



BREWIN DOLPHIN  
HOLDINGS PLC

ANNUAL REPORT  
AND ACCOUNTS  
2008



Directors, Secretary and Officers	02
Highlights	03
Executive Chairman's Statement	04
Business Review	06
Operating and Financial Review	08
Directors and their Biographies	14
Directors' Report	16
Corporate Governance	20
Directors' Remuneration Report	25
Directors' Responsibilities	31
Independent Auditors' Report	32
Consolidated Income Statement	34
Consolidated Statement of Recognised Income and Expense	34
Consolidated Balance Sheet	35
Company Balance Sheet	36
Company Statement of Recognised Income and Expense	37
Consolidated Cash Flow Statement	38
Company Cash Flow Statement	39
Notes to the Financial Statements	40
Five Year Record	71
Funds	71
Shareholders at 7 November 2008	72
Notice of Meeting	73
Branch Address List	77

"UK'S LARGEST INDEPENDENT  
PRIVATE CLIENT INVESTMENT  
MANAGER FOCUSED ON LONG  
TERM EQUITY INVESTMENT"

# DIRECTORS, SECRETARY AND OFFICERS

## Directors (including Committee Membership)

### Executive Directors

Jamie Graham Matheson, FSI	<b>Executive Chairman</b>
Robin Alec Bayford, FCA	<b>Finance Director</b>
Barry Mark Howard	<b>Head of Regulation</b>
Christopher David Legge	
David William McCorkell	<b>Head of Investment Management</b>
Sarah Jane Spencer Soar	
Ian Benjamin Speke	
Simon Jonathan Henry Still, FInstD	<b>Chief Operating Officer</b>
Michael John Ross Williams	
John Piers Hall (Retired 22 February 2008)	

### Non-Executive Directors

### Committees

William Nicholas Hood, CBE	<b>Senior Independent Director and Deputy Chairman</b>	(a) (n) (r)
Angela Ann Knight, CBE		
Sir Stephen Mark Jeffrey Lamport, KCVO, DL		(a)
Simon Edward Callum Miller		(a) (n) (r)
Francis Edward (Jock) Worsley, OBE, FCA		(a) (n) (r)
Vikram Lall, CBE, CA (Retired 22 February 2008)		(n)

(a) Member of the Audit Committee; (n) Member of the Nomination Committee; (r) Member of the Remuneration Committee.

### Secretary

### Company Registration Number

### Registered Office

Angela Wright, FCCA  
 2685806 (England and Wales)  
 12 Smithfield Street, London EC1A 9BD  
 T: 0845 213 1000 (UK only) / + 44 20 7248 4400 (International)  
[www.brewin.co.uk](http://www.brewin.co.uk) [www.stocktrade.co.uk](http://www.stocktrade.co.uk)

### Officers and Advisors

#### Registrars

Equinti Limited  
 PO Box 4630, Aspect House,  
 Spencer Road, Lancing,  
 West Sussex, BN99 6DA

#### Principal Bankers

Bank of Scotland  
 Pentland House (2nd Floor)  
 8 Lochside Avenue  
 Edinburgh, EH12 9DJ

#### Corporate Finance Advisors

West Hill Corporate Finance Ltd  
 60 Lombard Street  
 London  
 EC3V 9EA

#### Solicitors

Lawrence Graham LLP  
 4 More London Riverside  
 London, SE1 2AU

#### Auditors

Deloitte & Touche LLP  
 Hill House  
 1 Little New Street  
 London, EC4A 3TR

#### Joint Stockbrokers:

Canaccord Adams Limited  
 Cardinal Place  
 7th Floor, 80 Victoria Street  
 London, SW1E 5JL

Arden Partners  
 Nicholas House  
 3 Laurence Pountney Hill  
 London, EC4R 0EU



£10.2bn

Discretionary funds £10.2 billion at 28 September 2008 (2007: £10.7 billion), a fall of 4.7% which compares to falls of 21.3% and 14.5% of the FTSE 100 Share Index and FTSE APCIMS Private Investors Series Balanced Portfolio Index respectively over the same period.

£206m

Total income £206 million (2007: £209 million).

£36m

Profit before tax £36.2 million (2007: £41.7 million).

