BROOKS MACDONALD FINANCIAL CONSULTING LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

Company number: 02621847

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Company Information

Directors

The directors of the Company who were in office during the year and up to the date of signing of the Annual Report and Financial Statements were:

C M Connellan
N H Lawes
A W Shepherd
A M Keane-Munday (appointed 12 July 2018)
B L Thorpe (appointed 6 August 2018)

Company Secretary

S Broomfield

Trading Office

72 Welbeck Street, London, W1G 0AY

Registered Office

72 Welbeck Street, London, W1G 0AY

Registered Number

02621847

Independent Auditors

PricewaterhouseCoopers LLP, Chartered Accountants and Statutory Auditors
7 More London Riverside, London, SE1 2RT

Bankers

The Royal Bank of Scotland plc
40 Islington High Street, London, N1 8JX

Report of the Directors

The directors present their Annual Report and audited Financial Statements for the Company for the year ended 30 June 2019. The Company has taken advantage of the exemption from preparing a Strategic Report as the Company is classified as a small company.

Directors

The directors of the Company who were in office during the year and up to the date of signing of the Annual Report and Financial Statements are listed on page 1.

Principal Activities and Business Review

The principal activity of the Company during the year was the provision of financial consulting services. The Company is a wholly owned subsidiary of Brooks Macdonald Group plc.

The Company's revenue for the year was £3,557,230 (2018: £4,233,743), a decrease of 16%. After allowing for administrative expenses of £5,483,426 (2018: £10,129,014), this produced an operating loss of £1,926,196 (2018: loss £5,895,271).

During the year the company disposed of its Employee Benefits operations. See note 8 for details.

The Company has continued to deliver fee based financial planning and ancillary services to high net worth individuals.

Future developments

The directors consider that the best opportunities for the business lie in its financial planning services. The directors intend to focus on this through expansion of clients and proposition by continuing to offer high quality advice to high net worth individuals and families and working in collaboration with other professional advisers.

Financial risk management

The Board of Directors reviews and agrees policies for managing its risk exposure. Risk policies have been devised by the ultimate parent company, Brooks Macdonald Group plc, which the Board of Directors of the Company have been involved with. The risk policies and framework applicable to the Company are presented in the Risk section of Brooks Macdonald Group plc's Annual Report and Financial Statements for the year ended 30 June 2019, which is presented on the ultimate parent company's website at www.brooksmacdonald.com. The Company's Pillar III disclosure is also presented on the ultimate parent company's website at www.brooksmacdonald.com.

Brexit

The Brexit process initiated in 2017 consequent to the 2016 Referendum, by which the United Kingdom is due to leave the European Union, continues to create economic and other uncertainties about both the process and its consequences which are risks that affect the industry, particularly the market values of the Funds under management and assets of the company. Although there is no evidence as at 30 June 2019 that has adversely affected the Company's activities due to a lack of a "Brexit Deal" to date, the uncertainty in relation to the impact on the UK and EU economies as a result of a no deal Brexit increases and this may impact the valuation of assets.

In addition, the Company's Pillar III disclosure is presented on the ultimate parent company's website at www.brooksmacdonald.com.

Results and Dividends

The loss for the financial year after taxation was £1,712,962 (2018: loss £5,755,179). During the year ended 30 June 2019, no dividends were paid. No final dividend was declared (2018: £nil).

It is proposed that the loss of £1,712,962 (2018 loss: £5,755,179) is to be transferred to reserves.

Report of the Directors (continued)

Statement of Directors' Responsibilities in respect of the Financial Statements

The directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulation.

Company law requires the directors to prepare Financial Statements for each financial year. Under that law the directors have prepared the Financial Statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Under company law the directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing the Financial Statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the Financial Statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the Financial Statements comply with the Companies Act 2006.

Directors' confirmations

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

On behalf of the Board

B L Thorpe
Director

10 September 2019

Independent auditors' report to the members of Brooks Macdonald Financial Consulting Limited

Report on the audit of the financial statements

Opinion

In our opinion, Brooks Macdonald Financial Consulting Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Statement of Financial Position as at 30 June 2019; the Statement of Comprehensive Income, the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

Independent auditors' report
to the members of Brooks Macdonald Financial Consulting Limited

With respect to the Report of the Directors, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Report of the Directors

In our opinion, based on the work undertaken in the course of the audit, the information given in the Report of the Directors for the year ended 30 June 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Report of the Directors.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities of the Financial Statements set out on page [4], the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Entitlement to exemptions

Under the Companies Act 2006 we are required to report to you if, in our opinion, the directors were not entitled to take advantage of the small companies exemption from preparing a strategic report. We have no exceptions to report arising from this responsibility.

