

This announcement contains inside information for the purposes of the Market Abuse Regulation (596/2014/EU).

13 May 2020

**Brewin Dolphin Holdings PLC**  
**Interim Management Report**  
**For the Half Year Ended 31 March 2020**

**Resilient set of results despite volatile market, with strong balance sheet and good cash generation.**

**David Nicol, Chief Executive, said:**

*"In the first half of 2020, we delivered a resilient set of results, notwithstanding the negative impact of COVID-19 on global markets towards the end of the second quarter. We saw a greater level of direct inflows in the first half, with strong demand for integrated wealth management service. We have a strong balance sheet and good cash generation although we need to be mindful of the high level of uncertainty for the remainder of the financial year. We continue to monitor the impacts on the business and maintain strong cost discipline.*

*With the prioritisation of keeping our employees safe, we were able to move to a remote operating model within days, ensuring business continuity, operational resilience, and sustainability for the foreseeable future. We increased our engagement with our clients, and saw increased demand for financial advice, which we were able to offer remotely. We have continued to focus on the implementation of our infrastructure projects and the integration of our recent acquisitions. We are pleased to confirm we have successfully integrated the people and assets of our Irish business and launched new technology to enhance the user-experience for WealthPilot. We are making significant progress on both Client Engage and custody and settlement system, which we are confident will be delivered in the second half of the year, supporting our growth ambitions and enabling greater efficiencies."*

**Financial**

- Strong total discretionary funds inflows of £1.5bn (H1 2019: £1.4bn), total discretionary net flows of £0.5bn for H1 2020 representing an annualised growth rate of 2.5%.
- Total funds were £41.4bn (FY 2019: £45.0bn). Excluding funds from acquisitions of £2.7bn, total funds decreased by 14.0%. Discretionary funds reduced to £35.7bn (FY 2019: £40.1bn) mostly due to negative market performance.
- Total income for the period increased by 8.3% to £175.8m (H1 2019: £162.3m). Excluding income from acquisitions of £9.3m, income increased by 2.6%.
- Profit before tax and adjusted<sup>1,3</sup> items increased 2.5% to £36.5m (H1 2019: £35.6m).
- Statutory profit before tax of £28.2m, 5.1% lower than H1 2019 (£29.7m).
- Strong cash balance of £144.1m (H1 2019: £138.8m) and capital adequacy ratio of 204%.
- Adjusted<sup>1,3</sup> earnings per share ('EPS'):
  - Diluted EPS<sup>2</sup> decreased by 4.0% to 9.5p (H1 2019: 9.9p).
  - Basic EPS decreased by 2.9% to 9.9p (H1 2019: 10.2p).
- Statutory earnings per share:
  - Diluted EPS decreased by 12.3% to 7.1p (H1 2019: 8.1p).
  - Basic EPS decreased by 12.0% to 7.3p (H1 2019: 8.3p).
- Interim dividend held at 4.4p per share (2019 interim dividend: 4.4p per share).

**Operational**

- 99% of employees working from home within two weeks of lockdown.
- Swift integration of Investec Capital & Investments (Ireland) Limited: rebranded to Brewin Dolphin Capital & Investments (Ireland) Limited ('BDCIIL'), new management team announced in March and migration of clients and assets completed remotely in April.
- Client management system in final stages of training and implementation.
- New technology launched to enhance user-experience for WealthPilot's clients.

**Outlook**

- High level of uncertainty expected for the remainder of the financial year but we are monitoring the COVID-19 impacts to the business and client behaviours so we can adapt and manage our business and operating models appropriately.

- Estimated operating cost savings in FY 2020 of £6m-£8m through disciplined cost management into H2 2020 based on values-led decision making.
  - We continue to support and engage with our clients, employees and suppliers, whilst delivering on our strategic objectives.
1. Adjusted items are amortisation of client relationships and brand - £5.4m (H1 2019: £3.3m), defined benefit pension scheme past service costs - £nil (H1 2019: £1.9m), acquisition costs - £2.3m (H1 2019: £0.5m), incentivisation awards £0.6m (H1 2019: £0.2m) and onerous contracts - £(0.04)m (H1 2019: £(0.04)m).
  2. See note 8.
  3. See Annual Report and Accounts 2019 page 34 for explanation of adjusted profit before tax and why the adjusted measures have been chosen.

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## **Declaration of Interim Dividend**

The Board declares an interim dividend of 4.4p per share. The interim dividend is payable on 12 June 2020 to shareholders on the register at the close of business on 22 May 2020 with an ex-dividend date of 21 May 2020.

## **For further information:**

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The Interim Results presentation will be held at 9.00am on 13 May 2020 and available to watch via an audio webcast. The audio link can be found on the corporate website ([www.brewin.co.uk/group/investor-relations](http://www.brewin.co.uk/group/investor-relations)). Investors and analysts are also able to dial in to the call using +44 (0) 20 3003 2666.

## **NOTES TO EDITORS:**

About Brewin Dolphin:

Brewin Dolphin is one of the UK and Ireland's leading independent providers of discretionary wealth management. We continue to focus on discretionary investment management, and we manage £35.7 billion of funds on a discretionary basis. In line with the premium we place on personal relationships, we have built a network of offices across the UK, Channel Islands and the Republic of Ireland, staffed by qualified investment managers and financial planners. We are committed to the most exacting standards of client service, with long-term thinking and absolute focus on our clients' needs at the core.

## Interim Management Report

To the members of Brewin Dolphin Holdings PLC

### First half review

#### COVID-19 response

The business has responded professionally and at pace in response to COVID-19, with 99% of our workforce working remotely within two weeks of lockdown. We have kept two offices open for postal and cheque-based tasks. The investment in our IT infrastructure and strong client-centric culture has been the driving force behind our resilience and flexibility, with almost all of our employees already set up with remote-working capability. The leadership team deployed incident management procedures to ensure governance and oversight for responses and all decision making. Employees were kept up to date real-time via various communication channels, and our human resource team worked hard to roll out various initiatives to support colleagues with their personal and financial wellbeing and change of working environment.

With falling markets and our client's funds decreasing in value, we have increased the frequency of communication with written correspondence and market updates and engagement via video, telephone and conference calls. All of our efforts have helped reassure our clients with only a slight increase in clients logging into MyBrewin (client portal) during February and March compared to last year. With resilient systems and processes we have seen no impact on business continuity and continue to monitor and apply controls to mitigate any incremental risk which may arise as we have moved to a digital/remote business model.

#### Financial update

The business performed well in the first half of the year, despite markets falling sharply towards the end of the second quarter due to the COVID-19 pandemic.

Total funds decreased by 8.0% to £41.4bn (FY 2019: £45.0bn), with discretionary funds decreasing 11.0% to £35.7bn (FY 2019: £40.1bn), benefiting from £1.0bn of acquired funds from BDCIL and resilient flows, more than offset by negative market performance. Total funds include £2.7bn from the acquisition of BDCIL which completed at the end of October 2019. Net discretionary flows of £0.5bn, representing an annualised growth rate of 2.5%, were driven by strong flows in MPS and increased demand for advice-led services. Strong fund flows were offset by negative investment performance due to falling markets towards the end of the period. The MSCI PIMFA Private Investor Balanced Index fell by 14.5% and the FTSE 100 Index fell by 23.4%, during the first half of the year.

Direct discretionary gross inflows of £0.7bn (H1 2019: £0.6bn) were offset by elevated outflows as a result of the departure of a low margin institutional account. These strong inflows, of which around 60% came in the second quarter, demonstrate that our strategy to grow this business through both broadening propositions and our advice-led integrated wealth management service is gaining momentum. Sixty percent of new private client business now taking advice-led wealth management services, up from 52% from the same period last year.

Intermediaries fund inflows were slightly lower at £0.4bn (H1 2019: £0.5bn). Net flows in our managed portfolio service ('MPS') of £0.4bn were greater than last year (H1 2019: £0.3bn), representing an annualised growth of 21%.

Income increased 8.3% to £175.8m compared to the same period last year (H1 2019: £162.3m) and includes £9.3m from recent acquisitions. Income was lower in the second quarter due to weaker market conditions, although it benefitted from higher commission income due to greater activity following volatile market movements.

Operating profit before adjusted items was £37.2m, 7.2% higher than the same period last year (£34.7m). Profit before tax and adjusted items of £36.5m was 2.5% higher than the same period last year (H1 2019: £35.6m). This predominantly reflects the contribution from acquisitions offset by lower income in our second quarter due to significantly lower market levels at the end of March 2020. Finance costs were higher following the application of the new lease accounting standard (IFRS 16) in the period.

Adjusted diluted EPS was 9.5p (H1 2019: 9.9p) and statutory diluted EPS was 7.1p (H1 2019: 8.1p).

#### Operational update

We continue to develop our propositions and advice-led services to support current and prospective client needs. Our core business continues to make good progress. We have also further developed our WealthPilot and *1762 from Brewin Dolphin* initiatives. We implemented a new technology solution for our WealthPilot proposition which will enhance the remote user-experience for clients and will be of value during this period of social distancing. Our London West End office (*1762 from Brewin Dolphin*) continues to grow with net funds flows more than doubling against H1 2019. We continue to expand and innovate, enhancing the proposition whilst attracting experienced financial planning professionals.

For our Intermediaries we launched our new 'Client Valuation Data Service' designed to deliver automated client valuations, which will complement the range of digital services we already provide. We are continuing to see the benefits of our '*powered by Brewin Dolphin*' proposition.

We completed the acquisition of Investec Capital & Investments (Ireland) Limited on 31 October 2019. We have moved at pace with the integration and rebranding of the business to Brewin Dolphin Capital & Investments (Ireland) Limited, announcing the new leadership and management team in March 2020 and successfully migrated the majority of the acquired assets and clients

onto our existing systems by mid-April. We are very pleased at the smooth migration, despite having to undertake this in a remote environment. The combined business delivered net inflows in the first half and we are now the third largest wealth management business in Ireland with funds of approximately €4.5bn and over 6,000 clients making us well positioned for future growth.

To support our growth strategy and strengthen operations, we have continued to prioritise the implementation and completion of the client management system ('Client Engage') and custody and settlement system ('Avaloq') in the 2020 calendar year. We are making good progress on both projects and expect to implement Client Engage in the early summer having spent £2.9m<sup>1</sup> in the first half (FY 2019: £4.8m<sup>1</sup>). We spent £10.0m<sup>1</sup> in the first half on the custody and settlement system (FY 2019: £7.7m<sup>1</sup>) and are still on track to complete this project in the second half of the calendar year. Benefits from the completion of these two projects include workflow efficiencies, reduction or avoidance of operating costs, improved operational risk management and scale benefits that will support the business with its growth ambitions. Amortisation of these projects is expected to start during the second half of this calendar year and will increase operating costs by approximately £4m-£5m for FY 2021.

1. Total spend includes operating and capital expenditure.

## Results and business performance

Profit before tax and adjusted items of £36.5m was 2.5% higher than the first six months last year (H1 2019: £35.6m). This reflects the contribution from acquisitions completed in the second half of FY 2019 and first quarter of FY 2020, offset by lower income in our second quarter due to the significant fall in market levels at the end of March 2020. In addition, headcount increased over the period to support the delivery of our infrastructure projects and growth strategy. Net finance costs of £0.7m (H1 2019: £0.9m income) reflect the impact of IFRS 16 lease accounting standard (see notes 6 and 22).