11.7p

Earnings per share:  
Diluted earnings per share 11.7p (2007: 13.8p).  
Basic earnings per share 12.2p (2007: 14.5p).

7.1p

The total dividend for the period is 7.1p<sup>\*</sup> per ordinary share (2007: 6.875p<sup>\*\*</sup>) a 3.3% increase.

Proposed final dividend 3.55p per share up 1.4% against 3.5p per share in 2007.

<sup>\*</sup> paid September 2008 and payable April 2009, <sup>\*\*</sup> paid October 2007 and April 2008



In a year characterised by difficult and volatile trading conditions, your Company achieved a relatively resilient performance reflecting the fundamental strengths and scale of the business.

Pre-tax profit for the period to 28 September 2008 was £36 million, some 13% down on last year, against a fall in the FTSE 100 index of 21%. This disguises areas of some material progress, particularly within our mainstream Investment Management business.

As in previous years we have benefited from the arrival of new investment managers and financial planners who have joined the Company. We expect this to continue. During the last year we have opened new offices in Chester and Nottingham and have expanded and relocated our offices in Birmingham, York, Jersey, Dundee, Inverness, Lymington and Newcastle. New teams have joined us in Belfast, Cheltenham, Exeter, Leeds and Taunton and ten new teams have arrived in London during the year.

Overall, as the UK's largest independent private client investment manager focused on long term equity investment, we have a good platform to continue to develop despite the uncertain economic environment.

## **Investment Management**

Investment Management is the largest part of your Group's activities and it has performed well in somewhat adverse market circumstances, increasing both income and profit. Total Funds Under Management have declined from £21.6 billion to £18.7 billion over the year, but most importantly the decline in the discretionary element from £10.7 billion to £10.2 billion is less than 5%, while the decrease in advisory funds has been 22% from £10.9 billion to £8.5 billion more in line with the market. The trend towards our full discretionary management service from advisory continues and has accelerated.

## **Investment Banking**

While last year saw Investment Banking enjoy a record breaking performance, this year has, as highlighted at the half year, been in stark contrast, with income dropping by more than half and operating profit by some 93%. Whilst at first glance this may appear dramatic, the Division still remained profitable and continues to perform favourably in comparison to many of its peer group.

## **Regulation**

As ever, regulation features prominently in the day-to-day workings of your Group and it remains at the forefront of Board Policy to see that the Group meets all the standards and requirements of modern day regulation. Building on the work we did for MiFID last year, this year we have worked hard to ensure that your firm meets the six outcomes of the FSA's Treating Customers Fairly (TCF) project. It is integral to your Group's ethos that we treat our clients fairly.

## **Re-Branding**

As part of the re-branding exercise which was carried out in the Spring of 2008, there is a different appearance to this year's Annual Report and Accounts. We now operate under the single name of Brewin Dolphin in England, Wales, Northern Ireland and the Channel Islands and it is planned that we will also do so in Scotland from the Spring of 2009. We have adopted a new logo and style which we believe is not only fresh and up-to-date, but as importantly, reflects our culture and heritage.

## **Strategy**

Brewin Dolphin remains committed to pursuing its objectives of achieving long term growth and return for shareholders through the provision of a high quality service to all our clients. Pursuit of these objectives will safeguard the interests of all our stakeholders.

"WE HAVE A GOOD PLATFORM  
TO CONTINUE TO DEVELOP  
DESPITE THE UNCERTAIN  
ECONOMIC ENVIRONMENT"

#### **Dividend**

The Board is pleased to announce that we are proposing a final dividend of 3.55p, to be approved at the 2009 AGM and payable on 6 April 2009.

#### **The Board**

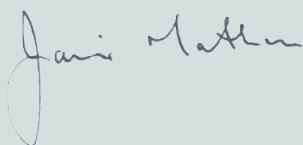
As reported last year, John Hall and Vikram Lall retired at the last Annual General Meeting. Both Simon Miller and Robin Bayford will be standing for re-election at the AGM and I commend them to you.

#### **Conclusion**

Once again the results in the year under review have been achieved thanks to the hard work of all the Brewin Dolphin people as well as the continued support of our clients, for which we are extremely grateful.