Natasha McMillan

Natasha McMillan (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
11 September 2019

Statement of Comprehensive Income
for the year ended 30 June 2019

	Note	2019 £	2018* £
Revenue	3	3,557,230	4,233,743
Administrative expenses	4	(5,483,426)	(10,129,014)
Operating loss from continuing operations	5	**(1,926,196)**	**(5,895,271)**
Finance income	8	5,412	-
Loss before taxation from continuing operations		**(1,920,784)**	**(5,895,271)**
Tax on loss	7	15,019	2,526
Loss from continuing operations		**(1,905,765)**	**(5,892,745)**
Profit from discontinued operations	8	192,803	137,566
Total comprehensive loss		**(1,712,962)**	**(5,755,179)**

* Prior periods have been restated to separate the results of discontinued operations, consistent with the presentation in the current period. Refer to note 8 for details of the results of discontinued operations.

The notes on pages 11 to 23 form an integral part of these Financial Statements.

Statement of Financial Position
as at 30 June 2019

	Note	30 June 2019 £	30 June 2018 £
Assets			
Non-current assets			
Intangible assets	9	-	488,106
Property, plant and equipment	10	-	3,369,636
Other receivables		93,300	-
		93,300	3,857,742
Current assets			
Trade and other receivables	11	35,620,590	31,690,409
Cash at bank and in hand		1,381,914	1,036,006
Financial assets at fair value through profit or loss	12	224,575	-
		37,227,079	32,726,415
Current liabilities			
Trade and other payables	13	(36,371,479)	(40,368,060)
Net current assets / (liabilities)		855,600	(7,641,645)
Total assets less current liabilities		948,900	(3,783,903)
Non–current liabilities			
Other payables	14	(39,018)	(4,423)
Provisions for liabilities	15	(2,000)	(11,074)
Net assets / (liabilities)		**907,882**	**(3,799,400)**
Equity			
Called up share capital	16	2,006	2,006
Share premium account	17	6,229,660	229,660
Capital contribution		637,077	304,666
Accumulated losses		(5,960,861)	(4,335,732)
Total equity		**907,882**	**(3,799,400)**

The Financial Statements on pages 7 to 23 were approved by the board of directors on 10 September 2019 and were signed on its behalf by:

B L Thorpe
Director

Company registered number: 02621847

The notes on pages 10 to 23 form an integral part of these Financial Statements.

Statement of Changes in Equity
for the year ended 30 June 2019

	Note	Called up share capital £	Share premium account £	Capital contribution £	Retained earnings/ (accumulated losses) £	Total equity £
At 1 July 2017		**2,006**	**229,660**	**990,335**	**543,934**	**1,765,935**
Loss for the financial year from continuing operations		-	-	-	(5,892,745)	(5,892,745)
Profit for the financial year from discontinued operations	8	-	-	-	137,566	137,566
Total comprehensive loss		-	-	-	**(5,755,179)**	**(5,755,179)**
Share-based payments charge	18	-	-	189,844	-	**189,844**
Share-based payments transfer	18	-	-	(875,513)	875,513	-
At 30 June 2018		**2,006**	**229,660**	**304,666**	**(4,335,732)**	**(3,799,400)**
Loss for the financial year from continuing operations		-	-	-	(1,905,765)	(1,905,765)
Loss for the financial year from discontinued operations	8	-	-	-	(76,360)	(76,360)
Gain on disposal of discontinued operations	8	-	-	-	269,163	269,163
Total comprehensive loss		-	-	-	**(1,712,962)**	**(1,712,962)**
Share-based payments charge	18	-	-	420,244	-	**420,244**
Share-based payments transfer	18	-	-	(87,833)	87,833	-
Issue of shares	17	-	6,000,000	-	-	**6,000,000**
At 30 June 2019		**2,006**	**6,229,660**	**637,077**	**(5,960,861)**	**907,882**

The notes on pages 10 to 23 form an integral part of these Financial Statements.

Notes to the Financial Statements
for the year ended 30 June 2019

1. General information

Brooks Macdonald Financial Consulting Limited ("the Company") is a limited company incorporated and domiciled in the United Kingdom.

2. Principal accounting policies

These Financial Statements were prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework'.

The Company has taken advantage of the following disclosure exemptions available under FRS101, paragraphs 5 – 9, in respect of:

(a) the requirements of IFRS 7 Financial Instruments: Disclosures;
(b) IFRS 13 Fair Value measurement;
(c) Share-based payments; and
(d) Intra-Group – related party transactions.

