Good growth in our core services from strong funds inflows

Results

The Group's financial performance for the year to 30 September 2017 was strong. Statutory profit before tax from continuing operations was 15.0% higher than last year at £57.6 million (2016: £50.1 million), or 20.6% higher if the results of the acquisition in May 2017 are excluded. Adjusted profit before tax from continuing operations ('adjusted PBT') was 14.8% higher at £70.0 million (2016: £61.0 million), or 12.1% higher if the acquisition in the year is excluded. Adjusted diluted earnings per share ('EPS') was 19.6p per share (2016: 16.8p), an increase of 16.7%.

The 14.8% increase in adjusted PBT was driven by the growth in total income of 7.8% to £304.5 million (2016: £282.4 million) and together with improving operational efficiency. Fixed operating costs grew by 5.2%, leading to an increase in adjusted PBT margin to 23.0% (2016: 21.6%). Statutory PBT margin for the period increased to 18.9% (2016: 17.7%) in line with adjusted PBT margin.

Continuing operations	**2017** **£m**	2016 £m	Change
Core[1] income	**291.0**	263.3	10.5%
Other income	**13.5**	19.1	-29.3%
Total income	**304.5**	282.4	7.8%
Fixed staff costs	**(110.2)**	(103.5)	6.5%
Other operating costs	**(71.8)**	(69.5)	3.3%
Total fixed operating costs	**(182.0)**	(173.0)	5.2%
Adjusted[2] profit before variable staff costs	**122.5**	109.4	12.0%
Variable staff costs	**(52.5)**	(48.7)	7.8%
Adjusted[2] operating profit	**70.0**	60.7	15.3%
Net finance income and other gains and losses	**–**	0.3	
Adjusted[2] profit before tax	**70.0**	61.0	14.8%
Exceptional items[3]	**(5.7)**	(4.6)	
Amortisation of client relationships	**(6.7)**	(6.3)	
Profit before tax	**57.6**	50.1	15.0%
Taxation	**(12.5)**	(11.1)	
Profit after tax	**45.1**	39.0	15.6%
Earnings per share			
Basic earnings per share	**16.5p**	14.4p	14.6%
Diluted earnings per share	**16.0p**	13.9p	15.1%
Adjusted[4] earnings per share			
Basic earnings per share	**20.5p**	17.7p	15.8%
Diluted earnings per share	**19.6p**	16.8p	16.7%

1. Core income is defined as income derived from discretionary investment management, financial planning, Brewin Portfolio Service ('BPS') and execution only services.
2. These figures have been adjusted to exclude redundancy costs, onerous contracts, amortisation of client relationships, acquisition costs, incentivisation awards, one-off migration costs and disposal of available-for-sale investments.
3. See reconciliation of adjusted profit before tax to statutory profit before tax on opposite page.
4. See note 13 to the Financial Statements.

Explanation of adjusted performance measures

We use adjusted PBT, adjusted diluted EPS and adjusted PBT margin ('adjusted measures') to measure and report on the underlying financial performance of the Group, aiding comparability between reporting periods. The adjusted measures are used by the Board and management for planning and reporting. They are also useful measures for investors and analysts. Additionally, we use some of the adjusted performance measures as Key Performance Indicators ('KPIs'), as well as for performance measures for various incentive schemes, including the annual bonuses of Executive Directors and long-term incentive plans.

These adjusted profit measures are calculated based on statutory profit before tax adjusted to exclude various items of income or expense. Such adjusted items are typically infrequent or unusual items which the Directors consider to be outside the ordinary course of business. They can include non-recurring one-off items of either income or expenses. Income or expenditure adjusted for historically has included items such as material gains on available-for-sale assets. One-off expenses can be items such as acquisition costs incurred in the year and migration costs incurred during 2016.

