspended on this fund, the fund manager continues to publish a price based on the fair value of the underlying assets of the fund. At 30 June 2015, based on the most recent valuation, the fair value of the investment was £782,000 (2014: £1,432,000). An impairment loss of £718,000 was recognised on this investment in the Profit and Loss account during the year, reflecting the perceived permanent diminution of value of the underlying assets of the fund. This included the recycling of the accumulated loss on the revaluation reserve of £68,000 as at 30 June 2014 and an additional £650,000 loss from changes in fair value in the current year. In the year ended 30 June 2014, a revaluation loss of £150,000 was recognised in the Profit and Loss account.

Notes to the company financial statements

continued

41. Investments *continued*

Investments in group undertakings are recorded at cost, which is the fair value of the consideration paid to acquire the Company's subsidiaries. Additions to group undertakings of £1,315,000 (2014: £1,288,000) represent the cost of share options issued during the year in accordance with FRS 20. In respect of the year ended 30 June 2015, additions on acquisition of subsidiary of £11,264,000 represent 100% of the share capital of Levitas Investment Management Services Limited acquired 31 July 2014. Details of the Company's subsidiary undertakings as at 30 June 2015, all of which were wholly owned and included in the consolidated financial statements, are shown below.

Company	Type of shares and par value	Country of incorporation	Nature of business
Braemar Estates (Mortgages & Finance) Limited	Ordinary £1	UK	Dormant
Braemar Estates (Residential) Limited	Ordinary £1	UK	Property management
Braemar Facilities Management Limited	Ordinary £1	UK	Property management
Braemar Group Limited	Ordinary 1p	UK	Investment management
Brooks Macdonald Asset Management Limited	Ordinary £1	UK	Investment management
Brooks Macdonald Asset Management (International) Limited	Ordinary 1p & Preference £1	Channel Islands	Investment management
Brooks Macdonald Asset Management (Tunbridge Wells) Limited	Ordinary £1	UK	Non-trading
Brooks Macdonald Financial Consulting Limited	Ordinary 5p	UK	Financial consulting
Brooks Macdonald Funds Limited	Ordinary £1	UK	Fund management
Brooks Macdonald Investment Services Limited	Ordinary £1	UK	Dormant
Brooks Macdonald Nominees Limited	Ordinary £1	UK	Non-trading
Brooks Macdonald Retirement Services (International) Limited	Ordinary £1	Channel Islands	Retirement planning
Brooks Macdonald Tax Services Limited	Ordinary £1	UK	Dormant
DPZ Capital Limited	Ordinary £1	Channel Islands	Investment management
DPZ Nominees Limited	Ordinary £1	Channel Islands	Non-trading
JGHP Limited	Ordinary £1	UK	Non-trading
JPAM Limited	Ordinary £1	UK	Non-trading
Levitas Investment Management Services Limited	Ordinary £1	UK	Fund Sponsor
Secure Nominees Limited	Ordinary £1	Channel Islands	Non-trading
UK Farming plc	Ordinary 50p	UK	Agricultural land investment

42. Debtors

	2015 £'000	2014 £'000
Amounts owed by subsidiary undertakings	**1,729**	6,461
Other debtors	**117**	269
Total debtors	**1,846**	6,730

Amounts owed by subsidiary companies are unsecured, interest-free and, with the exception of the subordinated loan to Braemar Group Limited, repayable on demand.

Notes to the company financial statements

continued

43. Creditors: amounts falling due within one year

	2015 £'000	2014 £'000
Trade creditors	**36**	27
Amounts owed to subsidiary undertakings	**9,779**	21,307
Accruals	**1,656**	1,711
Other creditors	**1,580**	4,705
Total creditors due within one year	**13,051**	27,750

Amounts owed to subsidiary companies are unsecured, interest-free and are repayable on demand. Included in other creditors is £1,580,000, which is the directors' best estimate of the deferred consideration payable in respect of the client relationships and subsidiary undertakings that were acquired by the company.

44. Creditors: amounts falling due after more than one year

As at 30 June 2015 the creditors balance of £9,442,000, falling due after more than one year, related to the directors' best estimate of the deferred consideration payable in respect of the subsidiary undertaking that was acquired by the Company in the year. Deferred consideration is measured at its fair value based on the discounted expected future cash flows. As at 30 June 2014, there were no creditors falling due after more than one year.

