

BREWIN DOLPHIN

FOCUSED ON GROWTH

Annual Report and Accounts 2018

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



Strategic Report

1 Focused on Growth
2 Our Results
3 Our Investment Proposition
12 About Us
13 Our Services
14 Business Model
16 Our Market
18 Chairman's Statement
20 Chief Executive's Review
24 Our Strategy
26 Key Performance Indicators
28 Principal Risks and Uncertainties
34 Financial Review
39 Our People
41 Corporate Responsibility
43 Non-Financial Information Statement

Governance

44 Board of Directors
46 Chairman's Introduction to Corporate Governance
47 Corporate Governance Report
52 Nomination Committee report
53 Risk Committee Report
55 Audit Committee Report
60 Directors' Remuneration Report
76 Directors' Report
80 Statement of Directors' Responsibility
81 Independent Auditor's Report

Financial Statements

88 Consolidated Financial Statements
98 Notes to the Financial Statements

Other Information

140 Five Year Record
141 Appendix – Calculation of Key Performance Indicators
142 Shareholder Information
143 Glossary
144 Branch Address List

Key enablers

Our eight key enablers are the strengths we possess that ensure we can deliver against our growth strategy and provide the services our clients need (see pages 4 to 11).

FOCUSED ON GROWTH

Supported by our values, our disciplined approach to implementing new services, investing in people and technology, delivering innovation and improving our operational efficiency enabled us to deliver sustainable growth in 2018.



Highlights

Another successful year for the Group, with our robust business model underpinning a strong financial performance and supporting the delivery of our strategy.

Continued strong funds growth

- Total discretionary funds grew by 11.2% to £37.6 billion driven by strong net funds inflows of £2.3 billion and positive investment markets, representing a 6.8% growth rate and well ahead of our 5.0% target.
- Direct discretionary outflows remained stable at £0.9 billion but at a lower rate of 3.8% compared to 4.3% last year.
- We are on track to meet the 5 year discretionary growth target we set in 2015.

Investment in people, technology and growth initiatives

- We have made targeted investments in people, infrastructure and innovations, especially in the area of our new propositions; *1762 from Brewin Dolphin* and WealthPilot.

Margin

- Our disciplined and efficient approach to implementing the actions outlined in 2017 is reflected in the adjusted profit before tax margin increasing to 23.6% from 23.0% in the year.

Total income
£329.0m +8.0%

Discretionary funds
£37.6bn +11.2%

Adjusted[1] profit before tax
£77.5m +10.7%

Statutory profit before tax
£68.5m +18.9%

Adjusted[1] profit before tax margin
23.6% +2.6%

Statutory profit before tax margin
20.8% +10.1%

Adjusted[1] earnings per share – diluted[2]
21.7p +10.7%

Statutory earnings per share – diluted[2]
18.9p +18.1%

Dividend payout ratio
75.6%

Full year dividend
16.4p +9.3%

1. Excluding redundancy costs, onerous contracts, amortisation of client relationships, acquisition costs, incentivisation awards, FSCS levy refund and impairment/disposal of available-for-sale investments.
2. See note 12 to the Financial Statements.

We are a leading UK wealth manager with a clear focus on growth

Brewin Dolphin is recognised and known for trusted advice and investment expertise

During our long history as a respected provider of high-quality financial services to clients, we have earned a reputation for integrity and trustworthiness that stands us in good stead for the future. We continue to build on this with our significant investment in financial planning capability.

See page 21 for more information.

The future direction of our market place is positive

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

See page 16 for more information.

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

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

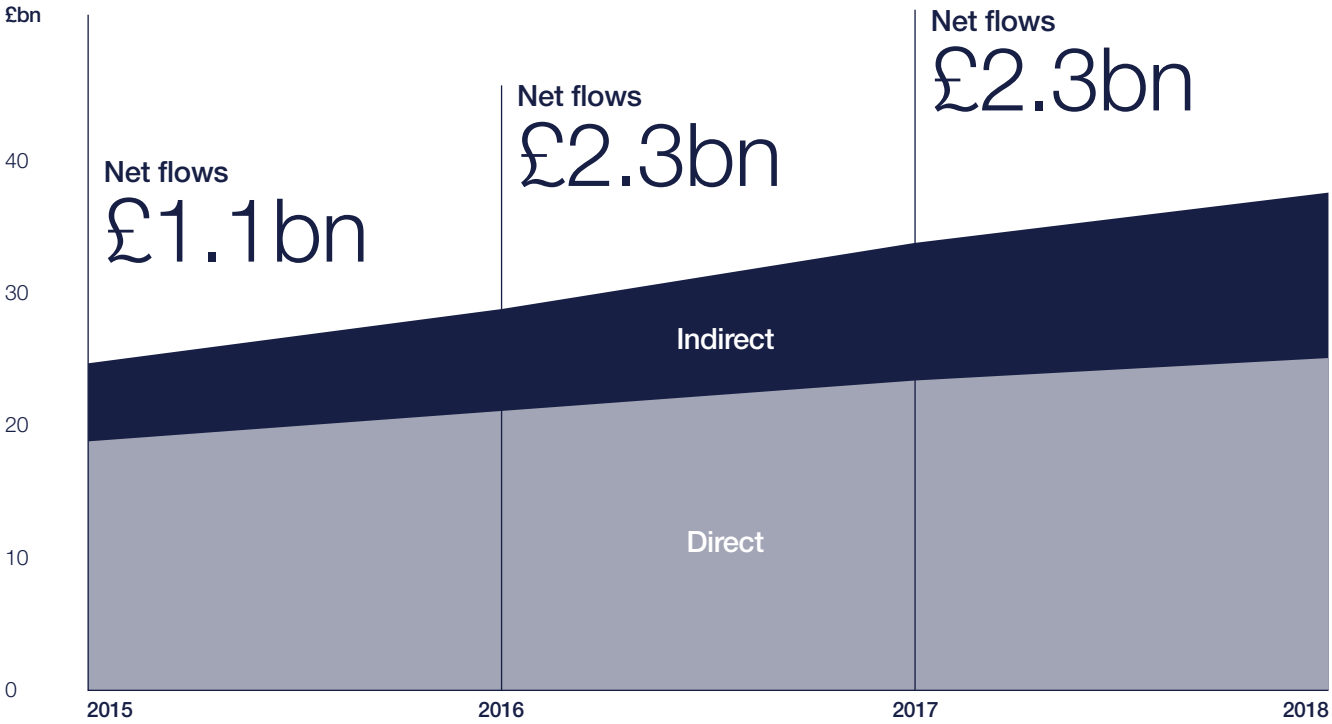
See page 39 for more information.

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

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

See page 24 for more information.

Discretionary funds



OUR PRESENCE

At Brewin Dolphin, we aim to be available for our clients, be it face to face, by phone or online.

We are always there for our clients

Our network of 30 offices across the UK, Channel Islands and the Republic of Ireland ensures we have a physical presence in the local communities where our clients live and work. Enabling our clients to contact us whenever and wherever they want is helping us grow our client base and the proportion of their wealth we manage for them.

See 'About Us' page 12.





OUR PEOPLE

We invest significant resources in ensuring we have an engaged, diverse and highly skilled workforce to help our clients fulfil their individual plans and ambitions.

Client-focused leadership

Having people at every level of the organisation who understand and respond to the needs of our clients informs our strategy for growth. We include client-facing specialists at the highest levels of executive management to ensure client needs are an important part of our strategic thinking, with their requirements represented.

Investing in talent

We constantly seek to attract, develop and retain the very best people in our industry. Our culture and reputation attract the committed people we want, individuals who are determined to provide high-quality advice and continuously do more for clients. We enable them to fulfil their potential and their purpose, rewarding them and encouraging them to stay with us for the long term.

See 'Our People' page 39.





OUR SERVICES

By constantly evolving our services to improve the value we deliver to clients, we aim to strengthen our position in the UK's wealth management sector.

An evolving proposition based on trust

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

By adding new services like *1762 from Brewin Dolphin* and WealthPilot (see page 20), we are meeting the specific needs of an increasingly broad spectrum of clients.

Using technology to support relationships

We never forget that we are a people business enabled by technology. Our investments in technology are freeing our people to spend more time with clients, improving efficiency and enhancing the client experience.

See 'Our Services' page 13.





OUR AMBITION

We have a strong culture and sound foundation supporting our growth strategy. Our ambition is to grow our client base and the proportion of their wealth that we manage, in order to drive long-term sustainable value and returns for our shareholders.

Building long-term relationships

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

See 'Business Model' page 14.

A progressive business with a distinctive culture

It is by living our values – Genuine, Expert and Ambitious – at an individual and a collective level that helps us develop and sustain client relationships and deliver growth. As we continue implementing our growth strategy and innovate, our culture and values guide us.

See pages 22 and 39 for more detail.

A focused strategy for growth

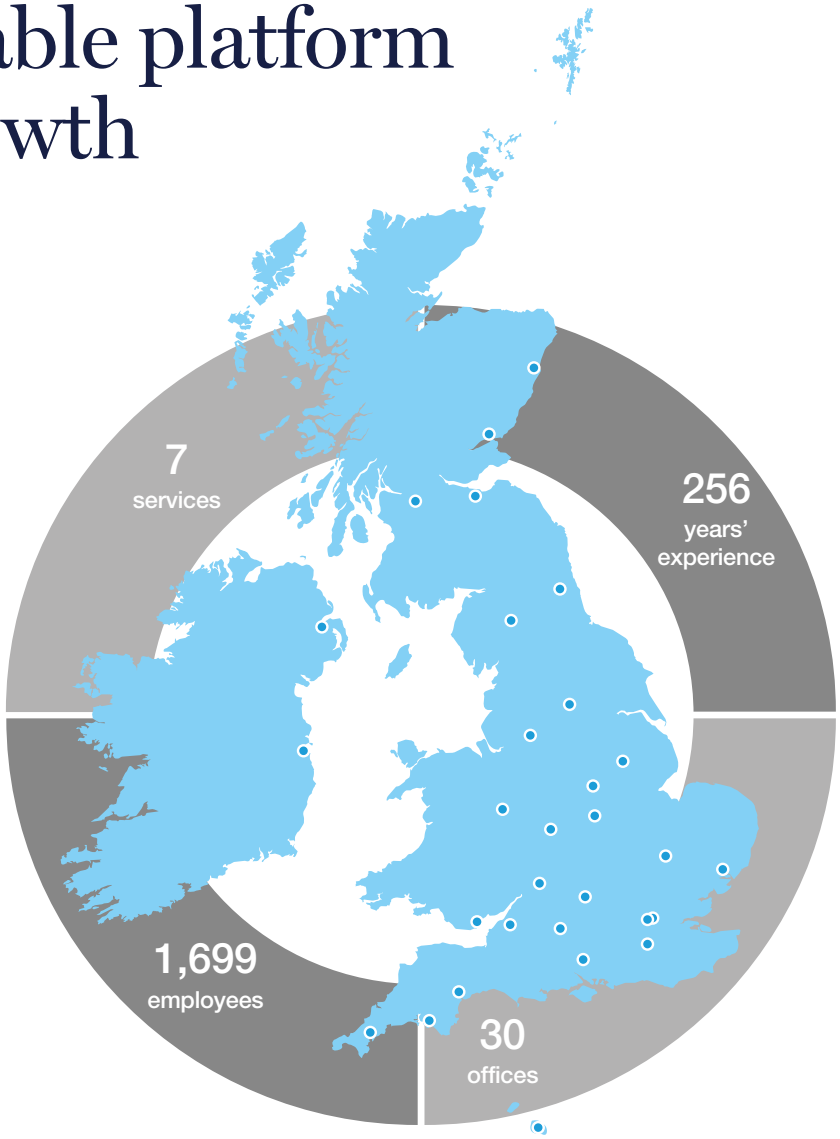
We are delivering on our strategy to grow our core revenues by expanding the proportion of wealth we manage for increasing numbers of clients. We continue to invest for the future – in our people, services, technology, infrastructure, culture and above all our client relationships.

See 'Our Strategy' page 24.





A scalable platform for growth



Who we are

Founded in 1762, we have grown to become one of the UK's leading wealth managers. Our success has been built on the strength of our relationships with our clients.

We manage the interests of clients who have had wealth for generations, and those who are the first in their family to need a wealth manager.

Individual and personal service is central to everything we do.

What we do differently

We have 30 offices across the UK and Ireland which create a strong presence and enable us to combine the best of local understanding with national scale and perspective.

Our ability to build strong long-term relationships and provide integrated advice-led propositions means we can create bespoke financial plans and investment portfolios that meet client needs, delivering peace of mind.

Further, we have the right skills to capitalise on opportunities to protect and grow wealth for our clients and implement our growth strategy.

Enhanced over time

Our personal approach has stood the test of time. Being able to forge strong relationships with people is essential and requires the kind of expertise gained only through experience.

Our propositions are evolving so that they remain relevant in today's environment and create growth opportunities for the Group.

Independent minds

We are listed on the London Stock Exchange as a member of the FTSE 250. We offer unbiased recommendations and have no in-house funds.

Our research team undertakes independent research across markets, asset classes and individual companies. They develop unconstrained views and insights for our advisers to draw upon.

Growing our service to meet future needs

The table below outlines the services we provide:

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

Designed for long-term growth

Resources and relationships

We actively engage with our stakeholders throughout our business cycle.

Employees

Our strength is in our people, both client-facing colleagues and those who provide support to them. We have a strong commitment to development and we use initiatives such as the employee engagement survey to understand what is working well and what can be improved. See 'Our People' page 39 for more detail.

Clients

We help to protect and grow the wealth of our clients and maintaining close personal relationships with them is key to our business. We undertake annual client surveys to seek client views.

Investors

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

Suppliers

We actively engage with our suppliers which ensures commitment and transparency between all parties.

Regulators

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

Services

Innovation of services and strong client relationships are central to our strategy.

Services that meet our clients' needs

Advice

Our people devote time to establishing strong client relationships based on a full understanding of each client's circumstances. This enables us to build a tailored financial solution.

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

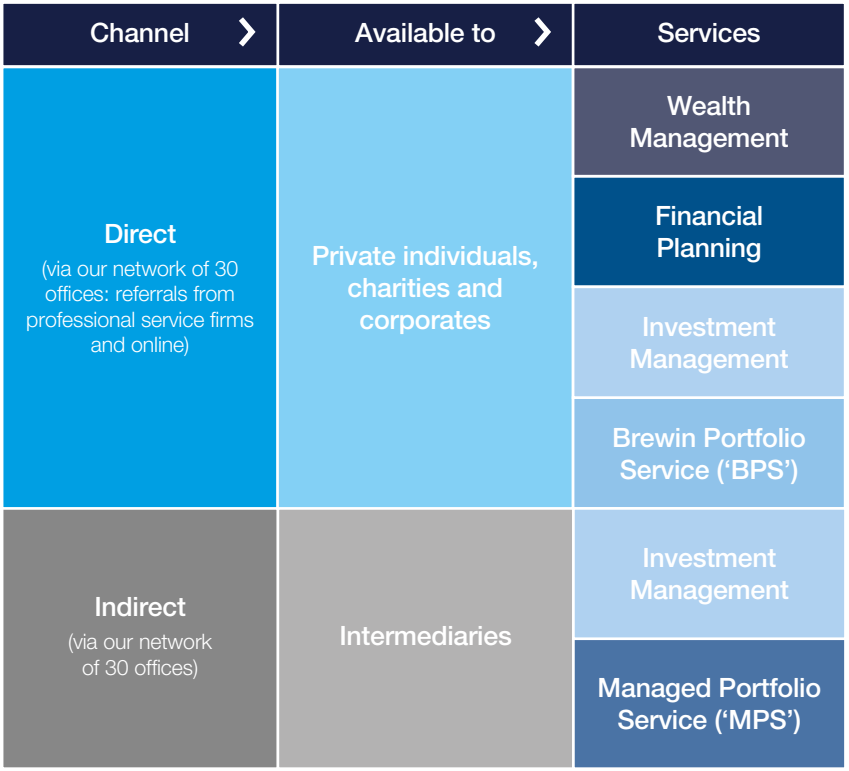
Investment solutions

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

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

See page 13 for more information on 'Our Services'.

Delivered by our distribution model



Creating value

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

For clients

Clients with advice

Clients with advice are able to access wealth management, investment management and financial planning services. We help clients achieve their long-term goals by managing their wealth. Each client is different so we assess their individual needs and develop personalised plans. We guide them through today's complex financial services environment, helping them nurture their wealth.

Clients without advice

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

Intermediaries

Both MPS and discretionary investment management service allow intermediaries to effectively outsource the investment management of their clients' portfolios whilst retaining the full client relationship. Our national business development team and network of offices mean we can support advisers and their clients face-to-face across the UK.

For Brewin Dolphin

We earn income from services based on the amount of funds we manage, fees charged for financial planning or the investment business we transact on behalf of our clients. Our personalised approach to client service combined with the expertise of our professionally qualified and experienced staff drives the value of our services and helps us earn the trust of clients and create loyal client relationships. This creates value through brand enhancement and the generation of new leads via referrals. Our client relationships are a key source of long-term value for the Group.

Value creation is underpinned by our 8 key enablers

See pages 4 to 11.

Putting value to use

The value we create generates additional capacity for us to invest further in our business to deliver long-term growth.

Investments

Investments are made in both technology and premises to support the Group's growth strategy. Investment priorities are determined in line with strategic plans and goals. Investment requirements may include elevated operational expenditure as well as capital expenditure for distinct periods of time to deliver our long-term growth strategy.

See page 23 for more information.

Acquisitions

We monitor the market for potential inorganic growth opportunities and in considering such opportunities we are mindful of the importance of cultural fit. We are well positioned to take advantage of opportunities where they are strategically aligned.

Training and development of our people

Investment here ensures that we offer the best advice to clients, offer rewarding careers to our people and continue to attract new clients.

See page 40 for more information.

Capital retention

Capital is retained for both regulatory requirements and investment needs.

Returns to shareholders

The Group has a progressive dividend policy.

See pages 19 and 38 for further information.

Our business model is underpinned by:

- Our Strategy (page 24).
- Risk Management Framework (page 28).
- Our high standards of corporate governance (page 46).
- Our culture and values (page 22).

Challenges and opportunities

Several forces – societal, economic, regulatory and technological – continue to create new opportunities and challenges in every part of the financial services industry. Here we explain how our response to these forces is enabling us to sharpen our focus on growth.

Societal change

Key messages

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

Market challenges

The Government's long-term social care policies continue to place less emphasis on state provision, and employers continue to withdraw from final salary pension schemes, making people more self-reliant in planning for their long-term needs. Many have generated substantial personal and familial wealth that they wish to protect and grow. Individuals are increasingly seeking outcome-oriented solutions that help them fulfil their personal ambitions.

Our response

Greater self-reliance has created the opportunity for Brewin Dolphin to help growing numbers of individuals via our advice-led, long-term relationship and needs-based propositions. We design tailored solutions, based on in-depth knowledge and understanding of individual client needs.

The fully bespoke, advice-led wealth management service we offer enables us to take advantage of the trend towards outcome-oriented solutions. Critically, our continued focus on addressing individual client needs ensures that our offering remains relevant over the long term.

Economic environment

Key messages

- Economic forces shape the investment environment and competitive landscape.
- The environment is influenced by national and world events that are impossible to control, such as Brexit.

Market challenges

In the UK, more than a decade of low interest rates has created challenges for people seeking a low-risk means of maintaining and growing their capital. Geopolitical uncertainties are also highly influential. Heightened risk and volatility can have negative short-term impacts on business and stock-market performance. The UK wealth management industry is highly fragmented and constantly changing, with former participants in the financial services sector returning to the advice market.

Our response

Our ability to adapt to changing client needs and market environments helps us to optimise investment performance. We have broadened the range of clients we can help in this area with the launch of our new *1762 from Brewin Dolphin* and WealthPilot services (see page 21). At the same time, we continue to plan for the long-term.

Within the fragmented UK investment environment, Brewin Dolphin's trusted brand and established reputation for delivering sound advice and consistent performance enable us to sustain long-term client relationships. During 2018, this approach enabled us to continue to grow our funds (see page 35).

Regulatory developments

Key messages

- The aftermath of the global financial crisis continues to influence the financial services industry.
- As regulators focus on protecting consumers, legislation is becoming increasingly stringent.

Market challenges

The need to comply with changing regulation means companies face significant cost and resource challenges in areas including information technology, compliance and operations. Following the introduction of MiFID II, clients can more easily view the cost of the services they receive. In addition, pension freedom rules and other changes are leading more individuals to seek professional financial advice.

Our response

We have the scale needed to absorb costs and allocate resources appropriately, as well as the expertise to adapt efficiently to new regulation. We can clearly demonstrate the value of our advice-led proposition and provide transparent pricing. In addition, wherever possible, we continue to leverage our scale with asset managers to reduce the cost of investments within our client portfolios; for instance, the transition of our MPS portfolios into 'manager of manager' funds (see page 22).

We provide comprehensive training to ensure our people provide regulation-compliant advice to our clients (see page 40).

Technological advances

Key messages

- Technology is a differentiator that can radically affect a company's service to clients.
- We are using technology to improve the efficiency and ease with which we interact with clients.

Market challenges

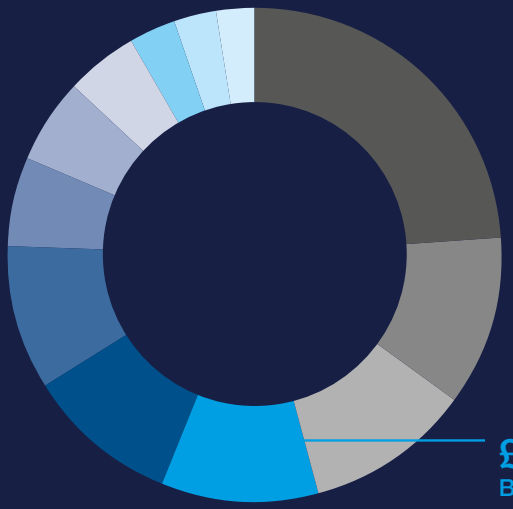
New technology and business models can be powerful enablers but also a threat, particularly in financial services where they have the potential to transform many aspects of the wealth management industry.

Our response

Our overriding emphasis on client relationships makes enhanced communication the most important role for technology as we aim increasingly to complement face-to-face client contact with digital alternatives. As increasing numbers of people use digital channels to communicate and engage, we have embedded digital solutions that increase client choice to complement our branch network.

We have introduced a new technology-based flexible working infrastructure that ensures our people can work as effectively from home or on the move (see page 23).

How we stand amongst our UK wealth management peers*



	Funds £bn
St James's Place	100.6
Schroders[1]	46.8
Quilter Cheviot[2]	44.3
Brewin Dolphin	**42.8**
Rathbones[3]	41.3
Investec Wealth & Investment[4]	39.5
Charles Stanley	25.0
Tilney Bestinvest	23.0
Smith and Williamson	19.5
Brooks Macdonald	12.8
Close Brothers Asset Management	11.9
JM Finn	9.3

1. Wealth management only.
2. Advice & wealth management.
3. Investment management only.
4. UK and other.

* Latest published annual financial or interim results where available, otherwise per the entity's website as at 22 November 2018.

Our values are central to our growth strategy



Q&A with our Chairman, Simon Miller

How does the Board promote the Group's values so that they contribute to the success of the business?

The Board's role is both to set an example of the behaviour that is expected of all Brewin Dolphin's people and to help create and sustain an organisation in which they can excel. By excelling, we attract and retain our clients, thereby supporting the growth strategy.

The Board now recognises each year those individuals who most clearly live by the Brewin Dolphin values of Genuine, Expert and Ambitious via the 'People Awards'. Recognition of their respective contributions help drive improvement and accelerate the success of the business.

Brewin Dolphin has had a good year. Statutory profit before tax increased by 18.9% to £68.5 million. Discretionary funds increased to £37.6 billion, supported by strong net inflows from new business and creditable investment performance. Total funds amounted to £42.8 billion. These results confirm Brewin Dolphin's position as one of the UK's leading wealth managers. The Chief Executive's report contains a detailed account of the year and is set out on pages 20 to 23.

The Board is proposing a final dividend of 12p per share, to be paid on 6 February 2019 to shareholders on the register on 11 January 2019. The ex-dividend date is 10 January 2019. This will bring the total dividend for 2018 to 16.4p per share, an increase of 9% compared to the total dividend for 2017. The pay ratio of dividends to earnings of 76%, lies within our target ratio of 60% to 80% of adjusted diluted earnings per share.

Investing in the future

The Group generates a healthy amount of net cash, which is in part returned to shareholders by way of dividends and in part reinvested in the business. Over the five years up to 30 September 2018, the total return to shareholders (defined as the share price return plus dividends reinvested) amounts to 56%.

At the year end, the Group held £186.2 million in cash on the balance sheet and shareholder equity of £273.7 million. Looking ahead, the most significant planned financial investment will be the replacement of the Group's core custody and settlement system. Further details are set out in the Chief Executive's Review. The Board is confident this will support long-term growth and sustained success in the business.

Our culture and people

Brewin Dolphin's culture is driven by its people. Over the past five years there has been a significant investment in leadership, education and training (see page 40).

Part of my role as Chairman is to engage with both clients and employees, which provides me with direct feedback on how the business is performing. This was also reflected in the high levels of engagement and satisfaction that were recorded in both the client and employee surveys.

Corporate responsibility (CR) plays an important role in both shaping and expressing the Group's culture. During the year there was a gratifying increase in CR related activity across the Group, including volunteering, payroll giving, matched funding and small grants. A fuller report on these activities is set out on page 41.

The Board

The Board is committed to embedding our culture, delivering high standards of corporate governance and ensuring appropriate standards of behaviour throughout the Group.

There were some changes in the composition of the Board during 2018, including the departure in May of Finance Director Andrew Westenberger. His successor is Siobhan Boylan, who will join the Board in early 2019. She will bring us significant and diverse experience of the financial services industry, gained at a senior level with businesses including Legal & General Investment Management and Aviva.

Two new non-executive directors joined the Board during the year. Michael Kellard joined in December 2017 as reported in last year's Annual Report. Simonetta Rigo joined in June 2018. Both new Board members bring the benefits of expertise and insight gained in other areas of the retail financial services industry and both are making a material contribution to our business.

Looking forward

Markets rise and fall by their nature, and recent weakness may or may not indicate a significant change, but at times like these the role of the wealth manager assumes a greater importance in the preservation of clients' wealth. The Brexit negotiations continue to contribute to market volatility.

During the year the Board considered various acquisitions and continues to do so. We believe that organic growth is equally as important to delivering shareholder value.

Annual General Meeting ('AGM')

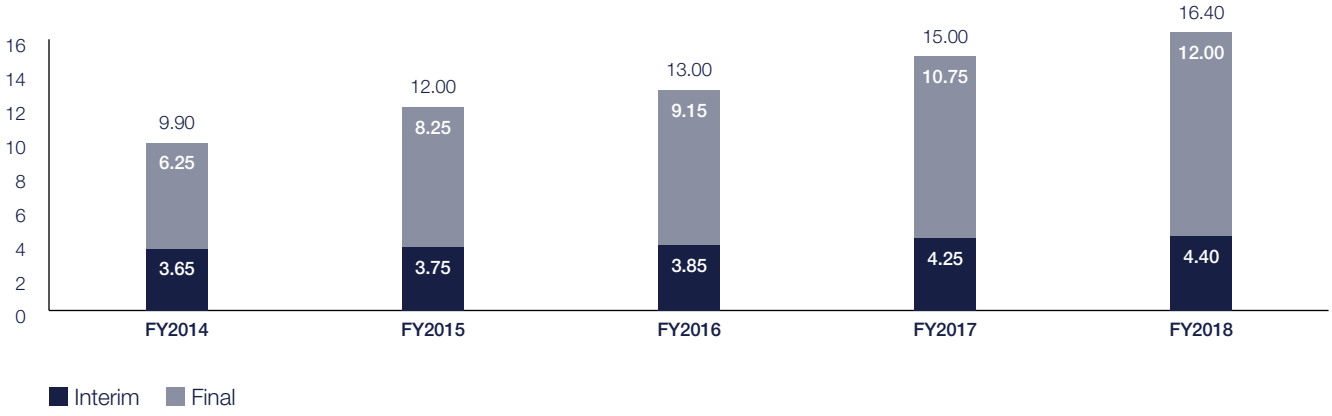
This year's AGM will be held on 1 February 2019 at 11:30am in Haberdasher's Hall, 18 West Smithfield Street, London EC1A 9HQ, a few minutes walk from our head office. Light refreshments will be provided after the meeting. I do hope you will be able to attend. If you are not able to do so, please write to me with any questions or comments you may have, and I will ensure that you receive a timely response.

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

Simon Miller
Chairman

27 November 2018

Dividend history (p)



Dividend policy

The Company's dividend policy is to grow dividends in line with the Group's adjusted[1] earnings, with a target payout ratio of between 60% and 80% of annual adjusted diluted earnings per share.

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

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

1. See page 34 for an explanation of adjusted measures.

See page 38 for more information.

A year of implementation and growth



Q&A with our Chief Executive, David Nicol

During a year that was largely focused on implementation, how did your growth strategy contribute to Brewin Dolphin's 2018 performance?

Our strategy is to become the UK's leading provider of personalised wealth and investment management services, centred around an advice-led proposition that's based on close and mutually rewarding relationships with a growing number of private clients and intermediary partners which is central to achieving growth. This was another strong period of organic fund inflows, clearly driven by the on-going delivery of our strategy.

2018 was another successful year for the business, during which the ongoing strength of our business model continued to support our ability to deliver against our strategy. In particular, it was a period of continued substantial growth during which we increased the number of clients whose investment and advice needs we care for, as well as the amount of wealth we manage on their behalf.

During 2018, our focus was on three broad areas, underpinned by our disciplined approach, that are fundamental to our strategy:

- Growth;
- Innovation; and
- Efficiency.

Growth continues to be at the top of our agenda. We are hiring and developing the most talented people we can find, ensuring they are fully engaged with our culture and values. We are working hard to grow the business, leveraging innovation to deepen existing client and intermediary relationships and to win new relationships for the Group.

This was primarily a year of disciplined implementation, when we put into action many of the initiatives announced in 2017, including the launch of *1762 from Brewin Dolphin*, our advice-led proposition for clients with more sophisticated and complex needs, and WealthPilot, our new low-cost simplified wealth planning and investment advice service.

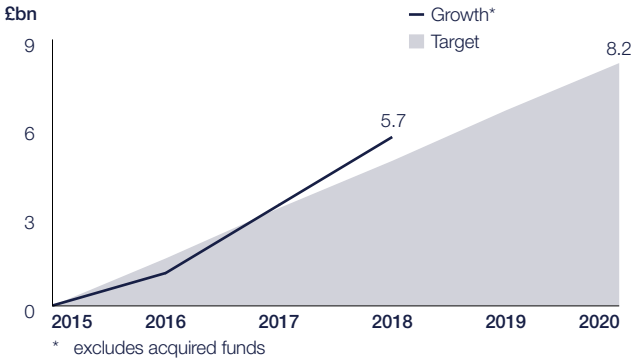
In particular, the significant investment in our innovative proposition for clients with complex needs has enabled us to recruit high-quality client-facing advisers who recognise that companies that do not offer advice cannot support clients as well as we can.

We focused on improving efficiency largely through investing in upgraded technology and streamlining services.

By focusing on growth, innovation and efficiency we were able to take advantage of market opportunities surrounding the growing need for advice.

Our results demonstrate the continuing success of our strategy, particularly in relation to our Key Performance Indicators around growth and efficiency. It was a period of strong organic fund inflows, with total funds growing during the year to a record £42.8 billion.

Discretionary fund growth was particularly strong, due to the ongoing demand for advice resulting from pension freedom legislation. As a result, we achieved a net discretionary new funds growth rate of 6.8% during the year, once again well ahead of our 5% annual target. We, therefore, remain on target to meet the plan we announced in 2015 to increase discretionary funds by one third from net new funds alone by 2020 (see graph below).



Adjusted profit before tax exceeded last year's, increasing by 10.7% to £77.5 million. Statutory profit before tax grew by 18.9% to £68.5 million. Both profit before tax measures benefitted from a full year's contribution from the acquisition in May 2017 (see page 35).

Our growth during 2018 was underpinned by our working environment, culture and values that determine how we do business – "Genuine, Expert, Ambitious". Once again, a strong client satisfaction score of 8.5 out of 10, 4.9% above our industry benchmark, demonstrated that our people are meeting our clients' expectations.

I look forward to working with our new Finance Director in early 2019. Siobhan Boylan's experience of the financial services industry includes senior roles at Legal & General Investment Management and Aviva. She will bring us in-depth knowledge of the industry, as well as her management and technical skills, at an important stage in our growth strategy.

Growth and innovation

The ability to innovate is a fundamental driver of our growth strategy. In order to do so, we need the right talent in the right areas of the organisation to develop and deliver services in a way that enables us to create and build close, long-lasting relationships with clients and intermediaries.

Talent

Investing in talent is critical to the continued growth of our business. It enables us to respond to market opportunities.

During the year, we grew our headcount by 85 individuals, a meaningful number of whom deal with and support clients. Recruiting experienced professionals creates opportunities to attract new clients. Incremental hires were appointed at all levels in the Group to help us make and sustain the improvements in infrastructure, systems and processes that are necessary to provide us with a solid platform for growth.

Our recruitment strategy is informed by our fundamental understanding that clients are not always seeking investment management alone, but increasingly require expert financial advice tailored to their personal circumstances. Financial planning services are a primary source of competitive advantage. Our investments in this area helped to drive an increase of 17.8% in our advice-related business (financial planning) during 2018.

Similarly, our high retention of client-facing specialists supports our client retention levels and protects us against the risk of client attrition.

As well as recruiting new people, we invested during the year in training and development to support our existing personnel in an advice-focused market place. The competence of these individuals, who comprise the public face of Brewin Dolphin, is of major importance to us. We are, therefore, committed to continuing our investments in this area. We launched a new programme to equip our people to have richer client conversations in a MiFID II environment, ensuring that clients fully understand the value of our services.

Following the success of the first year's intake of our Financial Planning Academy, part-funded by the Apprenticeship Levy, the second annual intake of trainees have joined the academy. This provides a structured programme of high-calibre learning for people wishing to become para-planners and will provide us with a sufficient flow of qualified individuals to meet our objectives in this area.

We also ran the second year of our bespoke Executive Leadership Programme, developed in-house to prepare talented people to reach and perform strongly at the highest levels of the organisation.

Such initiatives run in parallel with our succession-planning programme, through which we seek to identify at every level of the organisation those people with the ability and ambition to become our leaders of the future. Please see page 40 for further details of all our training and development initiatives.

Direct clients

We continue to grow our private client and charities businesses. In the 2017 Annual Report, I referred to a number of new or future initiatives that we have either launched or developed further during 2018.

Perhaps the most exciting of these is *1762 from Brewin Dolphin*, our innovative new advice-led proposition that is designed to meet the requirements of clients with more sophisticated and complex needs.

We opened a new office in London's West End in August with an initial staff of 17. This is allowing the new proposition to be delivered in an entrepreneurial, standalone environment with direct input from our clients to inform the development of the service. This innovative proposition has struck a chord in the market place, and we are hiring at a faster rate than originally expected. We are delighted with the quality of the hires we have made, whom we are expecting to be a strong source of new client acquisition. The development of this service is already adding a new dimension to our brand, together with the opportunity to generate income growth.

We continue to develop WealthPilot, the low-cost simplified advice platform we launched in 2017. It is delivered by qualified advisers over the phone, by Skype or face-to-face. Investment to date has been modest, but we have started to introduce the service outside of London into the branch network, initially in Manchester and more recently in Edinburgh. WealthPilot is allowing clients to access our advice-led service with lower investment levels. It also affords us an opportunity to identify higher value clients who are more suited to our core services. We continue to evaluate a technology platform to support this service.

Many of our managed advisory clients moved to our discretionary service during the year. This is discussed in more detail under 'Efficiency'.

We also continued to explore how best to develop our professional services offerings. We are currently working on a number of initiatives in this area, including the partnership with the Law Society of Scotland that we announced in July. This will enable us to gain access both to the firms themselves and to their underlying clients.

Our non-advised Brewin Portfolio Service ('BPS') solution enables us to meet the needs of more clients. The service continued to grow during the year, there are now over 4,000 accounts investing in our BPS funds.

We are one of the larger charity fund management firms in the UK and one of a few with real charity specialists located close to their clients, whilst being part of a wider co-ordinated team. Our specialist Charity Team of over 40 professionals is based across nine Brewin Dolphin offices. The team delivers personalised investment management, advising on and managing investments for charities within the wider financial plan of each organisation.

We regularly hold both seminars and conferences which bring together charities with regulators, auditors and lawyers assisting charity staff, and trustees in fulfilling their duties.

Branch network

We announced in September that we will move our Bournemouth office to Winchester. From here, we will tap into new opportunities in the central and northern parts of Hampshire, while continuing to serve our clients along the south coast. With the opening of our office in London's West End, our network now stands at 30 offices.

We continue to consider our options with respect to our London headquarters and regularly evaluate our office footprint around the UK.

Indirect clients

During the year, we achieved strong growth in our intermediary channel, across both our bespoke discretionary service and our Managed Portfolio Service ('MPS'). Much of this growth was due to the focus of our business development teams taking a more analytical approach to establish precisely what intermediaries and their clients need and want from us.