I believe that your Group has performed well during this period but we cannot consider ourselves immune from stock market conditions and it is likely that this will be reflected in our results for the year ahead. Clearly during these more turbulent times it is as important as ever to keep a grip on cost control and this we are actively doing.

There are many lessons to be learned from the turmoil of recent months. In particular, there is now a wide recognition that debt in whatever sphere must be kept in proportion, which clearly emphasises the importance of equity. We are very fortunate to serve a client base that has a good understanding of stock markets and practices and true long term investments. I believe firmly in the merits and soundness of our business model and that this will help the Company's prospects.



**Jamie Matheson**  
26 November 2008



## Investment Management Report

David McCorkell – Executive Director – Head of Investment Management

It is a great pleasure to report a record year for the Investment Management Division in what has been an unprecedented year for global stock markets.

Investment Management operating profits rose to £29.6 million from £27.7 million, an increase of 7% over the previous period on turnover of £193.7 million, an increase of 8% over the 2007 figure of £179.7 million, a creditable performance considering the market downturn in the second half.

## Indices and Value of Funds under Management

Indices	At 28 September 2008	At 30 September 2007	% Change
FTSE APCIMS Private Investor Series			
Balanced Portfolio	2,586	3,029	(14.6%)
FTSE 100	5,089	6,467	(21.3%)

Funds	£ billion	£ billion	
Discretionary funds under management	10.2	10.7	(4.7%)
Advisory funds under management	8.5	10.9	(22.0%)
<b>Total managed funds</b>	<b>18.7</b>	<b>21.6</b>	<b>(13.4%)</b>

Total funds under Discretionary Management at the year end were £10.2 billion against £10.7 billion, a fall of 4.7% which compares to falls of 21.3% and 14.6% of the FTSE 100 Share Index and FTSE APCIMS Private Investors Series Balanced Portfolio Index respectively. Funds under Advisory Management were £8.5 billion, a fall of 22%, giving us total funds under management of £18.7 billion, a fall of 13.4% overall. These figures include £1.2 billion of new funds brought in by our new teams.

## Financial Performance (£'m)

	Total Income 2008	Operating Profit 2008	Total Income 2007	Operating Profit 2007
Discretionary Portfolio Management	123.0	18.8	110.4	15.2
Advisory Portfolio Management	70.7	10.8	69.3	12.6
	<b>193.7</b>	<b>29.6</b>	<b>179.7</b>	<b>27.8</b>

It is pleasing to report that fee, interest and other recurring income has increased by 23% in the year, with commission income falling by 7%. Recurring income is now 55% (2007: 49%) of the total income. Significantly this improvement in the quality of our income is not restricted to the discretionary side of the business, advisory fees and other recurring income has increased by 25% to £22 million, 31% of advisory revenue.

## The Business

During the period further teams of good quality fund managers have continued to join the Group, along with their clients. In total, 21 new teams have arrived during the period. The largest team consisted of six divisional directors and 18 staff, who joined us in Nottingham where we opened a new office. The smallest team of one divisional director and one assistant arrived in Guernsey in September. We look forward to all these teams making a positive contribution to our results next year.

We now have a total of 660 client executives and investment managers, a net increase of 44 over the period.

Financial Planning has continued to grow with the number of qualified Financial Planners increasing to 63 across the Group. Financial Planning income has increased by 16.5% during the period. It is a strategic objective to provide qualified financial and tax planning advice in or near to all our branches and I am pleased to report that recruitment this period has brought us closer to that goal and to providing a complete wealth management service for all our clients. This strategy has delivered a net increase in pension funds managed around the Group to over £2 billion (£1.9 billion in 2007).

During the period, the roll out of the new Investment Management system, eXimius, was successfully completed. It provides superior investment management tools, individual risk profiling of clients' portfolios and enhanced performance measurements. The next phase of this development will shortly deliver an improved on-line reporting system for our clients.

Stocktrade provides specialist execution-only services to 30 companies in the FTSE 100, a further 130 listed companies, four Building Societies and some 150 Investment Managers and IFAs. Stocktrade has also built up a number of partnerships within the SIPP administration industry. These services, which include both 'Dual Branding' and 'White Labelling' for agents, have grown in popularity as investors have sought alternatives to traditional pension plans and we believe they are set to dominate the personal pension market for some time to come.