Statutory profit before tax for the period was lower than last year at £28.2m (H1 2019: £29.7m), and includes acquisition costs in relation to the integration of BDCIIL of £2.3m. H1 2019 included a one-off cost of £1.9m for defined benefit pension scheme past service costs in relation to Guaranteed Minimum Pensions (see note 14).

	Unaudited six months to 31 March 2020 £'m	Unaudited six months to 31 March 2019 £'m	Change
Income	175.8	162.3	8.3%
Fixed staff costs	(70.2)	(63.2)	11.1%
Variable staff costs	(28.1)	(26.6)	5.6%
Other operating costs excluding adjusted <sup>1</sup> items	(40.3)	(37.8)	6.6%
Operating profit before adjusted <sup>1, 3</sup> items	37.2	34.7	7.2%
Net finance costs and other gains and losses	(0.7)	0.9	(177.8)%
Profit before tax and adjusted <sup>1</sup> items	36.5	35.6	2.5%
Adjusted <sup>1</sup> items	(8.3)	(5.9)	40.7%
Profit before tax	28.2	29.7	(5.1)%
Tax	(6.8)	(6.9)	(1.4)%
Profit after tax	21.4	22.8	(6.1)%
<b>Earnings per share</b>			
Basic earnings per share	7.3p	8.3p	(12.0)%
Diluted earnings per share	7.1p	8.1p	(12.3)%
<b>Adjusted<sup>2</sup> earnings per share</b>			
Basic earnings per share	9.9p	10.2p	(2.9)%
Diluted earnings per share	9.5p	9.9p	(4.0)%

1. Adjusted items are amortisation of client relationships and brand - £5.4m (H1 2019: £3.3m), defined benefit pension scheme past service costs - £nil (H1 2019: £1.9m), acquisition costs - £2.3m (H1 2019: £0.5m), incentivisation awards £0.6m (H1 2019: £0.2m) and onerous contracts - £(0.04)m (H1 2019: £(0.04)m).

2. See note 8.

3. See Annual Report and Accounts 2019 page 34 for explanation of adjusted profit before tax and why the adjusted measures have been chosen.

## Funds

Total funds were £41.4bn at 31 March 2020 (H1 2019: £42.4bn, FY 2019: £45.0bn). The movement was driven by strong total net fund flows of £0.6bn and acquired funds from BDCIIL of £2.7bn. Investment performance was impacted by an unprecedented fall in markets due to COVID-19, reducing the overall value of funds by £6.9bn. The MSCI PIMFA Private Investor Balanced Index fell by 14.5% and the FTSE 100 Index fell by 23.4%, during the first half of the year.

### Total funds by service category

£bn	31 March 2019	30 September 2019	31 March 2020	Change	
				Last 12 months	Last 6 months

Direct discretionary	24.8	26.3	<b>23.2</b>	(6.5)%	(11.8)%
Intermediaries	9.5	10.0	<b>8.8</b>	(7.4)%	(12.0)%
MPS	3.2	3.8	<b>3.7</b>	15.6%	(2.6)%
Indirect discretionary	12.7	13.8	<b>12.5</b>	(1.6)%	(9.4)%
Total discretionary	37.5	40.1	<b>35.7</b>	(4.8)%	(11.0)%
Execution only	3.8	3.9	<b>3.7</b>	(2.6)%	(5.1)%
BPS	0.2	0.2	<b>0.2</b>	0.0%	0.0%
Advisory	0.9	0.8	<b>1.8</b>	100%	125.0%
Total funds	42.4	45.0	<b>41.4</b>	(2.4)%	(8.0)%
Indices					
MSCI PIMFA Private Investor Balanced Index	1,587	1,665	<b>1,423</b>	(10.3)%	(14.5)%
FTSE 100	7,279	7,408	<b>5,672</b>	(22.1)%	(23.4)%

### Funds flow by service category<sup>1</sup>

£bn	30 Septemb er 2019	Inflows	Outflows	Internal transfers	Net flows	Annualise d growth rate	Acquired	Investme nt performa nce	31 March 2020
Direct discretionary	26.3	0.7	(0.5)	(0.2)	–	0.0%	1.0	(4.1)	<b>23.2</b>
Intermediaries	10.0	0.4	(0.2)	(0.1)	0.1	2.0%	–	(1.3)	<b>8.8</b>
MPS	3.8	0.4	–	–	0.4	21.1%	–	(0.5)	<b>3.7</b>
Indirect discretionary	13.8	0.8	(0.2)	(0.1)	0.5	7.2%	–	(1.8)	<b>12.5</b>
Total discretionary	40.1	1.5	(0.7)	(0.3)	0.5	2.5%	1.0	(5.9)	<b>35.7</b>
Execution only	3.9	0.1	(0.3)	0.3	0.1	5.1%	0.5	(0.8)	<b>3.7</b>
BPS	0.2	–	–	–	–	0.0%	–	–	<b>0.2</b>
Advisory	0.8	0.1	(0.1)	–	–	0.0%	1.2	(0.2)	<b>1.8</b>
Total funds	45.0	1.7	(1.1)	–	0.6	2.7%	2.7	(6.9)	<b>41.4</b>

1. The funds figures are rounded to one decimal place and therefore may not always cast.

Total discretionary funds were £35.7bn at 31 March 2020 (H1 2019: £37.5bn, FY 2019: £40.1bn) with net fund flows of £0.5bn (H1 2019: £0.8bn), representing an annualised growth rate of 2.5%. Total discretionary funds also included £1.0bn from the BDCIIL acquisition. The investment performance reduced discretionary funds by £5.9bn, in-line with the market. We had a strong second quarter with total discretionary net flows of £0.4bn, representing an annualised growth rate of 3.8%.

Direct discretionary net flows were flat in the period (H1 2019: £0.3bn) but saw higher levels of gross inflows of £0.7bn (H1 2019: £0.6bn) being offset by transfers and elevated outflows as a result of the departure of a low margin institutional account. These inflows are being driven by an increasing number of clients using our integrated wealth management service, and 1762 from *Brewin Dolphin* showing continued momentum as it more than doubled its inflows in the first half against H1 2019.

Indirect discretionary net flows remained stable at £0.5bn (H1 2019: £0.5bn), with 80% of net flows coming from MPS.

Execution only funds of £3.7bn, which includes funds of £0.5bn from the acquisition of BDCIIL, was impacted by negative investment performance. Advisory funds rose to £1.8bn mainly as a result of £1.2bn of acquired funds from BDCIIL.

## Income

Income increased 8.3% to £175.8m compared to the same period last year (H1 2019: £162.3m) and includes £9.3m from recent acquisitions. Income was lower in the second quarter due to significantly adverse market conditions, although it benefitted from higher commission income due to greater activity following volatile market movements.

	Unaudited six months to 31 March 2020			Unaudited six months to 31 March 2019			Change		
£m	Fees	Commissi on	Total	Fees	Commissi on	Total	Fees	Commissi on	Total
Private clients	<b>68.9</b>	<b>31.1</b>	<b>100.0</b>	66.0	26.6	92.6	4.4%	16.9%	8.0%
Charities and corporates	<b>9.1</b>	<b>2.0</b>	<b>11.1</b>	9.6	1.3	10.9	(5.2)%	53.8%	1.8%
Direct discretionary	<b>78.0</b>	<b>33.1</b>	<b>111.1</b>	75.6	27.9	103.5	3.2%	18.6%	7.3%
Intermediaries	<b>32.6</b>	<b>0.6</b>	<b>33.2</b>	32.4	0.5	32.9	0.6%	20.0%	0.9%
MPS	<b>5.2</b>	–	<b>5.2</b>	4.2	–	4.2	23.8%	n/a	23.8%

Indirect discretionary	37.8	0.6	38.4	36.6	0.5	37.1	3.3%	20.0%	3.5%
Total discretionary	115.8	33.7	149.5	112.2	28.4	140.6	3.2%	18.7%	6.3%
Financial planning	n/a	n/a	16.4	n/a	n/a	12.6	n/a	n/a	30.2%
Execution only	2.2	3.5	5.7	2.2	3.1	5.3	0.0%	12.9%	7.5%
BPS	0.7	–	0.7	0.6	–	0.6	16.7%	n/a	16.7%
Advisory	1.6	0.6	2.2	1.1	0.2	1.3	45.5%	200.0 %	69.2%
Other income	n/a	n/a	1.3	n/a	n/a	1.9	n/a	n/a	(31.6)%
Total income	n/a	n/a	175.8	n/a	n/a	162.3	n/a	n/a	8.3%

Discretionary income increased by 6.3% to £149.5m (H1 2019: £140.6m), following strong growth in the first quarter.

Financial planning income grew 30.2% to £16.4m (H1 2019: £12.6m) primarily due to the growth in *1762 from Brewin Dolphin* alongside the financial planning led acquisitions we made in the second half of FY 2019. Of the £3.8m increase, £1.9m was from recent acquisitions.

Advisory income is up £0.9m on H1 2019, driven predominantly by the acquisition of BDCIIL.

Other income consisting of interest, report writing income and rental (sublet) income is down £0.6m in the period. Interest income was lower at £0.6m in the first half (H1 2019: £1.9m), driven by a reduction in interest rates in Q2 2020 as well as the impact of our new client interest policy introduced in January 2019. Report writing income is generated by Mathieson Consulting acquired in H2 2019 and contributed £0.5m of other income. Rental (sublet) income contributed a further £0.2m as a result of the new IFRS 16 accounting standard.

The overall blended margin across our discretionary services increased to 77.9bps (FY 2019: 77.2bps). Total direct margin increased to 88.6bps (FY 2019: 86.6bps) driven mostly by higher commission income in the period. Intermediaries margin decreased to 69.9bps (FY 2019: 70.5bps) due to the tiering effects of the pricing structure.

The blended margin for MPS of 27.2bps, remained in line with FY 2019: 27.1bps.

## Costs

Total operating costs before adjusted items were 8.6% higher at £138.6m (H1 2019: £127.6m), predominantly driven by acquisitions, that completed in the second half of FY 2019 and first quarter of FY 2020, which added £6.4m.

Total fixed costs have increased by £9.5m to £110.5m (H1 2019: £101.0m) with incremental costs through acquisitions totalling £6.2m. Total fixed costs comprised of £70.2m of staff costs (H1 2019: £63.2m) and £40.3m of other operating costs before adjusted items (H1 2019: £37.8m). Of the £7.0m increase in staff costs, £3.9m reflects the impact of acquisitions which included circa 100 additional staff over the period. Excluding acquisitions, staff costs grew 4.9% as a result of annual salary inflation and headcount increases to support the Group's growth including the delivery of the planned infrastructure projects. The increase in other operating costs before adjusted items is almost entirely attributable to acquisitions with underlying costs flat compared to H1 2019.

Variable staff costs of £28.1m (H1 2019: £26.6m), predominantly in the form of discretionary profit share, is 5.6% higher and is largely due to acquisitions. Variable staff costs are provided for on an accrual basis and are based on the first half financial performance, the impact of higher numbers of eligible staff and the historical cost of share-based awards.

Adjusted items of £8.3m (H1 2019: £5.9m) include acquisition costs of £2.3m relating to BDCIIL. Amortisation of intangible client relationships of £5.3m, was £2.0m higher than H1 2019 following the recognition of client relationships from recent acquisitions.