As a result, they were able to engage successfully with new intermediaries and deepen existing relationships. By the year end, we were dealing regularly with over 1,700 intermediaries, ranging from large national firms to sole traders.

Our branch network is an important source of competitive advantage in this regard, enabling us to develop close and mutually supportive intermediary relationships at a local level. The opening of our new office in the West End of London will serve to strengthen intermediary relationships in the capital.

We recognised that our MPS had reached a scale that allowed the transition of relevant assets into four new 'manager of manager' funds during the year. Our intermediary clients now benefit from the reduced third party fees associated with large mandates rather than pooled retail funds.

We have seen growth in MPS Passive Plus, the service extension we launched last year and we continue to explore additional ways of expanding MPS.

We are aware that significant changes to the dynamics of the IFA market in the UK are likely over the next few years. Monitoring IFA opinions about the future of their businesses and the market as a whole is an important element of our wider risk-management programme. This helps us to understand changes in their business models, so we can adapt our propositions to meet these demands.

Communications

Innovation extends beyond the services we provide to also improve the ways in which we communicate with our clients, prospective clients and intermediary partners.

During 2018, we carried out a major refresh of our website. Its simpler design makes it easier for potential clients to understand how we can help them and begin a conversation with us.

Research into client preferences showed they are keen for us to share with them more of our knowledge about trends and what affects investment decisions. We have issued a series of topical guides on matters of interest and placed a series of advice-based articles in the national press which were well received.

We also launched a journal called Antenna, designed to cater for those clients wishing to understand more about the fundamental forces at play that do most to drive economic trends. The first issue focused on artificial intelligence, and the second will cover the subject of water security.

Culture and values

Our people contributed strongly to the identification of our Group values in 2016, to reflect an organisation that they recognised. The values they identified were:

Genuine: heartfelt advice, delivered by people who care

Expert: skilfully facilitating important decisions

Ambitious: making more of life's opportunities

Today, these values demonstrably resonate with our people and contribute to the low staff turnover that enables us to grow our business. They also support the quality of service our clients receive and enable us to attract high-calibre professionals who genuinely wish to make a positive difference for their clients.

Critically, they accurately reflect the Brewin Dolphin culture, which shapes and directs how our people work and behave.

During 2018, we held the first Brewin Dolphin People Awards as part of our ongoing process to ensure that the cultural development of our people is embedded in the organisation. These recognised the contribution of employees from across the organisation to 'living' each of our values, in three award categories. There was a further award category for people who excelled in Corporate Responsibility.

Please see page 39 for a fuller report on the initiative.

Efficiency

Improving our efficiency is one of the four strategic objectives (see page 24) driving our growth strategy. During the year, we focused on actions and investments in several areas that are designed to enhance efficiency and so increase the value and returns of our activities.

Streamlining services

The Group has withdrawn its advisory dealing service (with the exception of our Jersey office clients). Additionally, we are revising the pricing of our advisory managed service to reflect the higher cost of provision following recent regulatory changes, this service has not been available to new clients for several years. This has resulted in substantial advisory funds transferring into other services within the Group, this included £0.9 billion of transfers from the advisory managed service to direct discretionary.

The transfer of advisory funds is already proving to be a driver of efficiency and value thanks to the enhanced cost-efficiencies involved in the move. We will continue to service all remaining advisory managed clients where it is a suitable service for them and they do not wish to change services. Currently, such clients represent only 2.3% of the total value of our funds.

Investments in technology

We have a clear vision of our technological priorities and development path. During the year, we made a number of investments in this area, and continue to explore further investments in a broad range of technologies and processes to support our business.

A complete technology workspace and communications refresh in Autumn 2017 has aided and increased collaborative working across the Group, both enhancing the general working environment and promoting agile working. The refresh was highly successful, contributing to a 16.4% increase in the proportion of people giving a positive confirmation to the statement in the staff engagement survey: “I have the equipment and resources I need to do my work properly”. This was the single biggest percentage rise for any statement in our most recent employee engagement survey (see page 39 for further details).

We have undertaken a significant programme of work this year to prepare for the commissioning of a new Client Management System.

Technology is a key enabler of effective communication with our clients. During the year, we launched our new client portal, MyBrewin, which is now enabling our clients to view their portfolios and valuations online. We will continue to upgrade and enhance the portal over future years.

Our core custody and settlement system is nearing the end of its useful life and will need to be replaced. A process is currently underway to identify a suitable vendor, and we anticipate announcing our final selection during the first quarter of 2019. This will be a major investment and we are fully confident that it will support the long-term growth and sustained success of our business.

Looking ahead: 2019 and beyond

Despite the many geopolitical uncertainties in the world around us, our ambition remains to continue pursuing our growth strategy. We will therefore continue throughout 2019 and the years ahead to invest in a disciplined manner in our talent and enabling technologies that underpin our ability to deliver against our growth and efficiency objectives.

The most significant future financial investment, at this time, will be the replacement of our core custody and settlement system. This is likely to span two years.

Changing consumer habits, market dynamics, technological innovation and competitor activity mean the need for change and improvement is continuous. Regulation remains of high importance, with MiFID II continuing to be a key focus and new challenges such as the Senior Managers and Certification Regime (‘SMCR’) coming into force.

With respect to Brexit, we are prepared to take all necessary and appropriate measures to address any eventualities that emerge, for our employees, clients and the business as a whole. We are well positioned to withstand market-wide stresses triggered by Brexit.

Meanwhile, we believe that we are well placed to grasp the market opportunities presented by factors like pension freedoms and the growing need for advice. We are confident that our business model, scale and focus mean we are in an ideal position to capture future growth opportunities.

David Nicol
Chief Executive Officer

27 November 2018

From strengthening to expanding

Our strategy for growth is designed to enable us to realise our vision of becoming the UK's leading provider of personalised wealth and investment management services, delivering a compelling client proposition, rewarding careers and sustainable shareholder returns.

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

What we said we would do

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

2018 progress

- Launched *1762 from Brewin Dolphin*, an advice-led proposition for clients with sophisticated and complex needs, in a new office in London's West End.
- Carried out in-depth research into intermediary needs and expectations.
- Achieved strong intermediary channel growth across both our bespoke discretionary service and the Managed Portfolio Service.
- Discretionary net organic fund inflows of £2.3 billion.
- Achieved discretionary net new funds growth rate of 6.8%, ahead of our 5% target.
- Refreshed website with simpler design to make it easier for potential clients to understand how we can help them.
- Second annual intake of trainees into our Financial Planning Academy.
- Extended WealthPilot into Manchester and Edinburgh.

Future focus

- Continue development and roll-out of *1762 from Brewin Dolphin* and WealthPilot.
- Maintain focus on innovation.
- Continue to develop and grow depth and number of intermediary relationships.
- Continue investment in client-facing new hires.
- Further investment in technology to streamline client communication and acquisition.
- Continue investment in developing employee expertise and business-development capabilities.

IE **Improved efficiency:** Maintain an efficient and scalable operating model enabling investment, developing greater productivity and sustaining competitive pricing.

What we said we would do

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

2018 progress

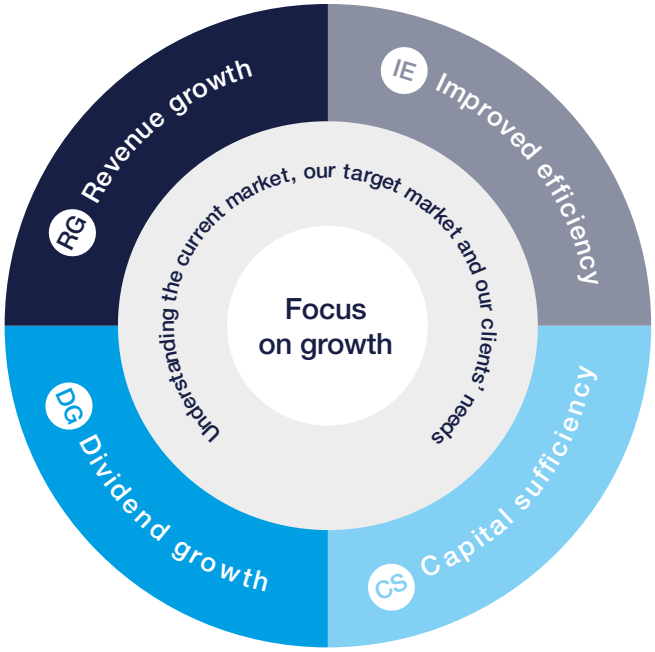
- Launched MyBrewin portal, allowing clients to view portfolios and valuations online, both reducing the cost of client communication and increasing efficiency.
- Refresh of workspace and communications technology drove increased employee satisfaction and aided efficient working practices.
- Prepared the way to commission new Client Management System ('CMS'), with the aim of streamlining processes.

Future focus

- Identify vendor and progress towards replacement of our core custody and settlement system.
- Manage development and implementation of CMS.

£2.3bn
Net discretionary fund flows

23.6%
Adjusted[1] PBT margin



75.6%
Payout ratio

234%
Capital adequacy ratio

1. See page 34 for an explanation of adjusted measures.

CS Capital sufficiency: Maintain sufficient capital to maximise opportunities and cover risks.

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

2018 progress
- Maintained sufficient capital to enable investment opportunities, reduce risk and provide cover during periods of uncertainty.
- Continued to scan the industry for appropriate investment opportunities offering the right cultural match and opportunities to accelerate growth.

Future focus
- Continue to maintain capital at a level that enables investment in emerging opportunities from a position of strength in line with our Dividend Policy.

DG Dividend growth: Grow our dividend in line with earnings.

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

2018 progress
- Dividend payout ratio of 75.6% of adjusted diluted EPS.

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

Performance against strategy is a factor in remuneration decision making, see page 65.
For measurement of progress, see our KPIs on page 26.
For discussion on priorities, see the Chief Executive's Review on page 20.
For more information regarding our strategic objectives and risk, see page 28.
For more information on our dividend policy, see pages 19 and 38.

Measuring the success of our strategy

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

Measuring our performance

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

Changes to KPIs

During the year, the targets were reset for the KPIs listed below where both original targets had been met in the previous year. Both KPIs remain relevant:

- Discretionary funds per CF30 from £75 million to £100 million.
- Average client portfolio, the target of £500,000 has been removed, recognising the change in dynamics of our advice-led business model. It will, however, continue to be used as an efficiency metric.

Additionally, the KPIs for dividend growth have been re-presented to be absolute measures rather than growth percentages; this is considered to be a better performance metric.

KPIs and remuneration

The KPIs for discretionary funds inflow and adjusted PBT margin are included in remuneration decision making, see page 64 for further details.

A detailed explanation of the calculations used for KPIs is contained in the Appendix on page 141.

RG Revenue growth

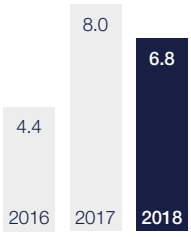
Discretionary funds inflows (%)

Target 5%

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

Performance during the year Continued positive net fund inflows of £2.3 billion, consistent with the prior year (see page 35).

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

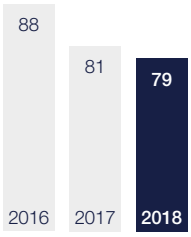


Discretionary service yield (bps)

Target n/a

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

Performance during the year The yield has reduced in line with expectations, reflecting the change in mix of new fund flows, with higher inflows from intermediaries and model portfolios which have lower charges than direct advised services.



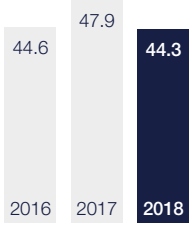
Net promoter score (%)

Benchmark 28.5%

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

Performance during the year This year saw a score of 44.3%, as in previous years, this is significantly ahead of the industry benchmark of 28.5%.

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



Overall client satisfaction

Benchmark 8.1/10

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

Performance during the year This year saw a score of 8.5/10, 4.9% above the 2018 industry benchmark of 8.1. This score is consistent with the prior year, reflecting our continued dedication to serving our clients.

Potential challenges Failure to deliver a good client experience.



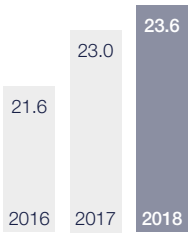
IE Improved efficiency

Adjusted[1] PBT margin (%)
Target 25%

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

Performance during the year Adjusted PBT margin has grown in the year. Income growth has been partly offset by increased investment expenditure.

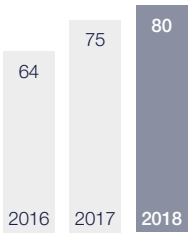
Potential challenges Failure to achieve further growth combined with changes in investment market and economic conditions.



Discretionary funds per CF30 (£m)
Target £100m

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

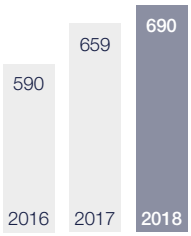
Performance during the year As part of the growth strategy the Group has increased the number of CF30s in the year. This has been offset by continued significant positive net flows and investment performance.



Average client portfolio (£000)
Target n/a

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

Performance during the year The change in portfolio size was largely due to market growth in the year and the continued exit of smaller clients.

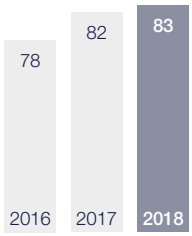


Employee engagement (%)
Benchmark 76%

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

Performance during the year This year's employee engagement survey saw a 1 percentage point increase in employee satisfaction with increased employee engagement – see page 39 for more details.

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

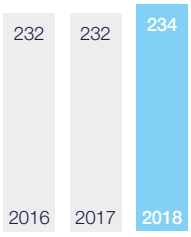


CS Capital sufficiency

Capital adequacy ratio (%)
Minimum 150%

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

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



1. Excluding redundancy costs, onerous contracts, amortisation of client relationships, acquisition costs, incentivisation awards, FSCS levy refund and impairment/disposal of available-for-sale investments.
2. See note 12 to the Financial Statements.

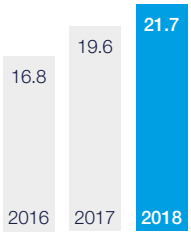
IE Dividend growth

Adjusted[1,2] diluted EPS (p)
Target n/a

Definition The reported adjusted diluted earnings per share.

Performance during the year The increase in adjusted EPS was driven by the 10.7% increase in PBT.

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

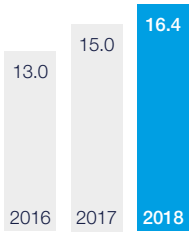


Dividend (p)
Target n/a

Definition The total annual dividend per share (interim and final).

Performance during the year Dividend growth driven by adjusted diluted EPS growth in line with dividend policy – see page 19.

Potential challenges Need to retain capital for investments. Failure to maintain capital strength and profitability.



Managing our risks

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

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

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

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

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

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

We carry out a robust assessment of the principal risks facing the Group, including those that would threaten our business model, future performance, solvency or liquidity (see page 77 for more information).

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

- Business risks
- Financial risks
- Operational risks

Our risk management process involves the identification and assessment of specific risks within these risk groups, mitigation and management of these risks, and monitoring and reporting against these risks, which provides the foundation to enable us to deliver against our strategic objectives.

Risk Management Framework

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

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

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

The benefits of establishing a strong risk culture is evident; with our employees self-identifying and escalating risk events and potential issues to mitigate the probability of risks crystallising.

We follow industry practice for risk management through the “three lines of defence” model. The first line is the business that owns and manages the risk, the second line consists of the functions that monitor and facilitate the implementation of effective risk management practices, and the third line is independent assurance provided by internal audit.

The Board reviews the effectiveness of this Risk Management Framework, receiving reports on internal control from the Audit and Risk Committees and debating key risks for the Group following more detailed work by the Risk Committee (see page 77 for more information).

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

Risk Management Framework

Top down risk management

Board

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

Risk Committee

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

Audit Committee

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

Risk Management Committee

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

Business risks

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

Financial risks

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

Operational risks

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

Risk identification and assessment

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

Risk mitigation and management

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

Risk monitoring and reporting

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

Risk assurance

- Internal auditors evaluate the adequacy of process and systems, and test the operating effectiveness of key controls.

Bottom up risk management

Principal Risks – Gross Risk Assessment

Factors which reduce these risks are provided in the principal risks and uncertainties table. The risks are shown on an inherent gross basis (before mitigating controls).

Business risks

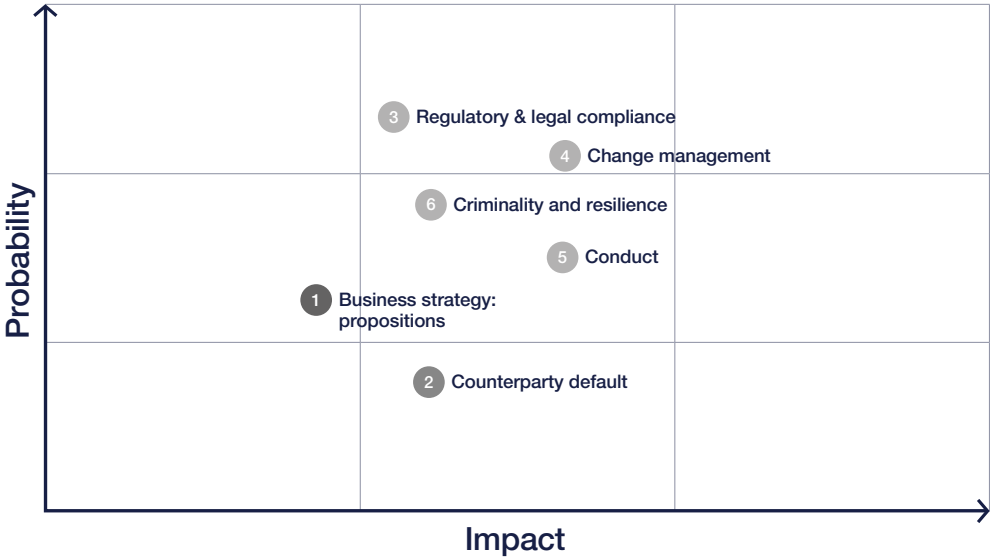
1. Business strategy: propositions

Financial risks

2. Counterparty default

Operational risks

3. Regulatory & legal compliance
4. Change management
5. Conduct
6. Criminality and resilience



Responding to risks

- Financial market uncertainty continues as geopolitical risk remains heightened, particularly in the US and China, and the risk of a no deal Brexit remains. We model severe geopolitical scenarios to stress test funds, profit, cash and regulatory capital. As a UK-based entity, this uncertainty and resulting increased levels of market volatility may impact on some of our principal risks. We are closely following the Brexit negotiations and we are continuing to assess the ongoing impact of these on our principal risks over time. We are making preparations to ensure the Group is well positioned to mitigate any adverse risks arising in worst case scenarios. We have a Brexit Steering Committee in place to coordinate the firm's preparation for the UK's withdrawal from the EU.
- We have centralised the resources and management of all business and regulatory change initiatives within a Change and Transformation team, enhancing oversight and governance, thereby mitigating the associated risks.
- The pipeline of regulatory change continues to be significant. We have focused resources on implementing new regulatory requirements for MiFID II, 4th Anti-Money Laundering Directive and GDPR, and we are preparing for the Senior Managers & Certification Regime requirements, which begin to come into effect in December 2019.
- To continue to reduce conduct risk, we have developed an application which aligns and aggregates portfolio metrics into a monitoring dashboard. This enables enhanced oversight by our governance committees, and real time monitoring by our Regional Directors and Heads of Office.
- To test our operational resilience, we have conducted crisis management exercises, business continuity and work area recovery site tests, and IT disaster recovery tests. Our crisis management exercises involve our Crisis Management and Incident Management teams who test our strategic, tactical and operational responses to potential scenarios which could have major business impacts. Our current focus is on further developing our vendor resilience strategy.
- An in-depth risk workshop was conducted with our Risk Committee and Executive Committee members in the period to review the risks facing the Group.
- Monitoring of the risk appetite for each of the key risks continues to be developed and includes both a calculated risk score and a qualitative risk owner assessment.
- During 2019 we will be focusing on the alignment and aggregation of all risk-related data into a single application, to enable further enhancement of our risk monitoring and reporting.

Principal risks and uncertainties

The tables below detail the principal risks and uncertainties we have identified. It is not an exhaustive list of all of the risks the Group faces. We have a process to regularly report key risk indicators and identify changes in the profile of these principal risks. We also consider emerging risks as part of this process. In addition to the principal risks identified, we monitor the external environment and model the potential impact of different potential geopolitical scenarios as part of our stress testing programme.

Key to our strategic objectives

RG Revenue growth

IE Improved efficiency

CS Capital sufficiency

Business risks

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

Principal risk and risk owner(s)	Nature and potential impact of the risk	Primary strategic impact	Mitigating factors to reduce risk	Examples of risk metrics	Movement in the year
1 Business strategy: propositions (Risk owners: Private Clients Managing Director; Financial Planning Managing Director; and Investment Solutions and Distribution Managing Director)	The risk of our service offerings not meeting the evolving needs of our clients, resulting in existing clients leaving and failure to attract new clients. This could result in reduced revenue.	RG	– A strategic plan approved by the Board. – We use key performance indicators to measure the progress and success of our strategy implementation. – A robust governance structure that includes challenge from our independent Non-Executive Directors. – Dedicated resources to develop, test and launch new service offerings.	– Net new inflows per service offering vs target.	^ We have commenced development of new propositions (see page 21).

Financial risks

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

Principal risk and risk owner(s)	Nature and potential impact of the risk	Primary strategic impact	Mitigating factors to reduce risk	Examples of risk metrics	Movement in the year
2 Counterparty default (Risk owner: Finance Director)	Default by our banking counterparties could put our own or our clients' cash deposits or assets at risk of loss.	CS	– A Financial Risk Management Framework is in place which includes managing the Group's exposure to counterparty credit risk, setting and monitoring counterparty limits. – Diversity across our banking counterparties. – Due diligence is undertaken for all banking counterparties. – A Financial Risk Committee provides oversight of the Financial Risk Management Framework.	– Proportion of money held per banking counterparty. – Banking counterparty credit ratings. – Changes in the risk profile of banking counterparties.	<> Financial risks remain at a similar level to last year.

See page 24 for 'Our Strategy' and page 26 for KPIs for further information in relation to the primary strategic impact.

Operational risks

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

Principal risk and risk owner(s)	Nature and potential impact of the risk	Primary strategic impact	Mitigating factors to reduce risk	Examples of risk metrics	Movement in the year
3 Regulatory & legal compliance (Risk owner: Chief Risk Officer)	This is the risk that we are not compliant with all applicable regulation and legislation, which could lead to regulatory enforcement action.	CS	– Compliance and Legal functions monitor and oversee fulfilment of our regulatory and legislative requirements and interactions with our key regulators. – We have an established control environment, monitoring processes and governance in place to identify issues and ensure any required actions are completed.	– We have built dashboards to monitor each regulatory risk which include assessment of the control environment, regulatory interaction, issues and breaches.	The risk continues to be driven by new regulatory requirements.
4 Change management (Risk owners: Chief Risk Officer and Chief Operating Officer)	The risk that business and regulatory changes are not delivered. This could restrict the firm's ability to achieve its strategic objectives of revenue growth and operational efficiency.	IE	– Change management is centralised within a Change and Transformation team. – A Change and Transformation Steering Group with senior representatives across the business reviews prioritisation, progress, issues and risks across the change programme.	– Project status taking into account risks, issues, resourcing and vendor deliverables.	We have embarked on new initiatives to achieve strategic objectives (see pages 24 and 25). Increased resources and enhanced governance processes have been put in place in response to the increased risk that the new initiatives present.

5 Conduct
 	
(Risk owner: Investment Solutions and Distribution Managing Director)
	This is the risk of not delivering fair outcomes for clients. This could create a financial impact for both clients and the firm.	CS	– Tone from the top sets a culture which puts delivering fair outcomes for clients at the core of the Group's activities/ethos.
			– A conduct risk framework sets our approach to conduct risk governance and the ongoing assessment, monitoring against key metrics and reporting of conduct risk.
			– A conduct risk dashboard is in place, enabling detailed monitoring and oversight of conduct risk at an individual employee level.
			– A risk-based client on-boarding process which ensures that we understand our clients' needs and attitudes to risk.
			– A quality assurance process to identify and address any instances where the best outcomes for clients are not achieved.
			– Robust investment governance supported by:
			  – an investment governance committee;
			  – a dedicated research department to set the Group's asset allocation framework; and
			  – a restricted assets policy to prevent investment in unsuitable assets.
				– Transaction analysis.
				– Client complaints.
				– Asset allocation.
					We have implemented enhanced monitoring and oversight of this risk through implementation of an application which aggregates portfolio metrics into a dashboard used by the business.

6 Criminality and resilience (Risk owner: Chief Risk Officer)	The increasing external risk of criminality and the difficulty of complete prevention are recognised, as the volume and sophistication of information security threats (cyber risk) and fraud attempts across industries increase. This could result in the theft of data or money.	CS	– We have a dedicated risk management function within Information Technology, which assesses and validates the design and effectiveness of the technology controls that we employ to protect our technology infrastructure. – Dedicated Information Security and Data Protection team report directly to the Chief Risk Officer. – Regular testing of our business continuity plans. – Crisis management scenarios are undertaken with external providers to test the roles and responsibilities of the crisis management response teams.	– Fraud attempts. – System vulnerabilities. – Security breaches.	We have implemented enhancements to our controls in response to the continued external threat to reduce the risk.

Viability statement

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

The assessment is based on the Group's Medium Term Plan ('MTP'), the Internal Capital Adequacy Assessment Process ('ICAAP') and the evaluation of the Group's principal risks and uncertainties (see page 31), including those risks that could threaten its business model, future performance or solvency.

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

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

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

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

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

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

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

Going concern

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

The Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and its exposure to credit risk and liquidity risk are described in note 27 to the Financial Statements.

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

Delivering a strong financial performance

Results for the year

The Group's financial performance for the year to 30 September 2018 was strong. Statutory profit before tax ('statutory PBT') was 18.9% higher than last year at £68.5 million (2017: £57.6 million) and included a whole year's contribution from the H2 2017 acquisition. Statutory PBT margin for the period increased to 20.8% (2017: 18.9%).

Adjusted profit before tax ('adjusted PBT') increased by 10.7% to £77.5 million (2017: £70.0 million) driven by continued strong discretionary funds inflows and the full year effect of the H2 2017 acquisition. Adjusted diluted earnings per share ('EPS') was 21.7p (2017: 19.6p), also an increase of 10.7%.

The rise in adjusted PBT was due to income growth of 8.0% to £329.0 million (2017: £304.5 million) offset by fixed operating costs growth of 6.9%. This led to an increase in the adjusted PBT margin to 23.6% (2017: 23.0%).

Excluding the impact of the H2 2017 acquisition (see page 35 for further details), adjusted PBT increased by 7.5% and statutory PBT increased by 14.9%.

	2018 £m	2017 £m	Change
Core[1] income	**319.7**	291.0	9.9%
Other income	**9.3**	13.5	(31.1%)
Total income	**329.0**	304.5	8.0%
Fixed staff costs	**(117.1)**	(110.2)	6.3%
Other operating costs	**(77.5)**	(71.8)	7.9%
Total fixed operating costs	**(194.6)**	(182.0)	6.9%
Adjusted[2] profit before variable staff costs	**134.4**	122.5	9.7%
Variable staff costs	**(57.7)**	(52.5)	9.9%
Adjusted[2] operating profit	**76.7**	70.0	9.6%
Net finance income and other gains and losses	**0.8**	–	
Adjusted[2] profit before tax	**77.5**	70.0	10.7%
Adjusted items[3]	**(1.4)**	(5.7)	
Amortisation of client relationships	**(7.6)**	(6.7)	
Profit before tax	**68.5**	57.6	18.9%
Taxation	**(15.0)**	(12.5)	
Profit after tax	**53.5**	45.1	
Earnings per share			
Basic earnings per share	**19.5p**	16.5p	18.2%
Diluted earnings per share	**18.9p**	16.0p	18.1%
Adjusted[4] earnings per share			
Basic earnings per share	**22.5p**	20.5p	9.8%
Diluted earnings per share	**21.7p**	19.6p	10.7%

1. Core income is defined as income derived from discretionary investment management, financial planning, Brewin Portfolio Service ('BPS') and execution only services.
2. These figures have been adjusted to exclude redundancy costs, onerous contracts, amortisation of client relationships, acquisition costs, incentivisation awards, FSCS levy refund and impairment/disposal of available-for-sale investments.
3. Adjusted items include redundancy costs, onerous contracts, acquisition costs, incentivisation awards, FSCS levy refund and impairment/disposal of available-for-sale investments.
4. See note 12 to the Financial Statements.

Explanation of adjusted profit before tax and reconciliation to Financial Statements

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

Additionally, we use some of the adjusted performance measures as Key Performance Indicators, as well as for performance measures for various incentive schemes, including the annual bonuses of Executive Directors and long-term incentive plans.

These adjusted profit measures are calculated based on statutory PBT adjusted to exclude various infrequent or unusual items of income or expense. The Directors consider such items to be outside the ordinary course of business. Income or expenditure adjusted for include incentivisation awards, onerous contract costs, acquisition costs, impairment of available-for-sale assets, redundancy costs and the FSCS levy refund of an expense previously excluded from adjusted measures.

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

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

Reconciliation of adjusted profit before tax to statutory profit before tax

	2018 £m	2017 £m	Change
Adjusted profit before tax	**77.5**	70.0	10.7%
Incentivisation awards	**(1.3)**	(1.3)	
Onerous contracts	**(0.2)**	(2.0)	
Impairment of available-for-sale assets	**(0.2)**	–	
FSCS levy refund	**0.3**	–	
Acquisition costs	**–**	(1.7)	
Redundancy costs	**–**	(0.7)	
Total adjusted items	**(1.4)**	(5.7)	
Amortisation of client relationships	**(7.6)**	(6.7)	
Statutory profit before tax	**68.5**	57.6	18.9%

Funds

£bn	30 September 2017	Inflows	Outflows	Internal transfers	Net flows	Growth rate	Investment performance	**30 September 2018**	Change
Private clients	18.9	0.9	(0.8)	0.5	0.6	3.2%	0.9	**20.4**	7.9%
Charities & corporates	4.5	0.2	(0.1)	–	0.1	2.2%	0.1	**4.7**	4.4%
Direct discretionary	23.4	1.1	(0.9)	0.5	0.7	3.0%	1.0	**25.1**	7.3%
Intermediaries	8.1	1.5	(0.4)	(0.1)	1.0	12.3%	0.4	**9.5**	17.3%
MPS	2.3	0.6	–	–	0.6	26.1%	0.1	**3.0**	30.4%
Indirect discretionary	10.4	2.1	(0.4)	(0.1)	1.6	15.4%	0.5	**12.5**	20.2%
Total discretionary	33.8	3.2	(1.3)	0.4	2.3	6.8%	1.5	**37.6**	11.2%
BPS	0.1	–	–	–	–	0.0%	–	**0.1**	0.0%
Execution only	3.5	0.3	(0.6)	0.9	0.6	17.1%	(0.2)	**3.9**	11.4%
Core funds	**37.4**	**3.5**	**(1.9)**	**1.3**	**2.9**	**7.8%**	**1.3**	**41.6**	**11.2%**
Advisory	2.7	–	(0.1)	(1.3)	(1.4)	(51.9)%	(0.1)	**1.2**	(55.6)%
Total funds	40.1	3.5	(2.0)	–	1.5	3.7%	1.2	**42.8**	6.7%

Indices	30 September 2017	**30 September 2018**	Change
MSCI WMA Private Investor Balanced Index	1,545	**1,612**	4.3%
FTSE 100 Index	7,373	**7,510**	1.9%

Total funds grew by 6.7% to £42.8 billion at 30 September 2018 (2017: £40.1 billion) driven by net new funds growth of £1.5 billion and investment performance of £1.2 billion.

Core funds grew by 11.2% (2017: 13.3% excluding acquired funds) with approximately 70% of the growth stemming from net new funds of £2.9 billion, including £0.7 billion from direct discretionary clients (including internal transfers, see below) and £1.6 billion from indirect clients.

Total discretionary funds grew 11.2% to reach £37.6 billion (2017: £33.8 billion) due to continuing strong gross inflows of £3.2 billion (2017: £3.4 billion) and stable outflows of £1.3 billion (2017: £1.2 billion). Net funds growth of £2.3 billion represents a growth rate of 6.8% (2017: 8.0%) above the Group's 5% target. Discretionary net fund flows have this year seen significant internal service transfers from our non-core advisory service of £0.9 billion (see page 23 of the Chief Executive's Review for details of changes to the advisory dealing and advisory managed services).

Total direct discretionary funds increased to £25.1 billion (2017: £23.4 billion) representing growth of 7.3% (2017: 10.9%). This was driven by record direct inflows of £1.1 billion (2017: £1.0 billion) and investment performance. Outflows remained stable at £0.9 billion but at a lower rate of 3.8% compared to 4.3% last year.

Private clients direct discretionary funds are 81.3% of our direct discretionary funds. These grew by 7.9% in the year with 40% (2017: 33%) of the gross inflows originating from our advice-led wealth management service. This service is gaining traction, now accounting for 18% of direct private client funds (2017: 15%).

Net funds flows from direct discretionary charities and corporates were broadly similar to last year, growing by 4.4% to £4.7 billion (2017: £4.5 billion).

Indirect discretionary funds grew 20.2% to £12.5 billion (2017: £10.4 billion) with net fund flows of £1.6 billion (2017: £2.1 billion). Gross inflows of £1.5 billion into our bespoke discretionary service were in line with last year, offset by slightly higher outflows. Our MPS now manages £3.0 billion and represents 8.0% (2017: 6.8%) of our discretionary funds.

Execution only funds were £3.9 billion, £0.4 billion higher than last year. This increase resulted mostly from transfers from advisory managed funds and the withdrawal of the advisory dealing service at the start of the year.

Advisory funds fell by £1.5 billion in the year to £1.2 billion (2017: £2.7 billion) of which £1.3 billion has been retained and transferred into the core business, as explained above.

Impact of the H2 2017 acquisition

In May 2017 the Group acquired Duncan Lawrie Asset Management Limited and had 4.5 months contribution in the financial year ended 30 September 2017. The acquisition contributed £6.5 million of income to 2018 (2017: £2.5 million) and £4.7 million (2017: £1.6 million) of adjusted PBT after associated staff costs of £1.4 million (2017: £0.6 million) and administrative, overhead and variable costs of £0.4 million (2017: £0.3 million). This resulted in incremental adjusted diluted EPS of 1.5p (2017: 0.5p).

The impact on statutory PBT for the year was a loss of £0.2 million (2017: £2.8 million loss) and a reduction of 0.1p (2017: 1.0p reduction) to statutory diluted EPS after the costs of incentivisation awards and amortisation attributable to the acquisition, both of which are excluded from the adjusted measures.

Income

Total income increased by 8.0% to £329.0 million (2017: £304.5 million) and is analysed as follows:

	2018 £m	2017 £m	Change
Private clients	**189.1**	176.4	7.2%
Charities & corporates	**22.5**	21.8	3.2%
Direct discretionary	**211.6**	198.2	6.8%
Intermediaries	**64.2**	55.3	16.1%
MPS	**7.6**	5.3	43.4%
Indirect discretionary	**71.8**	60.6	18.5%
Total discretionary	**283.4**	258.8	9.5%
Financial planning	**24.5**	20.8	17.8%
BPS	**1.1**	1.0	10.0%
Execution only	**10.7**	10.4	2.9%
Core income	**319.7**	291.0	9.9%
Advisory	**6.5**	12.9	(49.6)%
Interest	**2.8**	0.6	366.7%
Total other income	**9.3**	13.5	(31.1)%
Total income	**329.0**	304.5	8.0%

Core income grew 9.9% to £319.7 million (2017: £291.0 million) once again driven by strong core funds growth of 11.2% (2017: 15.4%). Core income now represents 97.2% (2017: 95.6%) of total income, the improvement is due to the Group's continued focus on discretionary funds and the transfer of a substantial portion of advisory funds into the discretionary service during the year (see the Funds narrative above for further detail).

Income from direct discretionary private clients grew 7.2% (2017: 6.3%) with growth in both our client base and client funds.

Income from our indirect discretionary business grew by 18.5% (2017: 23.9%) due to continued strong net funds inflows from both new and existing intermediary clients. MPS income grew by 43.4% in the year to £7.6 million (2017: £5.3 million) with the business continuing to attract significant inflows.

Financial planning income increased by 17.8% to £24.5 million (2017: £20.8 million) reflecting the continued growth in clients take up of our advice-led wealth management service. As discussed in the Chief Executive Review, this is an area of focus for the Group's growth strategy.

Total other income reduced by £4.2 million to £9.3 million (2017: £13.5 million). Advisory income fell by £6.4 million as a result of the substantial transfer of advisory funds into discretionary funds and also into our execution only service. Interest income benefitted from the increase in base rates during the year.

Fees and commissions

Core fee income was 10.2% higher at £229.2 million (2017: £207.9 million) in line with the growth in core funds. Increased volumes and higher average trade values resulted in core commission income increasing by 5.9% to £66.0 million (2017: £62.3 million).