We have enhanced our research department during the period. The team is entirely dedicated to servicing the needs of our clients through focused research into UK and International equities, fixed interest securities, collective investments and structured products. The department analyses and monitors the most appropriate investment vehicles or securities, which our investment managers can assess for their clients' individual needs. Our analysts do not manage client monies and are fully focused on research for the benefit of the Group as a whole.

This year has seen the Financial Services Authority (FSA) introduce its Treating Customers Fairly (TCF) initiative. Whilst we believe we always treat our clients fairly, we now have improved processes in place to demonstrate that we do so and to provide more detailed management information which we will use to improve the efficiency of our business.

I must pay tribute to all our investment managers across the Group who have looked after their clients during such testing times. I must also thank our support staff without whom we would not be able to look after our clients' needs. Existing clients have told us in recent surveys that being able to talk to someone they know and trust is their most important criterion and new clients are joining us having lost confidence in managing their own investments. It is for these reasons that we believe our business model is the right one for the times ahead. We are also fortunate that in principle we are a long only, long term investment house, committed to providing a bespoke and personal service for our clients and to championing the interests of all private investors wherever we can.

#### **Investment Banking Report**

Graeme Summers – Director of Brewin Dolphin Limited – Head of Investment Banking

Brewin Dolphin Investment Banking Division provides research, sales and corporate advisory services to over 100 institutional clients and more than 120 quoted companies.

This has been a much more difficult year for our industry than last year as a result of the global financial crisis. Although we are a business with strong risk controls, we have still been impacted by the knock-on effects of this crisis on capital markets. As a result, the Investment Banking Division delivered a significantly reduced contribution to the Group for the period under review.

Weak markets resulted in lower trading commissions than last year. However, the sales and research team still achieved a reasonable performance, as a result of its continuing focus on delivering sound, impartial investment advice to our institutional clients. As an aside, it was pleasing that our research team of 15 analysts was recognised at the 2008 AIM Awards in October, picking up the award for Best AIM Research.

Encouragingly, the number of our corporate clients remained broadly similar to last year, as a result of our focus on building long-term relationships and adding value by providing a professional service and quality advice. However, the substantial drop in the amount of fund-raising activity by quoted companies across all markets reduced the opportunity for corporate fees.

Overall, we believe the results of the division demonstrate a robust performance comparing particularly favourably with the performances of many in our peer group over the same period. The fact that we have been able to achieve these creditable results in such difficult markets is, without doubt, a reflection of the strength of the whole team.

In the second half of the year, we responded in a measured way to market conditions by reducing costs across the division and this has provided a strong platform for the future.

Whilst in the short term, capital markets may continue to be difficult, our highly respected team of professionals will seek to build on its strong credentials, prudent business model and long-term client relationships.

Looking forward, we believe that there are significant opportunities for the business and we will continue with our focused strategy of investing for the future. Our objective is to deliver a meaningful and growing contribution to the Group as markets recover and into the longer term.



Robin Bayford – Finance Director

This review has been prepared solely to provide additional information to shareholders to assess the Group's strategies and the potential for these strategies to succeed. It should not be relied on by any other party for any other purpose. The review contains forward looking statements, these should be treated with caution due to inherent uncertainties associated with such statements.

## Business Overview

The Brewin Dolphin Group has one principal operating Company, Brewin Dolphin Limited ("BDL"), which is regulated by the Financial Services Authority ("FSA"). Its main business is that of an Investment Manager with an Investment Banking arm.

## Aims, Strategy and Objectives

### The Brewin Dolphin Vision and Mission

To be the leading independent Investment Management and Investment Banking business maintaining trust through complete integrity, fair treatment of all our clients and offering a bespoke service which adds value via personal contact.

To grow our business to the benefit of our shareholders by maintaining the quality and increasing the depth of service rendered to our clients.

## Objectives

- Deepen our service offering to our client base.
- Expand our branch network.
- Build our brand.
- Maintain a high level of staff retention.

## Key Performance Indicators ("KPIs")

The main KPIs used by management are:

- Profit per team.
- Team return on funds under management.
- Business facing income to salary ratios.
- Overheads and business support costs as a percentage of total income.
- Staff turnover ratios.