## Capital expenditure

We have continued to make good progress on our strategic projects. Total capital expenditure in H1 2020 was £17.2m of which £2.5m was on our client management system and £9.9m on the custody and settlement system. The client management system is currently in the testing phase and will be delivered in the early summer, enabling us to increase capacity within our client teams. The custody and settlement system remains on track to complete in the second half of the calendar year, in-line with our expectations. Total capital expenditure on these two projects is expected to be approximately £25m for the full year. We expect to incur total capital expenditure for the full year of approximately £30m-£33m, of which the remainder is on property improvements and some smaller technology enhancement projects for client facing systems.

## Cost management

The impact of COVID-19 is being felt across the business. We are closely monitoring the impact on our operations and any change to client behaviours so we can adapt our business and operating models appropriately. We are values-led in our decision making whilst applying prudence and discipline to our cost base in the second half of the year. As a result of these decisions we expect operating cost savings to be between £6m-£8m mainly in the second half of the year. Areas of consideration include travel, marketing, slowdown of hiring, and delaying smaller technology/IT projects and office upgrades. Once we have further clarity on the impact of COVID-19 over the summer we would expect to consider further actions at this point.

## Net finance costs

Finance income of £0.6m was lower than H1 2019 of £0.9m due to lower interest rates. Finance costs were £1.3m (H1 2019: £0.05m) primarily due to the impact of the new IFRS 16 lease accounting standard.

## Tax

The Group's effective corporation tax rate is 23.9% (FY 2019: 23.1%) and is higher than the UK statutory tax rate of 19% (2019: 19%) as a result of increased disallowable expenses following the acquisition of BDCIIL.

## Cash and capital

The Group's financial position remains very strong with total net assets of £318.2m and cash balances at period end of £144.1m (H1 2019: £138.8m).

As at 31 March 2020 the Group had regulatory capital resources of £151.6m. 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 performing a range of stress tests to determine the appropriate level of regulatory capital that the Group needs to hold. Our capital resources represent 204% of the FCA requirement. This is substantially above our risk appetite of 150%.

## Dividend

As a profitable cash generative business, the Group has to consider the needs of all stakeholders including regulators, employees, shareholders and savers (including pensioners) who look to Brewin as a source of reliable income. The Group has an established full year dividend policy to grow dividends in line with adjusted earnings, with a target payout ratio of 60% to 80% of annual adjusted diluted earnings per share. As a cash generative business it is important to note that a payout ratio based policy is designed to address significant market movement without having to change our dividend policy.

Given our strong performance in the first half of 2020 and with an adjusted EPS of 9.5p, the Board has decided to maintain the interim dividend at 4.4p per share (2019 interim: 4.4p per share). Looking ahead to the final dividend, the Board will need to consider the 2020 full year performance and take into account market conditions in the second half of the year and the potential impact on income through 2021, so the dividend can grow into the future. The Board will continue to maintain its dividend policy in setting the final dividend including with regard to growing dividends in line with adjusted earnings, although it is likely that the Board will recommend a final dividend that may be towards the lower end of the target payout ratio. Therefore if market levels remain consistent with those we are currently experiencing and earnings are lower, the final dividend would reflect this. The interim dividend will be payable on 12 June 2020 to shareholders on the register at the close of business on 22 May 2020 with an ex-dividend date of 21 May 2020.

## Going concern

As stated in note 2 to the condensed consolidated set of interim 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 in light of Covid-19 pandemic and resulting economic uncertainty (see note 2ii for detail) and stressed events that the Group is required to assess show that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Directors continue to adopt a going concern basis for the preparation of the condensed consolidated interim financial statements. In forming their view, the Directors have considered the Group's prospects for a period exceeding twelve months from the date the condensed consolidated interim financial statements are approved.

## Principal risks and uncertainties

In light of recent events, with respect to COVID-19, we have reconsidered and assessed our principal risks and uncertainties. The principal risks and uncertainties that we had identified at the time of our report and accounts remain largely unchanged and are set out on pages 31 and 32 of the Annual Report and Accounts available on our website. However, there are specific areas where COVID-19 has had some significant impact on the risks in the business and these are set out below:

Areas	Risks	Mitigating actions
Operational resilience and overall control environment	<ul style="list-style-type: none"><li>– Inability to sustain significant period of working from home</li><li>– Increased level of sickness may result in key man dependency occurring</li><li>– Interim processes being introduced</li></ul>	<ul style="list-style-type: none"><li>– Continuous support provided with wellbeing measures and increased communication</li><li>– New controls and oversight added</li><li>– Monitoring of sickness levels via HR system</li></ul>
Conduct	<ul style="list-style-type: none"><li>– Increased market volatility results in greater scrutiny on investment decisions</li></ul>	<ul style="list-style-type: none"><li>– Increased governance and oversight and sample checking</li></ul>
Financial crime and fraud	<ul style="list-style-type: none"><li>– Heightened market abuse and fraud risks as individuals take advantage of the situation</li></ul>	<ul style="list-style-type: none"><li>– Increased awareness and training</li><li>– Changes to external website</li></ul>



		– Continued reviews by compliance
Change management	– Significant projects being delivered in lockdown	– Continuous project management and resource deployed

## Board changes

Paul Wilson resigned from the Board with effect from 9 October 2019. Phillip Monks joined the Board as an Independent Non-Executive Director on 10 February 2020. David Nicol, the Group's Chief Executive, will step down on 14 June 2020 and will be replaced by Robin Beer as Chief Executive on this date. David Nicol will remain with the Group for a transitional period until 29 July 2020.

## Outlook and updated guidance

The recent market weakness has created a high level of uncertainty as to the outlook for the remainder of the financial year. It is too early to ascertain the consequential impact this may have on our full year 2020 income and profitability. We continue to monitor the impact COVID-19 may have on our business, from client asset valuations declining due to falling markets and changes in fund flow. We have been able to adapt and respond to the current pandemic at pace led by an experienced and agile leadership team and are confident we can adapt our operating and cost model appropriately. We have identified mostly non-staff related cost savings of £6m-£8m, of which we can leverage during the second half of the financial year. We will have further clarity on the impact of COVID-19 over the summer, at which point we would expect to consider further actions to support us beyond FY 2020.

In periods of uncertainty we believe our advice-led services are required more than ever. We have a strong balance sheet with good cash generation, and a robust regulatory capital position, which will support us during these challenging market and social economic cycles. We have a strong brand and are able to offer a broad range of products and services to existing and potential clients. We have invested in our infrastructure which gives us the flexibility to adapt to changing environments at pace. We continue to be fully engaged with our clients, while supporting our employees and suppliers and are confident we can continue to deliver on our strategic objectives.

### David Nicol

Chief Executive

12 May 2020

## Condensed Consolidated Income Statement

for the six months ended 31 March 2020

	Note	Unaudited six months to 31 March 2020 £'000	Unaudited six months to 31 March 2019 £'000	Audited year to 30 September 2019 £'000
Revenue	4	174,968	160,432	336,301
Other operating income	4	806	1,881	2,808
<b>Income</b>		<b>175,774</b>	<b>162,313</b>	<b>339,109</b>
Staff costs		(98,290)	(89,882)	(184,896)
Amortisation of intangible assets - client relationships and brand	10	(5,388)	(3,299)	(6,858)
Defined benefit pension scheme past service costs	14	–	(1,909)	(1,909)
Acquisition costs	20	(2,334)	(539)	(2,337)
Onerous contracts		38	36	(996)
Incentivisation awards		(586)	(170)	(340)
Other operating costs		(40,284)	(37,768)	(80,812)
<b>Operating expenses</b>		<b>(146,844)</b>	<b>(133,531)</b>	<b>(278,148)</b>
<b>Operating profit</b>		<b>28,930</b>	<b>28,782</b>	<b>60,961</b>
Finance income	6	629	967	1,708
Other gains and losses		–	–	1
Finance costs	6	(1,314)	(50)	(146)
<b>Profit before tax</b>		<b>28,245</b>	<b>29,699</b>	<b>62,524</b>
Tax	7	(6,759)	(6,942)	(14,457)



<b>Profit for the period</b>		<b>21,486</b>	22,757	48,067
Attributable to:				
Equity holders of the parent		<b>21,486</b>	22,757	48,067
		<b>21,486</b>	22,757	48,067

#### Earnings per share

Basic	8	<b>7.3p</b>	8.3p	17.0p
Diluted	8	<b>7.1p</b>	8.1p	16.6p

## Condensed Consolidated Statement of Comprehensive Income

for the six months ended 31 March 2020

	Unaudited six months to 31 March 2020 £'000	Unaudited six months to 31 March 2019 £'000	Audited year to 30 September 2019 £'000
<b>Profit for the period</b>	<b>21,486</b>	22,757	48,067
<b>Items that will not be reclassified subsequently to profit and loss:</b>			
Actuarial gain/(loss) on defined benefit pension scheme	<b>5,023</b>	(213)	5,601
Deferred tax (charge)/credit on actuarial gain/(loss) on defined benefit pension scheme	<b>(1,302)</b>	28	(945)
Fair value (loss)/gain on investments in equity instruments designated as at fair value through other comprehensive income	<b>(2)</b>	—	1
Gain on disposal of investments in debt instruments designated as at fair value through other comprehensive income	—	—	200
Tax on gain on disposal of investments in debt instruments designated as at fair value through other comprehensive income	—	—	(38)
	<b>3,719</b>	(185)	4,819
<b>Items that may be reclassified subsequently to profit and loss:</b>			
Loss on cash flow hedge	—	—	(24)
Exchange differences on translation of foreign operations	<b>13</b>	(174)	(67)
	<b>13</b>	(174)	(91)
<b>Other comprehensive income/(expense) for the period net of tax</b>	<b>3,732</b>	(359)	4,728
<b>Total comprehensive income for the period</b>	<b>25,218</b>	22,398	52,795
Attributable to:			
Equity holders of the parent	<b>25,218</b>	22,398	52,795
	<b>25,218</b>	22,398	52,795

## Condensed Consolidated Balance Sheet

As at 31 March 2020

	Note	Unaudited as at 31 March 2020 £'000	Unaudited as at 31 March 2019 £'000	Unaudited as at 1 October 2019 <sup>1</sup> £'000	Audited as at 30 September 2019 £'000
<b>Assets</b>					
<b>Non-current assets</b>					
Intangible assets	10	<b>162,035</b>	88,038	117,246	117,246
Property, plant and equipment	11	<b>10,914</b>	9,837	10,442	10,659
Right of use assets	12	<b>40,883</b>	—	43,305	—
Finance lease receivables	13	<b>2,050</b>	—	1,181	—
Other receivables		<b>908</b>	—	688	—
Defined benefit pension scheme	14	<b>23,180</b>	10,782	17,373	17,373
Net deferred tax asset	7	<b>—</b>	2,710	—	—