Core fee income now represents 72% of core income and has increased steadily from 48% in 2010 and 62% in 2013. The split of fees and commissions is shown in the table below:

	2018			2017			Change		
£m	**Fees**	**Commission**	**Total**	Fees	Commission	Total	Fees	Commission	Total
Private clients	**133.5**	**55.6**	**189.1**	125.3	51.1	176.4	6.5%	8.8%	7.2%
Charities & corporates	**19.5**	**3.0**	**22.5**	18.8	3.0	21.8	3.7%	–%	3.2%
Direct discretionary	**153.0**	**58.6**	**211.6**	144.1	54.1	198.2	6.2%	8.3%	6.8%
Intermediaries	**63.1**	**1.1**	**64.2**	53.7	1.6	55.3	17.5%	(31.3)%	16.1%
MPS	**7.6**	**–**	**7.6**	5.3	–	5.3	43.4%	n/a	43.4%
Indirect discretionary	**70.7**	**1.1**	**71.8**	59.0	1.6	60.6	19.8%	(31.3)%	18.5%
Total discretionary	**223.7**	**59.7**	**283.4**	203.1	55.7	258.8	10.1%	7.2%	9.5%
BPS	**1.1**	**–**	**1.1**	1.0	–	1.0	10.0%	n/a	10.0%
Execution only	**4.4**	**6.3**	**10.7**	3.8	6.6	10.4	15.8%	(4.5)%	2.9%
Core income excluding financial planning	**229.2**	**66.0**	**295.2**	207.9	62.3	270.2	10.2%	5.9%	9.3%
Financial planning	**n/a**	**n/a**	**24.5**	n/a	n/a	20.8	n/a	n/a	17.8%
Core income	**n/a**	**n/a**	**319.7**	n/a	n/a	291.0	n/a	n/a	9.9%

Income yield[1]

	2018			2017		
(bps)	**Fees**	**Commission**	**Total**	Fees	Commission	Total
Private clients	**67.8**	**28.2**	**96.0**	68.6	28.0	96.6
Charities & corporates	**42.2**	**6.5**	**48.7**	42.5	7.1	49.6
Direct discretionary	**62.9**	**24.1**	**87.0**	63.7	23.9	87.6
Intermediaries	**70.5**	**1.3**	**71.8**	71.9	2.2	74.1
MPS	**27.9**	**–**	**27.9**	27.7	–	27.7
Total discretionary	**62.1**	**16.6**	**78.7**	63.5	17.4	80.9
BPS	**70.3**	**–**	**70.3**	70.2	–	70.2
Execution only	**11.4**	**16.5**	**27.9**	11.3	18.9	30.2
Advisory	**29.2**	**10.9**	**40.1**	32.6	13.6	46.2
Overall	**56.2**	**16.3**	**72.5**	56.6	17.2	73.8

1. Income yield is calculated as total income over the average funds at the end of each quarter in the year.

The blended yield across all our discretionary services was 78.7bps (2017: 80.9bps), with the marginal decrease attributable to the majority of fund growth coming from our lower priced intermediary and MPS channels. Additionally, as funds have grown, through both net flows and investment performance, portfolios have increased in size and moved into lower priced fee bands.

The bespoke intermediaries yield reduced to 71.8bps (2017: 74.1bps) as our intermediaries' clients continued to benefit from lower priced volume-based fee tiers.

The yield on our execution only business fell 2.3bps to 27.9bps. The advisory business yield declined to 40.1bps (2017: 46.2bps) reflecting reduced commission income and the transfer of higher yielding clients into our discretionary channel.

Costs

Total fixed operating costs increased by 6.9% to £194.6 million in the year (2017: £182.0 million).

Fixed staff costs

Fixed staff costs increased by 6.3% to £117.1 million (2017: £110.2 million) primarily driven by increased head count to support the growth of the business, including new initiatives, and expanding our change and technology capability. Inflationary pay rises were offset by lower cost of sales in relation to intermediary inflows. Permanent headcount grew by a net 85 to 1,699 up from 1,614 at the end of last year.

Other operating costs

Other operating costs increased by £5.7 million to £77.5 million, attributable to investment in the new West End office from February; an increase in the regular FSCS levy; increased costs of business promotion/marketing and higher regulatory related costs arising from MiFID II reporting requirements and GDPR.

Variable staff costs

Variable staff costs include profit share for the current year, share based payments related costs for prior years' deferred profit share awards and long term incentive awards. Profit share increased broadly in line with the increase in adjusted PBT before variable staff costs.

Adjusted items

Net adjusted items for the year were lower at £1.4 million (2017: £5.7 million). Last year's adjusted items included acquisition costs (£1.7 million), higher onerous contracts costs (£2.0 million) and redundancy costs resulting from restructuring, these costs did not occur again this year.

During the year the Group assigned approximately one-third of the onerous space in our Newcastle premises and achieved a sublet for the onerous office space in Edinburgh which necessitated additional space being given up in the office to achieve the sublet.

Amortisation of client relationships

Amortisation of client relationships increased to £7.6 million (2017: £6.7 million). This included a full year of amortisation of client relationships from the H2 2017 acquisition of £3.6 million (2017: £1.4 million), which was partially offset by previously acquired client relationships reaching the end of their amortisation periods.

Defined benefit pension scheme

The final salary pension scheme surplus has increased to £11.4 million (2017: £4.5 million). The actuarial gain for the year was £3.8 million (2017: £8.6 million). Under International Accounting Standard 19 ('IAS 19'), large annual fluctuations can occur. The increase in the surplus has largely been driven by contributions to the Scheme and changes in investment market conditions. In particular, corporate bond yields increased over the year, with the discount rate increasing to reflect this rise. This served to decrease the present value of liabilities. Updated post-retirement mortality assumptions that incorporate the latest mortality projection models also increased the surplus. These increases were partially offset by lower than expected asset returns.

The Group completed and agreed the tri-annual valuation in December 2017. At the 2014 valuation, it was agreed that the Group would pay annual contributions of £3.0 million per annum until February 2019; a further £1.25 million remains to be paid under this agreement. As part of the most recent valuation, the Group has agreed to pay additional contributions of £1.25 million per annum until December 2020 (see note 17 to the Financial Statements for further detail).

As a result of the High Court ruling in respect of the equalisation of Guaranteed Minimum Pensions ('GMP') for Lloyds Banking Group pension schemes, a charge will be recognised in the Group's Income Statement in the year ending 30 September 2019 relating to our final salary pension scheme. Whilst detailed analysis of the impact is ongoing, we do not expect the charge to be material.

Dividend

The Group's dividend policy is set out in the Chairman's Statement on page 19.

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

The Company is the parent company of the Group and is a non-trading investment holding company. It derives its distributable reserves from dividends received from its subsidiaries, of which Brewin Dolphin Limited is the principal operating subsidiary.

Before the Board proposes any interim or final dividends it satisfies itself that there will be sufficient distributable reserves in the Company at the respective payment dates.

The distributable reserves of the Company comprise £38.4 million of the merger reserve (see note 25 to the Financial Statements) and the majority of the balance on the profit and loss reserve.

The Group is well positioned to continue funding dividend payments in accordance with its policy. The ability to maintain future dividends will be influenced by a number of the principal risks identified on pages 31 and 32 that could adversely impact the performance of the Group.

Furthermore, with the current cash resources available to the Group, we continue to be well positioned to support our strategy.

Further details of the Group's cash flow can be found opposite. Details of the Group's continuing viability and going concern are both on page 33. The majority of the cash resources are held by the principal operating subsidiary Brewin Dolphin Limited.

A resolution is to be proposed at the AGM to cancel the share premium account to create additional distributable reserves. This will provide the Company with greater headroom and flexibility in the future for the paying of ordinary course dividends. It is not currently intended to use the additional distributable reserves created to deviate from the Group's established dividend policy.

Capital resources and regulatory capital

The Group's financial position remains strong with net assets increasing to £273.7 million at 30 September 2018 (2017: £262.6 million). This resulted from both profit retention and the actuarial gain on the defined benefit pension scheme. Tangible net assets (net assets excluding intangibles) are £188.0 million (2017: £166.8 million) of which £186.2 million (2017: £170.0 million) is represented by cash.

At 30 September 2018, the Group had regulatory capital resources of £180.8 million (2017: £165.2 million), see note 27 to the Financial Statements. The Group's primary regulator is the Financial Conduct Authority ('FCA'). The FCA's rules determine the calculation of the Group's regulatory capital resources and regulatory capital requirements. As required under FCA rules, we perform an Internal Capital Adequacy Assessment Process ('ICAAP') which includes a range of stress tests to determine the appropriate level of regulatory capital that the Group needs to hold.

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

Cash flow and capital expenditure

The Group had a net cash inflow for the period of £16.2 million (2017: £0.9 million outflow) and total net cash balances of £186.2 million as at 30 September 2018 (2017: £170.0 million).

Adjusted EBITDA (see table below) was £92.0 million (2017: £85.2 million). During the year £3.0 million was contributed to the defined benefit pension scheme (2017: £3.0 million). Capital expenditure of £8.3 million (including the purchase of equipment for the workspace refresh, software costs for the new CMS system which is in development and the fit out of the new West End office) was significantly higher than last year (2017: £2.0 million).

Cash outflow for own share 'matching' purchases in the period was £13.5 million (2017: £5.8 million). This included the purchase of shares to cover the Long Term Incentive Plan ('LTIP') awards granted in December 2014, 2015 and 2016, as well as the matching of the Deferred Profit Share Plan ('DPSP') 2017 award. All past awards are largely matched except the December 2017 LTIP awards. Shares were also purchased (£0.2 million) for the Share Incentive Plan.

Cash inflow from shares issued in the period in relation to Approved Share Options was £0.2 million (2017: £0.5 million).

Dividends paid in the period increased by 13.7% to £41.6 million (2017: £36.6 million).

	2018 £m	2017 £m
Adjusted profit before tax	**77.5**	70.0
Finance income and costs	**(0.8)**	–
Adjusted operating profit (EBIT)	**76.7**	70.0
Share-based payments	**8.9**	8.1
Depreciation and amortisation	**6.4**	7.1
Adjusted EBITDA	**92.0**	85.2
Pension funding	**(3.0)**	(3.0)
Capex	**(8.3)**	(2.0)
Purchase/proceeds on disposal trading investments	**(0.3)**	1.1
Working capital	**5.0**	(1.0)
Interest and taxation	**(11.6)**	(9.7)
Acquisition of subsidiary	**–**	(25.5)
Adjusted items	**(2.7)**	(2.2)
Acquisition costs	**–**	(1.7)
Discontinued operations	**–**	(0.2)
Shares purchased and issued	**(13.5)**	(5.8)
Shares issued for cash	**0.2**	0.5
Cash flow pre-dividends	**57.8**	35.7
Dividends paid	**(41.6)**	(36.6)
Cash flow	**16.2**	(0.9)
Opening cash	**170.0**	170.8
Exchange and other non-cash movements	**–**	0.1
Closing cash	**186.2**	170.0

How employee engagement translates to performance

Our experience has demonstrated that having an engaged workforce contributes to the Group's ability to meet its growth ambitions.

Employees

We believe that an inclusive culture in which employees are highly engaged enables everyone to thrive. Our aim is that all employees feel valued, listened to and able to contribute to their team and Brewin Dolphin's goals. As a market leader in our industry we want to attract and retain the best talent because we recognise the importance of diverse and creative thinking to our future success.

Our human resources (HR) policies and guidance, and corporate responsibility (CR) activities contribute to high levels of employee engagement and wellbeing. This helps us to deliver the best outcomes for our employees and drive growth.

How we recruit, develop and retain talented people regardless of their background is important. Having a workforce comprising motivated and engaged people at every level enables us to deliver against our growth KPIs, particularly when it comes to growing client numbers and the proportion of their wealth that we manage.

At 83, our employee engagement survey score was one percentage point (pp) higher in 2018 than the previous year, and seven pp above the benchmark for the financial services industry. This was pleasing, as strong employee engagement leads to people showing more commitment to the Group, their colleagues and clients. It also demonstrates high levels of pride, loyalty and advocacy in the organisation, and delivers the tangible advantage of contributing to low rates of employee attrition. This reduces the costs of recruitment and onboarding, while enabling our clients to gain from the benefits of a settled and experienced workforce.

The 2018 survey continued to show key drivers of engagement are above the average for our sector. For example, "The interests of the firm are aligned with the interests of our clients" was 10pp above the financial services industry benchmark; and "My role makes the best use of the skills and abilities that I have" was 8pp above the same benchmark.

As mentioned earlier, we also saw a significant rise in satisfaction with the infrastructure and resources available to employees, supporting their ability to deliver what clients and our business need. This included a very high rise (11pp) in satisfaction with the equipment provided across the organisation, driven by the desktop workspace refresh (see page 23).

The survey results also emphasised how important it is to employees that they are given the opportunity to contribute more widely to society through corporate responsibility activities. The single area of greatest over-performance in the 2018 survey related to the opportunity to do good at Brewin Dolphin, 19pp ahead of the financial services industry benchmark. There was also a strong and improving score relating to the opportunity for team members to be involved in CR activities.

Our culture and values

We launched our Group values – Genuine, Expert, Ambitious – in 2016 with the widespread involvement of employees and the feedback of clients and prospective clients. We are working on embedding these values into the organisation. In 2018, we ran a new Group-wide scheme, The People Awards. Through peer recognition, they reward employees who 'live' our values or contribute to their communities in an exceptional way.

We received 150 nominations, all made by employees. From these, our eight-strong judging panel, representing all levels of seniority, chose 46 winners. These people were the guests of honour at our first-ever Brewin Dolphin People Awards dinner at Edinburgh Castle in January.

At the same event, 57 employees received long-service awards marking at least 25 years at Brewin Dolphin, emphasising the Group's strength at retaining talent.

Diversity and inclusion

Our commitment to a diverse and inclusive workforce starts at the top, with the aim of enabling diversity throughout the organisation to gain permanent momentum. Getting the gender balance right at the top of the Group sets the tone for the rest of the business.

Our Chairman and CEO are members of the 30% Club, with its goal of achieving a minimum of 30% women on FTSE boards and senior teams. We have already reached this target for both our Board and senior management team and will maintain our focus on this important area. We have also signed the Women in Finance Charter, which commits us and other signatory firms to working with HM Treasury to build a more balanced and fair financial services industry.

Such initiatives ensure we are focused on increasing gender diversity at senior management and leadership levels. In 2018, we were ranked number 27 among companies in the FTSE 250 for the proportion of women on our Board by Hampton Alexander, the independent review body that aims to increase the number of women on FTSE boards, Executive Committees and their direct reports.

We are committed to increasing the 'cognitive diversity' of our Board and senior management teams. To this end, we seek to appoint people from a wide range of backgrounds with broad experience of the financial services industry and the evolving digital landscape.

We are also members of other organisations promoting diversity in several forms, including the Disability Forum, Business in the Community and the Outstanding LGBT business network.

More broadly, our Diversity and Inclusion Committee (see page 51 for more information) has a programme of work to ensure that we are focused on diversity in all its aspects. The committee's activities underpin several organisation-wide initiatives, the most mature of which is our 'Women at Brewin' initiative. Now in its third year, this is a powerful exemplar for the organisation, demonstrating how a new initiative can rapidly become the norm.

During 2018, a nationwide 'Women at Brewin' roadshow enabled female employees to discuss the issues that matter to them as they progress their careers.

In a range of further internal initiatives, we continued to run Diversity & Inclusion workshops, which are now established as an ongoing feature of our development and training programme. We also run Diversity & Discrimination training for all managers to create awareness of issues they may encounter in the workplace and to foster an inclusive work environment.

We continued our mentoring initiative for LGBT employees, which enables people to discuss issues of importance to them. We have also joined the cross-company 30% Club mentoring scheme with 10 mentors and 10 mentees.

Recruitment is a vital area of focus for diversity issues, and we were pleased over the last year to have recruited equal numbers of women and men. We are working hard to ensure that there is no bias in our recruitment activities, including how we present the Brewin Dolphin brand in our advertising.

Pay and performance

We continued to strengthen the link between performance and reward with strong performance management processes, including training for all managers.

We are committed to ensuring our reward packages reflect best market practice. For example, this year we have added a medical service that allows 24/7 access to a doctor, either online or by phone. See below for details of further new wellbeing initiatives.

We are confident that we pay men and women the same for equivalent work. Our gender pay gap is a reflection that we have more men in senior roles. Narrowing the gender pay gap will take time for us (and the wider financial services industry), but we are actively working towards this goal.

Employee wellbeing

Care for the wellbeing of our people is an important part of our culture.

Our engagement survey score in this regard is 9pp above the financial services industry benchmark of 73, following the launch of a new intranet site through which we deliver advice, guidance and information on how to access public services and employee benefits. This was supported by events in our London, Edinburgh and Newcastle offices featuring information sessions and resilience workshops. We are in the process of training mental health first aiders for all our offices.

Learning and development

We are proud of all the opportunities we offer our people to learn and develop. We consider our learning and development to be best-in-class and a competitive differentiator. For our client-facing professionals, we ran several initiatives to develop the talent and create the skills we need for the future. These included:

- the second year of our Financial Planning Academy, part-funded by the Apprenticeship Levy to meet the needs of those individuals keen to become paraplanners. At the time of writing, 24 salaried trainees – representing people from diverse backgrounds and an age range of between 19 and 48 – are experiencing this innovative approach to professional development.
- continued investments of time and resources to ensure those advisers who are already qualified are well trained to give the very best advice. This is an area we take very seriously, and we are committed to continuous investment in the professional development of our people.
- putting 12 individuals through a sponsored MBA programme at the Cranfield School of Business to enable them to fulfil their learning and career ambitions.
- 16 participants joined our Executive Leadership Programme, going through an intensive 12 months of immersive learning which included input from psychologists, strategists and leaders from other industries.
- our year-long emerging talent programme, which aims to give our up-and-coming talent the skills they need for long-term success. With 53 participants in 2018, this is part of our continuous focus on assuring the quality of our future managers, from junior roles right through to the most senior levels of the Group.
- an internal Aspire management training programme, involving 100 managers.

In addition, we continued work on preparing for the revised Senior Management and Certification Regime ('SMCR'), which is due for implementation in late 2019. We formed a project team and initiated training to prepare our professionals for this key regulatory change.

Succession planning

We continue to plan proactively for succession. Our track record of developing internal leaders is impressive, with the three client-facing leaders on the Executive Committee having been promoted from within the Group. We conduct formal succession planning (see page 52) not only for the Board and the Executive Committee but also further down into the organisation to create the pipeline of tomorrow. This has resulted in our recent Head of Office appointments for Bristol, Reigate and our new West End office coming from within the Group.

Enabling responsible behaviour

Playing a positive role in the communities in which we live and work is important to us.

Community

We look to build relationships with organisations that can create access to opportunity and we have built partnerships with charities and social enterprises that cover the whole of our office network.

In England, we continued our existing relationship with Enabling Enterprise, whose vision is that one day every student will leave school equipped with the skills, workplace experience and aspirations they need to succeed. See the panel on page 43 to read about an example of our work together.

We also continued our association with the Winning Scotland Foundation, helping young people in Scotland build vital skills for life.

In Ireland, we launched a new partnership with An Cosán, which aims to empower people of all ages through education. We also continued our activities with Career Ready, which prepares young people for the world of work, hosting events in our London and Ipswich offices, as well as providing a small team of mentors from our Cardiff office.

Throughout our office network there is a clear distinction between those community activities with a charitable or social purpose, and those whose purpose is primarily to generate business.

Every office has a Corporate Responsibility ('CR') ambassador whose role it is to ensure that everyone in the office has the opportunity to volunteer or support their chosen charitable endeavour. With the support of the Board, a full-day workshop and conference was held in London during May, bringing together the CR ambassadors and the senior management team, to exchange CR best practice ideas and create a sense of cohesion and coherence in our CR efforts.

Tax strategy

Our tax strategy, as published on our website, outlines our governance arrangements, our approach to tax risk and tax planning, and how we interact with tax authorities. We manage tax risk within our Group-wide risk management and governance framework. As befits our operating structure and straightforward business model, our appetite for tax risk is low.

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

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

Ethical investments

We also play a role in enabling clients to behave responsibly, by providing portfolios that take their ethical investment preferences into account (see our Environmental, Social and Governance Reference Guide on our Investor Relations website).

Supplier initiatives

The Group is largely UK-based and provides financial services. It does not act as a producer, manufacturer or retailer of any physical goods. As a provider of financial services, we do not have a long or complex supply chain – our main suppliers are providers of support services such as information technology, market data relating to financial assets and property services.

While we consider our suppliers to be at relatively low risk of engaging in practices of modern slavery and human trafficking, we nevertheless remain committed to preventing the occurrence of any such practices both in our business and in our supply chain.

The Group's Modern Slavery and Human Trafficking Statement can be found on our website.

The environment

At Brewin Dolphin, our main environmental impacts are largely through UK-based travel and the consumption of resources and emissions at the buildings in our branch network. We do all we can to reduce any such impacts through sensible policies and initiatives including Green IT and recycling programmes. See page 78 for details of Greenhouse Gas Emissions.

In a number of specific initiatives during 2018, we continued to drive down the use of paper in our office and when communicating with our clients. Our clients can now use the MyBrewin client portal to view their portfolios and valuations, if they wish and this is proving to have an impact in this area.

In addition, we implemented a drive to eradicate the use of disposable cups throughout our branches by providing re-usable cups.

For our full environmental statement, please see page 78.

Community activities

Small grants

Under this scheme, employees can nominate community organisations with which they are involved to receive a grant of up to £1,000, a donation that can be highly meaningful for the individual and office involved as well as the recipient. During the year, 55 organisations received small grants.

Payroll giving

All of our employees get the chance to contribute to charity directly from their pre-tax salary. Brewin Dolphin matches donations by up to £20 every month. Matching donations totalled £56,000 in 2018, up 30% on the previous year. As a result of our people's efforts, we received the Charities Aid Foundation Gold Award for Payroll Giving for the third successive year.

Fundraising matching

To help maximise the amazing work of our people, the Company donates an additional £100 if they raise over £100 or £200 if they raise more than £1,000. During 2018, 176 employees raised an incredible £104,500, boosted by £20,450 in match-funding.



Glasgow

An employee from our Glasgow office raised £16,500 for The Prince & Princess of Wales Hospice in Glasgow by taking part in its annual '(A Little Less) Strictly Come Dancing' fundraiser. As one of the charity's ambassadors, he took some persuading to take part, but once signed up his commitment to training and taking himself out of his comfort zone was immense.

BBC Strictly stars Oti Mabuse and dance partner Giovanni Pernice also hit the floor. Collectively the dancers helped raise more than £100,000 for the cause – the most ever raised since the dance event was launched in 2010.

The dancers wowed the 600-strong sell-out audience, which was hosted by Carol Smillie and David Farrell.

Volunteering

During the year, 41% of our people volunteered full or half days of their time to get involved in their communities. We are already ahead of our 2020 target (40%), a fantastic achievement. Here are just some of their stories:



Birmingham

Four employees from our Birmingham office joined close to 90 other volunteers to plant 1,000 trees in a single day for Forest of Hearts, providing a perfect environment for the at-risk insects.



Newcastle

A team from our Newcastle office went to hostels, breakfast and after-school clubs to help the FareShare charity distribute excess food across the North East. They also took out-of-date fruit to a biomass plant – a far 'cleaner' solution than landfill.



London

Two teams from the London office spent a day at Oasis Hub Waterloo with Waterloo Foodbank, which provides emergency food for people in crisis. The volunteers spent their time weighing, sorting and packing food parcels.

St John's Primary comes to Brewin Dolphin

In an initiative with Enabling Enterprise to introduce children to key aspects of the world of work, 30 students from St John's Primary in Ealing visited our Smithfield, London, headquarters in March.

According to their teacher, "The students had a brilliant time thanks to the fantastic volunteers and fast-paced, engaging content. Some students would never previously have stood up and spoken in front of a room full of people, but today they all did." Assistant Head Teacher, Jo Reed, echoed these sentiments, highlighting how the visit supported work at school.

"On the trip, students were able to solve real-life problems and practise skills in a professional environment. There was a noticeable improvement in their confidence – particularly when presenting back to their classmates and professionals from Brewin Dolphin."

Our volunteers were equally impressed by the day and noted that the skills development of the children was impressive.



Non-financial information statement

The following section summarises the key areas of disclosure in this Annual Report required by the Non-Financial Reporting Directive. All policies are reviewed periodically by the appropriate committee and updated where necessary to ensure they remain fit for purpose.

Business model, policies, principal risks and non-financial KPIs

The Group uses non-financial information in all aspects of its business, from development of its business model and strategy to reviewing and measuring the principal risks and the performance of the business.

Further detail in relation to the business model and details of principal risks start on pages 14 and 28 respectively. Key non-financial KPIs relate to client satisfaction and employee engagement, more information can be found on pages 26 and 27.

The Risk Committee and Audit Committee consider non-financial matters as a matter of routine; their reports can be found on pages 53 and 55 respectively.

Human rights, anti-corruption and anti-bribery related matters

Our exposure to human rights issues is limited, so we do not have specific policies for this. We take a zero tolerance stance on slavery and human trafficking within our workforce and supply chain and a rigorous vendor due diligence is completed by all suppliers. The Group's Human Rights and Trafficking Statement can be found on our website.

The Group operates anti-bribery policies and training programmes which are in full compliance with the UK Bribery Act and extend to all of our business operations. We are committed to conducting our operations free from anti-bribery and corruption. The Group has a gifts and hospitality policy and associated processes to raise awareness of corruption. We have a whistleblowing policy which encourages employees to report matters of significant concern to the Chair of the Audit Committee.

Environmental, social and employee related matters

As set out in the Corporate Responsibility section, our impact on the environment is largely through UK-based travel and the consumption of resources and emissions at the buildings in our branch network. Further details of our policies and initiatives are on page 41. The Group's Greenhouse Gas Emissions report can be found on page 78.

The Group does not have specific policies in relation to social matters. However, as detailed on the previous two pages, we strive to make meaningful contributions to the local communities in which we operate.

The Group values its people and their wellbeing. It is strongly committed to the engagement, development and recognition of its employees and is mindful of the impact of culture. Further details on HR policies and employee related outcomes can be found on pages 39 and 40.

Diversity policy and approach

The Board believes providing an inclusive and supportive environment allows the Group to benefit from the variety of experience, backgrounds and viewpoints that a diverse workforce can bring. For more detail of the Group's initiatives in relation to diversity, see pages 39 and 40. The Group has a Diversity Policy and a Diversity and Inclusion Committee with four distinct objectives, further details can be found on page 51.

A leadership team creating shareholder value



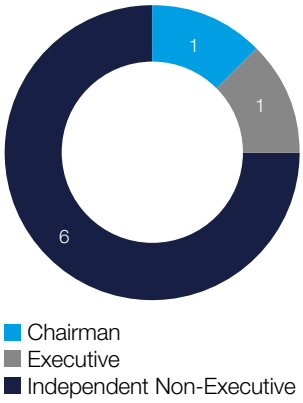
Board of Directors

Simonetta Rigo, David Nicol, Kath Cates, Ian Dewar, Paul Wilson, Caroline Taylor, Simon Miller, Michael Kellard

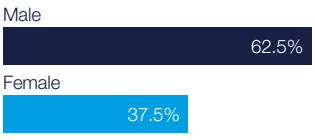
Length of tenure



Balance of Executive and Non-Executive Directors



Board diversity



Committee Membership from 1 October 2018

- (A) Audit Committee
- (N) Nominations Committee
- (R) Remuneration Committee
- (RK) Risk Committee
- Denotes Chairman of Committee

Simon Miller (N)
Chairman

Appointed: Chairman March 2013, Chair of the Nomination Committee, Deputy Chairman and Senior Independent Director 2012.

Key areas of experience: An Independent Non-Executive Director with a wide range of experience in the financial services sector, including wealth management and investment management.

Current external appointments: Chairman of Blackrock North American Income Trust PLC, Chairman of JPMorgan Global Convertibles Income Fund and non-executive director of STV Group PLC.

Previous experience: Called to the Bar and subsequently worked for Lazard Brothers and County NatWest.

David Nicol CA, Chartered FCSI
Executive Director

Appointed: Chief Executive March 2013, Non-Executive Director March 2012.

Key areas of experience: Finance, strategy, financial services, operations and investment management.

Current external appointments: Chairman of the appointment committee of the Hermes Property Unit Trust and Trustee of the Urology Foundation.

Previous experience: Director and Chief Admin Officer of Morgan Stanley International PLC, non-executive director of Euroclear plc, Board member of the Chartered Institute of Securities and Investments. Member of Council of ICAS. Qualified as a chartered accountant with ICAS at EY.

Kath Cates (RK) (A) (N)
Non-Executive Director

Appointed: December 2014, Chair of the Risk Committee September 2015 and Senior Independent Director at the 2017 AGM.

Key areas of experience: Risk, international financial services, operations, corporate governance, investment management and insurance.

Current external appointments: Non-executive director and Chair of the remuneration committee for RSA Insurance Group plc, non-executive director of Threadneedle Investment Services Limited and non-executive director Threadneedle Asset Management Holdings Limited and Threadneedle Pensions Limited.

Previous experience: Chief operating officer in wholesale banking for Standard Chartered Bank and spent 22 years in various roles at UBS, including global head of compliance.

Ian Dewar FCA (A) (RK) (R)
Non-Executive Director

Appointed: November 2013, Chairman of Audit Committee March 2014.

Key areas of experience: Finance, financial services, audit, risk management and not-for-profit.

Current external appointments: Non-executive director of Manchester Building Society, non-executive director Arbuthnot Banking Group PLC and non-executive director The Aldenham Foundation.

Previous experience: Partner of KPMG and non-executive trustee of a charity.

Michael Kellard (A)
Non-Executive Director

Appointed: December 2017.

Key areas of experience: Financial services, wealth management, pensions and life sector, sales and digital financial service platforms.

Current external appointments: Member of Scottish Future Growth Council.

Previous experience: CEO of AXA Wealth Management, CEO of Winterthur Life and CEO and sales director and distribution director for the Life and Pensions division of Norwich Union.

Simonetta Rigo MBA (RK)
Non-Executive Director

Appointed: June 2018.

Key areas of experience: Financial services, marketing, product, digital branding, customer relationships and strategy.

Current external appointments: Advisory Board Membership at Surrey Business School.

Previous experience: SVP Global Brand, Marketing and Customer Engagement at Western Union and board member at Western Union Foundation. Held positions at Bupa International, American Express and McKinsey. She holds an MBA from INSEAD.

Caroline Taylor (R) (N) (A)
Non-Executive Director

Appointed: May 2014, Chair of Remuneration Committee October 2018.

Key areas of experience; Remuneration, financial services, investment management, operations and compliance.

Current external appointments: Non-executive director of Ecclesiastical Insurance Office PLC, Ecclesiastical Insurance Group PLC and Floors Castle Outdoor Events Limited.

Previous experience: Director of Goldman Sachs Asset Management International and director of GS Luxembourg and Dublin Mutual Funds.

Paul Wilson MBA (RK) (N)
Non-Executive Director

Appointed: December 2013.

Key areas of experience: Financial services, insurance, and international development NGOs.

Current external appointments: CEO of the World Platinum Investment Council, Senior independent director of AXA XL UK Insurance Companies, Director of Unigestion Group (Geneva), Chair of Unigestion (UK) Limited and Chairman of Action Against Hunger (UK).

Previous experience: Senior partner at Bain & Company. He holds an MBA from Harvard Business School.

Corporate governance – the bedrock of an organisation.



Q&A with our Chairman, Simon Miller

What is the role of corporate governance at Brewin Dolphin?

Successful businesses are built on the strong foundations provided by good corporate governance. As the process that balances the interests of stakeholders including shareholders, employees, clients, intermediaries, regulators and the wider community, corporate governance ensures the organisation has the ethical, and effective leadership required to deliver success for all.

Chairman's overview

It is important that the performance and composition of boards are continuously evaluated to ensure they are performing effectively. A specialist board consultancy, Lintstock, was appointed in 2017 to carry out interviews with the Board and members of the Executive Committee to help ensure the Board was operating effectively and to recommend improvements. They reported back with recommendations relating to, inter alia, the skills matrix at Board level.

The Board responded positively to their recommendations (details can be found on page 50). In particular, we acted to improve what might be called 'cognitive diversity' at Board level, by recruiting two new Non-Executive Directors with specific strategic marketing and digital expertise. As a result, Michael Kellard joined the Board in December 2017 and Simonetta Rigo in June 2018. Both are excellent additions and have brought additional skills to the Board.

We look forward to Siobhan Boylan joining in early 2019 as Finance Director, replacing Andrew Westenberger who stepped down from the role in May 2018.

As a result of these changes, the Nomination Committee reviewed the constitution of Board committees with effect from 1 October 2018. Details of the revised committee membership are set out on page 45.

At Brewin Dolphin, our values – Genuine, Expert and Ambitious – support our corporate governance activities by helping us ensure all stakeholders' views are at the heart of our decision making process.

The Board recognises that, for the business to be successful, it needs to understand and respond to the views of shareholders. I encourage shareholders to attend our AGM on 1 February 2019. It provides an opportunity to discuss any issues they wish to raise. I am always available for shareholder meetings throughout the year, as are the Chief Executive and Senior Independent Director.

Employee engagement is a critical success factor for Brewin Dolphin. In 2018 an all-employee engagement survey was conducted for the fourth consecutive year. This enables us to better understand the views of our employees and how their engagement impacts business performance and helps to measure how deeply our culture is embedded within the Group.

The Board met in Bristol and Birmingham during the year, demonstrating our commitment to our regional network of 30 offices. In addition, we ran the first Brewin Dolphin People Awards initiative, which recognised those employees who best represented our Company values and culture (see page 39 for full details).

And finally, our employees were extremely generous with their time and energy in delivering a wide array of community initiatives, details of which can be found on page 42.

The pages that follow contain our Corporate Governance statement and reports from our Board Committees.

Simon Miller
Chairman

27 November 2018

UK Corporate Governance Code Compliance statement

We have complied with all principles and provisions of the 2016 UK Corporate Governance Code ('the Code') throughout the financial year ended 30 September 2018. The Corporate Governance Statement and the cross-referenced reports within it set out the Board's approach to applying the Code.

The 2018 Corporate Governance Code was issued in July 2018 and is first applicable for our financial year ending 30 September 2020. The Board has considered the principles and provisions of the new code, principally:

- The consideration of the interests of all stakeholders in accordance with section 172 of the 2006 Companies Act, including workforce engagement;
- Creating a culture which aligns company values with strategy;
- The diversity of the Board and succession planning; and
- Executive remuneration.

We are evaluating current policies and procedures and will make changes where required in order to comply with the new principles and provisions and will provide an update in the next Annual Report.

A leadership framework for growth

Governance framework

Board

The Board has principal responsibility for promoting the long-term strategy and success of the Group and provides strategic leadership as well as influencing the Group's culture and agreeing the risk appetite and the appropriate systems of control for risk management.

The Matters Reserved for the Board and the Terms of Reference for the Board Committees can be found on the Investor Relations section of the website media.brewin.co.uk/investor-relations.

Committees[1]

Audit Committee

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

Nomination Committee

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

Risk Committee

The Committee provides oversight of the Risk Management Framework of the Group and assists the Board with its responsibilities for ensuring the integrity of the Group's internal control and risk management systems.

Remuneration Committee

The Committee exercises independent judgement on remuneration policies and practices, and the incentives created to manage risk, capital and liquidity. It also oversees personal objectives, performance appraisal and individual compensation packages for the Chairman and Executive Directors.

Executive Committee

The purpose of the Executive Committee is to support the Chief Executive in the implementation and formation of strategy, as well as overseeing the day-to-day running of the Group. It agrees operational decisions that are not otherwise reserved for the Board. The Committee consists of the Chief Executive, Finance Director and members of senior management from different areas of the business. The Committee meets monthly.

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

Board roles

There is a clear division of responsibilities between the Chairman, Chief Executive, Finance Director, Senior Independent Director and Non-Executive Directors. The Board has a majority of Independent Non-Executive Directors. Further information on the Directors' range of skills and expertise can be found on page 45.

Chairman

- Provide leadership to the Board, promoting constructive debate and challenge between the Executive and Non-Executive Directors.
- Ensure that there is a good information flow to the Board, and from the Board to its key stakeholders.
- Support and advise the Chief Executive, particularly on the development of strategy.
- Build an effective and complementary Board, regularly considering its composition and balance, diversity and succession planning.

Chief Executive

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

Finance Director

- Support the Chief Executive in developing and implementing strategy.
- Oversee the financial delivery and performance of the Group and provide insightful financial analysis that informs key decision making.
- Lead investor relations activities and communication with investors alongside the Chief Executive.
- Work with the Chief Executive to develop budgets and medium-term plans to support the agreed strategy.

Senior Independent Director

- Act as a sounding board for the Chairman and serve when required as an intermediary for the other Directors.
- Meet with the Non-Executive Directors (without the Chairman present) at least once a year.
- Lead the Board in the ongoing monitoring and annual evaluation of the Chairman's performance.
- Be available to meet with major shareholders and act as a point of contact for shareholders and other stakeholders.

Independent Non-Executive Directors

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

Board and Committee attendance record[1]

Member	Independent	Board	Nomination	Risk	Audit	Remuneration
Executive Directors						
David Nicol	N	8/8	n/a	n/a	n/a	n/a
Andrew Westenberger[2]	N	4/4	n/a	n/a	n/a	n/a
Non-Executive Directors						
Simon Miller	N	8/8	3/3	n/a	n/a	5/5
Kath Cates	Y	8/8	3/3	4/4	7/7	n/a
Ian Dewar	Y	8/8	n/a	4/4	7/7	5/5
Michael Kellard[3]	Y	6/6	n/a	n/a	n/a	n/a
Simonetta Rigo[4]	Y	3/3	n/a	n/a	n/a	n/a
Caroline Taylor	Y	8/8	3/3	n/a	7/7	5/5
Paul Wilson	Y	8/8	3/3	4/4	n/a	5/5

1. The table shows attendance at scheduled meetings only. The Board and Committees also meet on an ad hoc basis when required.
2. Andrew Westenberger stepped down from the Board on 16 May 2018 and attended all Board meetings to that date.
3. Michael Kellard was appointed to the Board on 1 December 2017 and attended all Board meetings he was entitled to attend.
4. Simonetta Rigo was appointed to the Board on 6 June 2018 and attended all Board meetings she was entitled to attend.