45. Called up share capital and share premium account

The movements in share capital and share premium during the year were as follows:

	Number of shares	Share capital £'000	Share premium account £'000	Total £'000
At 1 July 2013	13,347,974	133	31,868	32,001
Shares issued	244,201	2	3,280	3,282
At 30 June 2014	13,592,175	135	35,148	35,283
Shares issued	68,045	1	452	453
At 30 June 2015	**13,660,220**	**136**	**35,600**	**35,736**

The total number of ordinary shares, issued and fully paid at 30 June 2015, was 13,660,220 (2014: 13,592,175) with a par value of 1p per share. Excluding 207,532 (2014: 249,696) treasury shares held by the EBT, the Company had 13,452,688 (2014: 13,342,479) ordinary 1p shares in issue as at 30 June 2015.

Long Term Incentive Scheme

The Group established an Employee Benefit Trust ('EBT') on 3 December 2010 to acquire ordinary shares in the Company to satisfy awards under the Group's Long Term Incentive Scheme ('LTIS') and other share-based payment schemes (note 29). All finance and administration expenses connected with the Trust are charged to the Consolidated Statement of Comprehensive Income as and when they accrue. The Trust has waived its rights to dividends.

During the year, in respect of the scheme granted in October 2010, the Trust received instructions to exercise 95,215 (2014: 11,376) options. The cost of the shares released on exercise of these options amounted to £1,113,000 (2014: £109,000). At 30 June 2015, the number of shares held by the Trust was 207,532 (2014: 249,696) with a market value of £3,668,000 (2014: £3,906,000), acquired for a total consideration of £2,803,000 (2014: £3,168,000). These shares are presented as treasury shares in the Group financial statements and their cost is deducted from retained earnings within shareholders' equity.

The Company has made annual awards under the LTIS to executive directors and other senior executives. The conditional awards, which vest three years after the grant date, are subject to the satisfaction of specified performance criteria, measured over a three year performance period. All such conditional awards are made at the discretion of the Remuneration Committee.

Notes to the company financial statements

continued

46. Reserves

	2015 £'000	2014 £'000
Share option reserve		
At beginning of the year	**4,202**	3,023
Share-based payments	**1,315**	1,288
Share-based payment transfer	**(1,113)**	(109)
At end of the year	**4,404**	4,202
Revaluation reserve		
At beginning of the year	**(68)**	63
Loss from changes in fair value	**–**	(131)
Transfer to Profit and Loss account on impairment	**68**	–
At end of the year	**–**	(68)
Profit and loss account		
At beginning of the year	**(1,868)**	(827)
Profit for the financial year	**10,352**	2,602
Dividends paid	**(3,872)**	(3,020)
Share-based payment transfer	**1,113**	109
Purchase of own shares	**(742)**	(732)
At end of the year	**4,983**	(1,868)
Analysis of movement in profit and loss account		
Profit and loss account		
At beginning of the year	**1,299**	1,717
Profit for the financial year	**10,352**	2,602
Share-based payment transfer	**1,113**	109
Employee Benefit Trust shares exercised	**(1,113)**	(109)
Dividends paid	**(3,872)**	(3,020)
At end of the year	**7,779**	1,299
Employee Benefit Trust		
At beginning of the year	**(3,167)**	(2,544)
Purchase of own shares	**(742)**	(732)
Employee Benefit Trust shares exercised	**1,113**	109
At end of the year	**(2,796)**	(3,167)
Total profit and loss account at end of the year	**4,983**	(1,868)

Notes to the company financial statements

continued

47. Reconciliation of movements in total shareholders' funds

	2015 £'000	2014 £'000
Profit for the financial year	**10,352**	2,602
Changes in fair value	**68**	(131)
Total recognised gains and losses for the financial year	**10,420**	2,471
Dividends paid	**(3,872)**	(3,020)
Share-based payments	**1,315**	1,288
Issue of new shares	**453**	3,282
Purchase of own shares by EBT	**(742)**	(732)
Net additions to shareholders' funds	**7,574**	3,289
Opening shareholders' funds	**37,549**	34,260
Closing shareholders' funds	**45,123**	37,549

48. Lease commitments

The Company leases office premises under non-cancellable operating lease arrangements. The future aggregate minimum lease payments under these leases are as follows:

	2015 £'000	2014 £'000
Within one year	**1,012**	959
Second to fifth years inclusive	**5,315**	1,241
After five years	**–**	46

49. Related party transactions

The Company has applied the exemption available under FRS 8 in electing not to disclose transactions and balances with its wholly owned subsidiary companies. Details of related party transactions with directors are provided in note 35 of the consolidated financial statements.