<b>Total non-current assets</b>		<b>239,970</b>	111,367	190,235	145,278
<b>Current assets</b>					
Trade and other receivables		<b>269,923</b>	251,918	214,841	216,212
Finance lease receivables	13	<b>172</b>	–	118	–
Financial assets at fair value through other comprehensive income	15	<b>77</b>	670	79	79
Financial assets at fair value through profit or loss	15	<b>340</b>	354	373	373
Current tax asset		<b>470</b>	–	–	–
Cash and cash equivalents		<b>144,089</b>	138,809	229,199	229,199
<b>Total current assets</b>		<b>415,071</b>	391,751	444,610	445,863
<b>Total assets</b>		<b>655,041</b>	503,118	634,845	591,141
<b>Liabilities</b>					
Trade and other payables		<b>255,344</b>	227,065	217,882	220,921
Current tax liabilities		<b>–</b>	4,582	6,035	6,035
Lease liabilities	17	<b>7,567</b>	–	6,653	–
Provisions	16	<b>4,330</b>	3,311	3,829	4,350
<b>Total current liabilities</b>		<b>267,241</b>	234,958	234,399	231,306
<b>Net current assets</b>		<b>147,830</b>	156,793	210,211	214,557
<b>Non-current liabilities</b>					
Trade and other payables		<b>955</b>	976	832	832
Shares to be issued		<b>3,703</b>	–	3,668	3,668
Net deferred tax liability	7	<b>6,287</b>	–	1,376	2,699
Lease liabilities	17	<b>48,793</b>	–	51,131	–
Provisions	16	<b>9,826</b>	8,679	11,549	14,933
<b>Total non-current liabilities</b>		<b>69,564</b>	9,655	68,556	22,132
<b>Total liabilities</b>		<b>336,805</b>	244,613	302,955	253,438
<b>Net assets</b>		<b>318,236</b>	258,505	331,890	337,703
<b>Equity</b>					
Share capital	18	<b>3,032</b>	2,835	3,032	3,032
Share premium account	18	<b>58,337</b>	–	58,238	58,238
Own shares		<b>(25,943)</b>	(25,804)	(25,214)	(25,214)
Hedging reserve		<b>–</b>	–	(24)	(24)
Revaluation reserve		<b>1</b>	2	3	3
Merger reserve		<b>70,553</b>	70,553	70,553	70,553
Profit and loss account		<b>212,256</b>	210,919	225,302	231,115
<b>Equity attributable to equity holders of the parent</b>		<b>318,236</b>	258,505	331,890	337,703

1. Presented following the adoption of IFRS 16 'Leases' - see notes 3 and 22 for more detail.

## Condensed Consolidated Statement of Changes in Equity

for the six months ended 31 March 2020

	Attributable to the equity holders of the parent							
	Share capital £'000	Share premium account £'000	Own shares £'000	Hedging reserve £'000	Revaluation reserve £'000	Merger reserve £'000	Profit and loss account £'000	Total £'000
At 30 September 2018 (audited)	2,834	152,477	(26,060)	–	2	70,553	73,931	273,737
Profit for the period	–	–	–	–	–	–	22,757	22,757
Other comprehensive income for the period								
Deferred and current tax on other comprehensive income	–	–	–	–	–	–	28	28
Actuarial loss on defined benefit pension scheme	–	–	–	–	–	–	(213)	(213)
Exchange differences on translation of foreign operations	–	–	–	–	–	–	(174)	(174)
Total comprehensive income for the period	–	–	–	–	–	–	22,398	22,398
Dividends	–	–	–	–	–	–	(33,009)	(33,009)
Issue of share capital	1	38	–	–	–	–	–	39
Own shares acquired in the period	–	–	(8,803)	–	–	–	–	(8,803)
Own shares disposed of on exercise of options	–	–	9,059	–	–	–	(9,059)	–
Share-based payments	–	–	–	–	–	–	4,337	4,337
Share premium reduction	–	(152,515)	–	–	–	–	152,515	–

Tax on share-based payments	–	–	–	–	–	–	(194)	(194)
At 31 March 2019 (unaudited)	2,835	–	(25,804)	–	2	70,553	210,919	258,505
Profit for the period	–	–	–	–	–	–	25,310	25,310
Other comprehensive income for the period								
Deferred and current tax on other comprehensive income	–	–	–	–	–	–	(1,011)	(1,011)
Actuarial gain on defined benefit pension scheme	–	–	–	–	–	–	5,814	5,814
Fair value movement on investments in equity instruments designated as at fair value through other comprehensive income	–	–	–	–	1	–	–	1
Gain on disposal of investments in debt instruments designated as at fair value through other comprehensive income	–	–	–	–	–	–	200	200
Loss on cash flow hedge	–	–	–	(24)	–	–	–	(24)
Exchange differences on translation of foreign operations	–	–	–	–	–	–	107	107
Total comprehensive (expense)/income for the period	–	–	–	(24)	1	–	30,420	30,397
Dividends	–	–	–	–	–	–	(12,977)	(12,977)
Issue of share capital	1	57	–	–	–	–	–	58
Placing of shares	196	58,181	–	–	–	–	–	58,377
Own shares acquired in the period	–	–	(95)	–	–	–	–	(95)
Own shares disposed of on exercise of options	–	–	685	–	–	–	(685)	–
Share-based payments	–	–	–	–	–	–	3,432	3,432
Tax on share-based payments	–	–	–	–	–	–	6	6
At 30 September 2019 (audited)	3,032	58,238	(25,214)	(24)	3	70,553	231,115	337,703
Effect of change in accounting policy for initial application of IFRS 16 (see note 22)	–	–	–	–	–	–	(5,813)	(5,813)
At 1 October 2019 (unaudited)	3,032	58,238	(25,214)	(24)	3	70,553	225,302	331,890
Profit for the period	–	–	–	–	–	–	21,486	21,486
Other comprehensive income for the period								
Deferred and current tax on other comprehensive income	–	–	–	–	–	–	(1,302)	(1,302)
Actuarial gain on defined benefit pension scheme	–	–	–	–	–	–	5,023	5,023
Fair value movement on investments in equity instruments designated as at fair value through other comprehensive income	–	–	–	–	(2)	–	–	(2)
Exchange differences on translation of foreign operations	–	–	–	–	–	–	13	13
Total comprehensive (expense)/income for the period	–	–	–	–	(2)	–	25,220	25,218
Dividends	–	–	–	–	–	–	(35,401)	(35,401)
Issue of share capital	–	99	–	–	–	–	–	99
Own shares acquired in the period	–	–	(8,273)	–	–	–	–	(8,273)
Own shares disposed of on exercise of options	–	–	7,544	–	–	–	(7,544)	–
Share-based payments	–	–	–	–	–	–	4,755	4,755
Hedge reversal	–	–	–	24	–	–	–	24
Tax on share-based payments	–	–	–	–	–	–	(76)	(76)
<b>At 31 March 2020 (unaudited)</b>	<b>3,032</b>	<b>58,337</b>	<b>(25,943)</b>	<b>–</b>	<b>1</b>	<b>70,553</b>	<b>212,256</b>	<b>318,236</b>

1. A cumulative debit of £68k has been recognised in the profit and loss account reserve as at 31 March 2020 for exchange differences on translation of foreign operations (30 September 2019: £81k debit, 31 March 2019 £188k debit/credit and 30 September 2018: £14k debit).

## Condensed Consolidated Cash Flow Statement

for the six months ended 31 March 2020

	Note	Unaudited six months to 31 March 2020 £'000	Unaudited six months to 31 March 2019 £'000	Audited year to 30 September 2019 £'000
<b>Net cash inflow from operating activities</b>	19	<b>9,000</b>	1,985	66,647
<b>Cash flows from investing activities</b>				
Purchase of intangible assets - client relationships		–	–	(10,011)
Purchase of intangible assets - software		(12,101)	(2,576)	(10,064)
Purchases of property, plant and equipment		(1,984)	(2,963)	(5,249)
Acquisition of subsidiaries		(32,029)	(1,944)	(2,680)
Proceeds on disposal of investments designated as at fair value through other comprehensive income		–	6	799
<b>Net cash used in investing activities</b>		<b>(46,114)</b>	(7,477)	(27,205)

### Cash flows from financing activities

Dividends paid to equity shareholders	9	(35,401)	(33,009)	(45,986)
Interest paid on lease liabilities	6	(1,148)	–	–
Purchase of own shares		(8,273)	(8,803)	(8,898)
Cash flow hedge		–	–	(24)
Repayments for the principal portion of lease liabilities		(3,339)	–	–
Cash payments from lessees		65	–	–
Proceeds on issue of shares		99	39	58,474
Net cash (used in)/from financing activities		(47,997)	(41,773)	3,566
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(85,111)</b>	<b>(47,265)</b>	<b>43,008</b>
Cash and cash equivalents at the start of period		229,199	186,222	186,222
Effect of foreign exchange rates		1	(148)	(31)
<b>Cash and cash equivalents at the end of period</b>		<b>144,089</b>	<b>138,809</b>	<b>229,199</b>

## Notes to the Condensed Consolidated Set of Financial Statements

### 1. General information

Brewin Dolphin Holdings PLC (the 'Company') is a public limited company incorporated in the United Kingdom. The shares of the Company are listed on the London Stock Exchange. The address of its registered office is 12 Smithfield Street, London, EC1A 9BD. This Interim Financial Report of Brewin Dolphin Holdings PLC and its subsidiaries (collectively, the Group) was approved for issue by its directors on 12 May 2020.

A copy of this Interim Financial Report including the Condensed Consolidated Financial Statements for the period ended 31 March 2020 is available at the Company's registered office and on the Company's investor relations website ([www.brewin.co.uk](http://www.brewin.co.uk)).

The comparative information for the period ended 30 September 2019 does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. A copy of the statutory accounts for that period has been delivered to the Registrar of Companies. The auditor reported on those accounts: their report was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

### 2. Basis of preparation

The condensed consolidated set of financial statements included in this Interim Financial Report has been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting' ('IAS 34'), as adopted by the European Union and the Interim Financial Report has been prepared in accordance with the Disclosure and Transparency Rules ('DTR') of the Financial Conduct Authority.

The condensed consolidated set of financial statements included in this Interim Financial Report for the six months ended 31 March 2020 should be read in conjunction with the annual audited financial statements of Brewin Dolphin Holdings PLC for the year ended 30 September 2019.

The annual financial statements of Brewin Dolphin Holdings PLC are prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union.

#### (i) Going concern

The Directors are satisfied that the Group has sufficient resources to continue in operation for the foreseeable future, a period of not less than 12 months from the date of this report. Accordingly, they continue to adopt the going concern basis in preparing the condensed consolidated financial statements.

To form the view that the condensed consolidated financial statements should continue to be prepared on an ongoing basis in light of the current COVID-19 pandemic and the resulting economic uncertainty, the Directors have assessed the outlook of the Group by considering:

- the Group's Medium Term Plan ('MTP') updated for the expected impact of the COVID-19 pandemic, various market scenarios and management actions; and
- the reperformance of the range of stress tests including reverse stress tests that are used as part of the Internal Capital Adequacy Assessment Process ('ICAAP') to assess the Group's ability to withstand a market-wide stress.

The stress tests enable the modelling of the impact of a variety of external and internal events on the MTP; identify the potential impact of stress events on the Group's income, costs, cash flow and capital; and enable the Directors to assess management's ability to implement effective management actions that may be taken to mitigate the impact of the stress events. The reverse stress tests have considered severe scenarios and actions and allow the Directors to assess scenarios and circumstances that would render the Group's business model unviable.

## (ii) Impairment considerations

At each balance sheet date, the Group reviews the carrying amounts of its 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).

The impairment review considered the COVID-19 pandemic as a potential indicator of impairment and consequently an extensive exercise was undertaken to determine the recoverable amount for all material assets to assess for impairment losses. The higher of the fair value less costs of disposal ('FVLCTD') and the value in use ('VIU') calculations was determined to be the recoverable amount; this was compared to the carrying amount of the assets.

The estimated FVLCTD for assets were based on a percentage of funds, where appropriate. The percentages applied are inherently judgemental and were adjusted to reflect the downturn. The VIU calculations which are subject to estimation uncertainty, included a protracted period (18 months) of economic downturn and market falls to determine likely revenue to be generated from the assets.