Effectiveness

For the Directors to discharge their responsibilities as set out in the Matters Reserved for the Board, the Board meets at least eight times a year. A full list of Matters Reserved for the Board can be found on our website. In addition, the Board attends a strategy day with executive management to discuss in depth the Group's direction. Details of the Board and Committee attendance at scheduled meetings can be found on page 48. The Board and Committees also meet on an ad hoc basis when required.

How the Board spent its time

	Key activities and discussions
Strategy 41%	– Received reports from the Chief Executive. – Engaged with senior management and advisors on Group strategy. – Received management presentations from across the business. – Reviewed change management agenda. – Considered potential acquisitions.
Finance 16%	– Received reports from the Finance Director including review of the medium-term plan. – Reviewed dividend proposals. – Considered and approved annual and interim financial reports and trading statements.
Routine matters 16%	– Reviewed minutes and actions from Committee meetings. – Discussed Group's property portfolio. – Reviewed broker and investor relations reports.
Risk & Compliance 10%	– Received reports from Chief Risk Officer. – Considered cyber security for the Group and evaluated technology resilience. – Reviewed and approved the Internal Capital Adequacy Assessment Process ('ICAAP'). – Received training on CASS and Market Abuse Regulation. – Oversight of data protection and GDPR implementation.
People and culture 9%	– Discussed succession planning for the Board and senior management. – Considered the results of the employee engagement survey. – Approved the appointment of new Directors.
Governance 8%	– Received committee updates and outcomes of the Board and its committees' performance evaluations. – Engaged with stakeholders. – Agreed the composition of the Executive Committee. – Reviewed updates on corporate governance.

Board evaluation

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

Lintstock Ltd were appointed as retained adviser in 2017, for a three-year programme to facilitate Board and Committee evaluations; this is the second year of the programme.

Last year's evaluation was based on a set of questionnaires designed by Lintstock. The Board has addressed all the actions outlined in the Corporate Governance Report presented in the 30 September 2017 Annual Report and Accounts, including increasing the time spent on strategic considerations.

This year, Lintstock have conducted a series of interviews with members of the Board, Executive Committee and other stakeholders. The exercise was weighted to ensure that issues identified in previous Board reviews had been followed up, as well as having a focus on the following areas:

- The succession planning requirements of the Board over the coming years, and the evolution of skills amongst Board members to match the Group's strategic goals.
- The understanding of, and engagement with, key stakeholder groups including investors, employees, clients, regulators and suppliers.
- The quality of the narrative in the Board materials, and the balance of time devoted to presentation and discussion at the meetings.
- The value of the 2018 Board strategy day and the format of subsequent discussions to further discuss plans and initiatives over the coming year.
- The mechanisms by which strategic plans are determined and the analysis of key competitors and their performance.
- The delegation of responsibility for risk oversight between the Board, the Risk Committee and management.

A partner from Lintstock facilitated a discussion of the results at the September Board meeting and was also available to the Committee Chairmen to discuss the performance of the individual Committees.

The results were positive, a number of actions were identified and agreed as part of this exercise. These form the basis of the Board's action points for the next year, a selection of which are set out below.

Actions for 2019
Technology oversight: Ensure consistent oversight of technology implementation improvements via enhanced reporting and governance.
Strategic oversight: Strengthen mechanisms to evaluate strategic outcomes.
Board skillset and composition: Promote the continued development of skills amongst Board members that match strategic goals with ongoing review.
Business engagement: Enhance engagement with senior management and network of regional offices.

Progress against these actions will be reviewed during the year. It is intended that a questionnaire approach will be conducted in the final year. Lintstock has no other connections to the Company.

Time commitment

The expectation of the Non-Executive Directors' time commitment is set out in their letters of appointment. Copies are available for inspection at the Company's Registered Office and will also be available at the AGM. Their attendance, along with Executive Directors, at meetings during the year is set out in the table on page 48.

Directors' conflicts of interest

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

Independence of Directors

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

Information flow

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

Director evaluation

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

Directors' induction

The induction programme for Non-Executive Directors followed by both Michael Kellard and Simonetta Rigo included presentations and discussions on the following areas of the Group. In addition each had one-to-one meetings with fellow Board members, members of the Executive Committee and other senior management. Feedback was sought from each Director on the induction programme and onboarding.

Board and governance

- Board procedures
- Governance framework
- Evaluation process
- Director training programme

Business introduction

- Structure
- Strategy
- Market environment

Finance

- Budget and forecast
- Management accounts
- Internal audit function
- Analyst/Investor overview

Other

- Legal issues
- Culture
- People
- Information technology and cyber security issues

Risk and regulation

- Regulatory landscape
- ICAAP
- Operational risk framework

Accountability

An overview of the Group's principal risks and uncertainties and a description of the risk management framework can be found on pages 28 to 32 in the Strategic Report.

A description of how the Board has discharged its responsibilities in relation to internal controls and risk management is set out on page 77 of the Directors' Report.

Diversity

The Group's Diversity Policy is implemented through the Diversity and Inclusion Committee which meets quarterly. Its four distinct objectives are to:

- encourage all employees to promote workplace diversity and inclusion; recognise value and respect differences.
- create a working environment that supports the effective contribution of everyone.
- ensure our people policies and processes are aligned to and drive diversity and inclusion goals and values in support of business strategy.
- improve diversity in the talent pipeline and at senior levels.

Details of diversity activities for the period can be found in the 'Our People' report on page 39.

Stakeholder engagement

Building and nurturing strong working relationships with our shareholders, clients, intermediaries, employees and regulators is critical to our success. We aim to build long-term relationships with our stakeholders and to keep these under review.

Shareholders

The Chairman and Chief Executive meet with the Group's major shareholders. The Chairman communicates shareholder feedback to the Board. The Board also receives regular broker reports detailing shareholder feedback.

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

This year's AGM will be held in Haberdashers' Hall, 18 West Smithfield, London EC1A 9HQ at 11.30am on 1 February 2019. Further details can be found in the Notice of AGM on the Group's website, brewinmedia.co.uk/investor-relations.

Clients

An annual client survey ensures we are focused on how clients view the service we provide, see Chief Executive's Review, page 20 for more details.

Employees

Employee engagement is facilitated in a number of ways and more detail can be found on page 39.

Regulators

The principal regulator for the Group is the Financial Conduct Authority ('FCA') and there is a proactive system of engagement. The Board is kept aware of any regulatory issues via regular updates to the Board and its Committees from the Chief Risk Officer.

In addition, the Group also engages with other supervisory bodies, agencies and trade bodies to discuss areas of common interest and share our views.

Expanding the Board skillset



Q&A with our Chairman of the Nomination Committee, Simon Miller

How would you characterise the year from the perspective of the Nomination Committee?

The Nomination Committee had a particularly busy 2018, as the year included the search for and appointment of two new Non-Executive Directors as well as the identification of a new Finance Director. I am proud of the Committee's performance during this period, and its direct contribution to the organisation's future by adding to the depth of talent, experience and diversity of its leadership.

Chairman's overview

The main focus of the Nomination Committee is to consider the composition of the Board and its Committees and to review and manage succession planning. The Company has in place succession plans for the Board and senior management to ensure there is an appropriate future mix of skills and experience.

Following a review of the Board's skillset, the need to recruit individuals with digital experience in the financial services sector was identified as important to the growth of the Group. Michael Kellard and Simonetta Rigo both bring experience in this area in financial services: Simonetta from her time repositioning a brand for the new digital age, and Michael from his experience of implementing a new financial services IT platform.

Andrew Westenberger stepped down from the Board in May 2018. Odgers Berndtson, a market leader in executive searches which has no connection to the Group, were appointed to find a suitable replacement.

Several candidates were identified as having the experience necessary. These were shortlisted to two individuals who were interviewed by the Board and members of the Executive Committee. Siobhan Boylan then had a structured interview and undertook psychometric testing with Manchester Square Partners, a partnership that specialises in leadership, career management and succession. It is anticipated Siobhan will join the Board in February 2019.

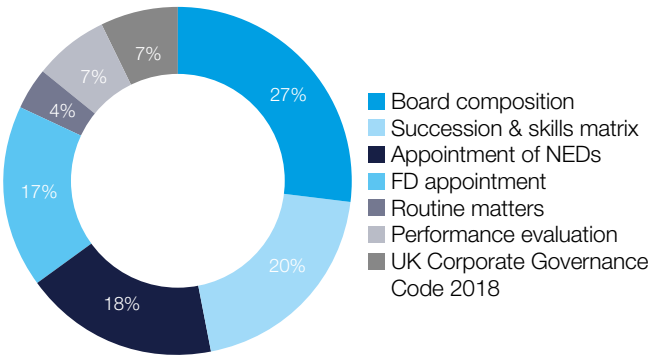
Additionally, we looked at the overall existing Committee memberships. As a result, the Board agreed to make changes to the various committees in order to take advantage of the different skillsets of the new Directors. Details of all Committee memberships can be found on page 45.

An externally facilitated performance evaluation of the Board was conducted during the year by Lintstock board consultancy. This evaluation took the form of interviews with each Board member as well as members of the Executive Committee and other individuals who contributed to the Committee during the year. Overall, the report confirmed the Board and committee were run effectively and the focus of the Nomination Committee over the coming year will be development and succession planning.

Simon Miller
Chairman of the Nomination Committee

27 November 2018

How the Committee spent its time



Committee composition

The Committee during the year comprised the Board Chairman, Simon Miller, Caroline Taylor, Paul Wilson and Kath Cates. The Chief Executive and Group Human Resources Director are standing attendees at Committee meetings; the Chief Executive and the Chairman exclude themselves from discussions relating to their own appointments. Further details of membership and attendance can be found on pages 45 and 48.

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

Overseeing the Risk Management Framework



Q&A with our Chairman of the Risk Committee, Kath Cates

What would you identify as the most important role of the Risk Committee?

Commercial success and organisational growth are unachievable without some level of risk being taken. The work of the Risk Committee is therefore central to Brewin Dolphin's growth aspirations, not merely identifying the key risks we face but also helping the Board to set and monitor an appropriate risk appetite for us to achieve our ambitions for all stakeholders.

Chairman's overview

I was appointed as Chair of the Risk Committee in September 2014 and identification of the key risks faced by the Group, and the management and control of those risks, remains a key activity, now as then.

An area that the Committee has concentrated on this year has been Information Technology risks and Data Management, especially with the implementation of GDPR during the year. We also reviewed and challenged the Group's measures to mitigate cyber threats. The Group has a dedicated information security and data protection team that reports directly to the Chief Risk Officer.

MiFID II required changes to the way the business operates, and the Committee has closely reviewed its implementation and the effect on the business.

The Committee has spent time providing oversight of the new initiatives undertaken to achieve the Group's strategic objectives by the Change and Transformation team, and the support provided by senior management representatives of the Group.

The Committee also undertakes an ongoing programme of training. Training was received on GDPR and the ICAAP, and we keep up to date on current topics in the market.

The cross-membership with the Audit Committee contributes to an overall view of risk and control in the organisation, with one joint meeting being held during the year to review the ICAAP.

Lintstock performed a review of the Committee as part of its annual Board effectiveness review. I am pleased to report that we were rated highly overall. The report recommended that the Committee should continue to provide increasing challenge on emerging risks and horizon scanning.

Kath Cates
Chairman of the Risk Committee

27 November 2018

Committee composition

The Committee during the year comprised Kath Cates (Chair), Paul Wilson and Ian Dewar. Simonetta Rigo joined the Committee from 1 October 2018. There is cross-membership between this Committee and the Audit and Remuneration Committees to ensure that agendas are aligned, and key information is appropriately shared across the Board Committees. The Chairman of the Risk Committee attends the Remuneration Committee at least once a year and is also a member of the Audit Committee. Standing attendees at Committee meetings include the Chief Executive, Finance Director and the Chief Risk Officer. Further details of membership and attendance can be found on pages 45 and 48.

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

How the Committee spent its time

Key risks
51%

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

ICAAP and joint meeting with Audit Committee
18%

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

Routine matters
17%

- The Committee held Non-Executive Director only sessions. It reviewed the Terms of Reference for the Committee and disclosures for the Annual Report in addition to dealing with routine governance matters.

Training
7%

- Training sessions on the ICAAP and GDPR were held.

Regulatory change
4%

- Considered regulatory changes in relation to MiFID II and the implication for the Group including management proposal to ensure embedding of appropriate behaviours across the Group.

Performance evaluation
3%

- The Committee underwent a formal evaluation during the year. The results were discussed by the Committee and have helped to inform forward-looking agendas.

Ensuring confidence in compliance



Q&A with our Chairman of the Audit Committee, Ian Dewar

How do you define the role of the Audit Committee at Brewin Dolphin?

In my view, the key value of the Audit Committee is around ensuring shareholders can have total confidence that all the information contained in the Group's published accounts and financial information is truthful, accurate and complete. In this sense we are representatives of the shareholders, responsible for providing the highest standards of assurance relating to the quality of the audit.

Chairman's overview

The last year has seen a new challenge for us as an Audit Committee with the departure of Andrew Westenberger, our Finance Director, in May 2018. We have sought to provide support to both David Nicol, our Chief Executive and our finance professionals, whilst retaining our role as an independent challenge.

Our focus has remained firmly on quality, and we increased our oversight of the year-end financial reporting process and of External Audit. We have particularly sought to understand and challenge the messaging in our financial statements and market announcements as well as the key judgements which underpin them.

I would particularly like to thank the entire Finance Team for the outstanding work they have done over this year end and to welcome Siobhan Boylan as our new Finance Director. We look forward to working with her when she joins early in the New Year.

In previous reports I have said that we will review our External Audit arrangements during Robert Topley's, our audit partner's, five-year term. Deloitte were appointed as our auditors in 2002 and the last year that they can remain auditors is 2022. Robert has now signed off three year-ends, and we have decided that it is time to start the process of selecting our next audit firm. We have held initial discussions with potential firms and will run a tender process in earnest in the New Year once our new Finance Director has joined.

The Committee's performance was evaluated during the year, as part of the Lintstock review, and I am delighted that the outcome was positive. In 2018/19 we will work closely to ensure the new Finance Director is fully supported when she joins. We will also continue to challenge the internal and external auditors as well as closely monitor the changes being made to our IT systems and the impact on controls.

I am delighted to welcome Michael Kellard as a member of the Audit Committee.

Ian Dewar
Chairman of the Audit Committee

27 November 2018

Committee composition

The Committee comprises only independent Non-Executive Directors. The members during the year comprised Ian Dewar (Chair), Kath Cates, and Caroline Taylor. Michael Kellard joined the Committee with effect from 1 October 2018. There is a cross-membership with the Risk Committee, to help ensure that agendas are aligned, and key information is shared appropriately across the Board Committees. Further details of membership and attendance can be found on pages 45 and 48.

The Chief Executive, Finance Director and Chief Risk Officer are invited to attend at the Committee's request. In addition, all Non-Executive Directors including the Chairman are entitled to attend. The external audit partner and our internal audit partner are standing attendees. We have considered the Financial Reporting Council ('FRC') requirement for the Committee to have competence relevant to the financial services sector and have concluded that the Committee, as a whole, satisfies this requirement.

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

How the Committee spent its time

Financial reporting
27%

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

External auditor
25%

- Approved the external audit plan, the external auditor's terms of engagement and the fees to be paid to the external auditor for the audit of the 30 September 2018 Annual Report.
- Assessed the independence, objectivity and effectiveness of the external auditor.
- Enforced the policy relating to non-audit services provided by the external auditor. It approved non-audit services in accordance with the policy which can be found on our website.
- Reviewed a letter of recommendation from the external auditor for improving the systems of internal control.
- Received reports on the Financial Statements.

Internal auditors
16%

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

Control oversight
14%

- Received, reviewed and discussed the Group's annual whistleblowing report, the control environment report, the six-monthly money laundering and financial crime report.
- Reviewed and discussed the six-monthly updates for both the Clients Assets Money report ('CASS') and Audit Assurance Faculty report ('AAF').

Routine matters
9%

- The Committee reviewed the minutes, its Terms of Reference and held meetings in private session including performance evaluation.

ICAAP
9%

- The Audit Committee reviewed the ICAAP jointly with the Risk Committee. After reviewing and challenging the ICAAP and its key components, the Committee recommended its approval to the Board.

Financial reporting

Key sources of estimation uncertainty related to the Financial Statements

We reviewed the significant issues set out below in relation to the Group's Financial Statements for the year ended 30 September 2018. We discussed these issues at various stages with management during the financial year and during the preparation and approval of the Financial Statements. We are satisfied that the Financial Statements appropriately address the critical judgements and key estimates, in respect both of the amounts reported and the disclosures made, following review and consideration of the presentations and reports presented by management. We also reviewed these issues with the auditors during the audit-planning process and at the conclusion of the year-end audit. We are satisfied that our conclusions in relation to these issues are in line with those drawn by the auditors.

Issue	Key considerations	Role of the Committee	Conclusion
Amortisation of client relationships (see note 4.b.i to the Financial Statements).	Determination of the useful economic life of client relationships, which establishes the quantum of the amortisation expense.	We considered the paper prepared by management on the average client tenure and useful economic life expectations.	We concluded that the assumptions and judgements used were reasonable and we were satisfied that the useful economic life expectations were appropriate.
Assumptions underlying the calculation of the defined benefit pension scheme asset (see note 4.b.ii to the Financial Statements).	Determination of the actuarial assumptions such as discount rate, the life expectancy of scheme members and the inflation rate used when calculating the defined benefit pension scheme asset.	We considered management's paper explaining the assumptions used in the calculation, prepared by the Group's pension advisers, and the resulting impact on the balance sheet and the increase in the surplus during the year.	We concluded that the assumptions and judgements used in determining the defined benefit pension scheme asset were appropriate.
Likelihood of meeting performance conditions for the long-term incentive plan (see note 4.b.iii to the Financial Statements).	Determining the likelihood of meeting the performance conditions which impact the quantum of the expense in the period.	We considered management's paper explaining the assumptions for the likelihood of meeting the performance conditions.	We concluded that the assumptions used in calculating the expense were appropriate.
Assumptions underlying the estimation of the provision relating to onerous leases (see note 4.b.iv to the Financial Statements).	Appropriate application of IFRS and underlying recognition principles. Determining the best estimate of the likely cash flows and other assumptions.	We reviewed management's paper explaining the assumptions and calculation methodologies applied in determining provisions. This included ensuring that the provisions represent present obligations arising from past events. We satisfied ourselves that the procedures performed by management to identify the requirement for provisions were robust and comprehensive.	We concluded that the provisions were appropriate and complete for obligations that existed at the year end. We confirmed that there had been no new information following the year end that would result in an adjustment to the provision.

External auditor

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

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

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

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

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

The Committee is satisfied that Deloitte LLP has conducted an effective audit for the 2017/18 financial year. The Committee has therefore recommended to the Board that Deloitte be reappointed at the 2019 AGM.

The Committee has considered the Competition and Markets Authority ('CMA') and EU requirements for mandatory tendering and rotation of the audit firm. As previously reported, the Committee had intended to initiate a re-tendering process during 2017/18 in line with the previous audit partner's rotation. However, as the Group changed audit partner during 2015/16, it did not believe that a re-tendering process would be beneficial during 2017/18. The Committee has decided that it is now appropriate to start the process of identifying a successor firm and initial discussions have been held with prospective firms.

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

Internal audit

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

Fair, balanced and understandable Report and Accounts

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

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

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

Aligning remuneration to best practice and market forces



Q&A with the Chairman of the Remuneration Committee, Caroline Taylor

How does Brewin Dolphin ensure that its Directors' remuneration is in line with that of its peers, while ensuring that it is sufficient to attract the best talent?

We base it on our Directors' Remuneration Policy, which is renewed and subject to shareholder approval every three years. This means that during 2019 we will be reviewing the Policy that was approved by nearly 99% of votes cast at our 2017 AGM. This approach ensures that it takes into account market developments, best practice and all revisions to the UK Corporate Governance Code before we again put it to a shareholder vote at our 2020 AGM.

Introduction

On behalf of the Board, I am pleased to present the Directors' Remuneration Report for the year ended 30 September 2018. This is my first report as Chairman of the Remuneration Committee. Prior to my appointment to the role effective 1 October 2018, I had been a Committee member for four years. I thank my predecessor, Paul Wilson, for his leadership of the Committee, which included obtaining renewed shareholder approval for our Directors' Remuneration Policy ('the Policy') at the 2017 AGM, with a vote of nearly 99% in favour. We were also pleased to receive strong support from shareholders for the implementation of the Policy, with a vote of more than 99% in favour of the Directors' Remuneration Report last year.

This Directors' Remuneration Report includes the Annual Report on Remuneration for 2018, describing how variable pay relates to the Group's performance outcomes for the year and over the longer term, and also providing detailed information on each Director's individual total remuneration. The Annual Report on Remuneration, together with this introductory statement, will be subject to the normal advisory vote at the AGM. For information only, we have also included, at the back of this report, the Directors' Remuneration Policy (page 71) that was approved at the AGM in 2017. The Policy will be subject to renewal at the 2020 AGM and the Committee will, therefore, review its approach to remuneration in 2019 to take into account the revised UK Corporate Governance Code, market developments and principles of best practice. Also the review will consider the latest guidance from shareholder voting agencies, including those relating to the percentage of annual bonus payable for on-target performance and post-employment shareholding policy. The Policy is designed to be simple and clear, and to provide close alignment with the interests of our shareholders, and with the Group's values and culture.

Executive Director changes

As announced in April 2018, Andrew Westenberger, Finance Director, stepped down from the Board with effect from 16 May 2018. He received salary for his six-month notice period and an annual bonus for the portion of the year that he served as Finance Director. Full details of his remuneration arrangements are included in this report. The Single Figure Total Remuneration Table (see page 63) shows his remuneration for the period served as a Director during the year, as required by the reporting regulations.

As announced on 13 August 2018, Siobhan Boylan will join the Board as Finance Director in early 2019. Her remuneration will be disclosed in our Directors' Remuneration Report for 2019.

Base salary and pension

The Committee reviewed the Chief Executive's base salary effective 1 January 2018 and decided that no increase was to be awarded. This year the Committee proposes to increase the Chief Executive's base salary by £10,000 to £435,000, an increase which as a percentage of salary is broadly in line with the rest of our employees. The increase will take effect from 1 January 2019. As in previous years, it is important to note that our Executive Directors do not receive a pension allowance or any significant fringe benefits, so their base salary should be compared with the total fixed pay of peers in the market, who normally receive these elements, in addition to their base salary. The Chief Executive's proposed base salary of £435,000 remains below the market median for companies of Brewin Dolphin's size.

Annual bonus for 2018

Strong outcomes were achieved for the two financial metrics relating to annual bonus. Adjusted PBT grew by 10.7% relative to the prior year, to £77.5 million. Discretionary funds also grew by a healthy rate of 11.2%. Fund flows are a key metric for the Group, and an important indicator of future growth in profit streams. Discretionary fund flows are therefore set as performance metrics for the annual bonus, and the LTIP, on a three year sustained basis. The overall bonus outcome, including good performance for a range of key strategic non-financial criteria, resulted in an annual bonus award of 106.7% of base salary for the Chief Executive. A portion of the bonus is deferred into shares for three years to further enhance alignment with our shareholders' interests.

LTIP vesting for the three year period ended 30 September 2018

The Group's strong performance resulted in high outcomes for the two performance metrics relating to the LTIP award for the period FY15-FY18. Compound growth in adjusted earnings per share was 8.2% per annum over the three years, and discretionary funds inflows averaged 6.0% per annum. The overall vesting level was 74.6% of maximum. The vested shares, net of sales to settle income tax on vesting, are subject to a two year post-vesting holding period.

Shareholding requirements

Executive Directors are required to build and maintain a holding in Brewin Dolphin shares. The required shareholding level under the current policy is set at 150% of base salary for the Chief Executive and 100% of base salary for the Finance Director. The Committee is aware that this is below the median shareholding requirement for FTSE 250 companies, and this in part reflects the relatively low long-term incentive opportunity which is 100% of salary, compared with the FTSE 250 median long-term incentive award level of 200% of base salary. However, the Committee will consider the shareholding requirement as part of its review of Policy in 2019.

Deferred Profit Share Plan renewal

In addition to the resolution relating to the Directors' Remuneration Report, there will also be a resolution subject to shareholder approval for the renewal of our Deferred Profit Share Plan rules ('DPSP'). The plan is approaching its ten year expiry date and is being submitted for approval with broadly the same terms as are currently operated. The DPSP is used to enable the deferral of a portion of an employee's annual bonus thereby encouraging shareholder alignment and retention. There are no changes to the maximum bonus award permissible under the current policy. Further details can be found in the Notice of Meeting.

Other activities

During the year we also reviewed individual remuneration for all employees in Material Risk Taker roles, as required under the FCA Remuneration Code, and have overseen the operation of the profit share and other incentive schemes for our investment staff, and those in control and support functions. We have reviewed the gender pay gap data for the Group and reviewed progress towards greater female representation in more senior roles. We have also received updates on remuneration trends in the wider market and developments in the governance and regulation of remuneration.

TSR performance

Brewin Dolphin's sustained TSR performance has been very strong; £100 invested in the Company at the end of September 2008 has delivered a return of 316% by 2018, far ahead of the FTSE All Share Financials Index which delivered 57% and the FTSE All Share of 129%.

Conclusion

I would like to thank shareholders for their support for our Remuneration Policy and its implementation in prior years. I hope you find this year's report clear and informative and that you will continue to give your support.

Caroline Taylor
Chairman of the Remuneration Committee

27 November 2018

Committee composition

The Committee is made up of independent Non-Executive Directors and the Non-Executive Chairman of the Board, who was independent upon his appointment. With effect from 1 October 2018 Paul Wilson stepped down from the Committee and was replaced by Caroline Taylor as Chair. Caroline was a member of the Committee for four years prior to being appointed as Chair. The other Committee members are Simon Miller and Ian Dewar. There is cross-membership with the Risk Committee to help ensure alignment between the Group's key risks and its Remuneration Policy. Annually the Chairman of the Remuneration Committee attends the Risk Committee. Further details of membership and attendance can be found on pages 45 and 48.

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

How the Committee spent its time during the year

Executive Directors' remuneration
30%

- Reviewed the Executive Directors' salaries, bonus and other awards.
- Reviewed the remuneration package for the new Finance Director and determined the leaving terms for the exiting Finance Director.

Share based awards
24%

- Approved the LTIP performance criteria and other share-based incentive plans awards.
- Reviewed the proposed 2019 Deferred Profit Share Plan to be put to shareholders at the 2019 AGM.

Routine matters
23%

- Assessed the effectiveness of the external advisers, New Bridge Street.
- Discussed the outcome of the Committee Performance Evaluation report.
- Reviewed the Directors' Remuneration Report for the Annual Report.
- Approved the minutes and Terms of Reference for the Committee.
- Approved the Group's remuneration budget and other employee incentives.
- Identified and approved the individual compensation for the Material Risk Takers.

Regulatory
23%

- Received reports from the Chief Risk Officer on conduct risk.
- Approved the changes to the Remuneration Policy Statement for submission to the FCA and Pillar III disclosures.
- Received updates on changes in regulation and trends in remuneration.
- Discussed the Group policy on gender pay and considered the result of the Gender Pay Gap Report.

Annual report on remuneration

This part of the Directors' Remuneration Report has been prepared in accordance with Part 3 of the revised Schedule 8 set out in the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013, and 9.8.6 of the Listing Rules. The financial information in this part of the Directors' Remuneration Report has been audited where indicated.

Total remuneration for the financial year to 30 September 2018 (Audited)

£'000	Year	Salary & Fees	Benefits[1]	Pension[2]	Annual bonus[3]	Long term incentive[4]	Compensation for loss of office	Total
Executive Directors								
David Nicol	2018	425	1	–	453	342	n/a	1,221
	2017	425	1	–	527	72	n/a	1,025
Andrew Westenberger[5]	2018	236	2	–	200	282	5	725
	2017	375	3	–	465	62	n/a	905
Non-Executive Chairman								
Simon Miller	2018	180	–	–	–	n/a	n/a	180
	2017	180	–	–	–	n/a	n/a	180
Non-Executive Directors								
Kath Cates	2018	85	–	–	–	n/a	n/a	85
	2017	78	–	–	–	n/a	n/a	78
Ian Dewar	2018	75	–	–	–	n/a	n/a	75
	2017	71	–	–	–	n/a	n/a	71
Caroline Taylor	2018	70	–	–	–	n/a	n/a	70
	2017	68	–	–	–	n/a	n/a	68
Paul Wilson	2018	70	–	–	–	n/a	n/a	70
	2017	68	–	–	–	n/a	n/a	68
Michael Kellard[6]	2018	50	–	–	–	n/a	n/a	50
	2017	–	–	–	–	n/a	n/a	–
Simonetta Rigo[7]	2018	19	–	–	–	n/a	n/a	19
	2017	–	–	–	–	n/a	n/a	–
Former Directors								
Angela Knight[8]	2018	–	–	–	–	n/a	n/a	–
	2017	21	–	–	–	n/a	n/a	21
Total	**2018**	**1,210**	**3**	**–**	**653**	**624**	**5**	**2,495**
Total	2017	1,286	4	–	992	134	n/a	2,416

1. Benefits relate to death-in-service insurance and private medical insurance. Executives can elect to use part of their total fixed remuneration to fund benefits such as Permanent Health Insurance and these amounts are disclosed as part of the 'salary and fees' figure.
2. Executives can elect to sacrifice part of their annual bonus into the Group's defined contribution pension scheme. Where employees choose to do this, the Group contributes 13.8% of the sacrificed amount, equal to the employer's national insurance that would have been due had the amount been paid as salary. Sums sacrificed from bonus have been shown in the bonus column, with the related employer contribution of 13.8% shown in the pension column.
3. This relates to the payment of the annual bonus for the year ending 30 September 2018. Annual bonus is subject to a mandatory deferral policy as set out on page 72.
4. The value of the long term incentive is the value of shares for the award where the performance period ends in the year, that would have been received during the three year performance period. 74.6% of the 2015 LTIP has vested in the period. The figures for 2018 have been calculated using the average of the Group's Q4 share price in the three-month period to 30 September 2018, being £3.52 (rounded). The actual vesting date of the LTIP award is 3 December 2018. The figures presented for 2017 have been updated from the three-month average figures used in last year's report (being £72,427 for David Nicol and £62,118 for Andrew Westenberger) to take into account the Group's share price on the date of vesting on 4 December 2017, being £3.70 (rounded).
5. Andrew Westenberger stepped down from the Board on 16 May 2018. The figures for 2018 in the table represent the amount of base salary and benefits, and annual bonus, earned for services as a Board Director.
6. Michael Kellard was appointed to the Board on 1 December 2017.
7. Simonetta Rigo was appointed to the Board on 6 June 2018.
8. Angela Knight stepped down from the Board on 3 February 2017. In addition to the fees set out above in relation to her Brewin Dolphin Holdings PLC directorship, Angela Knight continues to receive an annual fee of €30,000 in relation to her role as Chairman of Tilman Brewin Dolphin, the Group's Irish subsidiary.

Payments to the former Finance Director (Audited)

As we announced on 27 April 2018, Andrew Westenberger, Finance Director, stepped down as a Director with effect from 16 May 2018. In accordance with his service agreement, Andrew received his salary and contractual benefits for his six-month notice period ended 25 October 2018. He also received an annual bonus award of £200,000 for the financial year ended 30 September 2018, which is a pro-rated amount taking account of the portion of the year he worked and performance achieved. Andrew also retained the awards he received in relation to deferred annual bonuses earned in prior years, in accordance with the relevant plan rules. Andrew also retained the LTIP awards he held, pro-rated for time served, in accordance with the "Good Leaver" treatment under the plan rules. Both the DPSP and LTIP share awards will vest on the normal vesting dates, and the LTIP awards are subject to the applicable performance conditions. Fees of £5,000 were awarded towards the cost of advice in relation to his Settlement Agreement.

Base salary review (Audited)

Salaries are normally reviewed in Q4, to take effect from 1 January. No increase was awarded at 1 January 2018; however, the Committee decided to award a salary increase of 2% (£10,000) effective from 1 January 2019. This is broadly consistent with the average level of percentage increase to be awarded to our employees.

	Salary as at 30 September 2018	Salary as at 30 September 2017	Change
David Nicol	**£425,000**	£425,000	0%

Annual variable pay outcomes for 2018

Annual bonuses for the Executive Directors are determined by the Committee based on an assessment of performance relative to Key Performance Indicators ('KPIs'), which are selected to achieve a direct relationship between progress towards the Group's strategic goals and the bonuses that are awarded. The maximum annual bonus for each individual Executive Director is 150% of base salary. The bonus award opportunity for on-target performance of 100% of base salary should be seen in the context of the Chief Executive's relatively low base salary (74% of FTSE 250 median), and the relatively low level of LTIP award (half the FTSE 250 median award percentage). The Committee has the discretion to adjust the final outcome to take account of overall Group performance and exceptional events.

Overall outcome

Criteria	**Weighting**	**% of salary at maximum**	**% of maximum bonus paid**	**% of base salary**
Financial	60.0%	90.0%	42.6%	60.2%
Non-financial	40.0%	60.0%	28.4%	46.5%
Total		150.0%	71.0%	106.7%

Performance against financial criteria

Key Performance Indicator	**Weighting**	**Threshold 25% of total fixed pay**	**On-target 100% of total fixed pay**	**Maximum 150% of total fixed pay**	**Actual for year ending 30 September 2018**	**% of on-target bonus awarded for this criteria**	**% of maximum bonus awarded for this criteria**	**Comment**
Adjusted[1] PBT	30.0%	£64.5m	£75.9m	£83.5m	£77.5m	110.5%	33.0%	Targets set in relation to prior year performance and budget
Discretionary net funds inflow	30.0%	3.0%	6.0%	9.0%	5.6%[2]	90.0%	27.0%	Targets set in relation to prior year performance and budget
Outcome							60.0%	

1. See explanation of adjusted performance measures on page 34.
2. Adjusted for internal service transfers.

Performance against non-financial criteria

Criteria (equally weighted)	Performance achieved	% of maximum bonus awarded for this criterion
Strategy	Continued successful implementation of organic growth strategy with actual performance exceeding 5% discretionary net funds inflow target. H2 2017 acquisition business fully integrated with an expected contribution for the year ended 30 September 2018 exceeding the projected value. Successful development of new business opportunities including *1762 from Brewin Dolphin* and WealthPilot. Exploration of inorganic growth opportunities with the successful purchase of the Dundee client book.	80.0%
Talent	Successful implementation of the Executive Leadership Programme to facilitate succession planning for senior management. Enhanced delivery of business development training, such as client skills and MiFID II, to enable strategic delivery. Continued development of training, guidance and systems to streamline processes and enhance efficiency. A managers' programme has been launched alongside new digital learning support for managers to assist with performance reviews. Development of employee brand and culture resulting in continued high employee engagement rates. Development of diversity and inclusivity initiatives including diversity events. In addition, the Group commenced work on the implementation of the Women in Finance Charter and the 30% Club Cross-Company Mentoring Programme. Successful management of retention rates within risk parameters.	90.0%
Client service	Continued focus on ensuring high quality client experience with customer satisfaction exceeding the benchmark. Leveraging the development of the digital strategy to enhance client experience. For instance, the launch of our new website improving interactions with clients online.	70.0%
Risk management and compliance	Engagement and relationship with Regulators continues to be positive and proactive. Prudent risk management within risk appetite, with remedial action taken where necessary to ensure all risk and compliance programmes remain on track. Preparation for compliance with GDPR and MiFID II and SMCR. Continued embedding of risk frameworks including Investment Governance and Operational Risk.	70.0%
Percentage of maximum bonus for non-financial performance (straight average)		78.0%

Bonus outcomes (Audited)

Based on assessment of performance, the Committee has awarded the following annual bonus to the Chief Executive, with the split between cash and deferred shares as indicated in the table below. The Executive Directors normally receive part of their annual variable pay under the DPSP as a deferred award in Group shares, normally in the form of a nil-cost option. The options vest and become exercisable three years from the date of grant. Both cash and share elements of the bonus are subject to malus provisions. Please see the Directors' Remuneration Policy table on page 72 for further details. The Committee has the discretion to adjust the final outcome to take account of overall Group performance and exceptional events.

Andrew Westenberger has been awarded a bonus of £200,000, a pro-rated amount, reflecting his service and performance for the period served in the financial year.

As he was no longer employed, Andrew Westenberger's annual bonus for the year ended 30 September 2018 was made in cash, rather than a mix of cash and deferred shares.