The exemptions have been applied on the basis that, where required, the equivalent disclosures are included in the consolidated financial statements of the parent company, Brooks Macdonald Group plc in which the Company is included. In applying the share-based payments exemption, the Company is not required to disclose a reconciliation of movements in share-based payment awards and these are instead included in the consolidated financial statement disclosures.

<u>Cash flow statement</u>

The Company has taken advantage of the exemption from preparing a cash flow statement under paragraph 8(h) of the disclosure exemptions from IFRS as adopted by the EU qualifying entities included in Financial Reporting Standard 101 Reduced Disclosure Framework (FRS101). Brooks Macdonald Group plc, the parent company, consolidated financial statements for the year ended 30 June 2019 contain a consolidated statement of cash flows.

<u>Judgements and key sources of estimation and uncertainty</u>

The preparation of these Financial Statements requires management to make assumptions, estimates and judgements that effect the amounts reported as assets and liabilities as at the statement of financial position date and the amounts reported as revenues and expenses during the year. Use of available information and the application of judgement are inherent in the formation of estimates. Actual results in the future may differ from those reported.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years.

There have been no critical judgements required in applying the Company's accounting policies in this period, apart from those involving estimations which are detailed separately below.

The following key estimates have been made by the Directors in applying the Company's accounting policies:

(i) Income tax
An estimate is required in determining the provision for income taxes due to uncertainty of the amount of income tax that may be payable, and in respect of determining the level of the future taxable profits of the Company that support the recoverability of the deferred tax asset.

(ii) Provisions
The Company may receive complaints from clients in relation to the services provided. Complaints are assessed on a case-by-case basis and provisions are made where it is judged to be likely that compensation will be paid. The accounting policy for provisions and contingent liabilities is outlined in note 2(j).

2. Principal accounting policies (continued)

Going concern

These Financial Statements are prepared on the going concern basis, under the historical cost convention as modified by the revaluation of listed investments and in accordance with the Companies Act 2006 and FRS101. The principal accounting policies of the Company which have been applied consistently throughout the year are set out below:

(a) Revenue

Financial services commissions and fees for other services are recognised when the related services are provided.

(b) Intangible assets

Intangible assets are measured at cost less accumulated amortisation and any accumulated impairment losses. Software development costs are recognised as an intangible asset and are amortised on a straight line basis over an estimated useful life of four years.

(c) Property, plant and equipment

Property, plant and equipment are stated at historic purchase cost less accumulated depreciation.

Depreciation is charged so as to write off the cost of the assets to their residual value over their estimated useful lives, using the straight line method, on the following bases:

Fixtures, fittings and office equipment	-	over 5 years
IT equipment	-	over 4-5 years
Leasehold improvements	-	over the lease term

During the year, property, plant & equipment non-current assets were reviewed in terms of useful economic life and classification of assets, see note 10 for details of the review and change in accounting estimate.

(d) Taxation

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

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the Statement of Financial Position date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the Statement of Financial Position date.

A net deferred tax asset is recognised as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the Statement of Financial Position date. Deferred tax is measured on an undiscounted basis.

(e) Pension costs

Contributions in respect of the Company's money purchase pension scheme are charged to the Statement of Comprehensive Income for the year in which they fall due.

2. Principal accounting policies (continued)

(f) Share-based payments

The Company operates a number of equity-settled, share-based option plans and has applied the requirements of FRS101 in relation to share-based payments. Equity settled share-based payments in relation to the equity share of the parent company, Brooks Macdonald Group plc, are measured at fair value at the date of grant and the equity settled share-based instrument is expensed on a straight line basis over the vesting period based on the number of shares that will eventually vest. The related credit is shown as a contribution from the parent company within equity reflective of the position that the Company has no obligation in respect of these share-based payments. The transactions when the options are exercised are dealt within the parent company financial statements in accordance with IFRS2. No further charge to equity is made for the Company.

The Company has taken advantage of the IFRS2 disclosure exemptions available on the basis that the equivalent disclosures are included in the consolidated financial statements of the parent company, Brooks Macdonald Group plc in which the Company is included.

(g) Trade receivables

Trade receivables represent amounts due for services performed in the ordinary course of business. They are generally due for settlement within 30 days and therefore are therefore classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional, unless they contain significant financing components, when they are recognised at fair value. The Company holds trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

The Company applies the IFRS 9 simplified approach to measuring expected credit losses, which uses a lifetime expected credit loss allowance for all trade receivables and contract assets. To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics, and the days past due. The Company has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The expected loss rates are based on the payment profiles of sales over a period of 24 months, and the corresponding credit losses experienced within this period.

(h) Accrued Income

Turnover is recognised as it is earned in accordance with accounting policy (a) above. Where consideration is receivable after the Statement of Financial Position date, an appropriate accrual is made at the Statement of Financial Position date.