As a result of these reviews, none of the assets held by the Group were impaired – see note 10 for further details

## 2. Basis of preparation continued

### (iii) Significant accounting policies and use of estimates and judgements

The same accounting policies, presentation and methods of computation are followed in the condensed consolidated set of financial statements as applied in the Group's latest annual audited financial statements for the year ended 30 September 2019, except for the adoption of new and amended standards as set out in 2 iv below.

The preparation of interim condensed consolidated financial statements in compliance with IAS 34 requires the use of certain critical accounting judgements and key sources of estimation uncertainty. It also requires the exercise of judgement in applying the Group's accounting policies. There have been no material revisions to the nature and the assumptions used in estimating amounts reported in the annual audited financial statements of Brewin Dolphin Holdings PLC for the year ended 30 September 2019. However, for the six months to 31 March 2020, the following additional critical accounting judgements and key sources of estimation uncertainty have been identified:

#### a. Critical accounting judgement

##### *Leases - determining the lease term*

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

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

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

As at 31 March 2020, it has been assumed that all leases will be until the end of the lease term for the Group.

#### b. Key source of estimation uncertainty

##### *Acquisitions*

As part of any business combination the Group recognises all assets acquired and liabilities assumed at their acquisition date fair values, including any separately identifiable intangible assets such as the client relationship intangibles recognised as part of the BDCIIL acquisition (as set out in note 20).

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

The valuation gives rise to estimation uncertainty. Certain assumptions regarding the amount, timing and discounting of future cash flows have been adopted in order to determine these fair values. The Group has recognised £32.1m of separately identifiable client relationship intangible assets and goodwill of £2.0m; see notes 10 and 20 for further information.

The table below sets out the approximate impact on the value recognised for both goodwill and client relationships intangibles of an increase or decrease of 10% in the:

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

Goodwill £'000	Client relationships £'000
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Expected cashflows:

10% increase	(1,330)	1,521
10% decrease	1,330	(1,521)
Discount rate:		
10% increase	2,439	(2,787)
10% decrease	(2,977)	3,402

#### ***Leases - determination of the appropriate rate to discount the lease payments***

The Group uses its incremental borrowing rate as the discount rate for determining its lease liabilities at the lease commencement date. The calculation of the incremental borrowing rate involves estimation and has been obtained from the Group's bank to determine the rate on a lease-by-lease basis that the Group would have to pay to borrow money to purchase the type of assets being leased. Rates applied are dependent on the entity leasing the asset, the following factors have been considered:

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

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

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

#### ***Impairment of goodwill, client relationships and brand***

Impairment exists when the carrying value of an asset or cash-generating unit ('CGU') exceeds its recoverable amount. The recoverable amount is the higher of its fair value less costs of disposal ('FVLCTD') and its value in use ('VIU').

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

Further, recognising the challenge of estimating a reliable FVLCTD in the current uncertain economic environment, the Group has also prepared VIU calculations, as set out in notes 2ii and note 10.

For the VIU calculations, the recoverable amount is sensitive to assumptions applied to future cash flows and the discount rate (the Group's estimated weighted average cost of capital).

A sensitivity analysis is disclosed in note 10. Note 3.r to the 2019 Group Annual Report and Accounts explains the accounting policy with respect to the impairment of intangible assets.

#### **(iv) New standards, interpretations and amendments adopted during the current period**

During this reporting period, IFRS 16 'Leases', a new standard has been applied for the first time, it replaces IAS 17. The Group adopted IFRS 16 'Leases' with effect from 1 October 2019 and elected to apply the standard under the modified retrospective approach with the cumulative effect of initial application being recognised at 1 October 2019; comparative information has therefore not been restated.

Further information and changes to significant accounting policies as a result of the application of the standard for the first time is described below in note 3.

### **3. Changes in Significant Accounting Policies**

The Group has consistently applied the accounting policies to all periods presented in these condensed consolidated interim financial statements as those applied in the Group's consolidated financial statements for the year ended 30 September 2019, except for the changes described below:

#### **IFRS 16 'Leases'**

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

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

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

## Transition

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

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

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

## Impact

The details of the significant changes are set out below. The Group is primarily a lessee of property leases and is also a sub-lessor for a small number of property leases that have been identified as onerous. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

The adoption of IFRS 16 has had a material impact on the Group's Condensed Consolidated Balance Sheet, in which the Group recognised right of use assets of £43.3m, lease liabilities of £57.8m, finance lease receivables of £1.3m, and a negative impact on the Group's equity of £5.1m net of deferred tax assets, onerous provisions and trade payables and receivables adjustments at 1 October 2019 on transition.

Details of the quantitative impact of IFRS 16 are provided in note 22.

### (i) Classification and measurement as a lessee

#### *Right of use assets*

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

The depreciation charge is recognised in the Income Statement.

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

#### *Lease liabilities*

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

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

#### *Short term leases and lease of low value assets*

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

### (ii) Classification and measurement as an intermediate lessor

#### *Subleases*

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

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



#### *Finance lease receivable*

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

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

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

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

#### *Operating subleases*

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

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

#### **(iii) Accounting policy**

The accounting policies impacted by the adoption of the new standard are the other operating income accounting policy (note 3k) and leases accounting policy (note 3l) as set out in the Group's 2019 Annual Report and Accounts. The revised accounting policies are set out in note 23.

## **4. Income**

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

	Unaudited six months to 31 March 2020 £'000	Unaudited six months to 31 March 2019 £'000	Audited year to 30 September 2019 £'000
Discretionary investment management fee income	115,790	112,155	231,711
Discretionary investment management commission income	33,689	28,442	62,569
Financial planning income	16,413	12,637	27,546
Execution only fee income	2,226	2,196	4,105
Execution only commission income <sup>1</sup>	3,479	3,112	6,185
Advisory investment management fee income	1,610	1,122	2,093
Advisory investment management commission income <sup>1</sup>	576	209	378
BPS <sup>2</sup> investment management fee income	664	559	1,186
Expert witness report service <sup>1</sup>	521	—	528
Revenue	174,968	160,432	336,301
Other operating income	806	1,881	2,808
<b>Income</b>	<b>175,774</b>	<b>162,313</b>	<b>339,109</b>

1. Services transferred at a point in time.

2. Brewin Portfolio Service.

	Unaudited six months to 31 March 2020 £'000	Unaudited six months to 31 March 2019 £'000	Audited year to 30 September 2019 £'000
Services transferred at a point in time	4,576	3,321	7,091
Services transferred over time	170,392	157,111	329,210
<b>Revenue</b>	<b>174,968</b>	<b>160,432</b>	<b>336,301</b>

#### **Contract balances**

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

#### **Contract liabilities**

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

#### **Unsatisfied performance obligations**

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

## 5. Segmental information

For management reporting purposes the Group currently has a single operating segment: the Wealth Management business. This forms the reportable segment of the Group for the period. Please refer to the Condensed Consolidated Income Statement and the Condensed Consolidated Balance Sheet, for numerical information. The accounting policies of the operating segment are the same as those of the Group.

The Group's operations are carried out in the United Kingdom, Channel Islands and the Republic of Ireland. All segmental income related to external clients.

Following the acquisition of BDCIIL on 31 October 2019 (see note 20 for further details), the existing Irish business of the Group expanded substantially and as a result the Irish business as a proportion of the Group is now larger, consequently geographical disclosures are set out below.

For the period ended 31 March 2020

	UK business £'000	Irish business £'000	Group £'000
<b>Segmental income statement</b>			
Revenue	164,618	11,156	175,774
Staff costs	(93,327)	(4,963)	(98,290)
Other operating costs	(42,005)	(6,549)	(48,554)
Finance income and costs	(652)	(33)	(685)
Profit before tax	28,634	(389)	28,245
Tax	(6,795)	36	(6,759)
Profit after tax	21,839	(353)	21,486
<b>Segmental balance sheet</b>			
Total assets	586,734	68,307	655,041
Total liabilities	319,902	16,903	336,805

## 6. Finance income and finance costs

	Unaudited six months to 31 March 2020 £'000	Unaudited six months to 31 March 2019 £'000	Audited year to 30 September 2019 £'000
<b>Finance income</b>			
Interest income on defined benefit pension scheme	159	142	294
Interest on lease receivables	43	—	—
Interest on bank deposits	427	825	1,414
	629	967	1,708
<b>Finance costs</b>			
Unwind of discounts on provisions (see note 16)	110	48	130
Unwind of discounts on shares to be issued	35	—	10
Interest expense on lease liabilities <sup>1</sup>	1,148	—	—
Interest on bank overdrafts	21	2	6
	1,314	50	146

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

## 7. Taxation

The Group calculates the period income tax expense using the tax rate that would be applicable to the expected total annual earnings.

	Unaudited six months to 31 March 2020 £'000	Unaudited six months to 31 March 2019 £'000	Audited year to 30 September 2019 £'000
Current tax			
United Kingdom:			
Charge for the period	5,424	5,979	13,133

Adjustments in respect of prior periods	–	–	(151)
Overseas:			
Charge for the period	108	121	275
Adjustments in respect of prior periods	–	–	1
Total current tax	5,532	6,100	13,258
Deferred tax			
United Kingdom:			
Charge for the period	1,344	850	1,279
Adjustments in respect of prior periods	–	(8)	(80)
Overseas:			
Charge for the year	(117)	–	–
Adjustments in respect of prior years	–	–	–
Total deferred tax	1,227	842	1,199
Tax charged to the Income Statement	6,759	6,942	14,457

### Net deferred tax liability

	Capital allowances £'000	Revaluation £'000	Other short-term timing differences £'000	Defined pension benefit scheme £'000	Share-based payments £'000	Incentivisation awards £'000	Intangible asset amortisation £'000	Total £'000
At 30 September 2018 (audited)	1,268	(1)	927	(1,939)	4,616	95	(825)	4,141
(Charge)/credit in the period to the Income Statement	(95)	–	(31)	78	(780)	31	(45)	(842)
Credit in the period to the Statement of Comprehensive Income	–	–	–	28	–	–	–	28
Charge in the period to the Statement of Changes in Equity	–	–	–	–	(617)	–	–	(617)
At 31 March 2019 (unaudited)	1,173	(1)	896	(1,833)	3,219	126	(870)	2,710
Additions	–	–	–	–	–	–	(4,096)	(4,096)
(Charge)/credit in the period to the Income Statement	(209)	–	(68)	(147)	467	(95)	(305)	(357)
Charge in the period to the Statement of Comprehensive Income	–	–	–	(973)	–	–	–	(973)
Credit in the period to the Statement of Changes in Equity	–	–	–	–	17	–	–	17
At 30 September 2019 (audited)	964	(1)	828	(2,953)	3,703	31	(5,271)	(2,699)
Effect of change in accounting policy for initial application of IFRS 16 (see note 22)	–	–	1,323	–	–	–	–	1,323
At 1 October 2019 (unaudited)	964	(1)	2,151	(2,953)	3,703	31	(5,271)	(1,376)
Acquired on acquisition of subsidiary	–	–	1,930	–	–	–	–	1,930
Addition	–	–	–	–	–	–	(4,008)	(4,008)
Exchange rate movement	–	–	51	–	–	–	(106)	(55)
Credit/(charge) in the period to the Income Statement	776	–	39	(149)	(614)	42	(1,321)	(1,227)
Charge in the period to the Statement of Comprehensive Income	–	–	–	(1,302)	–	–	–	(1,302)
Charge in the period to the Statement of Changes in Equity	–	–	–	–	(249)	–	–	(249)
At 31 March 2020 (unaudited)	1,740	(1)	4,171	(4,404)	2,840	73	(10,706)	(6,287)