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

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

Reconciliation of adjusted profit before tax to statutory profit before tax

	2017 **£m**	2016 £m	Change
Adjusted profit before tax	**70.0**	61.0	14.8%
Redundancy costs	**(0.7)**	(2.7)	
One-off migration costs	**–**	(1.6)	
Acquisition costs	**(1.7)**	–	
Incentivisation awards	**(1.3)**	–	
Onerous contracts	**(2.0)**	(0.3)	
Total exceptional items	**(5.7)**	(4.6)	
Amortisation of client relationships	**(6.7)**	(6.3)	
Statutory profit before tax of continuing operations	**57.6**	50.1	15.0%
Statutory profit before tax of discontinued operations	**–**	14.0	
Statutory profit before tax	**57.6**	64.1	-10.1%

Impact of acquisition

The acquisition of DLAM added £0.7 billion of funds and contributed £2.5 million of income for 4½ months post completion to 30 September 2017. After associated staff costs of £0.6 million and administrative, overhead and variable costs of £0.3 million for the period this resulted in a post-acquisition contribution to adjusted profit before tax of £1.6 million to the Group, equivalent to incremental adjusted diluted earnings per share of 0.5p. The integration of DLAM was completed successfully and the achievement of operational cost synergies has exceeded those originally expected by £0.3 million, on a full year run rate basis.

Additional exceptional costs of £3.0 million resulting from the acquisition were incurred, included within the adjusted items below and impacting statutory profit but not adjusted profit. These comprise:

- the upfront acquisition costs of £1.7 million covering principally advisory fees and integration expenses;
- £1.3 million for additional awards to DLAM staff to incentivise the successful transfer and integration of the business; and
- an incremental charge for the amortisation of the £25.5 million of client relationships acquired (see note 14 to the Financial Statements) of £1.4 million within the £6.7 million total amortisation charge for the Group.

Net of these incremental costs the impact of the acquisition on 2017 statutory profit before tax was a loss of £2.8 million, or a reduction of 1.0 p to statutory diluted earnings per share.

Further exceptional staff incentivisation expense will be incurred over the next five financial years dependent on performance targets being achieved in May next year.

For more information see our KPIs on page 24

Funds

£bn	30 September 2016	Inflows	Outflows	Internal transfers	Net flows	Growth rate	Acquired	Investment performance	**30 September 2017**	Change
Private clients	16.9	0.9	(0.7)	–	0.2	1.2%	0.5	1.3	**18.9**	11.8%
Charities & corporates	4.2	0.1	(0.2)	0.1	–	-%	0.1	0.2	**4.5**	7.1%
Direct discretionary	21.1	1.0	(0.9)	0.1	0.2	0.9%	0.6	1.5	**23.4**	10.9%
Intermediaries	6.5	1.5	(0.3)	(0.1)	1.1	16.9%	–	0.5	**8.1**	24.6%
MPS	1.2	0.9	–	0.1	1.0	83.3%	–	0.1	**2.3**	91.7%
Total discretionary	28.8	3.4	(1.2)	0.1	2.3	8.0%	0.6	2.1	**33.8**	17.4%
BPS[1]	0.1	–	–	–	–	-%	–	–	**0.1**	-%
Execution only	3.5	0.4	(0.8)	0.3	(0.1)	(2.9)%	0.1	–	**3.5**	-%
Core funds	**32.4**	**3.8**	**(2.0)**	**0.4**	**2.2**	**6.8%**	**0.7**	**2.1**	**37.4**	**15.4%**
Advisory	3.0	–	(0.1)	(0.4)	(0.5)	(16.7)%	–	0.2	**2.7**	(10.0)%
Total funds	35.4	3.8	(2.1)	–	1.7	4.8%	0.7	2.3	**40.1**	13.3%

[1] BPS re-categorised from total discretionary.

Indices	30 September 2016	**30 September 2017**	Change
MSCI WMA Private Investor Balanced Index	1,457	**1,545**	6.0%
FTSE 100	6,899	**7,373**	6.9%

Total funds grew by 13.3% to £40.1 billion at 30 September 2017 (2016: £35.4 billion), as a result of strong net new funds growth (+4.8%), acquired funds (+2.0%) and investment performance (+6.5%).

Core funds grew by 15.4% (2016: 13.7%) or 13.3% excluding acquired funds, due to continuing strong growth in the intermediaries and MPS channels which represented 91.3% (£2.1 billion) of net discretionary funds inflows during the year.