Name	Role	Cash	Deferred shares[1]	Total	% of base salary
David Nicol	Chief Executive	£309,492	£143,983	£453,475	106.7%

1. See deferral table below.

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

Vested LTIP outcome for the three year performance period ended 30 September 2018 (Audited)

The Executive Directors received a conditional share award granted under the LTIP in December 2015. The performance period for the grant was the three years ended 30 September 2018 and the performance criteria set are shown below:

Criteria	Weighting	Threshold target	Full vesting target	Actual performance achieved year ended 30 September 2018	% of award to vest
Adjusted EPS Compound Annual Growth Rate ('CAGR')	50.0%	5.0%[1]	13.0%[2]	8.2%	32.1%
Average annual discretionary net funds growth[3]	50.0%	2.5%	7.5%	6.0%	42.5%
Blended pay out total					74.6%

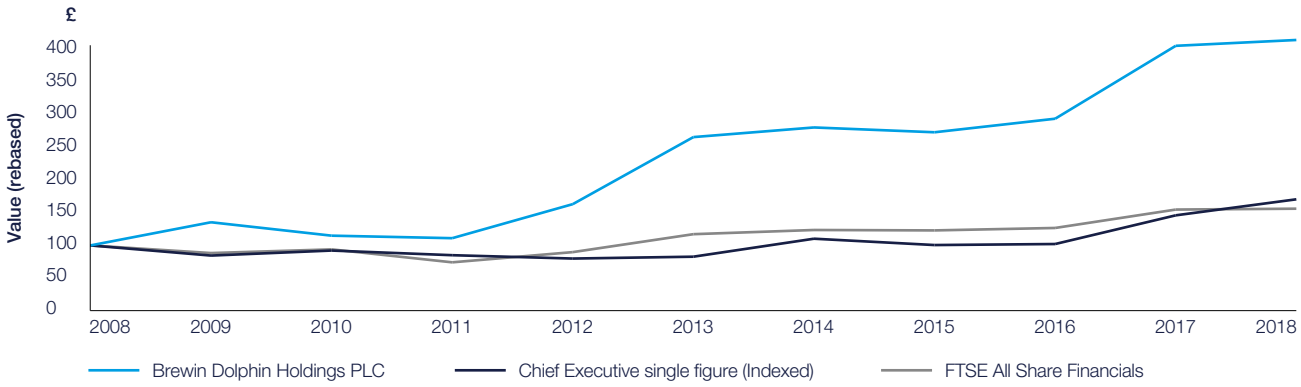
1. As reported in the 2015 Annual Report the threshold performance requirement of 5% CAGR is measured from an adjusted EPS level of 16.1p for 2014-15, rather than the reported EPS of 17.1p. This adjustment takes into account the value of discretionary funds at the year-end 2014/15, which was lower than the average discretionary funds for the 2014/15 year as a whole. As discretionary funds are an important driver of EPS, using the adjusted figure recognises the actual starting point for growth at the end of 2014-15. The equivalent CAGR for the 2014-15 reported EPS of 17.1p is 3%.
2. The stretch target of 13% CAGR is in excess of the market consensus of 10% CAGR over the three year period and will be calculated from the starting point of 17.1p for 2014-15. Market consensus is calculated using the assumption that there will be positive investment performance of 5% per annum.
3. Average annual net inflows in discretionary funds expressed as a % of prior year discretionary funds.

Chief Executive pay for performance comparison

The graph below shows the value by 30 September 2018, of £100 invested in Brewin Dolphin Holdings PLC on 28 September 2008, compared with the Total Remuneration figures of the Chief Executive, rebased to £100 on the same date. The other points plotted are the values at intervening financial year-ends. Brewin Dolphin's TSR has been compared against the FTSE All Share Financial Index reflecting the Company's sector and listing.

TSR vs Chief Executive total pay and FTSE All Share – Financial Services Index

Source: FactSet



The total remuneration figure for the Director undertaking the role of Chief Executive during each of the previous financial years is shown below. The total remuneration figure includes the annual bonus which was awarded based on performance in those years. Where this bonus was subject to deferral, it is shown in the year in which it was awarded. The annual bonus is shown as a percentage of the maximum for 2012 to 2018 only as there was no maximum amount for bonus in the preceding years.

	Year ended 30 September									
	2009	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**
Total remuneration (£'000)	589	643	593	557	577	770	702	713	1,025	1,221
Annual bonus (% max)	n/a	n/a	n/a	39	63	80	67	60	82.6	71.1
LTIP vesting (% of award)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	nil	16.2	74.6

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

	2018	2017	% change
Chief Executive			
Salary	**£425,000**	£425,000	0.0%
Bonus	**£453,475**	£527,000	(13.9)%
Average per employee			
Salary	**£52,856**	£51,106	3.4%
Bonus	**£35,162**	£33,358	4.8%

Directors' share interests (Audited)

Outstanding share options and conditional share awards

The tables below set out details of Executive Directors' outstanding share awards (which will vest in future years subject to performance and/or continued service). The share price at 28 September 2018 was £3.43.

Share options

Plan	Grant date	Exercise price	Number of share options as at 1 October 2017	Granted during year[1]	Exercised during year	Lapsed during year	Number of share options as at 30 September 2018	End of performance period	Maturity date	End of exercise period
David Nicol										
DPSP	04/12/2014	0.00p	50,714	–	50,714	–	**–**	n/a	04/12/2017	04/12/2020
DPSP	03/12/2015	0.00p	37,174	–	–	–	**37,174**	n/a	03/12/2018	03/12/2021
DPSP	01/12/2016	0.00p	33,344	–	–	–	**33,344**	n/a	01/12/2019	01/12/2022
DPSP	30/11/2017	0.00p	–	54,907	–	–	**54,907**	n/a	30/11/2020	30/11/2023
Total			121,232	54,907	50,714	–	**125,425**			
Andrew Westenberger										
DPSP	04/12/2014	0.00p	42,646	–	42,646	–	**–**	n/a	04/12/2017	04/12/2020
DPSP	03/12/2015	0.00p	30,978	–	–	–	**30,978**	n/a	03/12/2018	03/12/2021
DPSP	01/12/2016	0.00p	28,125	–	–	–	**28,125**	n/a	01/12/2019	01/12/2022
DPSP	30/11/2017	0.00p	–	47,889	–	–	**47,889**	n/a	30/11/2020	30/11/2023
Total			101,749	47,889	42,646	–	**106,992**			

1. Awards under the Deferred Profit Share Plan were made in 2017, in respect of a portion of the annual bonus earned for performance in FY 2017.

Conditional share awards

Plan	Grant date	Number of share awards as at 1 October 2017	Granted during year[3]	Vested during year[1]	Lapsed during year[2]	Number of share awards as at 30 September 2018	End of performance period	Vesting date
David Nicol								
LTIP	03/12/2015	130,111	–	97,062	33,049	–	30/09/2018	03/12/2018
LTIP	01/12/2016	147,877	–	–	–	**147,877**	30/09/2019	01/12/2019
LTIP	14/12/2017	–	109,536	–	–	**109,536**	30/09/2020	14/12/2020
Total		277,988	109,536	97,602	33,049	**257,413**		
Andrew Westenberger								
LTIP	03/12/2015	111,524	–	80,236	31,288	–	30/09/2018	03/12/2018
LTIP	01/12/2016	130,480	–	–	47,903	**82,577**	30/09/2019	01/12/2019
LTIP	14/12/2017	–	96,649	–	68,784	**27,865**	30/09/2020	14/12/2020
Total		242,004	96,649	80,236	147,975	**110,442**		

1. Actual vesting date is 3 December 2018. Figures shown are the number of shares vested at the end of the three year performance period, 30 September 2018.
2. Andrew Westenberger's LTIP awards were pro-rated for time served.
3. Executive Directors received awards under the LTIP with a face value of 100% of base salary. The awards are subject to the performance conditions as set out in last year's Remuneration Report. 25% of the award vests for threshold performance and 100% for stretch performance, with a sliding scale between the two points.

Beneficial interests

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

Director	Beneficially owned as at 30 September 2018[4]	Percentage of shareholding target held[5]	Outstanding DPSP awards	Outstanding LTIP awards	Beneficially owned as at 23 November 2018[4]	Beneficially owned as at 30 September 2017
Kath Cates	5,587	n/a	–	–	5,587	5,587
Ian Dewar	6,358	n/a	–	–	6,358	6,358
Michael Kellard[1]	5,493	n/a	–	–	5,493	–
Simon Miller	80,000	n/a	–	–	80,000	75,000
David Nicol	136,090	140%	125,425	257,413	136,090	98,651
Simonetta Rigo[2]	–	n/a	–	–	–	–
Caroline Taylor	10,000	n/a	–	–	10,000	5,000
Andrew Westenberger[3]	58,890	148%	106,992	110,442	58,890	50,000
Paul Wilson	8,596	n/a	–	–	8,596	8,596

1. Michael Kellard was appointed to the Board on 1 December 2017.
2. Simonetta Rigo was appointed to the Board on 6 June 2018.
3. Andrew Westenberger stepped down from the Board on 16 May 2018.
4. Holdings as at year end or date of appointment/resignation if relevant.
5. Includes 53% of outstanding DPSP options and 53% of the 2015 LTIP award which will vest at 74.6% on 3 December 2018 but met its performance criteria on 30 September 2018. These are included on a net of tax basis.

Deferred bonus

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

Share Incentive Plan ('SIP')

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

Dilution

By agreement with shareholders, the aggregate number of shares which may be issued at any date of grant, when aggregated with shares issued or issuable pursuant to options or awards granted in the preceding ten years under any employee share plan operated by the Group shall not exceed 10% of the issued share capital. Within this 10% limit, the aggregate number of shares which may be issued under discretionary schemes targeted at executives and other key roles shall not exceed 5% of the issued share capital in any 10-year rolling period.

The current cumulative dilution level over the 10-year period to 30 September 2018 is 1.73%.

Material contracts with Directors

There were no material contracts between the Group and the Directors, except for their contracts of employment or letters of appointment. The Directors undertake transactions in stocks and shares in the ordinary course of the Group's business for their own account. The transactions are not material to the Group in the context of its operations. £nil was outstanding in respect of these transactions at 30 September 2018 and 30 September 2017.

Total pension entitlements

Executive Directors may opt to waive part of their aggregate fixed pay amount and receive an equivalent defined pension contribution instead. They may also receive part of their annual bonus in the form of pension contribution. Andrew Westenberger and David Nicol have not made contributions to the scheme and do not receive any benefits under the scheme.

Defined benefit scheme

Entry to the Group defined benefit scheme was withdrawn in 2004 for new employees.

Death-in-service benefits

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

Relative importance of the spend on pay (Audited)

	2018 '000	2017 '000	Change
Staff costs	**£157,268**	£147,043	7%
Dividends	**£45,081**	£41,048	10%

Average salary and bonus per employee has increased by 3.4% and 4.8% respectively (see page 67).

External advisers

The Remuneration Committee is advised by New Bridge Street ('NBS'), part of Aon plc, appointed by the Committee. NBS is a member of the Remuneration Consultants Group and abides by its code of conduct which requires its advice to be impartial and objective. NBS has no other connections with the Group. The total fees paid to NBS in respect of its services to the Committee during the year were £66,841.

External directorships

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

Executive Director	Company	Position	2018	2017
David Nicol	Hermes Property Unit	Chair of appointment committee	**£40,000**	£30,762
Andrew Westenberger	Baillie Gifford UK Growth Fund plc	Non-executive director	**£29,482**	£6,190

Statement of shareholder voting

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

	Annual Report on Remuneration (2018 AGM)	%
Votes cast in favour	190,489,571	99.04
Votes cast against	1,852,025	0.96
Total votes cast	192,341,596	
Abstentions	75,619	

How the policy will be applied from 2019 onwards

Fees for the Chairman and the Non-Executive Directors

As detailed in the Policy, the Group's approach to setting Non-Executive Directors' remuneration is with reference to the market levels in similar-sized FTSE companies, levels of responsibility and time commitments.

The Non-Executive Directors' fees were last reviewed in 2016, when it was agreed to increase the fees with effect from 1 January 2017.

	30 September 2018	30 September 2017	Change in fees
Chairman	**£180,000**	£180,000	0%
Base fee	**£60,000**	£60,000	0%
Senior Independent Director	**£10,000**	£10,000	0%
Committee chair	**£10,000-£15,000**	£10,000 – £15,000	0%

Performance targets for the 2018/19 annual bonus and LTIP awards to be granted in the 2019 financial year

For the 2019 financial year, the annual bonus will be based on performance against a balanced scorecard comprising three key performance areas.

Key performance areas	Weighting (each measured independently)
Adjusted PBT[1]	30%
Discretionary funds net inflows	30%
Non-financial targets	40%

1. See explanation of adjusted performance measures on page 34.

Targets for the 2018/19 annual bonus will be disclosed in next year's Annual Report on Remuneration.

The LTIP awards to be granted in the 2019 financial year will be subject to two separate performance metrics shown below, each accounting for one-half of the award. The targets have been set with reference to market consensus and internal medium-term plans.

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

LTIP performance metric	Weighting (each measured independently)	Threshold (25% vesting)	Stretch (100% vesting)	Measurement period
Adjusted EPS CAGR	50%	5%	15%	CAGR measured over the three financial years 2018/19, 2019/20 and 2020/21 using 2017/18 as the base year.
Average annual discretionary net funds growth	50%	3%	9%	Average over the three financial years 2018/19, 2019/20 and 2020/21.

Directors' Remuneration Policy ('the Policy')

This Policy describes the policies, principles and structures that guide the Remuneration Committee's decision making process in the area of executive remuneration. The Policy was approved by the shareholders at the 2017 AGM and will apply for a period of three years unless a revised policy is proposed to shareholders before the end of this period. The Policy will be subject to renewal at the 2020 AGM and the Committee will therefore review its approach to remuneration in 2019 to take into account the revised UK Corporate Governance Code, market developments and principles of best practice. The full Directors' Remuneration Policy is shown for ease of reference.

Remuneration principles and objectives

The primary objectives of the Policy are:

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

The main principles of the Policy are:

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

Summary of remuneration elements for Executive Directors

<table>
<tr><th>Element</th><th>Purpose and link to short and long-term strategy</th><th>Operation, performance measures and periods, deferral and clawback</th><th>Maximum opportunity</th></tr>
<tr><td>Fixed pay</td><td>Provides a level of fixed remuneration sufficient to recruit and retain necessary talent, and to permit a zero variable pay award should that be appropriate.</td><td>Executive Directors receive a base salary and can elect to benefit from life insurance at a level of six times annual salary and private medical insurance. Executive Directors can choose to sacrifice salary into the Group's defined contribution pension scheme. The Company does not make any other pension contributions to the Executive Directors.

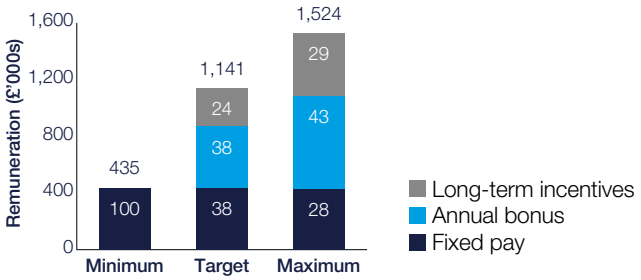
Individual levels of total fixed pay are reviewed annually, with any increases normally effective from 1 January, unless there are exceptional reasons for an increase at another time of the year. Any increases are generally targeted at around the general level of salary inflation in the Group, but may vary from this for exceptional reasons such as a change in the individual's role or responsibilities, or a need to bring an individual's remuneration to a market competitive level.</td><td>Total Fixed Pay is benchmarked against relevant market levels of aggregate fixed pay (i.e. base salary+pension contribution+benefits, paid in the market), and is targeted to be not more than the approximate median of relevant comparators.</td></tr>
<tr><td>Annual variable pay (Discretionary)</td><td>Rewards annual Group and personal performance, and, through the use of deferral into shares, also aligns reward with longer-term performance.</td><td><table><tr><th>Portion of variable pay</th><th>What fraction is deferred?</th></tr><tr><td>Portion up to £50,000</td><td>None</td></tr><tr><td>Portion between £50,000 and 1 x fixed remuneration</td><td>One-third</td></tr><tr><td>Portion above 1 x fixed remuneration</td><td>Two-thirds</td></tr></table>
The Remuneration Committee may seek to clawback annual variable pay in exceptional situations, such as misstatement of performance, failure of risk management or serious misconduct.</td><td>The maximum individual award of annual variable pay is currently 150% of base salary.</td></tr>
<tr><td>LTIP (Discretionary)</td><td>Rewards achievement of long-term performance objectives.</td><td>Executive Directors will be eligible to be considered each year for a conditional award over BDH shares, which will vest in one tranche, normally no earlier than three years from the date of award. Vesting will be subject to performance conditions and targets set prior to each grant by the Committee. These performance conditions will be related to financial performance (e.g. EPS growth and net discretionary funds flow) and will be aligned to the business strategy. For each performance metric used, there will be a threshold level of performance at which no more than 25% of the portion of the award relating to that KPI will vest, and a stretch level of performance, at which 100% of the portion of the award relating to that KPI will vest.

Executive Directors will be required to hold net of tax vested shares for a period of two years following vesting.

The Committee may seek to clawback LTIP in exceptional situations, such as misstatement of performance, failure of risk management or serious misconduct.</td><td>The normal maximum annual award under the LTIP rules is up to 100% of base salary (in face value of shares at grant), but may be up to 150% in exceptional circumstances.</td></tr>
</table>

Illustrations of the application of remuneration policy

David Nicol, Chief Executive Officer



The potential reward opportunities illustrated above were calculated using base salary effective from 1 January 2019. Illustrations are intended to provide further information to shareholders regarding the pay for performance relationship; however, actual pay delivered will be influenced by changes in share price and the vesting period of awards. The assumptions below have been made in compiling the above charts:

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

Policy on share ownership

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

How the views of shareholders are taken into account

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

Details of votes cast for and against the resolution to approve last year's Remuneration Report and Remuneration Policy are provided on page 70.

Consideration of employment conditions elsewhere in the Group

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

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

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

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

Benchmarking

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

Differences in remuneration policy for Executive Directors compared to other employees

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

External non-executive director positions

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

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

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

Approach to remuneration for new Executive Director appointments

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

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

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

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

Service contracts and loss of office payments

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

In summary, the contractual provisions are:

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

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

Legacy arrangements

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

Policy for the Chairman and other Non-Executive Directors

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

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

Compliance with the FCA Remuneration Code

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

Application of the Policy

The Policy took effect from 3 February 2017.

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

Caroline Taylor
Chairman of the Remuneration Committee

27 November 2018

Index to principal Directors' Report and Listing Rule disclosures

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

Information	Section in Annual Report	Pages
Business Review	Strategic Report	20-23, 26-27
Principal Risks and Uncertainties	Strategic Report	30-33
Disclosure information to auditor	Directors' Report	79
Directors in office during the year	Corporate Governance Report	44-45
Dividend recommendation for the year	Chairman's Statement	18-19
Directors' indemnities	Directors' Report	77
Corporate Responsibility	Strategic Report	41-43
Greenhouse gas emissions	Directors' Report	78
Financial instruments – risk management objectives and policies	Note 27 to the Financial Statements	129
Future developments of the Company	Strategic Report	20-25
Employment policies and employee involvement	Strategic Report	41-43
Non-financial information statement	Strategic Report	43
Structure of share capital, including restrictions on the transfer of securities, voting rights and significant shareholders	Directors' Report	76
Rules governing the appointment of Directors	Corporate Governance Report	52
Powers of Directors	Corporate Governance Report	50
Rules governing changes to the Articles of Association	Directors' Report	77
Shareholder waiver of dividends	Note 23 to the Financial Statements	126

The above information is incorporated by reference and together with the information on pages 76 to 79 forms the Directors' Report in accordance with section 415 of the Companies Act 2006.

Strategic Report

The Strategic Report is set out on pages 1 to 43 and was approved by the Board on 27 November 2018. It is signed on behalf of the Board by David Nicol, Chief Executive.

Cautionary statement

The review of the business and its future development in the Annual Report has been prepared solely to provide additional information to shareholders to assess the Group's strategies and the potential for these strategies to succeed. It should not be relied on by any other party for any other purpose. The review contains forward looking statements which are made by the Directors in good faith based on information available to them up to the time of the approval of these reports and should be treated with caution due to inherent uncertainties associated with such statements. The Directors, in preparing the Strategic Report, have complied with section 417 of the Companies Act 2006.

Share capital

Details of the Company's authorised and issued share capital, together with details of the movements therein, are set out in note 23 to the Financial Statements. This includes the rights and obligations attaching to shares and restrictions on the transfer of shares.

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

Employee share plans

Details of employee share plans are set out in note 28 to the Financial Statements. Under the rules of the Group's Share Incentive Plan ('SIP'), shares are held in trust for participants by Equiniti Share Plan Trustees Limited (the 'Trustee'). Voting rights are exercised by the Trustee on receipt of the participant's instructions; if no such instruction is received by the Trustee then no vote is registered. No person has any special rights of control over the Company's share capital and all issued shares are fully paid.

Articles of Association

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

Substantial shareholdings

As at 30 September 2018, the Company had received notifications in accordance with the FCA's Disclosures and Transparency Rule 5.1.2 of the following interests of 3% or more in the voting rights of the Company.

Shareholder	Number of voting rights	% of voting rights
Kabouter Management, LLC	17,020,204	6.00%
Royal London Asset Management	16,824,793	5.95%
Henderson Group PLC	14,426,962	5.09%
Aberforth Partners	14,390,759	5.08%
FIL Investment International	12,477,394	5.00%
BlackRock, Inc.	Below 5%	Below 5%
FIL Limited	14,092,698	4.97%
J O Hambro Capital Management	13,847,348	4.89%
Kames Capital	13,730,787	4.85%
Legal & General	8,563,901	3.99%
Norges Bank	8,577,245	3.03%

Annual General Meeting

The AGM will be held at 11.30am on 1 February 2019 at Haberdashers' Hall, 18 West Smithfield, London EC1A 9HQ.

Purchase of own shares

At the AGM on 2 February 2018, shareholders approved a resolution for the Company to make purchases of its own shares to a maximum of 10% of its issued Ordinary Shares. This resolution remains valid until the conclusion of the next AGM in 2019. As at 27 November 2018 the Directors had not used this authority.

Directors' indemnities

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

Employees

The average number of persons, including Directors, employed by the Group and their remuneration is set out in note 7 to the Financial Statements. Other information about the Group's employee engagement, diversity and inclusion policies is set out in the Our People and Corporate Responsibility Reports starting on page 39. The Group-wide gender diversity split as at 30 September 2018 was 43% female and 57% male.

Internal control and risk management

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

Greenhouse Gas Emissions ('GHG')

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

Global GHG emissions for the period ended 30 September 2018

Emissions from:	**T CO_2e GWP Scope 1,2,3 2017-2018**	T CO_2e GWP Scope 1,2,3 2016-2017
Combustion of fuel & operation of facilities	**577**	557*
Electricity purchased for own use	**1,034**	1,751
Fugitive emissions – refrigerant losses	**–**	13
Mobile combustion – business travel from leased assets	**20**	20
Total emissions	**1,631**	2,341
Company's chosen intensity measurement: Emissions per full-time employee	**1.0**	1.3

* The figure for emissions from combustion of fuel and operation of facilities shown for the year has been restated following identification of an error.

General methodology and additional information

The table above reports our annual GHG emissions from sources as required under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013. These sources fall within our consolidated financial statement. We have included most of the emission sources for which we have responsibility but have omitted some emission sources based on materiality and a lack of data. Details of the emissions which we have omitted are given in the "Emission sources not reported" section below. The Scope 2 emissions calculations for purchased electricity follow the location-based methodology of the GHG Protocol.

This is our fifth year of reporting as a quoted company under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013. We have used SoFi software, from thinkstep, to gather energy use data (natural gas and electricity) as well as data on hydrofluorocarbons and upstream leased assets and have applied emission factors from the August 2018 update to the Defra impact profile in SoFi.

For the Group's European operation, please note that Defra no longer includes the International Energy Agency's ('IEA') factors for international electricity consumption in their own dataset. thinkstep negotiated an agreement with the IEA that allows them to continue to include IEA factors in the SoFi Impact libraries. These factors are the most up-to-date IEA overseas emission factors currently available which date back to country-specific physical consumption of electricity in 2015.

In this reporting year (2017/2018) no fugitive emissions (i.e. emissions from refrigerant losses) occurred as there have been no replacements of our direct expansion systems.

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

Emission sources not reported

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

Data quality for electricity and gas consumption

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

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

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

We identified that there were some offices that had incomplete electricity or gas consumption figures for certain months over the current reporting period. In such situations, we chose the following approach to estimate the consumption data for the missing months. We identified the months in the dataset with electricity consumption, calculated the daily consumption figure and applied this daily figure to the months that had missing data.

In some other cases, there were offices for which we had no electricity and or gas consumption data. In these situations, we used an average consumption intensity per square foot across offices with reliable data in the current reporting period. We then used these average annual consumptions per square foot intensities to estimate the annual electricity/gas consumption of the offices with no electricity/gas consumption data, based on individual floor areas.

Auditor

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

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

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

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

Approved for and on behalf of the Board.

Tiffany Brill
Company Secretary
Brewin Dolphin Holdings PLC
Company Number: 02685806

27 November 2018

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

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

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

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

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

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

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

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

Directors' responsibility statement

We confirm that to the best of our knowledge:

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

This responsibility statement was approved by the Board of Directors on 27 November 2018 and is signed on its behalf by

David Nicol
Chief Executive

Report on the audit of the financial statements

Opinion

In our opinion:

- **the financial statements of Brewin Dolphin Holdings PLC (the 'parent company') and its subsidiaries (the 'group') give a true and fair view of the state of the group's and of the parent company's affairs as at 30 September 2018 and of the group's profit for the year then ended;**
- **the group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;**
- **the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and**
- **the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.**

We have audited the financial statements which comprise:

- the consolidated income statement;
- the consolidated statement of comprehensive income;
- the consolidated and parent company balance sheets;
- the consolidated and parent company statements of changes in equity;
- the consolidated and parent company cash flow statements; and,
- the related notes 1 to 33.

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

Basis for opinion

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

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

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

Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year which are consistent with the prior year were: – Revenue recognition; – Impairment of goodwill and client relationships; and – Assumptions underlying the calculation of the pension scheme liability.
Materiality	The materiality that we used in the current year was £3.4m, which was determined on the basis of 5% of profit before tax from continuing operations and is consistent with our approach for the 2017 audit.
Scoping	The scope of our audit covered substantially the entire group, with the following entities in scope, in addition to the parent company: – Brewin Dolphin Limited; – Tilman Brewin Dolphin Limited; and – Brewin Dolphin MP Limited.
Significant changes in our approach	There have been no significant changes in our audit approach in 2018.

Conclusions relating to going concern, principal risks and viability statement

Going concern We have reviewed the directors' statement in note 3 to the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the group's and company's ability to continue to do so for the foreseeable future, being over a period of at least twelve months from the date of approval of the financial statements. We are required to state whether we have anything material to add or draw attention to in relation to that statement required by Listing Rule 9.8.6R(3) and report if the statement is materially inconsistent with our knowledge obtained in the audit.	**We confirm that we have nothing material to report, add or draw attention to in respect of these matters.**
Principal risks and viability statement Based solely on reading the directors' statements and considering whether they were consistent with the knowledge we obtained in the course of the audit, including the knowledge obtained in the evaluation of the directors' assessment of the group's and the company's ability to continue as a going concern, we are required to state whether we have anything material to add or draw attention to in relation to: – the disclosures on pages 28-32 that describe the principal risks and explain how they are being managed or mitigated; – the directors' confirmation on page 80 that they have carried out a robust assessment of the principal risks facing the group, including those that would threaten its business model, future performance, solvency or liquidity; or – the directors' explanation on page 33 as to how they have assessed the prospects of the group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions. We are also required to report whether the directors' statement relating to the prospects of the group required by Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.	**We confirm that we have nothing material to report, add or draw attention to in respect of these matters.**

Key audit matters

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

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

Revenue recognition

Description	As detailed in the summary of significant accounting policies in note 3, revenue comprises investment management fees of £233.9m (2017: £217.1m), commissions of £67.8m (2017: £66.0m) and other income of £27.3m (2017: £21.4m). Investment management fees account for approximately 71% of total revenue and are based on a percentage of individual clients' funds under management. There is a risk that incorrect rates or fund valuations are used to calculate management fees. This risk increases where amendments are required to be made to system calculated fees due to the requirement for manual intervention. We have also identified this as a risk relating to fraud.
How the scope of our audit responded	We evaluated the design and implementation and tested the operating effectiveness of controls over the calculation of management fees. This included controls over system generated investment management fees, including associated IT controls and controls over amendments to client fees. We selected a sample of quarterly investment management fee calculations for individual clients and recalculated the system generated amount. We agreed a sample of the rates used to client contracts and the value of funds under management to third party sources including the rationale and authorisation of any amendments to the system generated fee. We reviewed client communications for a sample of clients to challenge the completeness of manual fee amendments.
Key observations	Through our testing, we concluded that management fees were appropriately stated for the year ended 30 September 2018.

Impairment of goodwill and client relationships

Description	Historically, the group has expanded through acquisitions leading to the recognition of goodwill and client relationships of £83.2m (2017: £90.5m). As detailed in the summary of significant accounting policies in note 3 and note 13 intangible assets, client relationships are reviewed for indicators of impairment at each reporting date and, if an indicator of impairment exists, an impairment test is performed. Goodwill is tested for impairment at least annually, whether or not indicators of impairment exist. The impairment test requires an estimation of the recoverable amount for each of the group's cash-generating units ("CGUs") and where the carrying amount exceeds the recoverable amount an impairment should be recorded. This assessment is based on estimates of the fair value less costs to sell of CGUs based on a percentage of funds under management ("FUM"). The percentages used are inherently judgemental. We have also identified this as a risk relating to fraud. Given the amortisation of client relationships and growth in FUM, the impairment tests at the balance sheet date were not sensitive to reasonably possible changes in the percentages applied to FUM. Consequently, management has determined that the estimation of the percentages applied to FUM is no longer a "key source of estimation uncertainty". However, given the size of the balance, the level of management judgement in the overall impairment assessment and the amount of audit effort in this area, we still consider this to be a key audit matter.
How the scope of our audit responded	We evaluated the design and implementation and tested the operating effectiveness of controls over the production of funds under management data, designed to ensure its completeness and accuracy. In assessing management's impairment assessment for intangible assets, we have reviewed their methodology for compliance with the requirements of IAS 36 "Impairment of Assets" and challenged the assumptions and judgements made. This included challenging the percentages management applied to market values of FUM to determine fair value, and validating these against percentages derived from recent public acquisitions of fund management businesses and the sensitivity of the impairment assessment to changes in the percentages applied.
Key observations	Through our testing, we concurred with management's assessment that no impairments were required to goodwill or client relationships. We also concurred with management's judgement that the percentages applied to FUM are no longer a key source of estimation uncertainty.

Assumptions underlying the calculation of the pension scheme liability

Description	The group has recognised a defined benefit pension surplus of £11.4m (2017: £4.5m surplus). The net surplus comprises assets of £106.9m and liabilities of £95.5m. The calculation of the liability is sensitive to changes in underlying assumptions and is considered to be a key source of estimation uncertainty for the group as detailed in note 4, disclosed in note 17 and has been considered by the Audit Committee on page 57. The key assumptions are the discount rate, inflation rate and mortality rate where small changes to these assumptions could result in a material change to the pension liability valuation.
How the scope of our audit responded	In order to evaluate the appropriateness of the assumptions used by management, we assessed the design and implementation of controls over the review of assumptions and used our own actuarial experts to make direct enquiries of the group's actuary and review the key actuarial assumptions adopted in the IAS 19 ("Employee Benefits") pension valuation. In particular we compared the discount rate, inflation rate and mortality assumptions to our independently determined benchmarks derived using market and other data.
Key observations	Through the work performed, we concluded that the assumptions underlying the pension scheme liability for the year ended 30 September 2018 were appropriate.

Our application of materiality

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

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

	Group financial statements	Parent company financial statements
Materiality	£3.4m (2017: £2.9m)	£2.5m (2017: £2.8m)
Basis for determining materiality	5% of profit before tax from continuing operations which is consistent with our approach for the prior year audit.	We determined materiality based on 1% of net assets.
Rationale for the benchmark applied	Profit before tax was used as the basis for determining materiality as this is the key metric used by members of the parent company and other relevant stakeholders in assessing financial performance.	The parent company primarily holds the investments in group entities and, therefore, net assets is considered to be the key focus for users of the financial statements.

We agreed with the audit committee that we would report to the committee all audit differences in excess of 5% of materiality, £170,000 (2017: 5% of materiality £144,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. The change in the reporting threshold has been made to align with the thresholds typically used in listed company audits. We also report to the audit committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit

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

The group consists of the main trading subsidiary, Brewin Dolphin Limited along with Tilman Brewin Dolphin Limited, Brewin Dolphin MP Limited, and BDDL Limited. We focused our group audit scope primarily on Brewin Dolphin Limited which was subject to a full audit, and Tilman Brewin Dolphin Limited and Brewin Dolphin MP were subject to an audit of specified account balances. BDDL limited was scoped out for this year's audit which is consistent with the prior year following the transfer of net assets to Brewin Dolphin Limited.

Our full scope audits and audits of specified balances covered 99% (2017: 98%) of the group's revenue and profit before tax. Our audit of Brewin Dolphin Limited used a component materiality of £3.3m (2017: £2.8m).

The majority of the operations of the group are based in the United Kingdom and are audited by Deloitte LLP. The only exception to this is Tilman Brewin Dolphin Limited, an Irish company, which represents less than 2.5% (2017: 2.5%) of revenue and is audited by another Deloitte member firm which is consistent with the prior year.

Other information

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

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

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

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

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

We have nothing to report in respect of these matters.

- *Fair, balanced and understandable* – the statement given by the directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the group's position and performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- *Audit committee reporting* – the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee; or
- *Directors' statement of compliance with the UK Corporate Governance Code* – the parts of the directors' statement required under the Listing Rules relating to the company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

Details of the extent to which the audit was considered capable of detecting irregularities, including fraud are set out below.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud

We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and then design and perform audit procedures responsive to those risks, including obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion.

Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, our procedures included the following:

- enquiring of management, Internal Audit and the audit committee, including obtaining and reviewing supporting documentation, concerning the group's policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
  - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations;
- discussing among the engagement team and involving relevant internal specialists, including tax, pensions, IT and industry specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, we identified potential for fraud in the following areas: revenue recognition, management override of controls and the impairment of goodwill and client relationships; and
- obtaining an understanding of the legal and regulatory frameworks that the group operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of the group. The key laws and regulations we considered in this context included the Financial Conduct Authority's regulations, the UK Companies Act, Listing Rules, pensions legislation and tax legislation. In addition, the group's regulatory solvency requirements were considered in assessing the directors' going concern statement.

Audit response to risks identified

As a result of performing the above, we identified revenue recognition and impairment of goodwill and client relationships as key audit matters. The key audit matters section of our report explains the matters in more detail and also describes the specific procedures we performed in response to those key audit matters.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;
- enquiring of management, the Audit Committee and in-house and external legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing Internal Audit reports and reviewing correspondence with HMRC and the Financial Conduct Authority; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

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

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records Under the Companies Act 2006 we are required to report to you if, in our opinion: – we have not received all the information and explanations we require for our audit; or – adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or – the parent company financial statements are not in agreement with the accounting records and returns.	**We have nothing to report in respect of these matters.**
Directors' remuneration Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made or the part of the directors' remuneration report to be audited is not in agreement with the accounting records and returns.	**We have nothing to report in respect of these matters.**

Other matters

Auditor tenure

Following the recommendation of the audit committee, we were appointed by the Shareholders at the Annual General Meeting in April 2002 to audit the financial statements for the year ended 30 September 2002 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 17 years, covering the years ended 30 September 2002 to 2018.