## Performance in Period

- Profit per business segment is reported on in note 6 to the financial statements and is further explained below.

- The aggregate return on funds was as follows:

	2008	2007	2004*
Average return on discretionary funds	<b>1.18%</b>	1.13%	1.00%
Average return on advisory funds	<b>0.73%</b>	0.66%	0.53%

\* 2004 figures have been included to provide an appropriate benchmark based on a 5 year view.

- Business facing income to salary ratios were as follows:

	2008	2007	2004*
Investment management	<b>4.5</b>	4.8	4.2
Investment banking	<b>2.5</b>	5.3	4.3

\* 2004 figures have been included to provide an appropriate benchmark based on a 5 year view.

Investment Management's business facing salary ratio has fallen due to new teams in their first year bringing in £6.8m of revenue with salary costs of £4m. It is anticipated that these businesses will improve the ratio once fully up and running.

Reduced turnover, due to very difficult market conditions, has adversely affected Investment Banking's ratio.

- Overheads and business support costs as a percentage of income:

	2008	2007	2004*
Total fixed business support costs as a % of income	<b>19.3%</b>	15.6%	18.1%
Total fixed overhead costs as a % of income	<b>11.6%</b>	9.6%	9.8%

\* 2004 figures have been included to provide an appropriate benchmark based on a 5 year view.

Total fixed business support costs and fixed overhead costs as a proportion of income have both increased in the current period due mainly to falling investment banking income and the cost increases highlighted within the Investment Management section below.

- Staff turnover ratios

Business facing staff losses were 10% in 2008 (2007:10%) with gains of 21% (2007:18%).

### Targets

On the investment management side of the business the principal target is to grow discretionary funds by 5% p.a. above market movement. This has been exceeded in the year by 16%. On the investment banking side the main aims are to increase the average size of the mandate and grow recurring income; here retainers have increased by 41% in the period to £3m.

### Results for the 2008 Financial Period

The Group's total income fell by 1%, pre-tax profits fell by 13% and fully diluted EPS by 15% in the period, against the background of a 21% drop in the FTSE 100 index. Full details are shown in the consolidated income statement and note 6 to the financial statements and a review of each division is included in the Business Review, with further analysis provided below.

### Current, Future Performance and Profit Dynamics

The performance in the period, successful re-branding and future prospects are outlined in the Executive Chairman's Statement and the Business Review.

The Group has substantial operational gearing arising from its fixed cost base, mitigated by geared profit share. It is estimated that the Group would break even, after measured cost reductions, other things being equal, at a FTSE 100 index level of 2,500.

### Competition and Markets

BDL is the UK's largest independent investment manager and one of the largest regional investment bankers. The investment management market is a growing sector, competition is relatively fragmented and price competition is low.

### Resources available to the Group

The Group's main resource is its staff: investment managers, investment banking staff and support staff, see note 7 to the financial statements.

To support our business facing personnel we have a strong research department and up-to-date computer systems, together with offices located around the country, so we are able to give a truly personal service to clients.

### Corporate Responsibility

Environment, Health and Safety and Social and Community responsibility issues are covered in the Directors' Report, as are key employment policies which are also dealt with in the Remuneration Report.

### Investment Management

The investment management division has grown its total income by 8% to £193.7m in 2008 and operating profits by 7% to £29.6m.

This is further analysed as follows:

	2008 £'000	2007 £'000
Total income	193,696	179,739
Salaries	(67,504)	(64,831)
Other operating costs	(64,326)	(51,791)
Pre-profit share profit	61,866	63,117
Profit share	(32,310)	(35,408)
Operating profit	29,556	27,709

The above income is further analysed as follows:

	2008 £'000	2007 £'000
Fee, interest and other recurring income	106,960	86,274
Commission	86,736	93,465
	193,696	179,739

Fee, interest and other recurring income have increased by 23% in the period to 55% of total revenue (2007: 48%), with commission income falling by 7%.

Salary costs in 2007 included a one-off £5 million incentive. £4 million of the underlying salary increase in 2008 is attributable to new teams recruited in the period and the balance relates to extra business support costs and a general 3% salary increase.