(i) Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

2. Principal accounting policies (continued)

(j) Provisions and contingent liabilities

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

Where the outflow is not probable or cannot be reliably measured, the potential obligation is disclosed as a contingent liability in the Financial Statements.

Client compensation

Complaints are assessed on a case by case basis and provisions for compensation are made in accordance with the above accounting policy.

(k) Cash

Cash comprises cash in hand and cash on demand deposits which may be accessed without penalty. Cash equivalents comprise short term highly liquid investments with a maturity of less than three months from the date of acquisition.

(l) Foreign currency

The Financial Statements are presented in Great British Pound Sterling (£), which is the currency of the primary economic environment in which the Company operates, its functional currency.

Monetary assets and liabilities expressed in foreign currencies are translated into sterling at the rate of exchange ruling at the Statement of Financial Position date. All differences on exchange are dealt with in the Statement of Comprehensive Income.

(m) Share Capital

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

Changes in accounting policies

In the twelve months ended 30 June 2019, the Company adopted two new standards being IFRS 9 'Financial instruments' and IFRS 15 'Revenue from contracts with customers'. The Company did not adopt any other new standards and amendments issued by the International Accounting Standards Board ('IASB') or interpretations issued by the IFRS IC in the twelve months ended 30 June 2019.

IFRS 9 'Financial instruments'

IFRS 9 governs the accounting treatment for the classification and measurement of financial instruments and the timing and extent of credit provisioning, replacing the previously adopted IAS 39 'Financial instruments: recognition and measurement.' The standard concerns guidance for the classification and measurement of financial assets by introducing a fair value through other comprehensive income category for certain financial assets. It also contains a new impairment model which intends to result in earlier recognition of losses.

2. Principal accounting policies (continued)

Transition

The Company has taken advantage of the exemption per paragraph 5.6.1 of IFRS 9, regarding restated comparative information for prior periods with respect to classification, measurement and impairment requirements. Where differences arise in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9, they are to be recognised in retained earnings as at 1 July 2018. Accordingly, the information presented for June 2018 will not reflect the requirements of IFRS 9 but will be presented in line with IAS 39.

Classification and measurement of financial assets and financial liabilities

IFRS 9 requires the Company to hold its financial assets and liabilities at amortised cost, fair value through profit or loss ('FVPL') or fair value through other comprehensive income ('FVOCI'). The categorisation of assets as 'held to maturity' ('HTM') and 'available for sale' ('AFS') are no longer recognised under IFRS. The classification criteria for designating financial assets between the categories under IFRS 9 require the Company to assess and document the business models under which the assets are actually managed. Consideration needs to be given to management of the asset in terms of if the asset is held for contractual cash flow, if the contractual cash flow represents solely payment of principal and interest and if the asset is held for selling purposes.

The effect of adopting IFRS 9 on the carrying amounts of financial assets at 1 July 2018 has resulted in a change of classification on the Statement of Financial Position, however has not changed the Statement of Comprehensive Income or Statement of Cash Flows.

The following table summarises the original measurement categories under the previously adopted IAS 39 and the new measurement categories and carrying amount under IFRS 9 for each of the Company's financial assets at 1 July 2018.

Financial asset	Previous IAS 39 classification	Previous IAS 39 carrying amount	New IFRS 9 classification	New IFRS 9 carrying amount
Trade & other receivables	Loans and receivables	£31,690,409	**Amortised cost**	**£31,690,409**
Total financial assets		**£31,690,409**		**£31,690,409**

The basis of classification for financial liabilities under IFRS 9 remains unchanged from IAS 39. There remains two categories being amortised cost or FVPL. The Company has assessed its financial liabilities at 1 July 2018 and concluded that no change in classification is required. Therefore there has been no impact on the Statement of Financial Position, Statement of Comprehensive Income or Statement of Cash Flows as a result of IFRS 9 in relation to financial liabilities.

Impairment of financial assets

Under IFRS 9, an expected credit loss ('ECL') model is used to measure the impairment of financial assets. Under an ECL model a credit loss provision is recognised once a loss is expected to arise, instead of when it occurs as previously required under IAS 39. The objective of the impairment requirements is to recognise lifetime expected credit losses for all financial instruments, considering all reasonable information, including that which is forward looking. The Company applies the simplified lifetime expected credit loss model. This requires an assessment of the total amount of credit losses expected over the lifetime of the asset and is performed on an asset by asset basis. As a result, the Company has determined that the initial application of IFRS 9's impairment requirements at 1 July 2018 results in no additional impairment provision.