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

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

Use of our report

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

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

27 November 2018

Financial Statements

Contents

Consolidated Income Statement		90
Consolidated Statement of Comprehensive Income		91
Consolidated Balance Sheet		92
Consolidated Statement of Changes in Equity		93
Company Balance Sheet		94
Company Statement of Changes in Equity		95
Consolidated Cash Flow Statement		96
Company Cash Flow Statement		97
Notes to the Financial Statements		98
1	General information	98
2	Application of new and revised International Financial Reporting Standards ('IFRSs') and changes in accounting policies	98
3	Significant accounting policies	101
4	Critical accounting judgements and key sources of estimation uncertainty	108
5	Income	109
6	Segmental information	109
7	Staff costs	109
8	Profit for the year	110
9	Finance income and finance costs	111
10	Income tax expense	111
11	Dividends	112
12	Earnings per share	113
13	Intangible assets	114
14	Property, plant and equipment	115
15	Investment in subsidiaries	116
16	Trade and other receivables	117
17	Defined benefit pension scheme	118
18	Net deferred tax asset	123
19	Investments	124
20	Cash and cash equivalents	124
21	Trade and other payables	125
22	Provisions	125
23	Share capital	126
24	Own shares	128
25	Other reserves	128
26	Business combinations	129
27	Financial instruments and risk management	129
28	Share-based payments	136
29	Operating lease arrangements	137
30	Contractual commitments	137
31	Notes to the Cash Flow Statement	138
32	Post balance sheet events	138
33	Related party transactions	139

CONSOLIDATED INCOME STATEMENT

Year ended 30 September 2018

	Note	**2018 £'000**	2017 £'000
Revenue	5	**326,226**	303,896
Other operating income	5	**2,801**	568
Income		**329,027**	304,464
Staff costs	7	**(174,822)**	(162,689)
Redundancy costs	7	**–**	(742)
Onerous contracts		**(170)**	(1,969)
Amortisation of intangible assets – client relationships	13	**(7,619)**	(6,650)
Acquisition costs	26	**–**	(1,683)
Incentivisation awards		**(1,318)**	(1,297)
FSCS levy refund		**288**	–
Other operating costs		**(77,506)**	(71,766)
Operating expenses		**(261,147)**	(246,796)
Operating profit		**67,880**	57,668
Finance income	9	**903**	161
Other gains and losses	19	**(162)**	2
Finance costs	9	**(117)**	(188)
Profit before tax		**68,504**	57,643
Tax	10	**(15,008)**	(12,490)
Profit for the year		**53,496**	45,153
Attributable to:			
Equity holders of the parent		**53,496**	45,153
		53,496	45,153
Earnings per share			
Basic	12	**19.5p**	16.5p
Diluted	12	**18.9p**	16.0p

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 30 September 2018

	Note	**2018 £'000**	2017 £'000
Profit for the year		**53,496**	45,153
Items that will not be reclassified subsequently to profit and loss:			
Actuarial gain on defined benefit pension scheme	17	**3,765**	8,558
Deferred tax charge on actuarial gain on defined benefit pension scheme	18	**(577)**	(1,383)
		3,188	7,175
Items that may be reclassified subsequently to profit and loss:			
Revaluation of available-for-sale investments	19	**2**	(75)
Reversal of revaluation of available-for-sale investments	19	**106**	–
Deferred tax (charge)/credit on revaluation of available-for-sale investments	18	**(21)**	14
Exchange differences on translation of foreign operations		**35**	92
		122	31
Other comprehensive income for the year net of tax		**3,310**	7,206
Total comprehensive income for the year		**56,806**	52,359
Attributable to:			
Equity holders of the parent		**56,806**	52,359
		56,806	52,359

CONSOLIDATED BALANCE SHEET

As at 30 September 2018

	Note	2018 £'000	2017 £'000
Assets			
Non-current assets			
Intangible assets	13	**85,719**	95,791
Property, plant and equipment	14	**8,110**	3,840
Other receivables	16	**–**	200
Defined benefit pension scheme	17	**11,408**	4,487
Net deferred tax asset	18	**4,141**	6,743
Total non-current assets		**109,378**	111,061
Current assets			
Available-for-sale investments	19	**676**	736
Trading investments	19	**356**	36
Trade and other receivables	16	**171,145**	243,144
Cash and cash equivalents	20	**186,222**	169,995
Total current assets		**358,399**	413,911
Total assets		**467,777**	524,972
Liabilities			
Current liabilities			
Trade and other payables	21	**176,104**	244,652
Current tax liabilities		**5,352**	4,993
Provisions	22	**3,424**	3,755
Total current liabilities		**184,880**	253,400
Net current assets		**173,519**	160,511
Non-current liabilities			
Trade and other payables[1]	21	**926**	657
Provisions	22	**8,234**	8,339
Total non-current liabilities		**9,160**	8,996
Total liabilities		**194,040**	262,396
Net assets		**273,737**	262,576
Equity			
Share capital	23	**2,834**	2,833
Share premium account	23	**152,477**	152,320
Own shares	24	**(26,060)**	(25,921)
Revaluation reserve	25	**2**	(85)
Merger reserve	25	**70,553**	70,553
Profit and loss account		**73,931**	62,876
Equity attributable to equity holders of the parent		**273,737**	262,576

1. In the prior year, non-current liabilities were included in current liabilities.

Approved by the Board of Directors and authorised for issue on 27 November 2018.

Signed on its behalf by

David Nicol
Chief Executive

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 30 September 2018

	Attributable to the equity holders of the parent						
	Share capital £'000	Share premium account £'000	Own shares £'000	Revaluation reserve £'000	Merger reserve £'000	Profit and loss account £'000	Total £'000
At 30 September 2016	2,830	151,836	(29,294)	(24)	70,553	46,908	242,809
Profit for the year	–	–	–	–	–	45,153	45,153
Other comprehensive income for the year							
Deferred and current tax on other comprehensive income	–	–	–	14	–	(1,383)	(1,369)
Actuarial gain on defined benefit pension scheme	–	–	–	–	–	8,558	8,558
Revaluation of available-for-sale investments	–	–	–	(75)	–	–	(75)
Exchange differences on translation of foreign operations	–	–	–	–	–	92	92
Total comprehensive (expense)/income for the year	–	–	–	(61)	–	52,420	52,359
Dividends	–	–	–	–	–	(36,614)	(36,614)
Issue of share capital	3	484	–	–	–	–	487
Own shares acquired in the year	–	–	(5,807)	–	–	–	(5,807)
Own shares disposed of on exercise of options	–	–	9,180	–	–	(9,180)	–
Share-based payments	–	–	–	–	–	8,052	8,052
Tax on share-based payments	–	–	–	–	–	1,290	1,290
At 30 September 2017	**2,833**	**152,320**	**(25,921)**	**(85)**	**70,553**	**62,876**	**262,576**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**53,496**	**53,496**
Other comprehensive income for the year							
Deferred and current tax on other comprehensive income	**–**	**–**	**–**	**(21)**	**–**	**(577)**	**(598)**
Actuarial gain on defined benefit pension scheme	**–**	**–**	**–**	**–**	**–**	**3,765**	**3,765**
Revaluation of available-for-sale investments	**–**	**–**	**–**	**108**	**–**	**–**	**108**
Exchange differences on translation of foreign operations	**–**	**–**	**–**	**–**	**–**	**35**	**35**
Total comprehensive income for the year	**–**	**–**	**–**	**87**	**–**	**56,719**	**56,806**
Dividends	**–**	**–**	**–**	**–**	**–**	**(41,599)**	**(41,599)**
Issue of share capital	**1**	**157**	**–**	**–**	**–**	**–**	**158**
Own shares acquired in the year	**–**	**–**	**(13,507)**	**–**	**–**	**–**	**(13,507)**
Own shares disposed of on exercise of options	**–**	**–**	**13,368**	**–**	**–**	**(13,368)**	**–**
Share-based payments	**–**	**–**	**–**	**–**	**–**	**8,915**	**8,915**
Tax on share-based payments	**–**	**–**	**–**	**–**	**–**	**388**	**388**
At 30 September 2018	**2,834**	**152,477**	**(26,060)**	**2**	**70,553**	**73,931**	**273,737**

COMPANY BALANCE SHEET

As at 30 September 2018

	Note	2018 £'000	2017 £'000
Assets			
Non-current assets			
Investment in subsidiaries	15	**188,491**	192,020
Total non-current assets		**188,491**	192,020
Current assets			
Trade and other receivables	16	**72,679**	53,802
Cash and cash equivalents	20	**1,445**	433
Total current assets		**74,124**	54,235
Total assets		**262,615**	246,255
Liabilities			
Current liabilities			
Trade and other payables	21	**11,700**	10,700
Total current liabilities		**11,700**	10,700
Net current assets		**62,424**	43,535
Total liabilities		**11,700**	10,700
Net assets		**250,915**	235,555
Equity			
Share capital	23	**2,834**	2,833
Share premium account	23	**152,477**	152,320
Own shares	24	**(26,060)**	(25,921)
Merger reserve	25	**70,838**	70,838
Profit and loss account	25	**50,826**	35,485
Equity attributable to equity holders		**250,915**	235,555

Approved by the Board of Directors and authorised for issue on 27 November 2018.

Signed on its behalf by

David Nicol
Chief Executive

Brewin Dolphin Holdings PLC
Company Number: 02685806

COMPANY STATEMENT OF CHANGES IN EQUITY

Year ended 30 September 2018

	Attributable to the equity holders of the Company					
	Share capital £'000	Share premium account £'000	Own shares £'000	Merger reserve £'000	Profit and loss account £'000	Total £'000
At 30 September 2016	2,830	151,836	(29,294)	70,838	29,793	226,003
Profit for the year	–	–	–	–	43,434	43,434
Total comprehensive income for the year	–	–	–	–	43,434	43,434
Dividends	–	–	–	–	(36,614)	(36,614)
Issue of share capital	3	484	–	–	–	487
Own shares acquired in the year	–	–	(5,807)	–	–	(5,807)
Own shares disposed of on exercise of options	–	–	9,180	–	(9,180)	–
Share-based payments	–	–	–	–	8,052	8,052
At 30 September 2017	**2,833**	**152,320**	**(25,921)**	**70,838**	**35,485**	**235,555**
Profit for the year	**–**	**–**	**–**	**–**	**61,393**	**61,393**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**61,393**	**61,393**
Dividends	**–**	**–**	**–**	**–**	**(41,599)**	**(41,599)**
Issue of share capital	**1**	**157**	**–**	**–**	**–**	**158**
Own shares acquired in the year	**–**	**–**	**(13,507)**	**–**	**–**	**(13,507)**
Own shares disposed of on exercise of options	**–**	**–**	**13,368**	**–**	**(13,368)**	**–**
Share-based payments	**–**	**–**	**–**	**–**	**8,915**	**8,915**
At 30 September 2018	**2,834**	**152,477**	**(26,060)**	**70,838**	**50,826**	**250,915**

CONSOLIDATED CASH FLOW STATEMENT

Year ended 30 September 2018

	Note	2018 £'000	2017 £'000
Net cash inflow from operating activities	31	**79,705**	67,463
Cash flows from investing activities			
Purchase of intangible assets – client relationships		**(121)**	–
Purchase of intangible assets – software		**(1,076)**	(1,437)
Purchases of property, plant and equipment		**(7,081)**	(589)
Purchase of available-for-sale investments		**–**	(18)
Purchase of trading investments		**(300)**	–
Acquisition of subsidiary	26	**–**	(25,500)
Proceeds on disposal of trading investments		**–**	1,149
Proceeds on disposal of available-for-sale investments		**6**	42
Net cash used in investing activities		**(8,572)**	(26,353)
Cash flows from financing activities			
Dividends paid to equity shareholders	11	**(41,599)**	(36,614)
Purchase of own shares	24	**(13,507)**	(5,807)
Proceeds on issue of shares		**158**	487
Net cash used in financing activities		**(54,948)**	(41,934)
Net increase/(decrease) in cash and cash equivalents		**16,185**	(824)
Cash and cash equivalents at 1 October		**169,995**	170,766
Effect of foreign exchange rates		**42**	53
Cash and cash equivalents at 30 September		**186,222**	169,995

COMPANY CASH FLOW STATEMENT

Year ended 30 September 2018

	Note	2018 £'000	2017 £'000
Net cash inflow from operating activities	31	**42,453**	35,874
Cash flows from financing activities			
Dividends paid to equity shareholders	11	**(41,599)**	(36,614)
Proceeds on issue of shares		**158**	487
Net cash used in financing activities		**(41,441)**	(36,127)
Net increase/(decrease) in cash and cash equivalents		**1,012**	(253)
Cash and cash equivalents at 1 October		**433**	686
Cash and cash equivalents at 30 September		**1,445**	433

1. General information

The consolidated financial statements of Brewin Dolphin Holdings PLC (the 'Company') and its subsidiaries (collectively, the 'Group') for the year ended 30 September 2018 were authorised for issue by the Directors on 27 November 2018.

The Company is incorporated in the United Kingdom under the Companies Act 2006. The nature of the Group's operations and its principal activities are set out in the Strategic Report. The Company is registered in England and Wales. The address of the registered office is 12 Smithfield Street, London EC1A 9BD. The separate financial statements of the Company are also reported.

Note 15 identifies the subsidiaries that have taken advantage under s479A of the Companies Act 2006 of the exemption from audit.

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

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

a. New standards, amendments and interpretations adopted

The following new and revised standards and interpretations have been adopted in the current year. Their adoption has not had any significant impact on the amounts reported in these financial statements but may impact the accounting for future transactions and arrangements:

- Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)
- Disclosure Initiative (Amendments to IAS 7)

b. Changes in accounting policies

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

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

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

		Effective for period beginning on or after 1 January
New or revised standards		
IFRS 9	Financial Instruments	2018
IFRS 15	Revenue from Contracts with Customers	2018
IFRS 16	Leases	2019
IFRS 17[1]	Insurance Contracts	2021
New or revised interpretations		
IFRIC 22	Foreign Currency Transactions and Advance Consideration	2018
IFRIC 23[1]	Uncertainty over Income Tax Treatments	2019
Amendments		
IFRS 15	Clarifications to Revenue from Contracts with Customers	2018
IFRS 2	Amendments to Classification and Measurement of Share-based Payment Transactions	2018
IFRS 4	Amendments to Applying IFRS 9 'Financial Instruments' with IFRS 4 'Insurance Contracts'	2018
IAS 40	Amendments to Transfers of Investment Property	2018
Annual Improvements to IFRS	2014–2016 Cycle: Makes amendments to the following standards: IFRS1 and IAS 28	2018
IFRS 9	Prepayment Features with Negative Compensation	2019
IAS 28[1]	Long-term Interests in Associates and Joint Ventures	2019
Annual Improvements to IFRS[1]	Annual Improvements to IFRS Standards 2015–2017 Cycle	2019
IAS 19[1]	Plan Amendment, Curtailment or Settlement	2019
Conceptual framework references[1]	Amendments to References to the Conceptual Framework in IFRS Standards	2020

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

The Directors are reviewing the impact of these new standards, amendments and interpretations and do not intend to adopt the standards early. It is not currently expected that these will have a material impact on the financial statements of the Group except as noted below.

The Directors have reviewed the impact of IFRS 9 'Financial Instruments' and IFRS 15 'Revenue from Contracts with Customers' on the consolidated financial statements and have estimated the impact of adopting these new standards. The impact of IFRS 16 'Leases' is still being assessed by the Group and reliable estimates cannot be made at this stage. The impacts on the consolidated financial statements of the Group are explained below.

IFRS 15 'Revenue from Contracts with Customers'

IFRS 15 is effective for periods commencing on or after 1 January 2018 and will be applicable to the Group's accounting period ending 30 September 2019. The standard was endorsed by the EU during 2016 and supersedes existing revenue recognition standards, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes.

The core principle of IFRS 15 is that revenue reflects the transfer of goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled.

The standard establishes a principle based five-step model to be applied to all contracts with customers for recognising revenue:

(1) identify the contract with the customer;

(2) identify the performance obligations in the contract;

(3) determine the transaction price;

(4) allocate the transaction price to the performance obligations in the contract; and

(5) recognise revenue when or as the entity satisfies a performance obligation.

The model determines when and how much revenue to recognise. Revenue is recognised when an entity transfers control of goods or services to a customer at the amount to which the entity expects to be entitled. Depending on whether performance obligations expressed in the customer contracts are fulfilled, revenue is recognised either over time, in a manner that best reflects the entity's performance of those obligations, or at a point in time, when control of the goods or services is transferred to the customer. IFRS 15 is more prescriptive in terms of its recognition criteria, with certain specific requirements in respect of variable consideration such that it is only recognised where the amount of revenue would not be subject to significant future reversals. It also requires that the incremental cost of obtaining a customer contract should be capitalised if that cost is expected to be recovered. New disclosure requirements are also introduced.

Transition

The Group will adopt IFRS 15 using the cumulative effect method, by recognising the cumulative effect of initially applying IFRS 15 as an adjustment to the opening balance of equity at 1 October 2018. The comparative information will not be adjusted and will continue to be reported under IAS 18.

Impact

The Group has completed its assessment of the impact of adopting IFRS 15 which included reviewing all contracts it has with its customers to identify performance obligations and the timing of transfer of control of its services to the customer and reviewing incremental payments made to secure customer contracts.

Given the straightforward nature of the Group's revenue streams and the absence of significant judgement required in determining the timing of transfer of control of services, the adoption of IFRS 15 will not have a material impact on the amount and timing of revenue recognised in the Group's financial statements. No adjustments to opening retained earnings are expected on transition following adoption of IFRS 15.

IFRS 9 'Financial Instruments'

IFRS 9 is effective for periods commencing on or after 1 January 2018 and will be applicable to the Group's accounting period ending 30 September 2019. The standard was endorsed by the EU in 2016 and replaces IAS 39 'Financial Instruments: Recognition and Measurement'.

IFRS 9 addresses classification, measurement and derecognition of financial assets and liabilities by introducing a new principle-based approach driven by the cash flow characteristics of the asset and the business model in which it is held. It also replaces IAS 39's 'incurred loss' approach to impairment of financial assets with a more forward looking 'expected loss' model. IFRS 9 reforms the approach to general hedge accounting, aligning the accounting treatment with an entity's risk management activities. The Group does not use hedge accounting and so this element of the new standard is not applicable.

Transition

The Group will adopt IFRS 9 by recognising the cumulative effect of initially applying IFRS 9 as an adjustment to the opening balance of equity at 1 October 2018. The comparative information will not be adjusted and will continue to be reported under IAS 39.

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

IFRS 9 'Financial Instruments' (continued)

Impact

The Group has completed its assessment of the impact of adopting IFRS 9 and determined that application of the new standard will neither have a material impact on the Group financial statements nor result in a material adjustment to opening retained earnings.

Classification and measurement

IFRS 9 requires financial assets to be classified into one of the following three measurement categories: amortised cost, fair value through other comprehensive income ('FVTOCI') and fair value through profit or loss ('FVTPL'). The held to maturity, loans and receivables and available-for-sale categories available under IAS 39 have been withdrawn. Classification is made on the basis of the objectives of the entity's business model for managing its financial assets and the contractual cash flow characteristics of the instruments.

Amortised cost

Financial assets will be measured at amortised cost if they are held within a business model the objective of which is to hold financial assets in order to collect contractual cash flows, and their contractual cash flows represent solely payments of principal and interest.

FVTOCI

Financial assets will be measured at FVTOCI if they are held within a business model the objective of which is achieved by both collecting contractual cash flows and selling financial assets and their contractual cash flows represent solely payments of principal and interest.

FVTPL

Financial assets not falling into either of these two classifications and all equity instruments (unless designated at inception to fair value through other comprehensive income) will be measured at FVTPL.

Impairment

IFRS 9 replaces the IAS 39 'incurred loss' impairment approach with an 'expected credit loss' ('ECL') approach meaning there no longer needs to be a triggering event in order to recognise impairment losses.

The revised approach requires an entity to recognise a loss allowance for expected credit losses on all debt-type financial assets that are not measured at fair value through profit or loss, this includes lease receivables, contract assets and loan commitments and financial guarantee contracts to which the impairment requirements of IFRS 9 apply.

The ECL approach requires an expected credit loss allowance to be established upon initial recognition of an asset reflecting the level of losses anticipated after having regard to the Group's historical credit loss experience and its expectation of reasonable and supportable future economic conditions that incorporate more forward-looking information.

The ECL model has three stages. Entities are required to recognise a 12-month expected loss allowance on initial recognition (stage 1) and a lifetime expected loss allowance when there has been a significant increase in credit risk since initial recognition (stage 2). Stage 3 requires objective evidence that an asset is credit-impaired, which is similar to the guidance on incurred losses in IAS 39, and then a lifetime expected loss allowance is recognised.

The Group will apply the practical expedient permissible under IFRS 9 to use the simplified approach to determine lifetime expected credit losses for trade debtors which will be based on actual credit loss experience over the recent past and future expectation. The Group's trade debtors are short term and do not contain significant financing components.

IFRS 16 'Leases'

IFRS 16 was issued in January 2016 and is effective for periods beginning on or after 1 January 2019. The standard was endorsed by the EU during 2016 and supersedes IAS 17 the existing lease standard. The standard will first be applicable to the Group's accounting period ending 30 September 2020.

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

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

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

Transition

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

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

Impact

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

On adoption, lease agreements will give rise to both a right of use asset ('ROU') and a lease liability which represents the present value obligation of future lease payments. The ROU asset will be assessed for impairment annually (incorporating any onerous lease assessments) and will be depreciated on a straight-line basis over the shorter of the expected life of the asset and the lease term, adjusted for any remeasurements of the lease liability. The depreciation charge will be recognised in the Income Statement. The lease liability will be reduced by lease payments, offset by the unwinding of the liability over the lease term and amended for the impact of any lease modifications. Interest recognised on the lease liability will be charged to the Income Statement.

The adoption of IFRS 16 will result in a significant gross-up of the Group's reported assets and liabilities on the Balance Sheet. The depreciation (of the ROU asset) and interest charges (unwind of the discounted lease liability) will replace the lease costs currently charged to other operating costs in the Income Statement on a straight-line basis. This will result in a change to the profile of the charge recognised in the Income Statement over the life of the lease; higher expenses will be recognised in earlier years of the lease, with a reduction in the annual expenses in the later years of the lease owing to the application of the actuarial method of accounting for the lease liability.

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

The Group has considered the available transition options and has decided to apply the modified retrospective approach and the practical expedient that allows an entity not to reassess whether a contract is, or contains, a lease at the date of initial application of the standard.

The Group will adopt certain optional exemptions available under IFRS 16 for short-term (less than 12 months) and low-value leases. These leases will continue to be off balance sheet with rentals charged to the Income Statement on a straight-line basis over the lease term.

It is not yet practicable to provide a reliable estimate of the financial impact on the Group's consolidated results. However, from the assessment to date, the Directors expect implementation of the new standard will have a material impact on the consolidated results of the Group. The Group has non-cancellable operating lease commitments of £74.7 million, see note 29.

3. Significant accounting policies

a. Statement of compliance

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

b. Basis of preparation

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

The consolidated financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments. Historical cost is generally based on the fair value of the consideration given in exchange for the goods and services.

c. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries).

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, the results of subsidiaries acquired or disposed of during the year are included in the consolidated Income Statement from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies into line with those used by the Group. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

In accordance with Section 408 of the Companies Act 2006 Brewin Dolphin Holdings PLC has taken advantage of the legal dispensation not to present its own Statement of Comprehensive Income or Income Statement. The amount of the profit for the financial period dealt with in the financial statements of the Company is disclosed in the Company Statement of Changes in Equity.

3. Significant accounting policies (continued)

d. Going concern

The Directors have, at the time of approving the financial statements, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements. Further detail is contained in the Going Concern Statement and the Viability Statement included in the Strategic Report on page 33.

e. Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in the Income Statement as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date.

Goodwill is measured as the excess of the sum of the consideration transferred over the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred the excess is recognised immediately in the Income Statement as a bargain purchase gain.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments. All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with relevant IFRSs. Changes in the fair value of contingent consideration classified as equity are not recognised.

f. Transaction date accounting

All securities transactions entered into on behalf both clients and the Group are recorded in the accounts on the date of the transaction. The underlying investments are not shown in the financial statements of the Group.

g. Foreign currencies

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in the Income Statement in the period in which they arise.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity.

h. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents investment management fees and commissions, financial planning income, custody fees and trade execution commissions, excluding VAT, receivable in the period.

Investment management

The Group recognises management fees in the period the related service is provided and commissions are recognised when the transaction is performed.

Financial planning

The Group recognises financial planning income (initial fees, initial commissions and ongoing advice fees) in the period the related service is provided.

Execution only

The Group recognises custody service fees in the period the related service is provided and commissions are recognised when the transaction is performed.

Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Dividend income

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Dividends received and receivable are credited to the Income Statement to the extent that they represent a realised profit and loss for the Company.

i. Other operating income

Interest receivable and payable on client money balances is netted to calculate the Group's share of interest receivable and included under the heading 'Other operating income'.

j. Leases

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

k. Share-based payments

Equity-settled share-based payments to employees are measured at fair value of the equity instruments at the date of grant. The fair value excludes the effect of non-market-based vesting conditions. Details regarding the determination of the fair value of equity–settled share-based transactions are set out in note 28.

Fair value is measured by use of the Black-Scholes option pricing model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of the number of shares that will eventually vest. At each balance sheet date, the Group revises its estimate of the shares expected to vest as a result of the effect of non-market based vesting conditions. The impact of the revision of the original estimates, if any, is recognised in the Income Statement such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity reserves.

l. Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the Income Statement because it excludes items of income or expenses that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted by the balance sheet date.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been substantively enacted at the balance sheet date.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

3. Significant accounting policies (continued)

l. Taxation (continued)

Current and deferred tax for the year

Current and deferred tax is charged or credited in the Income Statement, except when it relates to items charged or credited in other comprehensive income, in which case the current and deferred tax is also dealt with in other comprehensive income.

m. Investments in subsidiaries

In the Company's financial statements investments in subsidiary undertakings are stated at cost less any provision for impairment.

n. Intangible assets

Goodwill

Goodwill is initially measured at cost, being the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity over the net of the identifiable assets and liabilities at the date of acquisition.

Goodwill is subsequently measured at cost less any accumulated impairment losses. Goodwill which is recognised as an asset is reviewed for impairment at least annually. Any impairment is recognised immediately in the Income Statement and is not reversed in a subsequent period (see note 3(t) for the Impairment accounting policy).

When the consideration transferred by the Group is deferred or contingent, this is valued at its acquisition date fair value, and is included in the consideration transferred in a business combination. Changes in the deferred or contingent consideration, which occur in the measurement period, are adjusted retrospectively, with corresponding adjustments to goodwill. Subsequent to the measurement period, the deferred and contingent considerations are revised annually at the balance sheet date and any corresponding adjustments are posted to the Income Statement.

Client relationships

Intangible assets classified as 'client relationships' are recognised when acquired as part of a business combination or when separate payments are made to acquire funds by adding teams of investment managers. Client relationships acquired separately are initially recognised at cost. If acquired as part of a business combination the initial cost of client relationships is the fair value at the acquisition date. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and any accumulated impairment losses.

When separate payments are made to acquire funds by adding teams of investment managers, elements of the total consideration may be deferred or contingent. In such cases the cost of the recognised client relationships includes the Company's best estimate of the future consideration likely to be made, discounted to present value using a pre-tax discount rate that reflects current market assessments of the time value of money, and is revised at each balance sheet date.

Client relationships are amortised on a straight line basis over five to fifteen years, dependent upon the assessment of the estimated useful life of the client relationships.

Computer software

Computer software which is not an integral part of the related hardware is classified as an intangible asset. Costs of acquiring and developing computer software are treated as an intangible asset and amortised over three to ten years, dependent upon the assessment of the expected useful life of the software, on a straight-line basis from the date the software is operating as management intended.

The assessment of the expected useful life of computer software is based on the contractual terms or where appropriate past experience of the life of similar assets.

o. Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any recognised impairment. Depreciation has been provided on the basis of equal annual instalments to write off the cost less estimated residual values of tangible fixed assets over their estimated useful lives as follows:

Computer equipment	3 to 4 years
Office equipment	4 to 10 years
Leasehold improvements	to the earlier of the expected lease term or 10 years

The gain or loss arising on the disposal of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the Income Statement.

p. Fair value measurement

The Group measures financial instruments and certain non-financial assets at fair value at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

q. Financial instruments

Financial assets and financial liabilities are recognised when a Group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in the Income Statement.

Financial assets

Financial assets are classified into the following specified categories:

- financial assets at fair value through profit or loss ('FVTPL');
- available-for-sale financial assets ('AFS'); and
- loans and receivables.

The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Financial assets at FVTPL

Financial assets are classified as FVTPL where the financial asset is held-for-trading. A financial asset is classified as held-for-trading if it has been acquired principally for the purpose of selling in the near future.

Financial assets classified as FVTPL are stated at fair value, with any resultant gain or loss on remeasurement recognised in the Income Statement. The net gain or loss recognised in the Income Statement incorporates any dividends or interest earned on the financial asset and is included in the Income Statement. Their value is determined in the manner described in note 3(p).

Available-for-sale financial assets

Certain assets held by the Group are classified as being available-for-sale and are stated at fair value. Unlisted shares that are not traded in an active market are stated at fair value where the directors consider that fair value can be reliably measured. Fair value is determined in the manner described in note 3(p). Gains and losses are recognised directly in other comprehensive income and accumulated in the revaluation reserve with the exception of permanent impairment losses which are recognised directly in the Income Statement. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the revaluation reserve is reclassified to the Income Statement.

Dividends on AFS equity instruments are recognised in the Income Statement when the Group's right to receive payment is established.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments and are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

3. Significant accounting policies (continued)

q. Financial instruments (continued)

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected. The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets.

For listed and unlisted equity investments classified as AFS, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of the impairment.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to the Income Statement in the period. In subsequent periods if the amount of impaired loss decreases, in respect of AFS equity securities, impairment losses previously recognised in the Income Statement are not reversed through the Income Statement. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income.

Financial liabilities and equity

Financial liabilities and equity are classified according to the substance of the contractual arrangements entered into.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Financial liabilities at FVTPL

Financial liabilities are classified as either financial liabilities at 'FVTPL' or 'other financial liabilities'. Financial liabilities are classified as FVTPL where the financial liability is either held-for-trading or it is designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in the Income Statement. The net gain or loss recognised in the Income Statement incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item in the Income Statement. Fair value is determined in the manner described in note 3(p).

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

r. Netting of balances

Amounts due to and from counterparties due to settle on balance are shown net where there is a currently enforceable legal right to set off the recognised amounts and an operational intention to settle net. Amounts due to and from counterparties due to settle against delivery of stock are shown gross.

s. Post-retirement benefits

Costs

Payments to defined contribution retirement benefit schemes are charged as an expense when employees have rendered services entitling them to the contributions.

For defined benefit retirement benefit schemes, the cost of providing benefits is determined using the Projected Unit Method, with actuarial valuations being carried out at each balance sheet date. Remeasurements comprising actuarial gains and losses and the return on scheme assets (excluding interest) are recognised immediately in the Balance Sheet with a charge or credit to the Statement of Other Comprehensive Income in the period in which they occur. Remeasurement recorded in the Statement of Other Comprehensive Income is not recycled.

Net interest is calculated by applying a discount rate to the net defined benefit liability or asset and net interest expense or income is recognised within finance costs (see note 9).

Defined benefit pension scheme asset/liability

The defined benefit pension scheme asset/liability recognised in the Balance Sheet represents the present value of the defined benefit pension scheme obligation, and as reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the scheme.

Any asset recognised is only recognised to the extent that the Group is able, without condition or restriction placed on it by the trustees, to run the Scheme until the last member dies, without benefits being augmented; wind up the Scheme at that point; and reclaim any remaining monies.

t. Impairment of tangible and intangible assets

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Goodwill is tested for impairment at least annually and whenever there is an indication that it may be impaired. Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit ('CGU') to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

For the purposes of impairment testing, client relationships and goodwill are allocated to each of the Group's cash-generating units. Fair value is established by valuing clients' funds in each of the cash-generating units at the period end; the percentages of funds being used depend on values attributed in recent public transactions for the purchase of advisory and discretionary funds. If the carrying amount relating to any cash-generating unit exceeds the calculated fair value less costs to sell, a value in use is calculated using a discounted cash flow method. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit.

If the recoverable amount of any asset other than client relationships or goodwill is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

u. Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Where some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that the reimbursement will be received and the amount receivable can be measured reliably.

Onerous contracts

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

v. Employee share ownership trusts

Brewin Dolphin Limited is the sponsoring employer of the Brewin Dolphin Share Incentive Plan Trust and the Brewin Dolphin Holdings PLC Employee Share Ownership Trust. The assets and liabilities of the trusts are recognised as those of Brewin Dolphin Holdings PLC and obligations of the trusts are regarded as obligations of Brewin Dolphin Holdings PLC. Shares of Brewin Dolphin Holdings PLC held by the trusts are treated as own shares held and shown as a deduction in equity.

4. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 3, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of the assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years.

a. Critical judgements in applying the Group's accounting policies

There have been no critical judgements required in applying the Group's accounting policies in this period, apart from those involving estimations which are detailed separately below.

b. Key sources of estimation uncertainty

i. Amortisation of client relationships

The useful economic life over which client relationships are amortised is determined by the expected duration of the client relationships which are determined with reference to past experience of account closures, in particular the average life of those relationships, and future expectations. During the year, client relationships were amortised over periods ranging from 5 to 15 years.

The amortisation for the year was £7,619,000 (2017: £6,650,000). A reduction in the average amortisation period by one year would increase the amortisation expense for the year by £1,583,000 (2017: £2,154,000).

ii. Defined benefit pension scheme

The calculation of the present value of the defined benefit pension scheme is determined by using actuarial valuations. Management makes key assumptions in determining the inputs into the actuarial valuations, which may differ from actual developments in the future. These assumptions are governed by IAS 19 Employee Benefits, and include the determination of the discount rate, life expectancies, inflation rates and future salary increases. Due to the complexities in the valuation, the defined benefit pension scheme obligation is highly sensitive to changes in these assumptions. The detailed assumptions, including a sensitivity analysis, are set out in note 17.

The defined benefit pension scheme has a surplus of £11,408,000 (2017: £4,487,000). See note 17 'Defined benefit pension scheme asset recognition basis' for further detail.

iii. Share-based payments

Long Term Incentive Plan ('LTIP')

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

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

Assumptions are made on the likelihood of meeting certain average and stretch targets over the remaining service periods in determining the expense in the year. The directors consider that the LTIP is qualitatively material. The charge for the year was £1,830,000 (2017: £795,000).

If all of the performance conditions were assumed to be met the charge for the year would increase by £519,000 (2017: £637,000); an absolute increase of 10% in the vesting assumptions would increase the charge for the year by £295,000 (2017: £225,000).

Further information on the scheme is disclosed in note 28.

iv. Provisions

Onerous leases

The Group recognises a provision for several onerous property leases of £4,664,000 (2017: £5,367,000). The valuation of an onerous lease is based on the best estimate of the likely future costs discounted to present value. Where the provision is in relation to premises and it is more likely than not that the premises will be sublet, an allowance for sublease income has been included in the valuation. The ultimate amount of the provision is dependent on the timing of any sublet and the associated terms of the sublet achieved.

If the assumptions regarding unconfirmed sublet income are removed, the provision would increase by £3,917,000 (2017: £7,958,000) to £8,581,000 (2017: £12,094,000). A delay of one year to the assumed sublets would increase the onerous lease provision and Income Statement expense for the year by £1,259,000 (2017: £973,000). Further information is disclosed in note 22.

5. Income

Group

	2018 £'000	2017 £'000
Discretionary investment management fee income	**223,697**	203,172
Discretionary investment management commission income	**59,725**	55,677
Execution only custody fee income	**4,352**	3,894
Execution only commission income	**6,301**	6,482
Advisory investment management fee income	**4,752**	9,073
Advisory investment management commission income	**1,776**	3,810
BPS[1] investment management fee income	**1,101**	999
Financial planning income	**24,522**	20,789
Revenue	**326,226**	303,896
Other operating income	**2,801**	568
Income	**329,027**	304,464

1. Brewin Portfolio Service.

6. Segmental information

Group

For management reporting purposes the Group currently has a single operating segment: the Wealth Management division. This forms the reportable segment of the Group for the year. Please refer to the Consolidated Income Statement on page 90 and the Consolidated Balance Sheet on page 92 for numerical information.

The Group's operations are carried out in the United Kingdom, Channel Islands and the Republic of Ireland. The operations in the Channel Islands and the Republic of Ireland are not material and accordingly geographical segmental disclosures are not included. All segmental income related to external clients.

The accounting policies of the operating segment are the same as those of the Group.

7. Staff costs

Group

	2018 No.	2017 No.
The average monthly number of employees (including Executive Directors) by category was:		
Client facing	**1,040**	1,011
Business support	**723**	683
	1,763	1,694

	2018 £'000	2017 £'000
The aggregate remuneration (including Executive Directors) comprised:		
Wages and salaries	**137,011**	126,763
Social security costs	**16,896**	15,971
Share-based payments	**8,915**	8,052
Apprenticeship levy	**658**	417
Termination benefits – redundancy costs	**937**	1,662
Defined contribution pension scheme and death in service contributions	**10,405**	10,566
	174,822	163,431
Per Consolidated Income Statement:		
Staff costs	**174,822**	162,689
Redundancy costs	**–**	742
	174,822	163,431

Company

The Company does not have any employees (2017: none).

8. Profit for the year

Group

Profit for the year has been arrived at after charging/(crediting):

	2018 £'000	2017 £'000
Depreciation of property, plant and equipment (note 14)	**2,468**	1,917
Loss on disposal of property, plant and equipment	**20**	40
Amortisation of intangible assets – client relationships (note 13)	**7,619**	6,650
Amortisation of intangible assets – software (note 13)	**3,855**	5,200
(Reversal of impairment)/impairment of trade receivables (note 16)	**(4)**	16
Impairment of AFS assets (note 19)	**162**	–
Staff costs (note 7)	**174,822**	163,431
Auditor's remuneration (see analysis below)	**812**	762

Analysis of auditor's remuneration:

	2018 £'000	2017 £'000
Audit services		
Fees payable to the Company's auditor for the audit of the Company's annual accounts	**71**	64
Fees payable to the Company's auditor and their associates for other services to the Group: the audit of the Company's subsidiaries pursuant to legislation	**315**	277
Fees payable to the Company's auditor for audit scope changes	**–**	50
	386	391
Other services		
AAF 01/06 – controls assurance report	**98**	71
Fees payable to the Company's auditor for AAF scope changes	**50**	–
Interim review	**54**	52
Regulatory assurance work	**157**	158
Additional fees for regulatory assurance work	**40**	50
Other assurance services	**27**	40
	812	762

Details of the Group's policy on the use of the auditor for non-audit services are set out in the Audit Committee Report on page 58.