The £13 million increase in other operating costs arises from additional computer and communication costs, a new data centre and six new offices, including new premises in Newcastle.

The increase in computer costs was largely due to the introduction of a new front office system, eXimius, including double running costs throughout the period. The old system was successfully turned off in October 2008; costs will now reduce.

# OPERATING AND FINANCIAL REVIEW (continued)

## Teams

Investment management is broken down into small profit centres for profit share purposes. Normally the senior members of each team have a shareholding in the Group, which is material to them, so that the long-term interest of the Group is more important than any one year's profit share. Individual team's figures, both as to profit and return on funds, are reported in the Group Management Accounts. It is an absolute rule that a loss in one profit centre does not impinge on other centres; though such losses reduce Group Management's profit share.

## New Teams

During the period the Group attracted twenty one new teams; the largest consisting of six divisional directors and eighteen staff and the smallest one divisional director and one assistant. During the period new teams brought in discretionary funds of £880m and advisory funds of £312m. This resulted in £6.8m of additional revenue but a loss of £0.6m. The most successful team brought in revenue of £1.6m, making a profit before tax of £0.5m, and a team joining in the last six months of the financial period made a loss of £0.6m as it built up its numbers. As a rule of thumb, the Group looks to fixed salaries being covered 4 to 5 times by revenue when assessing potential new teams once the teams' clients have been transferred.

## Discretionary Investment Management

Discretionary investment management total income has increased by 11% to £123m and operating profits by 24% to £18.8m.

Discretionary funds have decreased by 5% from £10.7bn to £10.2bn, against a market fall of 21%.

## Advisory Investment Management

Advisory investment management total income has increased by 2% but operating profits have fallen by 14% to £10.8m.

Advisory funds have decreased by 22% from £10.9bn to £8.5bn in line with the market.

Advisory fees and other recurring income have increased by 25% to £22 million helping to underpin the increase in margin shown above.

## Investment Banking

Investment Banking saw total income and operating profits fall by 57% and 93% respectively. This was due to very severe market conditions in 2008.

This is further analysed as follows:

	2008 £'000	2007 £'000
Total income	12,799	29,540
Salaries	(5,113)	(5,546)
Other operating costs	(5,781)	(5,091)
Pre-profit share profit	1,905	18,903
Profit share	(907)	(11,856)
Redundancy costs	998	7,047
	(500)	–
Operating profit	498	7,047

In 2008, £500,000 of redundancy costs were incurred in the second half of the period.

This division has a very geared profit share arrangement which is designed to reduce peaks and troughs in operating profit in this more volatile business.

## Risks and Uncertainties

The principal risk to the business remains adverse movements in the market in the short term. However, during the period there has been a substantial movement in the mix of funds under management from equity towards cash and bonds which has reduced our dependence on the level of the FTSE 100 Index.

Risks to the business are reviewed and monitored daily by the Investment Management Risk and Controls Committee and the Investment Banking Risks and Controls Committee; they are formally reviewed by the Board twice a year. The Group's risk management policies and procedures are also discussed in the Corporate Governance Statement and financial risks and risk management form part of note 25 to the financial statements.





## OPERATING AND FINANCIAL REVIEW (continued)

### Risks and Uncertainties (continued)

At the last Board meeting in October 2008 the following major financial and non financial risks were identified or reconfirmed:

Risk Type	Risk	Key Mitigators
Credit risk	Counterparty risk	Majority of clients are small with an average portfolio size of £350,000. All institutional transactions are cash against delivery.
	Trading exposure	Rigorous internal checks, with formal sign offs on underwritings. The firm never underwrites without full sub-underwriting in place. Strong controls and procedures in place. £2 million limit on principal account trading.
Earnings risk	Loss of front office staff	Wide staff shareholdings. Contracts of employment with six months' garden leave. Good profit share.
Interest rate risk	Interest rate risk	At the period end only £250m of clients' deposits was out on the money market for more than one month and this was out for under two months.
Liquidity risk	Bank default and other systemic risk	Several banks are used to hold both client and firm's money, with levels being constantly reviewed. Only bank with major UK clearers and one Irish clearer. The Irish government guarantees deposits in this clearer. Market heavily regulated.
	Capital Adequacy	Capital adequacy surplus maintained greater than 50% of regulatory requirement. Large cash balances.
Legal and compliance risk	Data protection	Systems and controls in place to restrict access to client and employee data including: Centralised control of client data; Clear desk policy; Data Protection Steering Group; and Secure disposal of sensitive documents.
	Fast changing regulatory environment leading to breach of rules	Strong compliance and internal audit functions.
	New business and product lines	New Product and Services Department with dedicated staff responsible for the review of new products and services.
Operational and IT risk	Business continuity	Large number of branches. Back up computer site. Two networks.
	Data integrity	Change to data requires authorisation. Exception reporting.
	Electronic dealing errors	Close management supervision. Electronic solution partially implemented.
	Internet failure	Security checks and upgrades on a regular basis. Regular performance of attack and penetration testing. Two back up suppliers.
	Project control	Staged reviews of major projects plus Programme Office.
Other risk	Acquisition of new teams	Strong vetting system for new recruits.
	Financial Crime	Segregation of duties. Authorisation processes.
Reputational risk	Poor investment performance	Good in-house research. Peer review. Compliance monitoring. Strong training and appraisal programme. Treating customers fairly embedded into the ethos of the firm.
Settlement risk	Settlement failure	Experienced management team monitors settlement performance.

### Dividend

The Board has increased the total dividend for the period to 7.1p<sup>#</sup> per ordinary share (2007: 6.875p<sup>##</sup>), a 3.3% increase.

<sup>#</sup>paid September 2008 and payable April 2009, <sup>##</sup>paid October 2007 and April 2008.

### Cash Flow and Capital Expenditure

2008 saw a significant £31 million cash outflow. During the period the Group paid three dividends rather than the usual two as we moved the payment of our interim dividend from October back to September where it used to be paid some years ago, resulting in a cash outflow of £21.5 million. £10.7m of cash was spent on acquiring new teams and £15.8m on fixed assets, mainly computer related costs.

The Firm's cash has increased from £38.0m at the period end to £53.5m at the date of approval of this report.

### Capital Structure, Treasury Policy, Liquidity and Capital Requirement

At 28 September 2008 the Group had net assets of £125.2m (2007: £115.3m). Net assets excluding goodwill and shares to be issued of £57m (2007: £60m), broadly represent the Group's capital for regulatory purposes. These net assets were largely represented by net cash and cash equivalents of £57m (2007: £87m), including £22m (2007: £19m) of client settlement money. At the period end there was a surplus of net assets for regulatory capital adequacy purposes of £23m (2007: £24m). It is the intention to significantly reduce capital expenditure in 2009.

The Group's treasury policy has been revised during the period to take account of recent economic events. Over the summer both client and firms cash were diversified so that by the period end 48% was with the Bank of Scotland, 45% with Royal Bank of Scotland, 6% with Lloyds TSB and the remaining 1% at the Bank of New York and Euroclear.

£250m of this money was held at 45 days notice, and the rest was held on demand or under 15 days.

Since the period end there has been further diversification so that at the date of this report on shore client money was held 28% Bank of Scotland, 31% Royal Bank of Scotland, 22% Lloyds TSB and 19% Allied Irish Bank. The Group's own money was also spread amongst the banks above.

Our policy is to hold our clients' and Group's money at major UK clearers or at institutions supported by a sovereign guarantee. Our client money is ring fenced under the FSA's client money rules.

Client stock is also ring fenced in our nominee company. Stock is settled via the Crest System which is owned by Euroclear, a highly rated bank, and, in the case of foreign stock, the Bank of New York.

Currency risk is normally insignificant with all transactions matched on a bargain by bargain basis. At the period end net currency exposure was £342,000 (2007: £273,000).

Further details to the Group's approach to capital and liquidity risk management are provided in note 25 to the financial statements.

### Post Balance Sheet Events

There were no material post balance sheet events.

### Accounting Policies

There were no changes in accounting policies in the period; the introduction of IFRS 7 has led to additional disclosures being provided about financial instruments.