The acquisition of DLAM increased core funds by £0.7 billion and included £0.6 billion of discretionary funds.

Total discretionary funds grew 17.4% (15.3% excluding acquired funds) to £33.8 billion (2016: £28.8 billion) driven by record gross funds inflows of £3.4 billion (2016: £2.4 billion) and lower gross outflows of £1.2 billion (2016: £1.5 billion). Discretionary net funds inflows of £2.3 billion (2016: £1.1 billion) represents a record annualised growth from discretionary funds of 8.0% (2016: 4.4%), well above our 5% target.

Total direct discretionary growth was maintained with gross organic inflows of £1.0 billion (2016: £1.0 billion). Total direct discretionary funds are now £23.4 billion (including £0.6 billion of acquired assets) (2016: £21.1 billion). Charities and corporates represent 19.2% of our total direct client funds (2016: 19.9%).

Direct discretionary private client funds grew to £18.9 billion (2016: £16.9 billion) with inflows increasing to £0.9 billion (2016: £0.8 billion) in the year. Of particular note was the growth of the wealth management service, which represented over one third of total direct inflows in the year, with 15% (2016: 13%) of our direct private client funds now in this service. As anticipated direct discretionary private client outflows declined from previously elevated levels to £0.7 billion (2016: £1.1 billion). Total net flows for direct discretionary private clients were £0.2 billion, the same as the prior year.

Net funds inflows into charities and corporates were flat for the year (2016: £0.2 billion), as we saw slightly higher outflows of £0.2 billion (2016: £0.1 billion) due to the loss of one large client in the early part of the year.

Gross inflows from our intermediaries channel of £1.5 billion (2016: £0.9 billion) were a record high and we saw continuing strong funds inflows from MPS of £0.9 billion (2016: £0.5 billion). The strength of our intermediaries proposition meant we added over 100 new relationships in the year, taking our total number of relationships to over 1,600. We now have 28 intermediary relationships with funds of over £50 million, with the top 200 relationships accounting for 70% of our intermediaries funds.

Execution only funds, whilst flat at £3.5 billion, saw the loss of certain larger accounts in the first quarter of the year but with very low associated fee income loss.

Advisory funds were £2.7 billion (2016: £3.0 billion). The rate of advisory funds net outflows has declined in the year to an annualised rate of 16.7% (2016: 25.7%), of which £0.4 billion was retained and transferred into other service categories.

Income

Total income increased by 7.8% to £304.5 million (2016: £282.4 million) and is analysed as follows:

	2017 £m	2016 £m	Change
Private clients	**176.4**	165.9	6.3%
Charities & corporates	**21.8**	19.7	10.7%
Direct discretionary	**198.2**	185.6	6.8%
Intermediaries	**55.3**	46.0	20.2%
MPS	**5.3**	2.9	82.8%
Indirect discretionary	**60.6**	48.9	23.9%
Total discretionary	**258.8**	234.5	10.4%
Financial planning	**20.8**	17.5	18.9%
BPS	**1.0**	0.9	11.1%
Execution only	**10.4**	10.4	-%
Core income	**291.0**	263.3	10.5%
Advisory	**12.9**	15.7	-17.8%
Other income	**0.6**	3.4	-82.4%
Total other income	**13.5**	19.1	-29.3%
Total income	**304.5**	282.4	7.8%

Core income growth of 10.5% to £291.0 million (2016: £263.3 million) was driven by discretionary funds growth of 17.4% (2016: 16.5%) and overall core funds growth of 15.4% (2016: 13.7%). With the Group's continued focus on discretionary funds, core income now represents 95.6% (2016: 93.2%) of total income.

Income from direct discretionary private clients grew 6.3% as we continued to attract new funds and transfer existing clients into this service. Charities and corporates income grew in line with funds growth.

Income from our indirect discretionary business grew by 23.9% as a result of continued strong net funds inflows. MPS income grew strongly in the year to £5.3 million (2016: £2.9 million) as the business benefited from high levels of asset retention and record inflows.