9. Finance income and finance costs

Group

	2018 £'000	2017 £'000
Finance income		
Interest income on defined benefit pension scheme	**156**	–
Interest on bank deposits	**747**	161
	903	161
Finance costs		
Interest expense on defined benefit pension scheme	**–**	119
Unwind of discounts on provisions	**102**	58
Interest on bank overdrafts	**15**	11
	117	188

10. Income tax expense

Group

	2018 £'000	2017 £'000
Current tax		
United Kingdom:		
Charge for the year	**13,074**	11,594
Adjustments in respect of prior years	**211**	(157)
Overseas:		
Charge for the year	**260**	309
Adjustments in respect of prior years	**–**	(8)
Total current tax	**13,545**	11,738
Deferred tax		
United Kingdom:		
Charge for the year	**1,743**	705
Adjustments in respect of prior years	**(280)**	47
Total deferred tax (see note 18)	**1,463**	752
Tax charged to the Income Statement	**15,008**	12,490

United Kingdom corporation tax is calculated at 19.0% (2017: 19.5%) of the estimated taxable profit for the year. The Finance Act 2015 applied a 20% rate up to 31 March 2017 and Finance (No.2) Act 2015 reduced the rate applicable thereafter to 19%. The Finance Act 2016 reduces the rate still further from 1 April 2020 to 17%.

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

10. Income tax expense (continued)

The charge for the year can be reconciled to the profit per the Income Statement as follows:

	2018 £'000	2017 £'000
Profit before tax	**68,504**	57,643
Tax at the UK corporation tax rate of 19% (2017: 19.5%)	**13,016**	11,240
Tax effect of:		
Expenses that are not deductible in determining taxable profit	**1,776**	1,396
Leasehold property	**170**	197
Share-based payments	**222**	(162)
Over provision for tax in previous years	**(69)**	(118)
Lower rates in subsidiaries	**(141)**	(154)
Impact of deferred tax rate change	**34**	91
Tax expense for the year	**15,008**	12,490
Effective tax rate for the year	**21.9%**	21.7%

There are no material uncertainties within the calculation of corporation tax. The tax provisions are based on tax legislations in the relevant jurisdictions and have not required any judgements or material estimates.

11. Dividends

Group and Company

	2018 £'000	2017 £'000
Amounts recognised as distributions to equity shareholders in the year:		
2016/17 Final dividend paid 7 February 2018, 10.75p per share (2017: 9.15p per share)	**29,516**	24,996
2017/18 Interim dividend paid 15 June 2018, 4.4p per share (2017: 4.25p per share)	**12,083**	11,618
	41,599	36,614
Proposed final dividend for the year ended 30 September 2018 of 12.0p (2017: 10.75p) per share based on shares in issue at 22 November 2018 (2017: 23 November 2017)	**32,998**	29,430

The proposed final dividend for the year ended 30 September 2018 of 12.0p per share is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements.

Under an arrangement dated 1 April 2011, Computershare Trustees (Jersey) Limited (the 'Trustee'), holds 8,491,582 Ordinary Shares representing 3.0% of the Company's called up share capital in relation to employee share plans, has agreed to waive all dividends due to the Trustee.

12. Earnings per share

Group

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

	2018 '000	2017 '000
Number of shares		
Basic		
Weighted average number of shares in issue in the year	**274,484**	272,840
Diluted		
Effect of weighted average number of options outstanding for the year	**8,262**	10,162
Diluted weighted average number of options and shares for the year	**282,746**	283,002
Adjusted[1] diluted		
Effect of full dilution of employee share options which are contingently issuable or have future attributable service costs	**2,186**	2,406
Adjusted[1] diluted weighted average number of options and shares for the year	**284,932**	285,408

	2018 £'000	2017 £'000
Earnings attributable to ordinary shareholders		
Profit for the purpose of basic and diluted earnings per share	**53,496**	45,153
Redundancy costs	**–**	742
Onerous contracts	**170**	1,969
Amortisation of intangible assets – client relationships	**7,619**	6,650
Acquisition costs	**–**	1,683
Incentivisation awards	**1,318**	1,297
FSCS levy refund	**(288)**	–
Impairment/disposal of available-for-sale investments	**162**	(2)
less tax effect of above	**(683)**	(1,481)
Adjusted profit for the purpose of basic and diluted earnings per share	**61,794**	56,011

	2018	2017
Earnings per share		
Basic	**19.5p**	16.5p
Diluted	**18.9p**	16.0p
Adjusted[2] earnings per share		
Basic	**22.5p**	20.5p
Adjusted[1] diluted	**21.7p**	19.6p

1. The dilutive shares used for this measure differ from that used for statutory dilutive earnings per share; the future value of service costs attributable to employee share options is ignored and contingently issuable shares for Long Term Incentive Plan ('LTIP') options are assumed to fully vest. The Directors have selected this measure as it represents the underlying effective dilution by offsetting the impact to the calculation of basic shares of the purchase of shares by the Employee Share Ownership Trust ('ESOT') to satisfy options.
2. Excluding redundancy costs, onerous contracts, amortisation of client relationships, acquisition costs, incentivisation awards, FSCS levy refund and impairment/disposal of available-for-sale investments.

13. Intangible assets

Group

	Goodwill £'000	Client relationships £'000	Software costs £'000	Total £'000
Cost				
At 30 September 2016	48,637	107,902	18,206	174,745
Additions	–	25,708	879	26,587
Exchange differences	–	3	–	3
At 30 September 2017	48,637	133,613	19,085	201,335
Additions	–	325	1,076	1,401
Exchange differences	–	3	–	3
Disposals	–	–	(968)	(968)
At 30 September 2018	**48,637**	**133,941**	**19,193**	**201,771**
Accumulated amortisation and impairment losses				
At 30 September 2016	–	85,105	8,587	93,692
Amortisation charge for the year	–	6,650	5,200	11,850
Exchange differences	–	2	–	2
At 30 September 2017	–	91,757	13,787	105,544
Amortisation charge for the year	–	7,619	3,855	11,474
Exchange differences	–	2	–	2
Disposals	–	–	(968)	(968)
At 30 September 2018	**–**	**99,378**	**16,674**	**116,052**
Net book value				
At 30 September 2018	**48,637**	**34,563**	**2,519**	**85,719**
At 30 September 2017	48,637	41,856	5,298	95,791
At 30 September 2016	48,637	22,797	9,619	81,053

Client relationship additions are made up as follows:

	2018 £'000	2017 £'000
Cash paid for client relationships acquired in current year	**121**	25,500
Deferred consideration for client relationships acquired in the current year	**208**	–
Adjustment to client relationships acquired in prior years	**(4)**	208
Total additions	**325**	25,708

The following table splits out the significant client relationship assets:

	£'000
Carrying amount at year end	
Tilman Brewin Dolphin Limited[1]	12,667
South East investment management team 2[2]	20,450
Other investment management teams[3]	1,446
	34,563

1. Amortisation period remaining 7 years 10 months.
2. Amortisation period remaining 5 years 7 months.
3. None of the constituent parts of the goodwill or client relationships relating to the other investment management teams is individually significant in comparison to the total value of goodwill or client relationships respectively.

Goodwill impairment testing

The table below shows the goodwill allocated to groups of cash-generating units ('CGUs'):

	Groups of CGUs No.	Goodwill £'000
Carrying amount at year end		
Midland Branch 1	1	5,149
Midland Branch 2	1	5,284
Northern Branch 1	1	6,432
South East Branch 1	1	12,800
Other Branches	14	18,972
	18	**48,637**

In accordance with IFRS, the Group performs impairment testing for goodwill on an annual basis or more frequently when there are indications of impairment. Client relationships are reviewed for indicators of impairment at each reporting date. See note 3t for further details.

The recoverable amount for each of the CGUs is the fair value less costs of disposal. The fair value is determined by applying percentages to the funds for each CGU. The percentages applied are a Level 2 input based on recent observable market transactions. Discretionary funds are valued at 3% and advisory funds are valued at 1%.

Sensitivity analysis of the key assumptions

All of the CGUs within the Group have sufficient headroom (i.e. where the recoverable amount of the CGU is in excess of the carrying value), such that they are insensitive to all reasonable possible changes to the value of funds used for the purpose of goodwill impairment testing.

14. Property, plant and equipment

Group

	Leasehold improvements £'000	Office equipment £'000	Computer equipment £'000	Total £'000
Cost				
At 30 September 2016	13,190	13,292	34,113	60,595
Additions	690	98	185	973
Exchange differences	4	12	–	16
Disposals	(178)	(8)	–	(186)
At 30 September 2017	13,706	13,394	34,298	61,398
Additions	1,957	345	4,454	6,756
Exchange differences	3	8	–	11
Disposals	(379)	(1,842)	(3,813)	(6,034)
At 30 September 2018	**15,287**	**11,905**	**34,939**	**62,131**
Accumulated depreciation and impairment losses				
At 30 September 2016	9,940	12,621	33,212	55,773
Charge for the year	1,026	388	503	1,917
Exchange differences	4	10	–	14
Eliminated on disposal	(138)	(8)	–	(146)
At 30 September 2017	10,832	13,011	33,715	57,558
Charge for the year	926	219	1,323	2,468
Exchange differences	2	7	–	9
Eliminated on disposal	(359)	(1,842)	(3,813)	(6,014)
At 30 September 2018	**11,401**	**11,395**	**31,225**	**54,021**
Net book value				
At 30 September 2018	**3,886**	**510**	**3,714**	**8,110**
At 30 September 2017	2,874	383	583	3,840
At 30 September 2016	3,250	671	901	4,822

15. Investment in subsidiaries

The following are the Group's subsidiary undertakings, all of which are owned 100% directly or indirectly by the Company and are included in the consolidated financial statements:

Name of Subsidiary	Activity	Country of registration	Class of share capital	Aggregate Nominal Value
B.L.Nominees Limited[1]	Dormant Nominee	England & Wales	Ordinary	£1
BDDL Limited[1]	Investment Manager	England & Wales	Ordinary	£1
BDS Nominees Limited[1]	Client Nominee	England & Wales	Ordinary	£1
Bell Lawrie White & Co. Limited[2]	Dormant	Scotland	Ordinary	£0.01
Brewin (1762) Limited[1]	Dormant	England & Wales	Ordinary	£1
Brewin 1762 Nominees (Channel Islands) Limited[3]	Dormant Nominee	Jersey	Ordinary	£1
Brewin 1762 Nominees Limited[1]	Client Nominee	England & Wales	Ordinary	£1
Brewin Broking Limited[1,5]	Dormant	England & Wales	A Ordinary/B Ordinary	£1
Brewin Dolphin (Channel Islands) Limited[3]	Dormant	Jersey	Ordinary	£1
Brewin Dolphin Limited[1,5]	Investment Manager	England & Wales	Ordinary	£1
Brewin Dolphin MP[1]	Investment Manager	England & Wales	A Ordinary/B Ordinary	£0.01
Brewin Dolphin Securities Limited[1]	Dormant	England & Wales	Ordinary	£1
Brewin Nominees (Channel Islands) Limited[3]	Client Nominee	Jersey	Ordinary	£1
Brewin Nominees Limited[1]	Client Nominee	England & Wales	Ordinary	£1
DDY Nominees Limited[1]	Dormant Nominee	England & Wales	Ordinary	£1
Dunlaw Nominees Limited[1]	Dormant Nominee	England & Wales	Ordinary	£1
Erskine Nominees Limited[2]	Dormant Nominee	Scotland	Ordinary	£1
Giltspur Nominees Limited[1]	Client Nominee	England & Wales	Ordinary	£1
North Castle Street (Nominees) Limited[2]	Client Nominee	Scotland	Ordinary	£1
Robert White & Co. Limited[2,5]	Dormant	Scotland	Ordinary	£1
Shareline (Yorkshire) Limited[1]	Dormant	England & Wales	Ordinary	£1
Smittco Nominees Limited[1]	Firm Nominee	England & Wales	Ordinary	£1
Tilman Brewin Dolphin Limited[4,5]	Investment Manager	Ireland	Ordinary/A Shares	€1.50/€0.01
Tilman Brewin Dolphin Nominees Limited[4]	Client Nominee	Ireland	Ordinary	£1
Webrich Limited[1,5]	Trustee	England & Wales	Ordinary	£1
Wise Nominees Limited[1]	Dormant Nominee	England & Wales	Ordinary A Voting/ Ordinary B Voting/ Ordinary C	£1
Wise Speke Financial Services Limited[1]	Dormant	England & Wales	Ordinary	£1

1. Registered office: 12 Smithfield Street, London, EC1A 9BD.
2. Registered office: Atria One, 144 Morrison Street, Edinburgh, EH3 8BR.
3. Registered office: 2nd Floor, Kingsgate House, 55 The Esplanade, St Helier JE2 3QB.
4. Registered office: 3 Richview Office Park, Clonskeagh, Dublin 14.
5. Indicates subsidiaries held directly.

All of the subsidiaries listed above are entitled to the exemption from audit under s479A of the Companies Act 2006, with the exception of BDDL Limited, Brewin Dolphin Limited, Brewin Dolphin MP and Tilman Brewin Dolphin Limited.

Company

	2018 £'000	2017 £'000
At 1 October	**192,020**	191,429
Capital contribution to Brewin Dolphin Limited in respect of share-based payments	**(3,529)**	591
At 30 September	**188,491**	192,020

16. Trade and other receivables

Group

	2018 £'000	2017 £'000
Non-current assets		
Loans[1]	**–**	200
Total other receivables	**–**	200
Current assets		
Trade debtors	**101,218**	173,240
Loans[1]	**289**	303
Other debtors	**2,527**	5,530
Accrued income	**58,622**	56,433
Prepayments	**8,489**	7,638
Total trade and other receivables	**171,145**	243,144

1. All loans are to staff and the Directors believe that the balances are fully recoverable.

Trade debtors relate to either market or client transactions and are considered to be past due once the date for settlement has passed. The date for settlement is determined when the trade is booked. It is expected that some transactions may become past due in the normal course of business. Fees owed by clients are considered to be past due when they remain unpaid after 30 days after the relevant billing date. Trade debtors that are older than 90 days are provided for unless collateral is held. The maximum exposure to credit risk is the carrying value as above (see note 27 for details of the Group's credit risk).

Ageing of past due but not impaired trade debtors

	2018 £'000	2017 £'000
Not past due	**99,808**	171,993
Up to 15 days past due	**1,104**	710
16 to 30 days past due	**55**	44
31 to 45 days past due	**13**	115
More than 45 days past due	**58**	188
	101,038	173,050

Individually impaired trade debtors

	2018 £'000	2017 £'000
Individually impaired trade debtors	**209**	228
Provision for doubtful debts	**(29)**	(38)
	180	190
Trade debtors	**101,218**	173,240

Movements in provision for doubtful debts

	2018 £'000	2017 £'000
At 1 October	**38**	33
Net (release)/charge to the Income Statement	**(4)**	16
Doubtful debts written off	**(5)**	(11)
At 30 September	**29**	38

No other financial assets of the Group or the Company, other than doubtful debts, are impaired.

16. Trade and other receivables (continued)

Company

	2018 £'000	2017 £'000
Current assets		
Amounts due from subsidiary undertakings	**72,679**	53,802
Total trade and other receivables	**72,679**	53,802

17. Defined benefit pension scheme

Group

The Group operates a registered Defined Contribution Scheme (the 'Brewin Dolphin Senior Staff Pension Fund') and a registered Defined Benefit Scheme (the 'Brewin Dolphin Limited RBS') in the UK which both offer pensions in retirement and death benefits to members. The disclosures provided are in respect of the Defined Benefit Scheme only (the 'Scheme').

The Scheme is a HMRC registered pension scheme and is subject to standard UK pensions and tax law. This means that the payment of contributions and benefits are subject to the appropriate tax treatments and restrictions and the Scheme is subject to the scheme funding requirements outlined in section 224 of the Pensions Act 2004.

The Scheme was established under trust and is governed by the Scheme's Trust Deed and Rules. In accordance with UK trust and pensions law, the Scheme has appointed Trustees. Although the Group bears the financial cost of the Scheme, the responsibility for the management and governance of the Scheme lies with the Trustees, who have a duty to act in the best interest of members at all times.

Pension benefits are related to the members' final salary at retirement and their length of service. The pension is payable for life and has elements increasing in payment in line with inflation up to a maximum of 5% per annum. Since 1 April 2003 the Scheme has been closed to new members. Members under age 55 at 1 April 2004 ceased to accrue further service in the Scheme from that date. From 1 October 2014, there is no longer any future benefit accrual following the retirement of the final in-service member. Contributions to the Scheme for the year beginning 1 October 2018 are expected to be £1.98 million.

Valuation for funding purposes

The valuation as at 31 December 2017:

	£'000
Value of scheme assets	110,335
Actuarial value of scheme liabilities in respect of:	
In-service members	(14,813)
Deferred pensioners	(38,852)
Current pensioners and dependants	(49,473)
Value of scheme liabilities	(103,138)
Scheme surplus	7,197
Funding level	107%

The Scheme is valued for funding purposes at intervals of not more than three years by an independent qualified actuary. The latest valuation for funding purposes was as at 31 December 2017. The actuarial valuation is used to assess the money the Group need to put into the pension scheme.

The Scheme was in deficit measured on the Scheme's funding basis as at 31 December 2014, the 2014 funding valuation. As a result, the Group agreed to pay additional contributions into the Scheme following the 2014 funding valuation and this has resulted in a scheme surplus at the latest funding valuation as at 31 December 2017, ahead of expectations.

As part of the 31 December 2017 valuation, it was agreed that the Scheme would de-risk its investment strategy and the Group would continue to pay contributions of £0.25 million per month from 1 January 2018 until 28 February 2019 (as was previously agreed following the 2014 valuation to eliminate the deficit at that time). In addition to this, the Group has also agreed to pay additional contributions of £1.25 million per annum from 1 March 2019 to 31 December 2020 so that the Scheme may continue to de-risk and lock in the funding needed to pay out all future benefits in combination with a lower risk investment strategy.

The next actuarial valuation of the Scheme is due as at 31 December 2020, where the funding position of the Scheme will be reviewed. The administration costs of the Scheme, including investment management fees and Scheme levy payments are currently paid by Brewin Dolphin Limited as they fall due.

Maturity of the Scheme

The liabilities of the Scheme are based on the current value of expected benefit payment cash flows to members of the Scheme over the next 60 years or so. The average duration of the liabilities is approximately nineteen years.

Summary of amounts recognised in the financial statements under IAS 19

In the consolidated financial statements, the Group accounts for pension costs, other post-retirement benefits and related redundancy provisions in accordance with IAS 19 – 'Employee Benefits'. Under the standard, the difference between the market values of Scheme assets and the present value of Scheme liabilities is reported as a surplus (asset) (to the extent a surplus may be seen) or deficit (liability) in the Balance Sheet. The accounting value shown on the balance sheet will always be different from the result obtained using the funding basis (for further explanation see below).

The pension valuation under IAS 19 as at 30 September 2018 was carried out by a qualified independent actuary.

In the preparation of the valuations under IAS 19 referred to in this note, the actuary has used the assumptions indicated below, which the Group has directed for the purposes of accounting and disclosure under IAS 19.

Amount, timing and uncertainty of future Scheme cash flows

A sensitivity analysis of the principle assumptions used to measure the Scheme's defined benefit obligation as at 30 September 2018 is set out further below. The sensitivities cover the key assumptions shown. The inflation assumption sensitivity factors in the impact of changes to RPI inflation which will impact on future expectations of increases in final pensionable salary (which are capped at RPI increases), and pension increases and CPI inflation.

Explanation of the variance between funding valuation and IAS 19 valuation

The accounts show the Scheme has a surplus of £11.4 million under IAS 19 as at 30 September 2018 compared to the surplus of £7.2 million revealed by the last funding valuation as at 31 December 2017. The main reason for the difference in surplus is due to the different assumptions used to value the liabilities in the accounting and funding valuations for the Scheme, the funding valuation uses more cautious assumptions to value the liabilities while the accounting assumptions are derived in line with IAS 19. The positive actuarial experience of the Scheme over the period from 31 December 2017 and 30 September 2018 has also been a factor.

Defined benefit pension scheme asset recognition basis

Under IAS 19 the net defined benefit pension scheme asset that can be recognised is the lower of the surplus and the asset ceiling (i.e. the economic benefits available in the form of refunds or reductions in future contributions or a combination of both, in accordance with IFRIC 14 'IAS 19—The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction'). Under the Scheme's Trust Deeds and Rules the Group is able, without condition or restriction placed on it by the Trustees, to run the Scheme until the last member dies, without benefits being augmented; wind up the Scheme at that point and reclaim any remaining monies. Consequently, the Group recognises the full surplus calculated in accordance with IAS 19 and IFRIC 14.

17. Defined benefit pension scheme (continued)

Risks

The main risks to which the Group is exposed in relation to the pension scheme are:

Mortality risk – the assumptions adopted by the Group make allowance for future improvements in life expectancy. However, if life expectancy improves at a faster rate than assumed, this would result in greater payments from the Scheme and consequently increases in the Scheme's liabilities. The Group and the Scheme's Trustees review the mortality assumption on a regular basis to minimise this risk.

Investment risk – the Scheme invests its assets in a diversified portfolio of assets. There are risks that the assets underperform relative to increases in the value of the Scheme's liabilities increasing the cost to the Group of the benefit provision. There is a risk that the assets invested in do not sufficiently match the characteristics of the Scheme's liabilities and so a fall in asset values is not similarly matched by a fall in the value of the liabilities. While certain assets are chosen that match the characteristics of the Scheme's liabilities and membership profile, the Scheme currently invests in a high proportion of equity and assets that are not expected to closely match the majority of the Scheme's liabilities. The Scheme invests in derivatives, predominantly interest rate and inflation rate swaps that are used to provide a liability matching overlay so that the value of these swaps and the gilts held match the majority of the movement in the liabilities to changes in interest rates and inflation. The Scheme's Trustees review the performance of the assets and structure of the portfolio on a regular basis to ensure the risks being taken under investment are commensurate with normal Trustees' principles and the ability of the Group to mitigate adverse investment experience.

Price inflation risk – some of the Scheme's benefits increase in line with price inflation and so if inflation is greater than expected, the costs of providing these benefits will increase. The Scheme holds government bonds with payments also linked to inflation to assist in mitigating this risk.

Financial derivatives risk – the Scheme directly holds derivatives in the form of interest rate swaps, inflation swaps and total return swaps with the aim of enhancing how the Trustees' matching assets match changes in the Scheme's liabilities on the funding basis. These are managed by the investment manager as well as all other assets and the Scheme Trustees determine the level of overall liability hedging that is employed. Other than these derivatives used for liability matching and reducing risks, the Scheme does not directly hold any financial derivatives, but these may be held by some of the investment funds that the Scheme invests in. The main risks associated with financial derivatives include: losses may exceed the initial margin; counterparty risk where the other party defaults on the contract; and liquidity risk where it may be difficult to close out a contract prior to expiry. These risks are managed indirectly by the investment managers of the Scheme who will review the Scheme's return seeking assets and the level of investment risk taking to ensure it remains appropriate taking account of the Trustees' investment objectives.

The surplus recognised on the accounting basis is exposed to the risks that increases or decreases in the assets do not match those of the liabilities measured on the accounting basis. The asset liability matching is based on the Scheme's funding basis and so to the extent that the Company's measure for the liabilities in line with IAS 19 requirements changes relative to the measure of the liabilities on the funding basis which the assets are hedging, this could impact on the accounting surplus. The funding position on the funding basis is protected to some degree by the level of hedging that is adopted and the Trustees' plans to de-risk in future years as the funding position improves.

Scheme investment strategy and level of matching

The Scheme's investment strategy is to invest broadly 60% in higher return seeking assets (e.g. equities, high yielding bonds etc.) and 40% in matching assets (e.g. fixed interest gilts and index-linked gilts). The objective is to target an investment return of 2.5% per annum (net of fees) in excess of a portfolio of gilts that closely matches the behaviour of the Scheme's liabilities, falling to 0.5% per annum (net of fees) as the proportion of pensioner members increases to 100%. The Scheme also has a liability matching overlay to mirror the majority of the movement in the matching portfolio. This strategy reflects the Scheme's liability profile and the Trustees' and Group's attitude to risk. The asset allocations as at 30 September 2018 and 30 September 2017 are provided below, disaggregated between assets that are believed to have a quoted market price in an active market.

The Scheme was hedging up to 100% of interest rate risk and inflation risk as at 30 September 2018 to reduce financial risks to the Scheme and the risks of additional contribution requirement for the Group. The current longer term objective is to continue to hedge around 100% of both the interest rate risk and inflation risk of the liabilities; this will help to further reduce funding level volatility.

None of the assets of the pension schemes are invested in the Group's own financial instruments and none of the assets are properties or other assets used by the Group.

Assumptions

A full actuarial valuation of the Scheme was carried out as at 31 December 2017 and has been updated to 30 September 2018 by a qualified independent actuary.

The major assumptions used by the actuary were (in nominal terms) as follows:

	As at 30 September 2018	As at 30 September 2017
Discount rate	**2.80%**	2.60%
RPI inflation assumption	**3.30%**	3.30%
CPI inflation assumption	**2.30%**	2.30%
Rate of increase in salaries	**3.30%**	3.30%
LPI pension increases	**3.20%**	3.20%
Average assumed life expectancies for members on retirement at age 65.		
Retiring today:		
Males	**88.4 years**	88.6 years
Females	**89.5 years**	89.6 years
Retiring in 20 years:		
Males	**89.7 years**	89.9 years
Females	**91.0 years**	91.1 years

Scheme assets and liabilities

The assets in the Scheme were:

	2018 £'000	2017 £'000
Equities and property (quoted)	**30,214**	47,890
Fixed interest bonds (quoted)	**26,024**	21,786
Index linked bonds (quoted)	**18,067**	15,868
Liability hedging (quoted)	**(1,583)**	(235)
Currency hedging (quoted)	**(161)**	939
Alternatives (quoted)	**17,661**	17,134
Cash and cash equivalents	**16,656**	2,958
Fair value of scheme assets	**106,878**	106,340

Net asset recognised on the Balance Sheet:

	2018 £'000	2017 £'000
Present value of funded obligations	**(95,470)**	(101,853)
Fair value of scheme assets	**106,878**	106,340
Surplus in funded scheme and net asset on the Balance Sheet	**11,408**	4,487

Reconciliation of opening and closing balances of the present value of the defined benefit obligation

	2018 £'000	2017 £'000
Benefit obligation at beginning of year	**101,853**	112,385
Service cost	**–**	–
Interest cost	**2,590**	2,433
Contributions by scheme participants	**–**	–
Net remeasurement gains – demographic	**(3,736)**	(2,036)
Net remeasurement gains – financial	**(876)**	(5,555)
Net remeasurement losses/(gains) – experience	**140**	(1,850)
Benefits paid	**(4,501)**	(3,524)
Benefit obligation at end of year	**95,470**	101,853

17. Defined benefit pension scheme (continued)

Scheme assets and liabilities (continued)

Reconciliation of opening and closing balances of the fair value of plan assets

	2018 £'000	2017 £'000
Fair value of plan assets at beginning of year	**106,340**	105,433
Interest income on scheme assets	**2,746**	2,314
Return on assets, excluding interest income	**(707)**	(883)
Contributions by employers	**3,000**	3,000
Contributions by scheme participants	**–**	–
Benefits paid	**(4,501)**	(3,524)
Fair value of scheme assets at end of year	**106,878**	106,340

The amounts recognised in the Income Statement are:

	2018 £'000	2017 £'000
Service cost	**–**	–
Net interest income/(expense) on the net defined benefit asset	**156**	(119)
Settlements and curtailments	**–**	–
Total income/(expense)	**156**	(119)

Remeasurements of the net defined benefit asset included in Other Comprehensive Income ('OCI')

	2018 £'000	2017 £'000
Net remeasurement – demographic	**876**	2,036
Net remeasurement – financial	**3,736**	5,555
Net remeasurement – experience	**(140)**	1,850
Return on assets, excluding interest income	**(707)**	(883)
Total remeasurement of the net defined benefit asset included in OCI	**3,765**	8,558

Sensitivity analysis

It should be noted that the methodology and assumptions prescribed for the purposes of IAS 19 mean that the disclosures will be inherently volatile, varying greatly according to investment market conditions at each accounting date.

A sensitivity analysis of the principal assumptions used to measure the defined benefit pension scheme as at 30 September 2018 is set out below.

Assumption	Change in assumption	Impact on scheme liabilities
Discount rate	Decrease by 0.25%	Increase by £4.6m
Rate of inflation (RPI, CPI, inflation linked pension increases and salary increases)	Increase by 0.25%	Increase by £3.4m
Assumed life expectancy	Members live 1 year longer	Increase by £4.3m

The average duration of the pension scheme liabilities is in the region of nineteen years.

The sensitivity figures have been calculated using the same method used for the calculation of the disclosed liabilities as at 30 September 2018. There are no material limitations of the method used to calculate the sensitivities relative to the disclosed liabilities.

18. Net deferred tax asset

In addition to the amount debited to the Income Statement, deferred tax relating to the actuarial gain in the defined benefit pension scheme amounting to £577,000 has been debited to other comprehensive income (2017: £1,383,000 debited to other comprehensive income relating to the actuarial gain). Deferred tax on share-based payments of £541,000 has been debited to profit and loss reserves (2017: £1,065,000 credited to profit and loss reserves).

The following are the major deferred tax assets/(liabilities) recognised by the Group and movements thereon during the current and prior reporting year:

Group

	Capital allowances £'000	Revaluation £'000	Other short-term timing differences £'000	Defined pension benefit scheme £'000	Share-based payments £'000	Incentivisation awards £'000	Intangible asset amortisation £'000	Total £'000
At 30 September 2016	1,726	6	1,243	1,182	5,292	–	(1,650)	7,799
Credit/(charge) in the year to the Income Statement	(157)	–	(342)	(562)	(204)	–	513	(752)
Credit/(charge) in the year to the Statement of Comprehensive Income	–	14	–	(1,383)	–	–	–	(1,369)
Credit in the year to the Statement of Changes in Equity	–	–	–	–	1,065	–	–	1,065
At 30 September 2017	1,569	20	901	(763)	6,153	–	(1,137)	6,743
Credit/(charge) in the year to the Income Statement	(301)	–	26	(599)	(996)	95	312	(1,463)
Charge in the year to the Statement of Comprehensive Income	–	(21)	–	(577)	–	–	–	(598)
Charge in the year to the Statement of Changes in Equity	–	–	–	–	(541)	–	–	(541)
At 30 September 2018	**1,268**	**(1)**	**927**	**(1,939)**	**4,616**	**95**	**(825)**	**4,141**

Deferred income taxes are calculated using substantially enacted rates of UK corporate tax expected to be in force at the time assets are realised as follows:

Between 1 April 2017 and 31 March 2020	19%
After 1 April 2020	17%

19. Investments

Group

Available-for-sale investments

	Unlisted investments £'000
At 30 September 2016	833
Additions	18
Net loss from changes in fair value recognised in equity	(75)
Disposals	(40)
At 30 September 2017	736
Impairment	(162)
Net gain from changes in fair value recognised in equity	2
Reversal of accumulated fair value losses recognised in equity on impairment	106
Disposals	(6)
At 30 September 2018	**676**

	2018 £'000	2017 £'000
Equity	**90**	95
Asset-backed security	**586**	641
Total available-for-sale investments	**676**	736

The asset-backed security is a USD fixed rate note due to mature on 23 September 2019. The available-for-sale investments are held at fair value. Further information is disclosed in note 27.

Trading investments

	2018 £'000	2017 £'000
Listed investments	**356**	36
Total trading investments	**356**	36

The trading investments are measured at fair value which is determined directly by reference to published prices in an active market where available. They are held in an unregulated subsidiary, Brewin Dolphin MP, whose sole objective is to provide seed capital to the model portfolios managed under an investment mandate by Brewin Dolphin Limited.

20. Cash and cash equivalents

Group

	2018 £'000	2017 £'000
Cash and cash equivalents	**186,222**	169,995

Company

	2018 £'000	2017 £'000
Cash and cash equivalents	**1,445**	433

Cash and cash equivalents comprises cash at banks. The carrying amount of these assets is equivalent to their fair value.

21. Trade and other payables

Group

	2018 £'000	2017 £'000
Current liabilities		
Trade creditors	**99,189**	173,657
Other creditors	**842**	2,274
Other taxes and social security	**11,923**	9,973
Accruals	**64,123**	58,566
Deferred income	**27**	182
	176,104	244,652

	2018 £'000	2017 £'000
Non-current liabilities		
Other creditors	**926**	657
	926	657

In the prior year, non-current liabilities were included in other creditors within current liabilities.
Trade creditors relate to either market or client transactions; the date for settlement is determined when the trade is booked.

Company

	2018 £'000	2017 £'000
Current liabilities		
Accruals	**–**	63
Deferred income	**4,366**	3,303
Amounts payable to subsidiary undertakings	**7,334**	7,334
	11,700	10,700

22. Provisions

Group

	At 30 September 2017 £'000	Additions £'000	Utilisation of provision £'000	Unwinding of discount £'000	Unused amounts reversed £'000	**At 30 September 2018 £'000**
Sundry claims and associated costs	587	620	(227)	–	(234)	**746**
Onerous contracts	5,367	755	(1,496)	38	–	**4,664**
Social security and levies on share awards	3,474	1,420	(1,385)	–	(54)	**3,455**
Acquisition related payments	622	1,518	(1,466)	32	–	**706**
Leasehold dilapidations	2,044	111	(44)	32	(56)	**2,087**
	12,094	4,424	(4,618)	102	(344)	**11,658**

	Current liability £'000	Non-current liability £'000	Total £'000
Sundry claims and associated costs	746	–	746
Onerous contracts	838	3,826	4,664
Social security and levies on share awards	1,606	1,849	3,455
Acquisition related payments	106	600	706
Leasehold dilapidations	128	1,959	2,087
At 30 September 2018	**3,424**	**8,234**	**11,658**

The Group recognises a provision for settlements of sundry claims and associated costs. The timing of the settlements is unknown, but it is expected that they will be resolved within 12 months.

The onerous contracts provision at 30 September 2018 is in respect of surplus office space. The valuation of an onerous contract is based on the best estimate of the likely costs discounted to present value. Where the provision is in relation to leasehold obligations on premises and it is more likely than not that the premises will be sublet, an allowance for sublease income has been included in the valuation.

22. Provisions (continued)

A provision of £4.7 million (30 September 2017: £5.4 million) has been recognised for surplus office space which the Group may not be able to sublet in the short term. The maximum exposure is approximately £9.8 million as at 30 September 2018 (30 September 2017: £13.4 million) and represents the current estimated amount that the Group would have to pay to meet the future obligations under these lease contracts if the assumption regarding future uncommitted sublets is removed and the time value of money is ignored. The longest lease term has 14.5 years remaining and accounts for £7.9 million of the maximum exposure.

The Group has made a provision of £2.1 million (30 September 2017: £2.0 million) for leasehold dilapidations. These costs are expected to arise at the end of the lease. The leases covered by the provision have a maximum remaining term of 14.5 years.

The social security and levies on share awards provision is in respect of Employer's National Insurance and Apprenticeship Levy on awards outstanding at the end of the year. The provision is based on the Group's share price, the amount of time passed and likelihood of the share awards vesting and represents the best estimate of the expected future cost.

The provision recognised for acquisition related payments is in respect of both incentivisation awards and deferred consideration payable for the acquisition of client relationships. The incentivisation award provision is £0.5 million (30 September 2017: £0.6 million) and is payable to employees in relation to the retention and acquisition of funds and is based on the best estimate of the likely future obligation discounted for the time value of money. The deferred consideration provision is £0.2 million (30 September 2017: £nil) and is based on the best estimate of the likely future obligation discounted for the time value of money.

See note 4b.iv. for key sources of estimation uncertainty impacting the provisions.

23. Share capital

Company

	2018 No.	2017 No.	**2018 £'000**	2017 £'000
Authorised:				
Ordinary shares of 1p each	**500,000,000**	500,000,000	**5,000**	5,000
Allotted, issued and fully paid:				
Ordinary shares of 1p each	**283,440,000**	283,331,882	**2,834**	2,833

During the year the following shares were issued:

	Date	No. of shares	Exercise price (pence)	Share capital £'000	Share premium account £'000	Total £'000
At 1 October 2017		283,331,882		2,833	152,320	155,153
Issue of options	Various	108,118	103.5p – 168.0p	1	157	158
At 30 September 2018		**283,440,000**		**2,834**	**152,477**	**155,311**

The rights and obligations attached to the ordinary shares of 1 penny each in the Company are as follows:

- In terms of voting every member who is present in person or by proxy at a general meeting of the Company shall have one vote on a show of hands and one vote for every share held on a poll.
- As regards dividends, all shares in issue at the year end rank pari passu for dividends. Shareholders shall be entitled to receive dividends following declaration by the Company. Dividends are not payable in respect of any nil paid shares that may be held by the Trustees in Brewin Dolphin Holdings PLC Employee Share Ownership Trust (the 'Trust').
- The Trustees of the Brewin Dolphin Holdings PLC Employee Share Ownerships Trust have agreed to waive all dividends due on the shares held in the Trust, 8,491,582 ordinary shares as at 30 September 2018 (2017: 9,817,002).
- There are no special rights for the ordinary shares in relation to control of the Company.

On a change of control, the following criteria will apply:

- 2004 Approved Share Option Schemes: Options can be exercised within 30 days of control being obtained. The options will lapse after six months.
- Long Term Incentive Plan: Awards will automatically vest upon change of control and options will become exercisable from the date of change of control and will remain exercisable for one month, after which the options will lapse.
- Deferred Profit Share Plan: A replacement award could be made over shares in the acquiring company, otherwise the shares will vest in full and can be exercised within six months of control being obtained.
- Share Incentive Plan: No Matching Shares shall be forfeited as a consequence of a change of control.
- Equity Award Plan: Awards will automatically vest upon change of control and options will become exercisable from the date of change of control and will remain exercisable for one month, after which the options will lapse.