Explanatory notes to the Annual General Meeting resolutions

Enclosed with this document is a notice convening the Annual General Meeting of the Company for 27 October 2015. This explanatory note gives further information on the resolutions set out in the notice of annual general meeting.

Resolution 1 – Approval of the Report and Accounts

The directors propose that the Company's annual accounts and reports of the directors and the auditors for the year ended 30 June 2015 be received and considered.

Resolution 2 – Approval of the Directors' Remuneration Report

While it is not a strict requirement for the Company, as a matter of good corporate governance the directors have decided to propose an ordinary resolution to approve the directors' remuneration report for the year ended 30 June 2015. The directors' remuneration report can be found on pages 11 to 17 of the Annual Report and Accounts.

Resolution 3 – To declare a final dividend

The directors recommend a final dividend of 20.5 pence per ordinary share. Subject to approval by shareholders, the final dividend will be paid on 28 October 2015 to shareholders on the register on 25 September 2015.

Resolutions 4 to 6 – To re-elect certain of the directors

The Company's articles of association state that one third of the directors (or the nearest whole number closest to one third) must retire from office at each annual general meeting and offer themselves for re-election. In addition, any director who has been in office for more than three years since their last appointment or re-appointment should also retire and offer themselves for re-election. Andrew Shepherd, Nick Holmes and Simon Wombwell are therefore offering themselves for re-election on this basis.

Information on each of the directors standing for re-election is set out below. The Board confirms that each of the directors offering themselves for re-election has extensive relevant experience of the group and its business. The Board is therefore of the opinion that all such persons should be re-elected to the Board.

Andrew Shepherd (42) is Deputy Chief Executive Officer for Brooks Macdonald Group. Andrew joined Brooks Macdonald Asset Management in 2002 as an investment manager. Since then he has been promoted to the role of Investment Director and then to joint Managing Director, before moving to his current role in August 2015.

Nick Holmes (44) is Managing Director of Brooks Macdonald Asset Management and is responsible for day-to-day management.

Simon Wombwell (54) is Chief Executive Officer of Brooks Macdonald Funds which was launched in July 2011. Simon has spent his entire career in the financial services industry, primarily involved in the development, sales and marketing of investment products and was a non-executive director of the Brooks Macdonald Group from 2002 until he was appointed as an executive director in a full time capacity in February 2011.

A copy of each service contract is available for inspection at the registered office of the Company and will be available for inspection at the annual general meeting.

Resolution 7 – To re-appoint PricewaterhouseCoopers LLP as auditors

This Resolution proposes that PricewaterhouseCoopers LLP should be re-appointed as the Company's auditors and authorises the directors to determine their remuneration.

Resolution 8 – Authority to allot shares

The Companies Act 2006 prevents directors from allotting unissued shares without the authority of shareholders in general meeting. In certain circumstances this could be unduly restrictive. The directors' existing authority to allot shares, which was granted at the annual general meeting held in 2014, will expire at the end of this year's annual general meeting.

Resolution 8 in the notice of annual general meeting will be proposed, as an ordinary resolution, to authorise the directors to allot ordinary shares of 1 pence each in the capital of the Company up to a maximum nominal amount of £45,079 (i.e. up to 4,507,900 ordinary shares) representing approximately 33% of the ordinary shares in issue on 16 September 2015. The Company does not currently hold any shares in treasury.

The authority conferred by this resolution will expire on the date which is fifteen months after the passing of this resolution or, if sooner, at the end of next year's annual general meeting.

Resolution 9 – To disapply pre-emption rights

Unless they are given an appropriate authority by shareholders, if the directors wish to allot any of the unissued shares for cash or grant rights over shares or sell treasury shares for cash (other than pursuant to an employee share scheme) they must first offer them to existing shareholders in proportion to their existing holdings. This is known as pre-emption rights.