Financial planning income increased by 18.9% to £20.8 million (2016: £17.5 million) reflecting the increased take up of our wealth management service.

Total other income reduced by £5.6 million to £13.5 million (2016: £19.1 million) impacted by slowing but continued outflows from our advisory business, the loss of trail income and the continued low interest rate environment.

Fees and commissions

Core fee income grew by 15.7% to £207.9 million (2016: £179.7 million) in line with the growth in core funds. Core commission income declined by £3.8 million to £62.3 million (2016: £66.1 million) as a result of a marked decline in market volatility during the year compared to the second half of 2016.

Core fee income now represents over 71% of core income and has increased steadily from 48% in 2010 and 62% in 2013.

The split of fees and commissions is shown in the table below:

	2017			2016			Change		
£m	**Fees**	**Commission**	**Total**	Fees	Commission	Total	Fees	Commission	Total
Private clients	**125.3**	**51.1**	**176.4**	111.2	54.7	165.9	12.7%	-6.6%	6.3%
Charities & corporates	**18.8**	**3.0**	**21.8**	16.6	3.1	19.7	13.3%	-3.2%	10.7%
Direct discretionary	**144.1**	**54.1**	**198.2**	127.8	57.8	185.6	12.8%	-6.4%	6.8%
Intermediaries	**53.7**	**1.6**	**55.3**	44.1	1.9	46.0	21.8%	-15.8%	20.2%
MPS	**5.3**	**–**	**5.3**	2.9	–	2.9	82.8%	-%	82.8%
Total discretionary	**203.1**	**55.7**	**258.8**	174.8	59.7	234.5	16.2%	-6.7%	10.4%
BPS	**1.0**	**–**	**1.0**	0.9	–	0.9	11.1%	-%	11.1%
Execution only	**3.8**	**6.6**	**10.4**	4.0	6.4	10.4	-5.0%	3.1%	-%
Core income excluding financial planning	**207.9**	**62.3**	**270.2**	179.7	66.1	245.8	15.7%	-5.7%	9.9%

Income yield

(bps)	2017 Fees	 Commission	 Total	2016 Fees	 Commission	 Total
Private clients	**69**	**28**	**97**	70	34	104
Charities & corporates	**43**	**7**	**50**	43	7	50
Direct discretionary	**64**	**24**	**88**	64	29	93
Intermediaries	**72**	**2**	**74**	75	3	78
MPS	**28**	**–**	**28**	30	–	30
Total discretionary	**64**	**17**	**81**	65	23	88
BPS	**70**	**–**	**70**	70	–	70
Execution only	**11**	**19**	**30**	11	18	29
Advisory	**33**	**13**	**46**	34	15	49
Overall	**57**	**17**	**74**	57	21	78

Overall income yield declined to 74bps (2016: 78bps).

The overall blended yield across all our discretionary services declined to 81bps (2016: 88bps). This was a result of an increasing proportion of funds growth through our intermediaries channel and higher market levels moving direct discretionary private clients into lower priced fee bands. Reduced portfolio turnover rates lowered commission income and consequently the commission yield. This reflects more benign markets decreasing the need for portfolio rebalancing and a general increase in the use of collectives in client portfolios.

On a discrete basis, the yield from our direct discretionary private client channel reduced to 97bps (2016: 104bps) primarily due to lower commission income. Charities and corporates income yield remained consistent with 2016 at 50bps.

Intermediaries yield fell to 74bps (2016: 78bps) as many intermediary relationships grew and became more material in the year. Our intermediaries clients benefited from lower priced volume based fee tiers. As a significant proportion of our intermediaries relationships are now on the most cost effective volume based tariff, we expect the overall yield from this business to remain broadly stable based on the current sources of inflows. The MPS income yield was 28bps (2016: 30bps) as a result of the introduction of lower priced passive products into the range.

The yield on our execution only business increased to 30bps (2016: 29bps), this was primarily due to increased trading activity by our clients. The yield on our advisory business declined to 46bps (2016: 49bps), this was primarily due to a reduction in transactional commission income.