2. Principal accounting policies (continued)

IFRS 15 'Revenue from contracts with customers'

IFRS 15 governs the accounting treatment of revenue recognition from contracts with customers which replaces the existing IFRS revenue guidance adopted previously, in particular IAS 18 'Revenue'. IFRS 15 creates a single model for revenue recognition from contracts with customers and aims to provide greater consistency and comparability across industries by linking revenue to the fulfilment of identified performance obligations that are detailed in the customer contract. The core principle underlying the new recognition is that an entity should recognise revenue in a manner that depicts the pattern of transfer of goods and services to customers. It also requires that the incremental cost of obtaining a customer contract should be capitalised if that cost is expected to be recovered.

Transition

The Company has taken advantage of the exemption per Appendix C of IFRS 15 regarding restated comparative information for prior periods with respect to revenue recognition. Where differences arise resulting from the adoption of IFRS 15, they are to be recognised in retained earnings as at 1 July 2018. Accordingly, the comparative information presented for June 2018 will not reflect the requirements of IFRS 15 but will be presented in line with previous revenue recognition from contracts with customers.

Impact of IFRS 15 on Financial Statements for the year ended 30 June 2019

The Company has reviewed IFRS 15 and its impact on its existing revenue streams, as well as on its policy of capitalising the cost of obtaining customer contracts. As described below, the adoption of IFRS 15 has not had a significant impact on the Company's revenue recognition accounting policy.

Fee income

The core portfolio management fee income is contracted with customers and is in relation to the continued management of their portfolio during a defined period. As a result, the performance obligation is ongoing over the contract resulting in no impact on revenue recognition as a result of IFRS 15.

Portfolio management fee income includes income earned on supporting activities and revenue that are part of the overall service provided, and as a result do not present a separate and stated performance obligation. These supporting activities are for one off services and revenue is recognised once the service has occurred, therefore IFRS 15 has no impact on the supporting activities for portfolio management fee income.

Financial services commission and fee income

The revenue is subject to client agreements to provide financial advice and assistance and clients are charged based on an agreed rate of funds under advice, invoiced over the period the service is provided. Under IFRS 15 the Company is required to identify distinct performance conditions in order to recognise 'work in progress' relating to unbilled revenue earned by an advisor. The client contracts do not include any distinct performance conditions meaning this work in progress revenue cannot be recognised under IFRS 15. The work in progress balance and movement from year to year is consistently immaterial, and therefore the adoption of IFRS 15 has not had a material impact on advisory fee revenue.

2. Principal accounting policies (continued)

Costs of obtaining or fulfilling a contract

Under IFRS 15 the scope requirements for recognising an asset in relation to costs of obtaining or fulfilling a contract are broader such that costs to obtain any contract with a customer should be capitalised if those costs are incremental and the Company expects to recover them. Amortisation should then be charged on a basis that is consistent with the transfer to the customer of the services to which the capitalised costs relate.

The Company's policy for capitalising contract costs currently recognises the fair value of the future benefits accruing to the Company from the acquired client relationship contracts. The amortisation of client relationships is charged to the Statement of Comprehensive Income on a straight-line basis over their estimated useful lives of 15 to 20 years. The Company has assessed the impact of IFRS 15 on these and concluded that the current policies in place are sufficient and therefore will remain unchanged.

3. Revenue

Revenue represents the amounts earned for services provided net of value added tax and commissions earned from financial services activities. All revenue is derived in the United Kingdom.

	2019 £	2018* £
Fee income	3,484,664	3,956,035
Financial services commissions	72,566	277,708
	3,557,230	**4,233,743**

* Restated to exclude revenue from discontinued operations (note 8).

4. Administrative expenses

Administrative expenses for the year ended 30 June 2019 included the write off of intercompany receivable balances of £nil (2018: £5,673,443) due to the disposal of a fellow group subsidiary. This charge was recognised in the Statement of Comprehensive Income. The parent company, Brooks Macdonald Group plc continues to support the operations of the Company and any losses incurred by the Company.

5. Operating loss before taxation from continuing operations

Operating loss before taxation is stated after charging:

	2019 £	2018 £
Staff costs	2,530,879	1,932,144
Write off of intercompany receivable (see note 4)	-	5,673,443
Fees payable to the Company's auditors for the audit of the Company's Financial Statements	21,961	21,321
Fees payable to the auditors and their associates for other services:		
– Audit-related assurance services	4,244	4,120
Depreciation	103,367	87,207
Amortisation of intangible assets	55,110	9,502

In note 9, the total amortisation charge for the year was £135,092 (2018: £137,831) of which £55,110 (2018: £9,502) relates to the Company, leaving a balance of £79,982 (2018: £128,329) which has been recharged to other group companies at nil mark up.