## 8. Earnings per share

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

	Unaudited six months to 31 March 2020 '000	Unaudited six months to 31 March 2019 '000	Audited year to 30 September 2019 '000
<b>Number of shares</b>			
<b>Basic</b>			
Weighted average number of shares in issue in the period	<b>294,895</b>	274,868	282,718
<b>Diluted</b>			
Effect of weighted average number of options outstanding for the period	<b>6,199</b>	6,323	6,630
Diluted weighted average number of options and shares for the period	<b>301,094</b>	281,191	289,348
<b>Adjusted<sup>1</sup> diluted</b>			
Effect of full dilution of employee share options which are contingently issuable or have future attributable service costs	<b>4,950</b>	3,924	3,344
Effect of estimated weighted average number of shares to be earned under contingent consideration arrangements	–	–	–
Adjusted <sup>1</sup> diluted weighted average number of options and shares for the period	<b>306,044</b>	285,115	292,692

	£'000	£'000	£'000
<b>Earnings attributable to ordinary shareholders</b>			
Profit for the purpose of diluted earnings per share	<b>21,486</b>	22,757	48,067
Finance costs of deferred consideration <sup>2</sup>	<b>35</b>	–	10
less tax	<b>(6)</b>	–	(2)
Profit for the purpose of basic earnings per share	<b>21,515</b>	22,757	48,075
Onerous contracts costs	<b>(38)</b>	(36)	996
Amortisation of intangible assets - client relationships and brand	<b>5,388</b>	3,299	6,858
Defined benefit pension scheme past service costs	–	1,909	1,909
Acquisition costs	<b>2,334</b>	539	2,337
Incentivisation awards	<b>586</b>	170	340
Other gains and losses	–	–	(1)
less tax effect of above	<b>(595)</b>	(494)	(510)
Adjusted basic and diluted profit for the period and attributable earnings	<b>29,190</b>	28,144	60,004
Finance costs of deferred consideration <sup>2</sup>	<b>(35)</b>	–	(10)
less tax	<b>7</b>	–	2
Adjusted profit for the purpose of diluted earnings per share	<b>29,162</b>	28,144	59,996
<b>Earnings per share</b>			
Basic	<b>7.3p</b>	8.3p	17.0p
Diluted	<b>7.1p</b>	8.1p	16.6p
<b>Adjusted<sup>3</sup> earnings per share</b>			
Basic	<b>9.9p</b>	10.2p	21.2p
Adjusted <sup>1</sup> diluted	<b>9.5p</b>	9.9p	20.5p

1. The dilutive shares used for this measure differ from that used for statutory dilutive earnings per share; the future value of service costs attributable to employee share options is ignored and contingently issuable shares for Long-term Incentive Plan ('LTIP') options are assumed to fully vest. The Directors have selected this measure as it represents the underlying effective dilution by offsetting the impact to the calculation of basic shares of the purchase of shares by the Employee Share Ownership Trust ('ESOT') to satisfy options.
2. Finance costs of deferred or contingent consideration are added back where the issues of shares is more dilutive than the interest cost saved.
3. Excluding onerous contracts costs, amortisation of client relationships and brand, acquisition costs, incentivisation awards, defined benefit pension scheme past service costs and other gains and losses.

## 9. Dividends

	Unaudited six months to 31 March 2020 £'000	Unaudited six months to 31 March 2019 £'000	Audited year to 30 September 2019 £'000
Amounts recognised as distributions to equity shareholders in the period:			
2019/18 Final dividend paid 12 February 2020, 12.0p per share (2019: 12.0p per share)	<b>35,401</b>	33,009	33,009
Interim dividend paid 14 June 2019, 4.4p per share	–	–	12,977
	<b>35,401</b>	33,009	45,986

An interim dividend of 4.4p per share was declared by the Board on 12 May 2020 and has not been included as a liability as at 31 March 2020. This interim dividend will be paid on 12 June 2020 to shareholders on the register at the close of business on 22 May 2020 with an ex-dividend date of 21 May 2020.

## 10. Intangible assets

	Goodwill £'000	Client relationships £'000	Brand £'000	Software £'000	Total £'000
<b>Cost</b>					
At 30 September 2018 (audited)	48,637	133,941	–	19,193	201,771
Additions	–	3,912	–	2,576	6,488
Exchange differences	–	(6)	–	–	(6)
At 31 March 2019 (unaudited)	48,637	137,847	–	21,769	208,253
Additions	4,096	18,804	1,388	8,714	33,002
Exchange differences	–	5	–	–	5
At 30 September 2019 (audited)	52,733	156,656	1,388	30,483	241,260
Additions	<b>2,064</b>	<b>32,067</b>	<b>–</b>	<b>15,226</b>	<b>49,357</b>
Exchange differences	<b>54</b>	<b>846</b>	<b>–</b>	<b>–</b>	<b>900</b>
<b>At 31 March 2020 (unaudited)</b>	<b>54,851</b>	<b>189,569</b>	<b>1,388</b>	<b>45,709</b>	<b>291,517</b>
<b>Accumulated amortisation and impairment</b>					
At 30 September 2018 (audited)	–	99,378	–	16,674	116,052
Amortisation charge for the period	–	3,299	–	869	4,168
Exchange differences	–	(5)	–	–	(5)
At 31 March 2019 (unaudited)	–	102,672	–	17,543	120,215
Amortisation charge for the period	–	3,490	69	236	3,795
Exchange differences	–	4	–	–	4
At 30 September 2019 (audited)	–	106,166	69	17,779	124,014
Amortisation charge for the period	–	<b>5,319</b>	<b>69</b>	<b>38</b>	<b>5,426</b>
Exchange differences	–	<b>42</b>	<b>–</b>	<b>–</b>	<b>42</b>
<b>At 31 March 2020 (unaudited)</b>	<b>–</b>	<b>111,527</b>	<b>138</b>	<b>17,817</b>	<b>129,482</b>
<b>Net book value</b>					
<b>At 31 March 2020 (unaudited)</b>	<b>54,851</b>	<b>78,042</b>	<b>1,250</b>	<b>27,892</b>	<b>162,035</b>
At 30 September 2019 (audited)	52,733	50,490	1,319	12,704	117,246
At 31 March 2019 (unaudited)	48,637	35,175	–	4,226	88,038

### Goodwill impairment testing

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

	Groups of CGUs No.	Goodwill £'000
Carrying amount at 31 March 2020 (unaudited)		
Midland Branch 1	1	5,149
Midland Branch 2	1	5,284
Northern Branch 1	1	6,432
South East Branch 1	1	12,800
BD Ireland	1	2,118
Other Branches	17	23,068
	<b>22</b>	<b>54,851</b>

	Intangible assets - client relationships £'000
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Carrying amount at 31 March 2020 (unaudited)	
Brewin Dolphin Wealth Management Limited <sup>1</sup>	10,221
South East investment management team <sup>2</sup>	14,981
Bath branch <sup>3</sup>	17,588
Brewin Dolphin Capital and Investments (Ireland) Limited <sup>4</sup>	31,542
Other investment management teams <sup>5</sup>	3,710
	<b>78,042</b>

1. Amortisation period remaining 6 years 4 months.

2. Amortisation period remaining 4 years 1 months.

3. Amortisation period remaining 9 years 4 months.

4. Amortisation period remaining 9 years 7 months.

5. None of the constituent parts of the goodwill or client relationships relating to the other investment management teams is individually significant in comparison to the total value of goodwill or client relationships respectively.

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

The impairment review considered the COVID-19 pandemic as a potential indicator of impairment, consequently, the Group carried out an exercise as set out in Note 2 ii. The key sources of estimation uncertainty in relation to the impairment of goodwill, client relationships and brand are set out in Note 2 b.

The Group identifies groups of CGUs for goodwill impairment testing purposes at the branch level and at the individual asset level for client relationships impairment testing purposes.

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

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

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

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

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

– *Forecast cash flows and growth rates*

Estimated future cash flows were based on an initial protracted period (18 months) of economic downturn and market falls to determine likely revenue to be generated from the assets. After the protracted period, a growth rate was applied depending on the nature of the CGU. The estimated cash outflows allowed for inflation.

– *Terminal Value*

A terminal value calculation was used to estimate the cash flows after year five using a long-term growth rate of the UK economy.

– *Discount rates*

An adjusted discount rate of between 8% and 10% was applied to each CGU's cash flows, this compares to an estimated weighted average cost of capital (WACC) for the Group of circa 7%.

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

*Sensitivity analysis of the key assumptions*

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

The value in use for the Bath CGU would have to decrease by £21.3m, for its recoverable amount to be equal to the carrying amount.

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

As at 31 March 2020

Change in assumption	Decrease in the value in use of CGU £m
Decrease in forecast operating cash inflows by a further 10%	7.5
Increase in discount rate by 1 percentage point	6.2





## 11. Property, plant and equipment

	Leasehold improvements £'000	Office equipment £'000	Computer equipment £'000	Total £'000
<b>Cost</b>				
At 30 September 2018 (audited)	15,287	11,905	34,939	62,131
Additions	2,506	157	372	3,035
Exchange differences	(13)	(16)	–	(29)
Disposals	(23)	–	–	(23)
At 31 March 2019 (unaudited)	17,757	12,046	35,311	65,114
Additions	1,480	168	694	2,342
Exchange differences	10	13	–	23
At 30 September 2019 (audited)	19,247	12,227	36,005	67,479
Effect of change in accounting policy for initial application of IFRS 16 (see note 22)	(992)	–	–	(992)
At 1 October 2019 (unaudited)	18,255	12,227	36,005	66,487
Additions	<b>931</b>	<b>439</b>	<b>614</b>	<b>1,984</b>
Exchange differences	–	–	–	–
Disposals	<b>(78)</b>	–	–	<b>(78)</b>
<b>At 31 March 2020 (unaudited)</b>	<b>19,108</b>	<b>12,666</b>	<b>36,619</b>	<b>68,393</b>
<b>Accumulated depreciation and impairment</b>				
At 30 September 2018 (audited)	11,401	11,395	31,225	54,021
Charge for the period	496	116	671	1,283
Exchange differences	–	(4)	–	(4)
Eliminated on disposal	(23)	–	–	(23)
At 31 March 2019 (unaudited)	11,874	11,507	31,896	55,277
Charge for the period	668	115	757	1,540
Exchange differences	–	3	–	3
At 30 September 2019 (audited)	12,542	11,625	32,653	56,820
Effect of change in accounting policy for initial application of IFRS 16 (see note 22)	(775)	–	–	(775)
At 1 October 2019 (unaudited)	11,767	11,625	32,653	56,045
Charge for the period	<b>585</b>	<b>122</b>	<b>805</b>	<b>1,512</b>
Exchange differences	–	–	–	–
Eliminated on disposal	<b>(78)</b>	–	–	<b>(78)</b>
<b>At 31 March 2020 (unaudited)</b>	<b>12,274</b>	<b>11,747</b>	<b>33,458</b>	<b>57,479</b>
<b>Net book value</b>				
<b>At 31 March 2020 (unaudited)</b>	<b>6,834</b>	<b>919</b>	<b>3,161</b>	<b>10,914</b>
At 1 October 2019 (unaudited)	6,488	602	3,352	10,442
At 30 September 2019 (audited)	6,705	602	3,352	10,659
At 31 March 2019 (unaudited)	5,883	539	3,415	9,837