The following options and awards have been granted and remain outstanding:

Scheme	Grant date	Exercise price	**2018 No.**	2017 No.
2004 Approved Share Option Scheme:				
	November 2007	168p	**–**	53,976
	November 2008	103.5p	**–**	33,500
	December 2009	165.7p	**95,256**	112,148
	December 2010	148p	**54,807**	64,557
	December 2011	131.3p	**18,000**	20,250
			168,063	284,431
Deferred Profit Share Plan[1]:				
	December 2011	Nil	**–**	326,874
	December 2012	Nil	**129,820**	400,913
	December 2013	Nil	**128,068**	147,889
	December 2014	Nil	**155,706**	2,028,385
	December 2015	Nil	**2,146,309**	2,171,003
	December 2016	Nil	**1,943,540**	1,977,021
	December 2017	Nil	**2,094,097**	–
			6,597,540	7,052,085
Equity Award Plan[1]:				
	December 2014	Nil	**–**	2,135,691
	January 2015	Nil	**–**	28,070
	December 2015	Nil	**240,901**	240,901
	February 2017	Nil	**47,908**	47,908
	August 2017	Nil	**17,423**	29,802
	May 2018	Nil	**3,032**	–
			309,264	2,482,372
Long-term Incentive Plan[2]:				
	December 2014	Nil	**–**	1,349,835
	December 2015	Nil	**986,503**	1,069,468
	December 2016	Nil	**1,039,424**	1,156,915
	December 2017	Nil	**820,378**	–
			2,846,305	3,576,218
Total options and awards outstanding as at 30 September			**9,921,172**	13,395,106

1. These options do not count towards dilution limits because the shares have been purchased in the market by the Brewin Dolphin Holdings PLC Employee Share Ownership Trust.
2. These options may be purchased in the market by the Brewin Dolphin Holdings PLC Employee Share Ownership Trust, in these circumstances they do not count towards dilution limits.

24. Own shares

Company

The own shares reserve represents the matching shares purchased in the market and held by the Brewin Dolphin Share Incentive Plan and shares purchased by the Brewin Dolphin Holdings PLC Employee Share Ownership Trust ('ESOT').

	No. of shares	£'000
Balance at 30 September 2016	11,623,474	29,294
Acquired in the year	2,080,118	5,807
Own shares disposed of on exercise of options	(3,726,126)	(9,180)
Balance at 30 September 2017	9,977,466	25,921
Acquired in the year	3,585,494	13,507
Own shares disposed of on exercise of options	(4,915,048)	(13,368)
Balance at 30 September 2018	**8,647,912**	**26,060**

	2018 No.	2017 No.
Shares held by:		
Brewin Dolphin Holdings PLC ESOT	**8,491,582**	9,817,002
Brewin Dolphin Share Incentive Plan	**156,330**	160,464
Balance at 30 September	**8,647,912**	9,977,466

25. Other reserves

Merger reserve

The merger reserve is used where more than 90% of the share capital in a subsidiary is acquired and the consideration includes the issue of new shares by the Company, thereby attracting merger relief under Section 612 of the Companies Act 2006.

Group

	£'000
Balance at 30 September 2017	70,553
Balance at 30 September 2018	**70,553**

Company

	£'000
Balance at 30 September 2017	70,838
Balance at 30 September 2018	**70,838**

£38.4 million of the merger reserve arose on a placing of the Company's shares and forms part of the distributable reserves.

Profit and loss account

The profit and loss reserve forms part of distributable reserves, subject to the profits being realised.

Company

	£'000
Balance at 30 September 2017	35,485
Balance at 30 September 2018	**50,826**

Revaluation reserve

Group

	£'000
Balance at 30 September 2017	(85)
Balance at 30 September 2018	**2**

The revaluation reserve represents the cumulative fair value movements on available-for-sale financial assets recognised in other comprehensive income and does not form part of distributable reserves.

26. Business combinations

Group

2018

There have been no business combinations during the year.

2017

On 10 May 2017, the Group's principal operating subsidiary Brewin Dolphin Limited acquired 100% of the ordinary share capital of BDDL Limited ('BDDL') formerly named Duncan Lawrie Asset Management Limited and its dormant subsidiary undertakings DDY Nominees Limited and Dunlaw Nominees Limited.

BDDL and its subsidiaries were acquired to expand the Group's wealth management activities and contribute to the delivery of the Group's strategic objective of revenue growth.

Consideration transferred

The fair value of the total cash consideration transferred was £27,968,000.

Acquisition related costs amounting to £1,683,000 were recognised as an expense in the Income Statement in the year ended 30 September 2017.

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

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

Net cash outflow arising on acquisition:

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

See note 27 of the 2017 Annual Report and Accounts for further detail.

27. Financial instruments and risk management

Overview

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

Risk management

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

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

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

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

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

27. Financial instruments and risk management (continued)

Capital structure and capital management

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

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

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

Regulatory capital requirements

The Group conducts an Internal Capital Adequacy Assessment Process ('ICAAP'), as required by the Financial Conduct Authority ('FCA') to assess the appropriate amount of regulatory capital to be held by the Group. There are two active regulated entities in the Group: Brewin Dolphin Limited ('BDL') regulated by the FCA and Tilman Brewin Dolphin Limited regulated by the Central Bank of Ireland. The Jersey branch of BDL is regulated by the Jersey Financial Services Commission.

The Pillar II capital assessment of the ICAAP is the Board of Directors' opinion of the level of capital the Group should hold against the risks to which the Group is exposed. The ICAAP is kept updated throughout the year to take account of changes to the profile of the risks facing the Group and for any material changes to strategy or business plans. The ICAAP is discussed and approved at a Brewin Dolphin Holdings PLC Board meeting at least annually.

Regulatory capital adequacy is monitored by management. The Group uses the standardised approach to credit risk to calculate Pillar I requirements. The Group complied with the FCA's regulatory capital requirements throughout the year.

The regulatory capital resources of the Group were as follows:

	2018 £'000	2017 £'000
Share capital	**2,834**	2,833
Share premium account	**152,477**	152,320
Own shares	**(26,060)**	(25,921)
Revaluation reserve	**2**	(85)
Merger reserve	**70,553**	70,553
Profit and loss account	**73,931**	62,876
Regulatory capital resources before deductions	**273,737**	262,576
Deduction – Intangible assets (net of deferred tax liability)	**(83,476)**	(93,519)
Deduction – Defined benefit pension scheme asset (net of deferred tax liability)	**(9,469)**	(3,724)
Deduction – Free deliveries	**(14)**	(107)
Total regulatory capital resources after deductions at 30 September	**180,778**	165,226

Information disclosure under Pillar 3 of the Capital Requirements Directive will be published on the Group's website before 31 December 2018 at www.brewin.co.uk.

Significant accounting policies

Details of the significant accounting policies, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each financial asset and financial liability, are disclosed in note 3(q) to the financial statements.

Categories of financial instruments

Group

	Carrying value	
	2018 £'000	2017 £'000
Financial assets		
Available-for-sale investments	**676**	736
Fair value through profit and loss – held-for-trading	**356**	36
Non-current loans and receivables	**–**	200
Current loans and receivables	**162,656**	235,506
Cash and cash equivalents	**186,222**	169,995
At 30 September	**349,910**	406,473
Financial liabilities		
Amortised cost	**156,364**	225,865
At 30 September	**156,364**	225,865

Company

	Carrying value	
	2018 £'000	2017 £'000
Financial assets		
Current loans and receivables	**72,679**	53,802
Cash and cash equivalents	**1,445**	433
At 30 September	**74,124**	54,235
Financial liabilities		
Amortised cost	**7,334**	7,397
At 30 September	**7,334**	7,397

The carrying value approximates to the fair value of the financial assets and liabilities held.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices, will affect the Group's income or the value of its holdings of financial instruments. The objective of the Group's market risk management is to both control and manage exposure within the Group's risk appetite whilst accepting the inherent risk of market fluctuations.

The Group undertakes trades on an agency basis on behalf of its clients. The Group holds financial instruments as principal but does not trade as principal. All trades are matched in the market (see note 16).

The Group transacts foreign currency deals in order to fulfil our client obligations and any non-sterling costs to our business. Foreign currency exposure is matched intra-day and at the end of each day.

The total net foreign exchange exposure resulting from income yet to be converted to sterling at the year end was a debtor of £687,000 (2017: £497,000).

The Group is exposed to translation risk in respect of the foreign currency value of the net assets of Tilman Brewin Dolphin Limited ('TBD'). At the year end TBD had net assets of £4.7 million (2017: £4.3 million) denominated in its local currency (Euros).

The Group does not hold any derivatives (2017: none).

There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk during the year.

27. Financial instruments and risk management (continued)

Equity price risk

The Group is exposed to equity price risk arising from both available-for-sale and held-for-trading investments.

Equity price sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risk at the reporting date.

If equity prices had been 5% higher/lower:

- Pre-tax profit for the year ended 30 September 2018 would have been £17,750 higher/lower (2017: £1,800 higher/lower) due to changes in the value of held-for-trading investment; and
- Other equity reserves as at 30 September 2018 would increase/decrease by £4,500 (2017: increase/decrease by £4,800) pre-tax for the Group as a result of the changes in fair value of available-for-sale investments.

The Group's sensitivity to equity prices has not changed significantly from the prior year.

Interest rate risk

The Group is exposed to interest rate risk in respect of the Group's cash and in respect of client deposits. The Group holds client deposits on demand and in 30 day notice accounts (variable interest rates). During the year a 1% increase in base rate would have increased pre-tax profit by £1,040,000 (2017: £1,044,000).

Credit risk

Credit risk refers to the risk that a client or other counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group's exposure to credit risk arises principally from the settlement of client and market transactions ('settlement risk') and cash deposited at banks.

Settlement risk

Exposures to settlement risk are spread across a large number of counterparties and clients. A delivery versus payment ('DVP') settlement method is also used for the majority of transactions, ensuring that securities and cash are exchanged within a short period of time. Consequently, no residual maturity analysis is presented. The Group also holds collateral in the form of cash, as well as equity and bonds which are quoted on recognised exchanges. This collateral is held, principally, in Group nominee accounts.

Concentration of credit risk

The Group has no significant concentration of credit risk with the exception of cash where the majority is spread across four major banking groups.

Maximum exposure

The maximum exposure to credit risk at the end of the reporting year is equal to the balance sheet figure.

Credit exposure

Credit exposure in relation to settlement risk is monitored daily. The Group's exposure to large trades is limited with an average bargain size in the current year of £16,633 (2017: £15,702).

Impaired assets

The total gross amount of individually impaired assets in relation to trade receivables at the year end was £209,000 (2017: £228,000). Collateral valued at fair value by the Group in relation to these impaired assets was £180,000 (2017: £190,000). This collateral is stock held in the clients' account which per our client terms and conditions can be sold to meet any unpaid liabilities falling due. The net difference has been provided as a doubtful debt (see note 16). Note 16 details amounts past due but not impaired.

Non-impaired assets

Financial assets that are neither past due nor impaired in respect of trade receivables relate mainly to bonds and equity trades quoted on a recognised exchange, are matched in the market, and are either traded on a DVP basis or against a client's portfolio in respect of which any one trade would normally be a small percentage of the client's collateral held in the Group nominee. At the year end no financial assets that would otherwise be past due or impaired had been renegotiated (2017: none).

Loans to employees are repayable over a maximum of 3 years (see note 16).

The credit risk on liquid funds, cash and cash equivalents is limited as deposits are diversified across a panel of major banks. This ensures that the Group is not excessively exposed to an individual counterparty. The Group's policy requires cash deposits to be placed with banks with a minimum short-term credit rating of A-2 (S&P)/P-2 (Moody's)/F-2 (Fitch), excluding Tilman Brewin Dolphin Limited. Requirements and limits are reviewed on a regular basis. The Group's allocation of cash and cash equivalents to S&P rating grades has been outlined in the below table:

	A-1+	A-1	A-2	Below A-2
Cash and cash equivalents	-%	67.0%	30.6%	2.4%

The Group maintains a set of Credit Risk policies which are regularly reviewed by the Board. A due diligence review is also performed on all counterparties on an annual basis, at a minimum. The investment of cash is managed by the Treasury Team.

There has been no material change to the Group's exposure to credit risk during the year.

Liquidity risk

Liquidity risk refers to the risk that the Group will be unable to meet its financial obligations as they fall due. The Group maintains adequate cash resources to meet its financial obligations at all times. When investing cash belonging to the Group or its clients, the focus is on security of principal and the maintenance of liquidity. Client money is held in segregated client bank accounts with strict limits on deposit tenors, in accordance with regulatory guidelines designed to minimise liquidity risk.

The Group has a Liquidity Policy which is reviewed by the Board regularly. The Group's intention, at all times is to operate with an amount of liquid resources which provides significant headroom above that required to meet its obligations. Group cash resources are monitored on a daily basis through position reports and liquidity requirements are analysed over a variety of forecast horizons. Liquidity stress tests are regularly conducted to ensure ongoing liquidity adequacy, and a Contingency Funding Plan is also maintained to provide backup liquidity in the unlikely event of a severe liquidity stress event.

At 30 September 2018, the Group had access to an unsecured overdraft facility of £10 million (2017: £10 million).

There has been no change to the Group's exposure to liquidity risk or the manner in which it manages and measures the risk during the year.

Group

The following are the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

At 30 September 2018

	Up to 1 month £'000	**1 month to 3 months £'000**	**3 months to 1 year £'000**	**1 to 5 years £'000**	**Over 5 years £'000**	**Total £'000**
Financial liabilities						
Amortised cost	**105,951**	**33,003**	**16,484**	**926**	**–**	**156,364**
	105,951	**33,003**	**16,484**	**926**	**–**	**156,364**

As at 30 September 2017

	Up to 1 month £'000	1 month to 3 months £'000	3 months to 1 year £'000	1 to 5 years £'000	Over 5 years £'000	Total £'000
Financial liabilities						
Amortised cost	179,711	29,885	15,612	657	–	225,865
	179,711	29,885	15,612	657	–	225,865

27. Financial instruments and risk management (continued)

Company

The following are the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay.

At 30 September 2018

	Up to 1 month £'000	**1 month to 3 months £'000**	**3 months to 1 year £'000**	**1 to 5 years £'000**	**Over 5 years £'000**	**Total £'000**
Financial liabilities						
Amortised cost	**7,334**	**–**	**–**	**–**	**–**	**7,334**
	7,334	**–**	**–**	**–**	**–**	**7,334**

As at 30 September 2017

	Up to 1 month £'000	1 month to 3 months £'000	3 months to 1 year £'000	1 to 5 years £'000	Over 5 years £'000	Total £'000
Financial liabilities						
Amortised cost	7,397	–	–	–	–	7,397
	7,397	–	–	–	–	7,397

Fair value of the Group's financial assets and liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and liabilities are determined.

	Fair value as at 30 September 2018 £'000	Fair value as at 30 September 2017 £'000	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Level 1					
Trading investments	**356**	36	Quoted bid prices in an active market.	n/a	n/a
Level 3					
Available-for-sale investments – Equity	**59**	63	The valuation is based on published monthly NAVs.	Marketability discount up to 30%.	As the marketability discount increases the valuation decreases.
Available-for-sale investments – Equity	**31**	32	The valuation is based on the net assets as presented in the most recent audited financial statements of the company. A marketability discount is applied as this investment is highly illiquid.	Marketability discount ranging between 30-50%.	As the marketability discount increases the valuation decreases.
Available-for-sale investments – Asset-backed securities	**586**	641	The valuation is based on the fair value of the loan notes as presented in the most recent audited financial statements of the company. A marketability discount is applied as this investment is highly illiquid.	Marketability discount ranging between 30-50%.	As the marketability discount increases the valuation decreases.

Fair value measurement recognised on the Balance Sheet

The table above provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than the quoted price included within Level 1 that are observable for the asset or a liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from formal valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Sensitivity analysis

A sensitivity analysis of the significant unobservable inputs used in valuing the Level 3 financial instruments is set out below:

Financial asset	Assumption	Change in assumption	Impact on valuation
Current assets – Available-for-sale investments – Equity	Marketability discount	Increase by 5%	Decrease by £2,400
Current assets – Available-for-sale investments – Asset-backed securities	Marketability discount	Increase by 5%	Decrease by £45,000

Fair value hierarchy

At 30 September 2018

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Held-for-trading				
Equities	**356**	**–**	**–**	**356**
Available-for-sale financial assets				
Equities	**–**	**–**	**90**	**90**
Asset-backed securities	**–**	**–**	**586**	**586**
Total	**356**	**–**	**676**	**1,032**

As at 30 September 2017

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

Reconciliation of Level 3 fair value measurement of financial assets:

Available-for-sale financial assets

	Total £'000
Balance at 30 September 2016	833
Additions	18
Net loss from changes in fair value recognised in equity	(75)
Disposals	(40)
Balance at 30 September 2017	736
Impairment	(162)
Reversal of accumulated fair value losses recognised in equity on impairment	106
Net gain from changes in fair value recognised in equity	2
Disposals	(6)
Balance at 30 September 2018	**676**

28. Share-based payments

The Group recognised total expenses in the year of £8,915,000 (2017: £8,052,000) related to equity-settled share-based payment transactions.

For a summary of all options and awards outstanding at the year end see note 23.

Equity-settled share option schemes

The Group has one plan, the 2004 Approved Option Scheme ('the Scheme'), for the granting of non-transferable options to employees. All options granted have fully vested and the services received from employees entitled to options under the Scheme have been fully expensed.

Other equity settled share-based payment plans

Long Term Incentive Plan ('LTIP')

The LTIP is a conditional arrangement under which contingent share awards can be made to selected senior management, including the Executive Directors. Details regarding the awards to the Executive Directors are set out in the Remuneration Report. The award will vest in one tranche, no earlier than three years from the grant date. Vesting will be subject to performance conditions which are set prior to each grant by the Remuneration Committee. The performance conditions will be related to the financial performance of the Group.

During 2018, the Group granted 914,935 LTIP awards which have an aggregate fair value of £3,063,000 at the date of grant. The Black-Scholes model is used to fair value the LTIP at the date of grant. The inputs into the Black-Scholes model used for the purposes of determining fair value were as follows:

Weighted average share price	388p
Weighted average exercise price	0.0p
Expected volatility	27.50%
Expected life (yrs)	3
Risk free rate	0.92%
Expected dividend yield	4.92%

Share Incentive Plan ('SIP')

Employees may use funds from their gross salary up to a maximum of 10% of their gross salary in monthly payments (being not less than £10 and not greater than £150) to acquire ordinary shares in the Company ('Partnership Shares'). Partnership Shares are acquired monthly with an annual opportunity to top up contributions to the maximum annual limit of £1,800 (or 10% of salary if lower). For every Partnership Share purchased, the employee receives one matching share up to a total value of £20 per month. All shares to date awarded under this scheme have been purchased in the market monthly; it is the intention of the Directors to continue this policy in the year to 30 September 2019.

Deferred Profit Share Plan ('DPSP')

The DPSP provides for eligible employees to defer part of their annual profit share entitlement into an award over ordinary shares (an 'Award'). Current policy is that employees receiving annual profit share in excess of £50,000 are required to defer 33% of any profit share in excess of this amount for a period of three years. Additional deferral requirements apply to Executive Directors which are set out in the Directors' Remuneration Report. Awards are generally in the form of nil cost options to acquire ordinary shares, although at the discretion of the Committee they may also take the form of a conditional right to receive ordinary shares. Awards in the form of mandatory deferrals made to the employees who leave the Group at any time prior to vesting lapse unless the employee leaves as a result of good leaver provisions. It is the intention of the Board to recommend our Trustees to purchase the shares in the market to satisfy options awarded under this scheme in order to avoid dilution in the year to 30 September 2019.

During 2018, the Group granted 2,115,016 DPSP options which have an aggregate fair value of £7,434,000 at the date of grant.

Equity Award Plan ('EAP')

The EAP is a discretionary arrangement under which contingent share awards can be made to selected employees within the Group below Board level, for example to reward exceptional performance on behalf of the Group or in certain circumstances to aid key staff retention. Awards are generally in the form of conditional share awards, although at the discretion of the Committee they may also take the form of share options. Awards will normally vest three years after grant subject to continued service provisions. Awards will only be capable of being satisfied with existing shares sourced via the Company's employee benefit trust. No newly issued shares and/or treasury shares can be used under the EAP. Only non-director employees are eligible for selection to participate in the plan.

During 2018, the Group granted 3,032 EAP awards which have an aggregate fair value of £11,500 at the date of grant.

29. Operating lease arrangements

Group

The Group recognised operating leases payments as an expense in the year as follows:

	2018		2017	
	Land and buildings £'000	**Hire of equipment £'000**	Land and buildings £'000	Hire of equipment £'000
Lease payments	**6,884**	**332**	6,700	273
	6,884	**332**	6,700	273

The Group has significant operating lease arrangements with respect to the premises it occupies. Hire of equipment is in relation to multifunctional printers and vending machines.

At the balance sheet date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2018		2017	
	Land and buildings £'000	**Hire of equipment £'000**	Land and buildings £'000	Hire of equipment £'000
Amounts payable under operating leases:				
Within one year	**7,035**	**216**	7,143	233
In the second to fifth years inclusive	**27,178**	**156**	25,279	–
After five years	**17,614**	**–**	17,968	–
	51,827	**372**	50,390	233

The balances disclosed above exclude future minimum onerous operating lease payments, these are included in the onerous contracts provision calculation (see note 22). The future minimum total commitments for onerous operating lease payments are set out in the table below:

	2018 £'000	2017 £'000
Operating leases which expire:		
Within one year	**1,534**	1,086
In the second to fifth years inclusive	**4,425**	3,180
After five years	**8,082**	6,982
At 30 September	**14,041**	11,248

As at 30 September 2018, there was £7.1 million (2017: £3.6 million) of future minimum sublease payments expected to be received under non-cancellable subleases. These expected future sublease receipts have been deducted in arriving at the onerous contracts provision (see note 22).

The calculation of the future operating lease commitments has certain assumptions based on whether or not the Group expects to exercise break options. If these assumptions are removed and it is assumed that the Group will remain in all properties until the lease end date, the total commitment is £60.7 million (2017: £58.7 million) and if the onerous lease commitments are included, the total commitment is £74.7 million (2017: £70.0 million).

30. Contractual commitments

Group

Capital expenditure authorised and contracted for at 30 September 2018 but not provided in the Financial Statements amounted to £2.1 million (2017: £3.8 million).

31. Notes to the Cash Flow Statement

Group

	2018 £'000	2017 £'000
Operating profit	**67,880**	57,668
Adjustments for:		
Depreciation of property, plant and equipment	**2,468**	1,917
Amortisation of intangible assets – client relationships	**7,619**	6,650
Amortisation of intangible assets – software	**3,855**	5,200
Loss on disposal of fixed assets	**20**	40
Defined benefit pension scheme	**(3,000)**	(3,000)
Share-based payment expense	**8,915**	8,052
Translation adjustments	**(8)**	40
Interest income	**747**	161
Interest expense	**(15)**	(11)
Operating cash flows before movements in working capital	**88,481**	76,717
(Decrease)/increase in payables and provisions	**(68,695)**	25,662
Decrease/(increase) in receivables and trading investments	**72,179**	(25,011)
Cash generated by operating activities	**91,965**	77,368
Tax paid	**(12,260)**	(9,905)
Net cash inflow from operating activities	**79,705**	67,463

Company

	2018 £'000	2017 £'000
Operating profit	**61,393**	43,434
Operating cash flows before movements in working capital	**61,393**	43,434
(Decrease)/increase in payables	**(63)**	41
Increase in receivables and trading investments	**(18,877)**	(7,601)
Cash generated by operating activities	**42,453**	35,874
Tax paid	**–**	–
Net cash inflow from operating activities	**42,453**	35,874

32. Post balance sheet events

Group and Company

There have been no post balance sheet events.

33. Related party transactions

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

	Amounts owed by related parties		Amounts owed to related parties	
	2018 £'000	2017 £'000	**2018 £'000**	2017 £'000
Bell Lawrie White & Co. Limited	**–**	–	**2,434**	2,434
Brewin Dolphin Limited	**72,679**	53,802	**–**	–
Brewin Broking Limited	**–**	–	**4,900**	4,900
	72,679	53,802	**7,334**	7,334

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

The only effect of related party transactions on the profit and loss of the Company was in respect of dividends. The Company received dividends of £60,500,000 (2017: £42,500,000) from Brewin Dolphin Limited and £1,001,650 (2017: £976,800) from Tilman Brewin Dolphin Limited.

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

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

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

Remuneration of key management personnel ('KMP')

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

The remuneration expense for key management personnel is as follows:

	2018 £'000	2017 £'000
Short-term employee benefits	**4,764**	4,999
Post-employment benefits	**26**	37
Share-based payments:		
Lapses where KMP have left the Group	**(31)**	(331)
Continuing KMP	**2,054**	1,254
	6,813	5,959

The remuneration of individual Directors is set out in the Directors' Remuneration Report on page 63 in addition to the disclosure above.

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

Directors' transactions

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

FIVE YEAR RECORD – CONTINUING OPERATIONS (UNAUDITED)

	2018 £'000	2017 £'000	2016 £'000	2015 £'000	2014 £'000
Revenue	**326,226**	303,896	280,484	280,196	275,316
Other operating income	**2,801**	568	1,866	3,495	5,443
Income	**329,027**	304,464	282,350	283,691	280,759
Staff costs	**(174,822)**	(162,689)	(152,175)	(152,982)	(147,345)
Other operating costs	**(77,506)**	(71,766)	(69,458)	(68,975)	(76,066)
Adjusted items					
FSCS levy	**288**	–	–	1,160	–
Redundancy costs	**–**	(742)	(2,780)	(2,432)	(2,269)
Onerous contracts	**(170)**	(1,969)	(311)	(433)	(2,005)
Impairment of intangible assets	**–**	–	–	–	(31,693)
Licence provision	**–**	–	–	–	(2,034)
One-off migration costs	**–**	–	(1,596)	–	–
Acquisition costs	**–**	(1,683)	–	–	–
Incentivisation awards	**(1,318)**	(1,297)	–	–	–
Amortisation of intangible assets – client relationships	**(7,619)**	(6,650)	(6,287)	(9,219)	(13,592)
Operating expenses	**(261,147)**	(246,796)	(232,607)	(232,881)	(275,004)
Operating profit	**67,880**	57,668	49,743	50,810	5,755
Net finance income/(expense) and other gains and losses	**624**	(25)	319	10,190	1,003
Profit before tax	**68,504**	57,643	50,062	61,000	6,758
Tax	**(15,008)**	(12,490)	(11,095)	(12,729)	(1,362)
Profit attributable to equity shareholders of the parent from continuing operations (2014 and 2015 had discontinued operations)	**53,496**	45,153	38,967	48,271	5,396
Dividend per share	**16.4p**	15.0p	13.0p	12.0p	9.9p
Adjusted[1] earnings per share					
From continuing operations before adjusted items listed above.					
Basic	**22.5p**	20.5p	17.7p	18.0p	17.0p
Adjusted[1]diluted	**21.7p**	19.6p	16.8p	17.1p	16.0p

1. See note 12 to the Financial Statements.

Revenue growth

1. **Discretionary funds inflows** are calculated from the Group's client database. The growth in net inflows is derived from the total new client accounts opened, closed or transferred between services categories during the year. Net inflows of £2.3 billion over the opening discretionary funds value of £33.8 billion show a growth rate of 6.8%.
2. **Discretionary service yield** is calculated as total discretionary commission and fee income over the average funds for the year. Total discretionary income in 2018 of £283.4 million (2017: £258.8 million) from average discretionary funds of £36.0 billion (2017: £32.0 billion) results in a 79bps (2017: 81bps) yield.

Improved efficiency

3. **Adjusted[1] PBT margin** is calculated by taking the adjusted[1] profit before tax of £77.5 million in 2018 (2017: £70.0 million) over the total income of £329.0 million (2017: £304.5 million) resulting in an adjusted[1] PBT margin of 23.6% (2017: 23.0%).
4. **Discretionary funds per CF30** of £80 million (2017: £75 million) is based on the total of discretionary funds excluding MPS over the total number of registered CF30s (Investment Managers and Financial Planners) for the Group of 433 (2017: 418).
5. **Average client portfolio size** is calculated by dividing the total discretionary and managed advisory funds by the number of clients.

Capital sufficiency

6. **Capital adequacy ratio** is calculated by dividing regulatory capital resources over the assessment of regulatory capital requirements, see note 27 to the Financial Statements.

Dividend growth

7. **Adjusted[1] earnings per share growth** is the diluted earnings per share is 21.7p (2017: 19.6p).
8. **Dividend growth** is the total dividend paid by the Group in 2018 is 16.4p (2017: 15.0p).

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

Investor information

Visit our website, www.brewin.co.uk, for investor information and Company news. In addition to accessing financial data, you can view and download Annual and Half Year Reports, analyst presentations and access the best of our research and investment views, plus lifestyle news and interviews.

You can also subscribe to an email news alert service to automatically receive an email when significant announcements are made.

Shareholding information

Please contact our registrars, Equiniti, directly for all enquiries about your shareholding. Visit their Investor Centre website www.shareview.co.uk for online information about your shareholding (you will need your shareholder reference number which can be found on your share certificate or dividend tax voucher), or telephone the registrars direct: 0371 384 2237 or + 44 (0) 121 415 7047.

Dividend mandate

Shareholders can arrange to have their dividends paid directly into their bank or building society account by completing a bank mandate form. The advantages to using this service are: the payment is more secure than sending a cheque through the post; it avoids the inconvenience of paying in a cheque; and there is no risk of lost, stolen or out-of-date cheques.

A mandate form can be obtained from Equiniti or you will find one on the reverse of the tax voucher of your last dividend payment.

Electronic communications

Shareholders have previously passed a resolution enabling Brewin Dolphin to take advantage of provisions in the Companies Act 2006 that allow us to supply documents such as the Annual Report and Accounts to our shareholders via our website www.brewin.co.uk. This helps to reduce the cost and environmental impact of producing and distributing printed documents. Shareholders that wish to continue to receive shareholder documents in hard copy can request this by writing to the registrar, Equiniti.

All shareholder communications, including the Company's Annual Report and Accounts, are made available to shareholders on the Brewin Dolphin website and you may opt to receive email notification that documents and information are available to view and download. If you would like to sign up for this service, visit Equiniti's website. You may change the way you receive communications at any time by contacting Equiniti.

Annual General Meeting

The 2019 Annual General Meeting of Brewin Dolphin Holdings PLC will be held in Haberdashers' Hall, 18 West Smithfield, London EC1A 9HQ on Friday 1 February 2019 at 11.30am.

Useful contacts

Registered Office:
12 Smithfield Street, London ECIA 9BD. +44(0) 20 7248 4400

Company Registration Number:
02685806

Company Secretary:
T Brill 0.Cosec@brewin.co.uk

Head of Investor Relations:
D Orford investor.relations@brewin.co.uk

Registrar:
Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA. +44 (0) 121 415 7047

Online help:
shareview.co.uk – from here, you will be able to securely email Equiniti with your enquiry.

AGM	Annual General Meeting
ARC	Asset Risk Consultants
AML	Anti-Money Laundering
ASOP	Approved Share Options Plan
BDF	Brewin Dolphin Foundation
BDH	Brewin Dolphin Holdings PLC/Brewin Dolphin
BDL	Brewin Dolphin Limited
BDMP	Brewin Dolphin MP
BDO	Internal Auditor
BPS	Basis points
BPS	Brewin Portfolio Service
CA	Companies Act 2006
CAF	Charities Aid Foundation
CASS	Client Money & Assets
CF30	Client-facing professional Investment Manager and Financial Planner
CGU	Cash generating unit
CMA	Competition and Markets Authority
CR	Corporate Responsibility
Deloitte	External Auditor
DPSP	Deferred Profit Share Plan
DRR	Directors' Remuneration Report
EAP	Equity Award Plan
EBITDA	Earnings before interest, tax, depreciation and amortisation
EPS	Earnings per share
Equiniti	The Company's Registrar
FCA	Financial Conduct Authority
FRC	Financial Reporting Council
FSCS	Financial Services Compensation Scheme
GDPR	General Data Protection Regulation
GHG	Greenhouse Gas Emissions
Group	Brewin Dolphin Holdings PLC (the 'Company') and its subsidiaries
IAS	International Accounting Standards
ICAAP	Internal Capital Adequacy Assessment Process
IGC	Investment Governance Committee
KPIs	Key Performance Indicators
L&D	Learning and Development
LSE	London Stock Exchange
LTIP	The Company's long term incentive plan, the 'Long Term Performance Plan'
MAR	Market Abuse Regulation
MiFID	Markets in Financial Instruments Directive
MPS	Managed Portfolio Service
MTP	Medium Term Plan
NED	Non-Executive Director
PBT	Profit Before Tax
PDMR	Persons Discharging Managerial Responsibility
RMF	Risk Management Framework
SID	Senior Independent Director
SIP	Share Incentive Plan
SMCR	Senior Manager Certificate Regime
TBD	Tilman Brewin Dolphin Limited
The Code	UK Corporate Governance Code
TOR	Terms of Reference
TSR	Total Shareholder Return
XO	Execution Only

Aberdeen
23 Rubislaw Terrace
Aberdeen
AB10 1XE
Telephone: 0122 426 7900

Belfast
6th Floor
Waterfront Plaza
8 Laganbank Road
Belfast
BT1 3LY
Telephone: 0289 044 6000

Birmingham
9 Colmore Row
Birmingham
B3 2BJ
Telephone: 0121 710 3500

Bristol
The Paragon
Counterslip
Bristol
BS1 6BX
Telephone: 0117 968 9500

Cambridge
Wellington House
East Road
Cambridge
CB1 1BH
Telephone: 0203 201 3050

Cardiff
2nd Floor
5 Callaghan Square
Cardiff
CF10 5BT
Telephone: 0292 034 0100

Cheltenham
2nd Floor
St. James' House
St. James' Square
Cheltenham
GL50 3PR
Telephone: 0124 257 7677

Dublin
Tilman Brewin Dolphin
3 Richview Office Park
Clonskeagh
Dublin 14
Telephone: +353(0) 126 00080

Dundee
31–32 City Quay
Camperdown Street
Dundee
DD1 3JA
Telephone: 0138 231 7200

Edinburgh
6th Floor
Atria One
144 Morrison Street
Edinburgh
EH3 8BR
Telephone: 0131 225 2566

Exeter
Vantage Point
Woodwater Park
Pynes Hill
Exeter
Devon
EX2 5FD
Telephone: 0139 244 0450

Glasgow
48 St. Vincent Street
Glasgow
G2 5TS
Telephone: 0141 221 7733

Ipswich
Fraser House
23 Museum Street
Ipswich
Suffolk
IP1 1HN
Telephone: 0147 326 7200

Jersey
2nd Floor
Kingsgate House
55 The Esplanade
St Helier
Jersey
JE2 3QB
Telephone: 0153 470 3000

Leeds
10 Wellington Place
Leeds
LS1 4AN
Telephone: 0113 245 9341

Leicester
Two Colton Square
Leicester
LE1 1QF
Telephone: 0116 242 0700

Lincoln
Olympic House
Doddington Road
Lincoln
LN6 3SE
Telephone: 0152 250 3000

London
12 Smithfield Street
London
EC1A 9LA
Telephone: 0203 201 3900

London – West End
8 Waterloo Place
St James's
London
SW1Y 4BE
Telephone: 0203 201 4000

Manchester
1 The Avenue
Spinningfields Square
Manchester
M3 3AP
Telephone: 0161 839 4222

Marlborough
Woodstock Court
Blenheim Road
Marlborough
Wiltshire
SN8 4AN
Telephone: 0167 251 9600

Newcastle
Time Central
Gallowgate
Newcastle upon Tyne
NE1 4SR
Telephone: 0191 279 7300

Nottingham
1st Floor
Waterfront House
Waterfront Plaza
35 Station Street
Nottingham
NG2 3DQ
Telephone: 0115 852 5580

Oxford
7th Floor
Seacourt Tower
West Way
Oxford
OX2 0JJ
Telephone: 0186 525 5750

Penrith
1 Mason Court
Gillan Way
Penrith 40 Business Park
Penrith
Cumbria
CA11 9GR
Telephone: 0176 886 1710

Plymouth
Ashleigh Court
Ashleigh Way
Langage Business Park
Plymouth
PL7 5JX
Telephone: 0175 233 4650

Reigate
45 London Road
Reigate
Surrey
RH2 9PY
Telephone: 0173 722 3722

Shrewsbury
Mutual House
Sitka Drive
Shrewsbury Business Park
Shrewsbury
Shropshire
SY2 6LG
Telephone: 0174 339 9000

Truro
24 Lemon Street
Truro
TR1 2LS
Telephone: 0187 222 8080

Winchester
2nd Floor
Sunley House
St George Street
Winchester
SO23 8BG
Telephone: 0196 279 8000



This document is printed on Horizon Offset, a paper containing fibre sourced from well managed, responsible, FSC® certified forests, and other controlled sources. The pulp used in this product is bleached using an elemental chlorine free (ECF) process.

Printed by Park Communications

Brewin Dolphin Holdings PLC
12 Smithfield Street
London EC1A 9BD
T 020 7248 4400
W brewin.co.uk
E info@brewin.co.uk