The existing disapplication of these statutory pre-emption rights, which was granted at the annual general meeting held in 2014, will expire at the end of this year's annual general meeting. Accordingly, Resolution 9 in the notice of annual general meeting will be proposed, as a special resolution, to give the directors power to allot shares without the application

Explanatory notes to the Annual General Meeting resolutions | *continued*

of these statutory pre-emption rights: first, in relation to offers of equity securities by way of rights issue, open offer or similar arrangements; and second, in relation to the allotment of equity securities for cash up to a maximum aggregate nominal amount of £13,660 (i.e. up to 1,366,000 ordinary shares) representing approximately 10% of the ordinary shares in issue on 16 September 2015.

The authority sought and limits set by this resolution will also apply to a sale by the Company of any shares it holds as treasury shares. The Companies Act 2006 allows shares purchased by the Company out of distributable profits to be held as treasury shares, which may then be cancelled, sold for cash or used to meet the Company's obligations under its employee share based incentive schemes. Any subsequent transfers of treasury shares by the Company to satisfy the requirements of employee share-based incentive schemes will be counted towards the anti-dilution limits for such share issues to the extent required by the Association of British Insurers guidelines.

The power conferred by this resolution will expire on the date which falls fifteen months after the passing of this resolution or, if sooner, at the end of next year's annual general meeting.

Resolution 10 – Company's authority to purchase its own shares

Resolution 10 in the notice of annual general meeting, which will be proposed as a special resolution, will authorise the Company to make market purchases of up to 1,366,000 ordinary shares. The existing authority to make market purchases of ordinary shares, which was granted at the annual general meeting held in 2014, will expire at the end of this year's annual general meeting.

The number of ordinary shares stated in this resolution equals approximately 10% of the Company's ordinary shares in issue on 16 September 2015. The minimum price that may be paid is the nominal value of an ordinary share (i.e. 1 pence), and the maximum price shall not exceed 5% above the average of the middle market quotations for an ordinary share for the five business days before each purchase is made (exclusive of expenses).

The authority conferred by this resolution will expire on the date which falls fifteen months after the passing of this resolution or, if sooner, at the end of next year's annual general meeting.

The directors are committed to managing the Company's capital effectively. Although the directors have no plans to make such purchases, buying back the Company's ordinary shares is one of the options they keep under review. Purchases would only be made after considering the effect on earnings per share, and the benefits for shareholders generally.

The Company may hold in treasury any of its own shares that it purchases pursuant to the Companies Act 2006 and the authority conferred by this resolution. This would give the Company the ability to re-issue treasury shares quickly and cost effectively and would provide the Company with greater flexibility in the management of its capital base.

Notice of Annual General Meeting

Company Registration number: 4402058

Notice is given that the annual general meeting of Brooks Macdonald Group plc (the "Company") will be held at 72 Welbeck Street, London, W1G 0AY on Tuesday 27 October 2015 at 9.00 am for the following purposes.

Ordinary business

To resolve as ordinary resolutions:

1. To receive and consider the accounts and reports of the directors and the auditors for the year ended 30 June 2015.
2. To approve the directors' remuneration report for the year ended 30 June 2015.
3. To declare a final dividend of 20.5 pence per ordinary share for the year ended 30 June 2015.
4. To re-elect Andrew Shepherd as a director.
5. To re-elect Nick Holmes as a director.
6. To re-elect Simon Wombwell as a director.
7. To re-appoint PricewaterhouseCoopers LLP as the Company's auditors and to authorise the directors to determine their remuneration.

Special business

Directors' authority to allot shares

To resolve as an ordinary resolution:

8. That the directors be generally and unconditionally authorised pursuant to section 551 of the Companies Act 2006 (the "Act") to exercise all the powers of the Company to allot shares in the Company and to grant rights to subscribe for, or to convert any security into, shares in the Company ("Relevant Securities"), up to a maximum aggregate nominal amount of £45,079, for a period expiring (unless previously revoked, varied or renewed) on the date which is fifteen months after the passing of this resolution or, if sooner, the end of the next annual general meeting of the Company. However, in each case the Company may, before such expiry, make an offer or agreement which would or might require Relevant Securities to be allotted after this authority expires and the directors may allot Relevant Securities in pursuance of such offer or agreement as if this authority had not expired.