Adjusted PBT margin

The increase in the adjusted PBT margin to 23.0% in the year (2016: 21.6%) was driven by the growth in total income coupled with the ability of the Group to utilise existing capacity which delivered operational scale benefits. Further, the efficient use of existing capacity together with rising income levels resulted in our target of £75 million of discretionary funds per CF30 being achieved in the final quarter of 2017 (see page 25).

The fourth quarter adjusted PBT margin was 25%, in line with our target set in 2013.

Costs

Total fixed operating costs increased by 5.2% to £182.0 million in the year (2016: £173.0 million) with staff costs accounting for approximately 75% of the increase.

Fixed staff costs

Fixed staff costs increased by £6.7 million to £110.2 million (2016: £103.5 million) as a result of inflationary pay rises and higher cost of sales from the substantial increase in intermediary inflows compared to prior years. Headcount grew by a net 31 over the course of the year to 1,614 from 1,583 at the end of last year.

Other operating costs

Overall other operating cost increases were limited to 3.3%, increasing to £71.8 million (2016: £69.5 million). This was largely as a result of increases in premises costs following rent reviews and higher technology spend ensuring our systems and processes are ready for the adoption of MiFiD II. These increases were partially offset by further operational efficiencies and lower depreciation charges.

Variable staff costs

Variable staff costs in the form of profit share increased by 7.8% to £52.5 million (2016: £48.7 million), in line with business performance. Profit share as a percentage of pre-profit share profit fell from 44.5% in 2016 to 42.8% in 2017 as a result of higher levels of deferrals and operational efficiency improvements.

Exceptional items

Net exceptional costs of £5.7 million (2016: £4.6 million) were primarily due to the acquisition of DLAM which resulted in £3.0 million of transaction related and staff incentivisation costs. Redundancy costs, as a result of restructuring, declined materially from £2.7 million in 2016 to £0.7 million, as the period of major business rationalisation was largely concluded in the year.

The onerous contract charge for the year was £2.0 million (2016: £0.3 million), of which £1.3 million related to the identification of onerous space available for subletting in our Newcastle office, following a review of space utilisation and subsequent reorganisation (see note 23 to the Financial Statements for further information). Furthermore, a subdued property market for prime office space in Edinburgh resulted in the previously identified onerous space not being sublet in line with our expectations; the onerous provision has been revised to reflect this.

Amortisation of client relationships

Amortisation of client relationships increased to £6.7 million (2016: £6.3 million), including £1.4 million for 4½ months' amortisation of the client relationships acquired in the year, offset by a reduction in the amortisation of other previously acquired client relationships which have now reached the end of their amortisation periods.

Defined benefit pension scheme

The final salary pension scheme moved from a deficit of £7.0 million to a surplus of £4.5 million in the year resulting in an actuarial gain of £8.6 million being recognised (2016: £7.0 million loss).

Under IAS 19, large annual fluctuations can occur. The swing to a surplus has largely been driven by an increase in the discount rate, reflecting a rebound in the level of corporate bond yields from their near low point at the end of September 2016. This served to decrease the present value of liabilities that were significantly higher at 30 September 2016 than in the recent past; this was partially offset by an increase in the inflation assumption from 3.1% to 3.3% per annum. Changes to post retirement mortality assumptions, members transferring the value of their benefits out of the scheme and cash contributions to the scheme have also contributed to the movement.

The Group continues to make contributions of £3.0 million per annum, as part of the funding plan agreed with the trustees of the Group's Defined Benefit Pension Scheme (see note 18 to the Financial Statements).

Dividend

The Group's dividend policy is set out in the Chairman's Statement, see page 15.

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

The Company is the parent company of the Group and is a non-trading investment holding company. It derives its distributable reserves from dividends received from its subsidiaries, of which Brewin Dolphin Limited is the principal operating subsidiary. Before any interim or final dividends are proposed by the Board it satisfies itself that there will be sufficient distributable reserves in the Company at the respective payment dates.