In note 10, the total depreciation charge for the year was £989,649 (2018: £1,085,275) of which £103,367 (2018: £87,207) relates to the Company, leaving a balance of £886,282 (2018: £998,068) which has been recharged to other group companies at nil mark up.

6. Employee information

(a) Staff costs

	2019 £	2018* £
Wages and salaries	2,059,265	1,562,120
Social security costs	229,272	228,132
Other pension costs	93,271	96,066
Share-based payments	82,522	45,826
Redundancy costs	66,549	-
	2,530,879	**1,932,144**
Pension contributions accrued but not paid	9,727	8,607

* Restated to exclude revenue from discontinued operations (note 8).

(b) Employees

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

	2019 number	2018* number
Professional staff	20	13
Administrative and support staff	5	12
Staff from continuing operations	**25**	**25**
Staff from discontinued operations	5	9
Total staff	**30**	**34**

* Restated to exclude revenue from discontinued operations (note 8).

(c) Directors' emoluments

	2019 £	2018 £
Remuneration and benefits in kind	622,100	190,182
Amounts received under long term incentive schemes	-	-
Pension contributions – money purchase scheme	23,062	25,841
	645,162	**216,023**

The number of directors that exercised share options in the year was one (2018: six).

Retirement benefits are accruing to two (2018: one) directors under a money purchase pension scheme.

Highest paid director	2019 £	2018 £
Remuneration and benefits in kind	353,308	172,974
Pension contribution to money purchase scheme	4,398	25,841
	357,706	**198,815**

The amount of gains made by the highest paid director on the exercise of share options during the year was £nil (2018 gain: £320,395).

The remuneration of C M Connellan is paid by the ultimate parent company and the remuneration of A W Shepherd is paid by fellow subsidiary companies. Their services to the Company and to a number of fellow subsidiaries are of a non-executive nature and their remuneration is deemed to be wholly attributable to their services to other group companies. Accordingly, the above details include no remuneration in respect of these directors.

7. Tax on loss of continuing operations

The tax credit on the loss before taxation for the year was as follows:

	2019 £	2018 £
UK Corporation Tax	-	-
Total current tax	-	-
Research and development credit	(6,311)	-
Deferred taxation credit	(8,708)	(2,526)
Income tax credit	**(15,019)**	**(2,526)**

Factors affecting credit for year:

	2019 £	2018 £
Loss from continuing operations before taxation	(1,920,784)	(5,895,271)
Profit from continuing operations before taxation	192,803	137,566
Loss for the year before taxation	(1,727,981)	(5,757,705)
Loss before taxation multiplied by the standard rate of tax in the UK of 19.00% (2018: 19.00%)	(328,316)	(1,093,964)
Expenses not deductible for tax purposes	(116,641)	1,085,326
Depreciation and amortisation	90,732	(152,218)
Tax losses surrendered	397,107	362,341
Impact of share-based payments	(449)	(204,011)
Disposal of business	(51,141)	-
Research and development credit	(6,311)	-
Total tax credit	**(15,019)**	**(2,526)**

The deferred taxation credit of £8,708 (2018: £2,526) represents a credit of £16,982 (2018: charge £5,748) arising out of the cost of share-based payments at the Statement of Financial Position date and a charge of £8,274 (2018: credit £8,274) relating to accelerated capital allowances.

During the year, the Company has surrendered losses of £1,853,224 (2018: £1,907,056) as group relief to a fellow group company for a consideration of £nil.

During the year, the Company surrendered the taxable gain on disposal of discontinued operations of £247,880, being the gain on disposal of £269,163 (note 8) less disposal costs of £21,283, to a fellow group company for a consideration of £nil.

During the current financial year, the Company made a claim for income tax relief of £6,311 relating to research and development expenditure for the year ended 30 June 2018.

During the year ended 30 June 2018, the Company made a claim for income tax relief of £2,116,053 relating to research and development expenditure for the year ending 30 June 2016. Group relief has been claimed for the losses arising from this expenditure against a fellow group company, Brooks Macdonald Asset Management Limited, for a consideration of £nil.

Deferred tax	2019 £	2018 £
Accelerated capital allowances	-	8,274
Other timing differences	82,156	65,174
Total deferred tax	**82,156**	**73,448**

At start of year	73,448	70,922
Deferred tax credit in the profit and loss for the year	8,708	2,526
At end of year	**82,156**	**73,448**

The directors consider that it is more likely than not that there will be sufficient taxable profits in the future as to realise the deferred tax asset, and therefore the asset has been recognised in these Financial Statements.

7. Tax on loss of continuing operations (continued)

The standard rate of Corporation Tax in the UK changed to 19% with effect from 1 April 2017. Accordingly, the Company's profits for this accounting year are taxed at an effective rate of 19%.