   All previous unutilised authorities given to the directors pursuant to section 551 of the Act shall cease to have effect at the conclusion of the annual general meeting, save to the extent that those authorities are exercisable pursuant to section 551(7) of the Act by reason of any offer or agreement made prior to the date of this resolution which would or might require shares to be allotted or rights to be granted on or after that date.

Disapplication of pre-emption rights

To resolve as a special resolution:

9. That, subject to the passing of resolution 8 above, the directors be generally empowered pursuant to sections 570 and 573 of the Act to allot equity securities (within the meaning of section 560 of the Act) for cash, pursuant to the authority conferred by resolution 8, as if section 561 of the Act did not apply to such allotment, provided that this power shall expire on the date which is fifteen months after the passing of this resolution or, if sooner, the end of the next annual general meeting of the Company. This power shall be limited to the allotment of equity securities:

   9.1 in connection with an offer of equity securities (including, without limitation, under a rights issue, open offer or similar arrangement) in favour of holders of ordinary shares in the capital of the Company in proportion (as nearly as may be practicable) to their existing holdings of ordinary shares

Notice of Annual General Meeting

continued

but subject to such exclusions or other arrangements as the directors deem necessary or expedient in relation to fractional entitlements or any legal, regulatory or practical problems under the laws of any territory, or the requirements of any regulatory body or stock exchange; and

9.2 otherwise than pursuant to paragraph 9.1 up to an aggregate nominal amount of £13,660;

but the Company may, before such expiry, make an offer or agreement which would or might require equity securities to be allotted after this power expires and the directors may allot equity securities in pursuance of such offer or agreement as if this power had not expired.

This power applies in relation to a sale of shares which is an allotment of equity securities by virtue of section 560(2)(b) of the Act as if in the first paragraph of this resolution the words "pursuant to the authority conferred by resolution 8" were omitted.

All previous unutilised powers given to the directors pursuant to sections 570 and 573 of the Act shall cease to have effect at the conclusion of this annual general meeting.

Company's authority to purchase its own shares

To resolve as a special resolution:

10. That the Company be generally authorised pursuant to section 701 of the Act to make market purchases (within the meaning of section 693(4) of the Act) of its ordinary shares of £0.01 each on such terms and in such manner as the directors shall determine, provided that:

10.1 the maximum number of ordinary shares hereby authorised to be purchased is 1,366,000;

10.2 the maximum price which may be paid for each ordinary share shall be 5% above the average of the middle market quotations for an ordinary share (as derived from The Stock Exchange Daily Official List) for the five business days immediately before the day on which the purchase is made (in each case exclusive of expenses);

10.3 the minimum price which may be paid for each ordinary share shall be £0.01; and

10.4 this authority (unless previously revoked, varied or renewed) shall expire on the date which is fifteen months after the passing of this resolution or, if sooner, the end of the next annual general meeting of the Company, except in relation to the purchase of ordinary shares the contract for which was concluded before such date and which will or may be executed wholly or partly after such date.

By order of the Board

Simon Broomfield
Company Secretary

25 September 2015

Registered office:
72 Welbeck Street, London W1G 0AY

Notice of Annual General Meeting

continued

Notes:

Rights to appoint a proxy

1. Members of the Company are entitled to appoint a proxy to exercise all or any of their rights to attend and to speak and vote at a meeting of the Company. A proxy does not need to be a member of the Company. A member may appoint more than one proxy in relation to a meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member.

2. A proxy form which may be used to make such appointment and give proxy directions accompanies this notice. If you do not receive a proxy form and believe that you should have one, or if you require additional proxy forms in order to appoint more than one proxy, please contact Capita Asset Services on 0871 664 0300 (overseas callers should use +44 (0) 208 639 3399, calls to this number cost 12 pence per minute from a BT landline; other providers' costs may vary, lines open 9.00 am to 5.30 pm, Monday to Friday).

Procedure for appointing a proxy

3. To be valid, the proxy form must be received by post or (during normal business hours only) by hand at Capita Asset Services, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU no later than 9.00 am on Sunday 25 October 2015. It should be accompanied by the power of attorney or other authority (if any) under which it is signed or a notarially certified (or certified by a solicitor with a current practising certificate) copy of such power or authority.