## 12. Right of use assets

	Unaudited as at 31 March 2020 £'000
<b>Cost</b>	
At 1 October 2019 (unaudited)	43,305
Additions	1,600
Transfer to finance lease receivable	(945)

<b>At 31 March 2020 (unaudited)</b>	<b>43,960</b>
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<b>Accumulated depreciation and impairment losses</b>	
At 1 October 2019 (unaudited)	–
Charge for the year	3,077
<b>At 31 March 2020 (unaudited)</b>	<b>3,077</b>

<b>Net book value</b>	
<b>At 31 March 2020 (unaudited)</b>	<b>40,883</b>
At 1 October 2019 (unaudited)	43,305

### 13. Finance lease receivables

	Unaudited as at 31 March 2020 £'000
Current	172
Non-current	2,050
Net investment in the finance lease	2,222
	Unaudited as at 31 March 2020 £'000
6 months to 30 September 2020	130
12 months to 30 September 2021	259
12 months to 30 September 2022	259
12 months to 30 September 2023	259
12 months to 30 September 2024	259
From 1 October 2024 onwards	1,658
Total undiscounted lease payments receivable	2,824
Unearned finance income	(602)
Net investment in the finance lease	2,222

### 14. Defined benefit pension scheme

The main financial assumptions used in calculating the Group's defined benefit pension scheme are as follows:

	Unaudited six months to 31 March 2020	Unaudited six months to 31 March 2019	Audited year to 30 September 2019
Discount rate	2.30%	2.40%	1.80%
RPI Inflation assumption	2.70%	3.30%	3.10%
CPI Inflation assumption	2.00%	2.30%	2.10%
Rate of increase in salaries	2.70%	3.30%	3.10%
LPI Pension increases	2.70%	3.20%	3.00%
Average assumed life expectancies for members on retirement at age 65.			
Retiring today			
Males	86.9 years	88.0 years	86.9 years
Females	89.2 years	89.0 years	89.2 years
Retiring in 20 years' time			
Males	88.2 years	89.3 years	88.3 years
Females	90.7 years	90.5 years	90.7 years

The latest full actuarial funding valuation was carried out as at 31 December 2017. The value of the defined benefit pension scheme as at 31 March 2020 was estimated in accordance with International Accounting Standard 19 by a qualified independent actuary.

For further details see note 17 to the 2019 Group Annual Report and Accounts, this includes the main risks to which the Group is exposed in relation to the pension scheme.

The assets in the Scheme were:

	Unaudited six months to 31 March 2020 £'000	Unaudited six months to 31 March 2019 £'000	Audited year to 30 September 2019 £'000
Equities and property (quoted)	13,509	34,134	36,189
Fixed interest bonds (quoted)	37,828	32,335	30,978
Index linked bonds (quoted)	47,073	24,821	29,505
Liability hedging (quoted)	5,804	3,451	7,188
Currency hedging (quoted)	(407)	79	(100)
Alternatives (quoted)	7,312	13,759	13,007
Cash and cash equivalents	4,753	4,751	8,468
Fair value of scheme assets	115,872	113,330	125,235

Net asset recognised on the Balance Sheet:

	Unaudited six months to 31 March 2020 £'000	Unaudited six months to 31 March 2019 £'000	Audited year to 30 September 2019 £'000
Present value of funded obligations	(92,692)	(102,548)	(107,862)
Fair value of scheme assets	115,872	113,330	125,235
Surplus in funded scheme and net asset on the Balance Sheet	23,180	10,782	17,373

Reconciliation of opening and closing balances of the present value of the defined benefit obligation:

	Unaudited six months to 31 March 2020 £'000	Unaudited six months to 31 March 2019 £'000	Audited year to 30 September 2019 £'000
Benefit obligation at beginning of the period	107,862	95,470	95,470
Past service cost <sup>1</sup>	–	1,909	1,909
Interest cost	958	1,342	2,673
Contributions by scheme participants	–	–	–
Net remeasurement gains - demographic	(350)	(1,962)	(4,916)
Net remeasurement (gains)/losses - financial	(13,449)	7,356	16,834
Net remeasurement (gains)/losses - experience	(495)	119	(242)
Benefits paid	(1,834)	(1,686)	(3,866)
Benefit obligation at end of the period	92,692	102,548	107,862

1. The past service cost relates to the equalisation of the Guaranteed Minimum Pensions ("GMP").

Reconciliation of opening and closing balances of the fair value of plan assets:

	Unaudited six months to 31 March 2020 £'000	Unaudited six months to 31 March 2019 £'000	Audited year to 30 September 2019 £'000
Fair value of plan assets at beginning of the period	125,235	106,878	106,878
Interest income on scheme assets	1,117	1,484	2,967
Return on assets, excluding interest income	(9,271)	5,300	17,277
Contributions by employers	625	1,354	1,979
Contributions by scheme participants	–	–	–
Benefits paid	(1,834)	(1,686)	(3,866)
Fair value of scheme assets at end of the period	115,872	113,330	125,235

The amounts recognised in the Income Statement are:

	Unaudited six months to 31 March	Unaudited six months to 31 March	Audited year to 30 September

	2020 £'000	2019 £'000	2019 £'000
Past service cost	–	(1,909)	(1,909)
Net interest income on the net defined benefit asset	159	142	294
Settlements and curtailments	–	–	–
Total income/(expense)	159	(1,767)	(1,615)

Remeasurements of the net defined benefit asset included in Other Comprehensive Income ('OCI'):

	Unaudited six months to 31 March 2020 £'000	Unaudited six months to 31 March 2019 £'000	Audited year to 30 September 2019 £'000
Net remeasurement - demographic	350	1,962	4,916
Net remeasurement - financial	13,449	(7,356)	(16,834)
Net remeasurement - experience	495	(119)	242
Return on assets, excluding interest income	(9,271)	5,300	17,277
Total remeasurement of the net defined benefit asset included in OCI	5,023	(213)	5,601

*Significant change over the current reporting period*

The Scheme recently de-risked its investment strategy upon meeting a secondary funding level target. The investment strategy reflects the Scheme's liability profile and the Trustees' and Group's attitude to risk.

The Scheme's investment strategy has moved from being to invest broadly 60% in higher return seeking assets - "assets on risk" (e.g. equities, high yielding bonds etc.) and 40% in matching assets (e.g. fixed interest gilts and index-linked gilts) to 30% and 60% respectively, with a 10% allocation to a cash flow generating corporate bond fund from 28 November 2019.

The objective is now to target an investment return of 1.0% 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 continues to have a liability matching overlay to mirror the majority of the movement in the matching portfolio, to reduce financial risks to the Scheme and the risks of additional contribution requirement for the Group. The longer term objective is to continue to hedge around 100% of both the interest rate risk and inflation risk of the liabilities to further reduce funding level volatility.

*Sensitivity*

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 Scheme liabilities and assets are set out below. The duration of the pension scheme liabilities is in the region of 18 years.

**Scheme liabilities**

Assumption	Change in assumption	Impact on scheme liabilities
Discount rate	Decrease by 0.25%	Increase by £4.3m
Rate of inflation (RPI, CPI, inflation linked pension increases and salary increases)	Increase by 0.25%	Increase by £3.0m
Assumed life expectancy	Members live 1 year longer	Increase by £4.3m

**Scheme assets**

Change in value of assets on risk	Impact on scheme assets
Decrease by 10%	Decrease by £3.2m
Decrease by 20%	Decrease by £6.3m

## 15. Financial instruments

## Financial assets at fair value through other comprehensive income ('FVTOCI')

### Level 3

	Unaudited as at 31 March 2020 £'000	Unaudited as at 31 March 2019 £'000	Audited as at 30 September 2019 £'000
At start of period	79	676	676
Net (loss)/gain from changes in fair value recognised in equity	(2)	–	1
Disposals	–	(6)	(598)
<b>At end of period</b>	<b>77</b>	<b>670</b>	<b>79</b>
– Equity	77	84	79
– Asset backed security	–	586	–
Total financial assets at FVTOCI	77	670	79

## Financial assets at fair value through profit and loss ('FVTPL')

### Level 1

	Unaudited as at 31 March 2020 £'000	Unaudited as at 31 March 2019 £'000	Audited as at 30 September 2019 £'000
Listed investments	340	354	373
<b>Total financial assets at FVTPL</b>	<b>340</b>	<b>354</b>	<b>373</b>

The fair value of financial assets at FVTPL 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.

### Fair value measurement recognised on the Balance Sheet

The table below provides an analysis of the fair value measurement of financial instruments which are grouped into Levels 1 to 3 of the fair value hierarchy based on the degree to which the fair value is observable:

- Level 1 quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 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 inputs which include formal valuation techniques for the asset or liability that are not based on observable market data (unobservable inputs).

### Fair value of the Group's financial assets and liabilities that are measured at fair value on a recurring basis

The following table gives information about how the fair values of the Group's financial assets and liabilities are determined at the end of each reporting period.

	Unaudited fair value as at 31 March 2020 £'000	Unaudited fair value as at 31 March 2019 £'000	Audited fair value as at 30 September 2019 £'000	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
<b>Level 1</b>						
Financial assets at FVTPL	340	354	373	Quoted bid prices in an active market	n/a	n/a
<b>Level 3</b>						
Financial assets at FVTOCI - Equity	46	53	48	The valuation is based on published monthly NAVs.	Marketability discount up to 30%.	As the marketability discount increases the valuation decreases.
Financial assets at FVTOCI - Equity	31	31	31	The valuation is based on the net assets as	Marketability discount ranging	As the marketability discount increases

				presented in the most recent audited financial statements of the company. A marketability discount is applied as this investment is highly illiquid.	between 30–50%.	the valuation decreases.
Financial assets at FVTOCI - Asset-backed securities	–	586	586	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.

### Sensitivity analysis

A sensitivity analysis of the significant unobservable inputs used in valuing the Level 3 financial instruments is set out below:

Financial asset	Assumption	Change in assumption	Impact on valuation
Current assets - financial assets at FVTOCI - Equity	Marketability discount	Increase by 5%	Decrease by £2,300

## 16. Provisions

	Audited as at 30 September 2019 £'000	Effect of change in accounting policy for initial application of IFRS 16 (see note 22) £'000	Unaudited as at 1 October 2019 £'000	Additions £'000	Utilisation of provision £'000	Unwinding of discount £'000	Unused amounts reversed £'000	Unaudited as at 31 March 2020 £'000	Unaudited as at 31 March 2019 £'000
Sundry claims and associated costs	338	–	338	56	–	–	(56)	<b>338</b>	352
Onerous contracts	4,840	(3,607)	1,233	(38)	(86)	25	–	<b>1,134</b>	4,066
Social security and levies on share awards	3,021	–	3,021	173	(1,014)	–	(30)	<b>2,150</b>	2,561
Incentivisation awards	854	–	854	598	–	9	–	<b>1,461</b>	674
Deferred and/or contingent consideration	7,888	–	7,888	(1)	(1,000)	53	–	<b>6,940</b>	2,180
Leasehold dilapidations	2,342	(298)	2,044	181	(90)	23	(25)	<b>2,133</b>	2,157
	19,283	(3,905)	15,378	969	(2,190)	110	(111)	<b>14,156</b>	11,990

	Current liability £'000	Non-current liability £'000	Total £'000
Sundry claims and associated costs	338	–	338
Onerous contracts	323	811	1,134
Social security and levies on share awards	1,022	1,128	2,150
Incentivisation awards	1,074	387	1,461
Deferred and/or contingent consideration	1,573	5,367	6,940
Leasehold dilapidations	–	2,133	2,133
<b>Unaudited as at 31 March 2020</b>	<b>4,330</b>	<b>9,826</b>	<b>14,156</b>

The Group recognises provisions for the following:

#### *Sundry claims and associated costs*

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

#### *Onerous contracts*

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

The valuation of an onerous contract is based on the best estimate of the likely costs discounted to present value. Where the provision is in relation to leasehold obligations on premises and it is more likely than not that the premises will be sublet, an allowance for recoverable costs such as service charges from the subtenant has been included in the valuation. The longest lease term has 12 years remaining.