The change in corporation tax rates to 17% effective from 1 April 2020 has been incorporated into the deferred tax balances.

8. Discontinued operations

On 31 December 2018 the Company disposed of its Employee Benefits operations. Initial cash consideration of £50,000 was received on completion. Additional cash consideration will be receivable in the first calendar quarter of 2020, being a multiple of revenue earned by the disposed business for the year ended 31 December 2019. On disposal the contingent consideration receivable was estimated at £282,000, which was recognised at its fair value of £219,163 based on the discounted forecast cash flows. The contingent consideration receivable at 30 June 2019 £224,575 (note 12) which includes finance income of £5,412.

	2019 £	2018 £
(Loss) / profit of discontinued operations	(76,360)	137,566
Gain on disposal of discontinued operations	269,163	-
Profit before tax from discontinued operations	**192,803**	**137,566**
Taxation	-	-
Profit from discontinued operations	**192,803**	**137,566**

a) Loss of discontinued operations

	2019 £	2018 £
Revenue	231,773	735,593
Administrative costs	(308,133)	(598,027)
(Loss) / profit of discontinued operations	**(76,360)**	**137,566**

b) Gain on disposal of discontinued operations

	2019 £
Initial consideration received	50,000
Fair value of contingent consideration (note 12)	219,163
Total disposal consideration	**269,163**
Net assets on disposal	-
Gain on disposal of discontinued operations	**269,163**

9. Intangible assets

	Software £
Cost	
At 1 July 2018	863,068
Additions	16,500
Transfer	(879,568)
At 30 June 2019	-
Accumulated amortisation	
At 1 July 2018	374,962
Charge for the year	135,092
Transfer	(510,054)
30 June 2019	-
Net book value	
At 30 June 2018	488,106
At 30 June 2019	-

Software additions during the year relate to development costs for asset management software.

During the year all intangible asset balances were transferred to a fellow group subsidiary company.

10. Property, plant and equipment

	Leasehold improvements £	Fixtures, fittings and office equipment £	IT equipment £	Total* £
Cost				
At 1 July 2018	2,026,898	7,895,767	2,161,109	12,083,774
Additions	167,284	65,400	214,361	447,045
Transfer	(2,194,182)	(7,961,167)	(2,375,470)	(12,530,819)
At 30 June 2019	-	-	-	-
Accumulated depreciation				
At 1 July 2018	480,526	7,486,473	747,139	8,714,138
Charge for the year	254,453	257,225	477,971	989,649
Transfer	(734,979)	(7,743,698)	(1,225,110)	(9,703,787)
At 30 June 2019	-	-	-	-
Net book value				
At 30 June 2018	1,546,372	409,294	1,413,970	3,369,636
At 30 June 2019	-	-	-	-

*During the year ended 30 June 2019, property, plant and equipment non-current assets were reviewed in terms of useful economic life and classification of assets. The outcome was that the useful economic lives have been updated in line with the Company's revised expectations from 1 July 2018. The Company has also amended the property, plant and equipment non-current asset classifications to present the property, plant and equipment non-current assets in clearly defined classifications.

The following table summarises and shows the changes to the Company's new property, plant and equipment non-current asset classifications and useful economic lives.

10. Property, plant and equipment (continued)

As at 30 June 2018		As at 1 July 2018	
Classification	**Useful economic life**	**Classification**	**Useful economic life**
Fixtures and fittings	3 to 6.67 years	**Fixtures, fittings & office equipment**	**5 years**
Equipment	5 years	**IT equipment**	**4 or 5 years***
Leasehold improvements	Over the term of the lease	**Leasehold improvements**	**Over the term of the lease**

*IT equipment includes hardware, which has a useful economic life of 4 years and servers and networks, which have a useful economic life of 5 years.

During the year all property, plant and equipment balances were transferred at net book value to a fellow group subsidiary company.

11. Trade and other receivables

	2019 £	2018 £
Trade receivables	79,570	173,390
Amount owed by parent company	12,376,872	4,837,120
Amounts owed by fellow subsidiary companies	21,978,039	25,314,910
Deferred tax asset	82,155	73,448
Other receivables	253,952	373,638
Corporation tax receivable	6,311	-
Prepayments and accrued income	843,691	917,903
	35,620,590	**31,690,409**

The amounts owed by the parent company and fellow subsidiary companies represent unsecured loans, which are interest free and have no fixed repayment date.

12. Financial assets at fair value through profit or loss

	£
At 1 July 2018	-
Additions	219,163
Finance income	5,412
At 30 June 2019	**224,575**

The balance at 30 June 2019 relates to the disposal of the Employee Benefits operations (note 8).