4. The return of a completed proxy form will not preclude a member from attending the annual general meeting and voting in person if he or she wishes to do so.

Record date

5. To be entitled to attend and vote at the annual general meeting (and for the purpose of the determination by the Company of the votes they may cast), members must be registered in the register of members of the Company at 6.00 pm on Sunday 25 October 2015 (or, in the event of any adjournment, 48 hours before the time of the adjourned meeting). Changes to the register of members after the relevant deadline will be disregarded in determining the right of any person to attend and vote at the meeting.

Corporate representatives

6. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.

Other rights of members

7. Any member attending the meeting has the right to ask questions. The Company must cause to be answered any such question relating to the business being dealt with at the meeting but no such answer need be given if (a) to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information, (b) the answer has already been given on a website in the form of an answer to a question, or (c) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.

Documents available for inspection

8. There will be available for inspection at the registered office of the Company during normal business hours on any weekday (excluding Saturdays and public holidays) and at the place of the meeting for at least 15 minutes prior to and during the annual general meeting copies of:

- the service contract of each executive director; and
- the letter of appointment of each non-executive director.

Form of proxy

Annual General Meeting on 27 October 2015 at 9.00 am

Please read the notice of meeting and the explanatory notes below before completing this form.

I/We (see note 5) Name

Address

being a member/members of the above-named Company hereby appoint the chairman of the meeting (see note 6) OR

Name

Address

as my/our proxy to attend, speak and vote in my/our name and on my/our behalf at the Annual General Meeting of the Company to be held on 27 October 2015 at 9.00 am and at any adjournment thereof.

☐ Please tick this box if this proxy appointment is one of multiple appointments being made by the same member (see note 2).

The above proxy is appointed to exercise the rights attached to [all] OR Number shares (see notes 1 and 2) of the ordinary shares held by me.

FOLD

FOLD

I/we direct my/our proxy to vote on the resolutions set out in the notice of Annual General Meeting as I/we have indicated by placing a mark in the appropriate box below (see notes 7 and 8).

Ordinary business	FOR	AGAINST	VOTE WITHHELD
Resolution 1: To receive and consider the Annual Report and Accounts for the year ended 30 June 2015			
Resolution 2: To approve the directors' remuneration report for the year ended 30 June 2015			
Resolution 3: To declare a final dividend of 20.5 pence per ordinary share			
Resolution 4: To re-elect Andrew Shepherd as a director			
Resolution 5: To re-elect Nick Holmes as a director			
Resolution 6: To re-elect Simon Wombwell as a director			
Resolution 7: To re-appoint PricewaterhouseCoopers LLP as the Company's auditors and to authorise the directors to determine their remuneration			
Special business	**FOR**	**AGAINST**	**VOTE WITHHELD**
Resolution 8: Ordinary resolution to give the directors authority to allot shares			
Resolution 9: Special resolution to give the directors power to disapply pre-emption rights in relation to the allotment of shares			
Resolution 10: Special resolution to give the Company a general authority to purchase its own shares			

Signature: Date: / /2015

(To be valid, this proxy form must be signed) (see note 11)

Notes:

Your rights to appoint a proxy

1. As a member of the Company you are entitled to appoint a proxy to exercise all or any of your rights to attend and to speak and vote at a meeting of the Company. A proxy does not need to be a member of the Company. You may appoint more than one proxy in relation to a meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by you.
2. You may appoint a proxy in respect of all or some only of the shares held by you. If you do not want to appoint a proxy in respect of all of the shares held by you, delete the word "all" in square brackets and insert the number of shares in respect of which you wish to appoint your proxy in the box provided. If you sign and return this proxy form with no number inserted, you will be deemed to have appointed your proxy in respect of all of the shares held by you.
   If you require additional proxy forms in order to appoint more than one proxy, please contact the Company's registrar, Capita Asset Services on 0871 664 0300 (overseas callers should use +44 (0) 208 639 3399, calls to this number cost 12 pence per minute from a BT landline; other providers' costs may vary, lines open 9.00 am to 5.30 pm, Monday to Friday), or you may copy this form. Please indicate by ticking the box provided if the proxy appointment is one of multiple appointments being made. You must also indicate in the separate box the number of shares in relation to which the proxy holder is authorised to act as your proxy. All proxy forms must be signed and should, wherever possible, be returned together in one envelope.
3. If you appoint a proxy, this does not preclude you from attending the meeting and voting in person.