The distributable reserves of the Company, comprise £38.4 million of the merger reserve (see note 26 to the Financial Statements) and the majority of the balance on the profit and loss reserve.

The Group is well positioned to continue funding dividend payments in accordance with its policy. The ability of the Board to maintain future dividends will be influenced by a number of the principal risks identified on pages 28 to 29 that could adversely impact the performance of the Group.

Furthermore, with the current cash resources available to the Group we continue to be well positioned to support our strategy. Further details of the Group's cash flow can be found below; details of its continuing viability and going concern are both on page 37. The majority of the cash resources are held by the principal operating subsidiary Brewin Dolphin Limited.

Capital resources and regulatory capital

The Group's financial position remains strong with net assets increasing to £262.6 million at 30 September 2017 (2016: £242.8 million), primarily as a result of good profit retention and the actuarial gain on the defined benefit pension scheme. Tangible net assets (net assets excluding intangibles) are £166.8 million (2016: £161.8 million).

At 30 September 2017, the Group had regulatory capital resources of £165.2 million (2016: £164.0 million), see note 28 to the Financial Statements.

The Group's primary regulator is the Financial Conduct Authority ('FCA'). The FCA 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.

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

Cash flow and capital expenditure

The Group had a small cash outflow for the period of £0.9 million (2016: £20.5 million inflow) after paying £25.5 million for the DLAM acquisition, financed entirely from its cash reserves. This resulted in total net cash balances of £170.0 million as at 30 September 2017 (2016: £170.8 million).

Adjusted EBITDA (see table below) was £85.2 million (2016: £75.6 million), 12.7% higher, the increase being in line with adjusted PBT growth for the year. £3.0 million was contributed to the defined benefit pension scheme (2016: £3.0 million). Capital expenditure of £2.0 million was significantly lower than previous periods (2016: £6.4 million), resulting from lower capitalisation of software due to the nature of IT developments.

Cash outflow for own share 'matching' purchases in the period comprised £5.6 million (2016: £6.7 million) for the Deferred Profit Share Plan and Equity Award Plan, to match the awards made in 2016. All past awards are fully matched. £0.2 million (2016: £0.2 million) of shares were purchased for the Share Incentive Plan (see note 29 to the Financial Statements). £0.5 million was received from shares issued in the period in relation to Approved Share Options (2016: £0.4 million).

Dividends paid in the period increased by 11.6% to £36.6 million (2016: £32.8 million).

	2017 **£m**	2016 £m
Adjusted profit before tax	**70.0**	61.0
Finance income and costs	**–**	(0.3)
Adjusted operating profit	**70.0**	60.7
Share-based payments	**8.1**	8.4
Depreciation and amortisation	**7.1**	6.5
Adjusted EBITDA	**85.2**	75.6
Pension funding	**(3.0)**	(3.0)
Capital expenditure	**(2.0)**	(6.4)
Proceeds on disposal of trading investments	**1.1**	–
Working capital	**(1.0)**	(0.6)
Interest and taxation	**(9.7)**	(8.5)
Acquisition of subsidiary	**(25.5)**	–
Exceptional items	**(2.2)**	(3.1)
Acquisition costs	**(1.7)**	–
Discontinued operations	**(0.2)**	5.8
Shares purchased and disposed of	**(5.8)**	(6.9)
Shares issued for cash	**0.5**	0.4
Cash flow pre-dividends	**35.7**	53.3
Dividends paid	**(36.6)**	(32.8)
Cash flow	**(0.9)**	20.5
Opening cash	**170.8**	149.8
Exchange and other non-cash movements	**0.1**	0.5
Closing cash	**170.0**	170.8

Going concern

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

The Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and its exposure to credit risk and liquidity risk are described in note 28 to the Financial Statements.

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

Viability Statement

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

The assessment is based on the Group's Medium Term Plan ('MTP'), the Internal Capital Adequacy Assessment Process ('ICAAP') and the evaluation of the Group's principal risks and uncertainties (see page 28), including those risks that could threaten its business model, future performance or solvency.

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

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

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

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

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

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

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

Andrew Westenberger
Finance Director

28 November 2017