13. Trade and other payables

	2019 £	2018 £
Trade payables	1,984,400	1,991,405
Amounts owed to fellow subsidiary companies	28,735,613	32,940,255
Other payables	181,020	158,744
Taxation and social security costs	2,541,277	2,338,207
Accruals and deferred income	2,929,169	2,939,449
	36,371,479	**40,368,060**

Included in accruals and deferred income is an accrual of £56,218 (2018: £18,303) in respect of employer's National Insurance Contributions arising from the share options awards arising under the Long Term Incentive Scheme ("LTIS") awards (note 18). These awards will be forfeited in total if the Company's performance fails to meet the minimum criteria. The options granted were valued based on the market price of the shares at the time the options were granted, which was calculated using the Black Scholes method, details of which are given in note 18. The total National Insurance Contribution debit in the year for all schemes was £15,302 (2018: credit £49,724).

The amounts owed to fellow subsidiary companies represent unsecured loans, which are interest free and have no fixed repayment date.

14. Other payables

	2019 £	2018 £
Other payables	39,018	4,423
	39,018	**4,423**

The non current liability is in relation to National Insurance contributions payable by the Company on the exercise of employee issued share options, see note 18.

15. Provisions for liabilities

Provisions for client compensation payments relate to the potential liability resulting from client complaints against the Company. The complaints are assessed on a case by case basis and provisions for compensation are made where it is, in the directors' view, more likely than not that a liability will arise. In those instances where it is concluded that a payment will be made, a provision is established to the management's best estimate of the amount required to settle the amount at the relevant Statement of Financial Position date. Given the uncertain nature of the complaints assessed on a case by case basis, the timing of expected payments are unknown.

	2019 £	2018 £
Client compensation provisions at beginning of the year	11,074	250,004
Charge for the year	16,007	214,141
Released during the year	(25,081)	(453,071)
Client compensation provisions at end of the year	**2,000**	**11,074**

16. Called up share capital

Allotted, called up and fully paid	2019 £	2018 £
40,125 (2018: 40,125) ordinary shares of 5p each	**2,006**	**2,006**

17. Share premium

	2019 £	2018 £
At 1 July 2018	229,660	229,660
Issue of shares	6,000,000	-
At 30 June 2019	**6,229,660**	**229,660**

On 25 September 2018, the Company issued one ordinary share with par value of 5p for £6,000,000.

18. Share-Based Payments

In accordance with FRS101 the Company's parent undertaking, Brooks Macdonald Group plc, granted share options to the Company's employees. The options granted to the Company's employees consist of a share save scheme, long term incentive plan, an enterprise management incentive scheme, a company share option plan and a long term incentive scheme, which were valued on the basis of market prices at the time the options were granted and were calculated using the Black Scholes method with volatility ranging between 25% and 32%, on a historic price, covering the period to vesting date. The expected volatility was estimated on the basis of the share price history subsequent to flotation. The risk free interest rate was assessed as the yield on a gilt edged security with a maturity term of eleven months to three years. The options vest over a period of eleven months to three years and are subject to continued employment with the group. The options were valued at prices up to £18.30 per share.

The weighted average remaining contractual life of share options at the end of the year was 1.56 years (2018: 1.57 years) and, for share options exercised during the year, the weighted average share price at the date of exercise was £18.39 (2018: £20.04). Exercise prices for these options ranged from £nil to £19.66 (2018: £nil to £14.52).

The equity share option cost in the year ended 30 June 2019 amounted to £420,243 (2018: £189,844) which included £336.989 (2018: £141,563) in respect of central department staff. The total direct share-based payment charge for the year was £94,016 (2018: £50,308).

19. Ultimate parent company

The immediate and ultimate parent undertaking and controlling party is Brooks Macdonald Group plc, which is the smallest and largest group to consolidate these Financial Statements. Copies of the consolidated financial statements can be obtained from the Company Secretary at 72, Welbeck Street, London, W1G 0AY.

20. Related party transactions

The Company is exempt under paragraph 8(k) of the disclosure exemptions from IFRS as adopted by the EU included in FRS101 for qualifying entities from disclosing related party transactions with entities that form part of the Brooks Macdonald Group plc of which Brooks Macdonald Financial Consulting Limited is a subsidiary.

21. Contingent liabilities

A claim for unspecified losses has been made by a client against the Company in relation to alleged negligent financial advice. The claimant has not yet advised the quantum of their claim so it is not possible to reliably estimate the potential impact of a ruling in their favour. There remains significant uncertainty surrounding the claim and the Company's legal advice indicates that it is not probable that the claim will be upheld, therefore no provision for any liability has been recognised at this stage.

22. Events since the end of the year

No material events have occurred between the reporting date and the date of signing the Financial Statements.