Procedure for appointing a proxy

4. Please insert your full name and address in block capitals in the box.
5. To appoint as your proxy a person other than the chairman of the meeting, delete the words in square brackets and insert the full name and address of your chosen proxy in block capitals in the box. If you sign and return this proxy form with no name inserted in the box, the chairman of the meeting will be deemed to be your proxy. Where you appoint as your proxy someone other than the chairman of the meeting, it is your responsibility to ensure that that person attends the meeting and is aware of your voting intentions. If you wish your proxy to make any comments on your behalf, you will need to appoint someone other than the chairman of the meeting and give that person your directions.

Directing your proxy how to vote

6. To direct your proxy how to vote on the resolutions mark the appropriate box with a "✓"or an "✗". If no voting direction is given, your proxy can vote or abstain from voting as he or she chooses. Your proxy has the right to vote (or abstain from voting) as he or she chooses in relation to any other business (including a resolution to adjourn the meeting or to amend a resolution) which may properly come before the meeting.
7. The "vote withheld" option is provided to enable you to abstain on any particular resolution. However, it should be noted that a "vote withheld" is not a vote in law and will not be counted in the calculation of the proportion of the votes "for" and "against" a resolution.

Other

8. To be valid, this proxy form must be received by post or (during normal business hours only) by hand at Capita Asset Services, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU no later than 9.00 am on Sunday 25 October 2015.
9. In the case of joint holders of any share, where more than one of the joint holders purports to appoint a proxy in respect of the same share, only the appointment submitted by the person whose name stands first in the register as one of the joint holders will be accepted.
10. This proxy form must be signed and dated by the member or his or her attorney duly authorised in writing. In the case of a member which is a company, this proxy form must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or other authority under which this proxy form is signed, or a copy of such power or authority, must be included with the proxy form.
11. In accordance with Regulation 41 of the Uncertificated Securities Regulations Act only those shareholders entered on the register of members at 6.00 pm on Sunday 25 October 2015 are entitled to attend and vote at the Annual General Meeting to be held at 9.00 am on 27 October 2015.

Directors and advisers

Directors

C J Knight	Chairman
C A J Macdonald	Chief Executive
C R Harris	Senior Independent Director
N I Holmes	
S J Jackson	Group Finance Director
R S Price	Non-executive Director
D Seymour-Williams	Non-executive Director
A W Shepherd	Deputy Chief Executive
R H Spencer	
S P Wombwell	

Offices

Edinburgh	10 Melville Crescent, Edinburgh, EH3 7LU
Guernsey	Yorkshire House, Le Truchot, St. Peter Port, Guernsey, GY1 1WD
Hale	Richmond House, Heath Road, Hale, Cheshire, WA14 2XP
Hampshire	The Long Barn, Dean Estate, Wickham Road, Fareham, Hampshire, PO17 5BN
Jersey	Liberation House, Castle Street, St. Helier, Jersey, JE2 3AT
London	72 Welbeck Street, London, W1G 0AY John Stow House, 18 Bevis Marks, London, EC3A 7JB
Leamington Spa	36 Hamilton Terrace, Holly Walk, Leamington Spa, Warwickshire, CV32 4LY
Manchester	1 Marsden Street, Manchester, M2 1HW
Taunton	Ground Floor, Blackbrook Gate, Blackbrook Park Avenue, Taunton, Somerset, TA1 2PX
Tunbridge Wells	2 Mount Ephraim Road, Tunbridge Wells, Kent, TN1 1EE
York	Howard House, 3 St. Mary's Court, Blossom Street, York, YO24 1AH

Company information

Company Secretary	S Broomfield
Company Registration Number	4402058
Registered Office	72 Welbeck Street, London, W1G 0AY
Website	www.brooksmacdonald.com

Independent auditors

PricewaterhouseCoopers LLP
7 More London Riverside
London
SE1 2RT

Registrars

Capita Asset Services
The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TU

Solicitors

Macfarlanes LLP
20 Cursitor Street
London
EC4A 1LT

Nominated adviser and broker

Peel Hunt LLP
Moor House
120 London Wall
London
EC2Y 5ET

Principal bankers

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