#### *Social security and levies on share awards*

The provision is in respect of Employer's National Insurance and Apprenticeship Levy on share awards outstanding at the end of the year. The provision is based on the Group's share price, the amount of time passed and likelihood of the share awards vesting and represents the best estimate of the expected future cost.

#### *Incentivisation awards*

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

#### *Deferred and/or contingent consideration*

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

#### *Leasehold dilapidations*

The provision is in respect of the expected dilapidated costs that will arise at the end of the lease. The leases covered by the provision have a maximum remaining term of 12 years.

## 17. Lease liabilities

	Unaudited as at 31 March 2020 £'000
Current	7,567
Non-current	48,793
Lease liabilities	56,360

	Unaudited as at 31 March 2020 £'000
6 months to 30 September 2020	4,769
12 months to 30 September 2021	9,469
12 months to 30 September 2022	9,176
12 months to 30 September 2023	8,041
12 months to 30 September 2024	7,745
From 1 October 2024 onwards	27,897
Total lease payments	67,097
Finance charges	(10,737)
Lease liabilities	56,360

## 18. Called up share capital

The following movements in share capital occurred during the period:

	Date	No. of shares	Exercise price/Issue Price (pence)	Share capital £'000	Share premium account £'000	Total £'000
At 1 October 2019		303,171,134		3,032	58,238	61,270
Issue of options	Various	61,556	131.3p – 165.7p	–	99	99
<b>At 31 March 2020 (unaudited)</b>		<b>303,232,690</b>		<b>3,032</b>	<b>58,337</b>	<b>61,369</b>



## 19. Note to the cash flow statement

	Unaudited six months to 31 March 2020 £'000	Unaudited six months to 31 March 2019 £'000	Audited year to 30 September 2019 £'000
Operating profit	28,930	28,782	60,961
Adjustments for:			
Depreciation of property, plant and equipment	1,512	1,283	2,823
Depreciation of right of use assets	3,077	–	–
Amortisation of intangible assets - client relationships and brand	5,388	3,299	6,858
Amortisation of intangible assets - software	38	869	1,105
Defined benefit pension scheme past service costs	–	1,909	1,909
Defined benefit pension scheme cash contributions	(625)	(1,354)	(1,979)
Share-based payment expense	4,755	4,337	7,769
Translation adjustments	190	(52)	(31)
Lease incentive	442	–	–
Interest income	427	825	1,414
Interest expense	(21)	(2)	(16)
Operating cash flows before movements in working capital	44,113	39,896	80,813
Increase in payables and provisions	32,018	49,300	43,227
Increase in receivables and trading investments	(55,269)	(80,771)	(45,084)
Cash generated by operating activities	20,862	8,425	78,956
Tax paid	(11,862)	(6,440)	(12,309)
Net cash inflow from operating activities	9,000	1,985	66,647

## 20. Business combinations

### 6 months to 31 March 2020

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

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

#### Purchase consideration:

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

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

#### Amounts recognised:

	£'000
Non-current assets	
Intangible asset - client relationships <sup>1</sup>	32,067
Current assets	
Trade and other receivables	8,316
Cash and cash equivalents	14,102
Current liabilities	
Trade and other payables	(7,773)
Cash and cash equivalents	(1,380)
Non-current liabilities	(4,008)

Identifiable net assets acquired	41,324
Goodwill	2,040

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

The goodwill balance comprises: -

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

Net cash outflow arising on acquisition:

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

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

#### (i) Acquisition-related costs

Acquisition-related costs of £2,334,000 have been recognised as an expense in the Income Statement in the six month period ended 31 March 2020 (£1,734,000 for the year ended 30 September 2019).

#### (ii) Revenue and net profit

The acquired business contributed revenues of £6,117,000 and profit after tax of £623,000 to the Group for the period from 31 October 2019 to 31 March 2020. If the acquisition had occurred on 1 October 2019, consolidated revenue and consolidated profit after tax for the six month period to 31 March 2020 would have been £1,114,000 and £80,000 higher respectively.

### Prior periods

#### a. Aylwin Limited

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

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

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

Purchase consideration:

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

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

Amounts recognised:

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

Goodwill	665
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1. The fair value of Aylwin's client relationship intangible assets has been measured using a multi-period excess earnings method. The model uses estimates of client longevity and the level of activity driving commission income to derive a forecast series of cash flows, which are discounted to a present value to determine the fair value of the client relationships acquired.

Net cash outflow arising on acquisition:

	£'000
Consideration paid in cash	2,372
Less: net assets acquired for cash	(428)
Total net cash outflow <sup>1</sup>	1,944

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

**(i) Acquisition-related costs**

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

**(ii) Deferred consideration**

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

**(iii) Revenue and profit contribution**

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

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

**b. Mathieson Consulting Limited ('MC')**

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

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

Purchase consideration:

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

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

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

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

Net cash outflow arising on acquisition:

	£'000
Consideration paid in cash	1,149
Less: net assets acquired for cash	(413)
Total net cash outflow <sup>1</sup>	736

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

**(i) Acquisition-related costs**

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

**(ii) Deferred consideration**

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

**(iii) Revenue and profit contribution**

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

**c. Epoch**

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

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

Purchase consideration:

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

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

	£'000
Non-current assets	
Intangible asset - client relationships <sup>1</sup>	18,792
Non-current liabilities	(3,195)
Identifiable net assets acquired	15,597
Goodwill	3,195

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

Net cash outflow arising on acquisition:

	£'000
Consideration paid in cash	10,000
Total net cash outflow <sup>1</sup>	10,000

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

**(i) Acquisition-related costs**

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

**(ii) Contingent consideration**

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

**(iii) Acquired tangible assets and other assets**

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

**(iv) Revenue and net profit**

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

**21. Related party transactions**

There have been no related party transactions that have taken place during the period that have materially affected the financial position or the performance of the Group. There were also no changes to related party transactions from those disclosed in the 2019 Annual Report and Accounts available via our website [www.brewin.co.uk](http://www.brewin.co.uk) that could have a material effect on the financial position or the performance of the Group. Transactions between the Company and its subsidiaries have been eliminated on consolidation and are not disclosed. There were no other transactions with related parties which were not part of the Group during the period, with the exception of remuneration paid to key management personnel.

**22. Impact of application of IFRS 16 Leases**

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

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

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

**Impact on the Consolidated Balance Sheet as at 1 October 2019**

The adjustments reflect the initial application of IFRS 16.

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

### ROU assets

These assets represent the Group's contractual right to access an identified asset under the terms of the lease contract. See note 12 for an analysis of the ROU assets.

### Finance lease receivables

Amounts due from lessees under finance leases are recognised as finance lease receivable and represent the Group's net investment in the finance sublease. See note 13 for an analysis of the finance lease receivables.

### Lease liabilities

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

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

The table below reconciles the operating lease commitments disclosed note 29 to the Group's 2019 Annual Report and Accounts and the lease liability recognised at the date of initial application of IFRS 16.

	£'000
Operating lease commitments at 30 September 2019	69,881
Short term leases and low value leases	(363)
Effect of discounting the above amounts	(11,734)
Lease liabilities recognised at 1 October 2019 (unaudited)	57,784
Current liability	6,653
Non-current liability	51,131
Lease liabilities recognised at 1 October 2019 (unaudited)	57,784

### Deferred tax

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

### Trade and other payables / trade and other receivables and provisions

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

### Retained earnings

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

### Impact on the Consolidated Income Statement for the six months to 31 March 2020

The Group recognised lease liability finance costs of £1,148,000 (see note 6) for the six month period ending 31 March 2020; depreciation expense of £3,077,000 (see note 12) for the ROU assets; and rental income of £229,000 from operating subleases (shown in note 4 within other operating income).

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

## 23. Updated accounting policies applicable to this reporting period

### (i) Other operating income (Note 3k to the 2019 Annual Report and Accounts)

Other operating income includes the net of interest receivable and payable on client money balances and represents the Group's share of interest receivable and rental income from operating subleases.

### (ii) Leases (Note 3l to the 2019 Annual Report and Accounts)

#### a. The Group as a lessee

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

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

**Right of use assets ('ROU')**

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

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

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

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

***Lease liabilities***

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

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

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

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

***Short term leases and lease of low value assets***

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

**b. The Group as an intermediate lessor****Subleases**

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

**Finance lease receivable**

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

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

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

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

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

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



## Operating subleases

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

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

## 24. Post balance sheet events

### COVID-19 continuing uncertainty

The Group had moved to a remote operating model prior to the UK Government's advice on 23 March 2020. It was able to move to a remote operating model within days of taking the decision, ensuring business continuity, operational resilience, and sustainability for the foreseeable future. The balance sheet and income statement at 31 March 2020 include the impact of the COVID-19 environment at that date.

For details of potential impacts and the consideration of the impact on these Interim Financial Statements see notes 2 i (Going concern) and 2 ii (Impairment considerations).

The Group is undertaking restoration planning and evaluating potential approaches, considerations and risks for the eventual return of the Group's employees to its offices when the COVID-19 lockdown is eased by the UK Government. The plans aim to ensure flexibility to respond to the evolving situation.

## Cautionary statement

The Interim Management Report (the 'IMR') for the period ended 31 March 2020 has been prepared solely to provide additional information to shareholders to assess the Group's strategies and the potential for those strategies to succeed. The IMR should not be relied on by any other party or for any other purpose.

The IMR contains certain forward-looking statements. These statements are made by the Directors in good faith based on the information available to them up to the time of their approval of this report but such statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying any such forward-looking information.

## Statement of Directors' Responsibilities

The Directors confirm that to the best of their knowledge:

- a. the condensed consolidated set of financial statements has been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the EU;
- b. the interim management report includes a fair view of the information required by Disclosure and Transparency Rules ('DTR') 4.2.7 R (indication of important events during the period ended 31 March 2020 and their impact on the condensed consolidated set of financial statements; and description of principal risks and uncertainties for the remaining six months of the year); and
- c. the interim management report includes a fair view of the information required by DTR 4.2.8R (disclosures of related parties' transactions and changes therein).

By order of the Board

**David Nicol**  
Chief Executive  
12 May 2020

**Siobhan Boylan**  
Chief Financial Officer  
12 May 2020

## Independent Review Report to Brewin Dolphin Holdings PLC

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six-months ended 31 March 2020 which comprises the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated balance sheet, the condensed consolidated statement of changes in equity, the consolidated cash flow statement and related notes 1 to 24. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Financial Reporting Council. Our work has been undertaken so that we might state to the company those matters we are required to state to it in an independent review 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, for our review work, for this report, or for the conclusions we have formed.

## Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" as adopted by the European Union.

### **Our responsibility**

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

### **Scope of review**

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Financial Reporting Council for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six-months ended 31 March 2020 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

### **Deloitte LLP**

Statutory Auditor

London, United Kingdom

12 May 2020