### Going Concern

After making appropriate enquiries, the Directors have formed a judgement that there is a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

**Robin Bayford**  
Finance Director  
26 November 2008



# DIRECTORS AND THEIR BIOGRAPHIES

**01**

**Jamie Graham Matheson, FSI**  
**Executive Chairman — Aged 54**

Jamie Matheson started his career in 1972 at Parsons & Co. remaining with that firm through its various evolutionary stages until January 1996, when he joined the Group as a Glasgow divisional director. Upon joining the Board in 2002, he was responsible for the Group's Corporate Broking activities until 2005. He was a Non-Executive Director of Scottish Radio Holdings plc from 2000 until its takeover by EMAP and is currently a Non-Executive Director of Bluehoney AIM VCT2 plc and SMG.

**02**

**William Nicholas Hood, CBE**  
**Deputy Chairman and**  
**Senior Independent Director — Aged 72**

Nick Hood was appointed to the Board in April 2000. He was Chairman of Wessex Water 1987 to 1999 and led the privatisation. He is a member of The Prince of Wales Council for the Duchy of Cornwall, Chairman of Penny Brohn Cancer Care and Chairman of Walk the Walk.

**03**

**Robin Alec Bayford, FCA**  
**Finance Director — Aged 59**

Robin Bayford graduated from Cambridge University. He was a manager at Ernst & Young and was Group Financial Controller at AGB Research PLC, prior to joining a subsidiary of The Scandinavian Bank in 1989. He joined the Board of Brewin Dolphin & Co. in 1990. In 1991, he took up full time employment with Brewin Dolphin & Co. as Finance Director and helped to organise the Buy-out in 1992.

**04**

**Barry Howard**  
**Head of Regulation — Aged 46**

Barry Howard is Head of Regulation of Brewin Dolphin Holdings PLC. He started his career training as a management accountant with Flight Refuelling in 1980 and his City career with Hoare Govett in 1985. Since that time, Barry has worked at the London Stock Exchange, the Financial Services Authority and at stockbroking and fund management companies. He joined Brewin Dolphin in October 2002 and was made a Director of the operating company, Brewin Dolphin Limited, in September 2003.

**05**

**Angela Ann Knight, CBE**  
**Aged 57**

Angela Knight from 1987 to 1992 was a Councillor and Chief Whip on Sheffield City Council. She entered Parliament in 1992 as MP for Erewash and was Economic Secretary to the Treasury between 1995 and 1997. She was Chief Executive of The Association of Private Client Investment Managers and Stockbrokers from September 1997 to December 2006. Angela is currently Chief Executive of the British Bankers Association and a non-executive Director on the Boards of the Financial Services Skills Council and International Financial Services London.

**06**

**Sir Stephen Mark Jeffrey Lamport, KCVO**  
**Aged 56**

Sir Stephen served in the Diplomatic Service from 1974 to 1993. In March 1993, he joined The Prince of Wales's Household as Deputy Private Secretary and was appointed Private Secretary and Treasurer to The Prince of Wales in October 1996. From October 2002 to December 2007, he was Group Director for Public Policy and Government Affairs for The Royal Bank of Scotland. In August 2008 he was appointed Receiver-General of Westminster Abbey. He was appointed KCVO in 2002. He is Deputy Lieutenant for Surrey and sits on a number of Boards for charitable organisations.

**07**

**Christopher David Legge**  
**Aged 64**

Christopher Legge joined Brewin Dolphin & Co in 1962 and became a partner in 1968, continuing a family involvement going back to 1929. He joined the Board upon incorporation in 1987 and has consistently been involved in portfolio management for over 40 years.

**08**

**David William McCorkell**  
**Head of Investment Management — Aged 53**

David McCorkell joined Bell Lawrie in 1986, prior to this he worked for the family grain business in Northern Ireland. He became a Director of Bell Lawrie in 1989, Director of Brewin Dolphin Limited in 2003 and joined the Holdings Board in 2006. David was appointed Head of Investment Management in October 2007.

**09**

**Simon Edward Callum Miller**  
**Aged 56**

Simon Miller read law at Cambridge and was called to the bar in 1975. Since 1994 he has been Chairman of Dunedin Capital Partners. He is also Chairman of Artemis Alpha Trust, Noble AIM VCT, JPMorgan Elect and a Director of Dunedin Enterprise Investment Trust.

**10**

**Sarah Soar**  
**Aged 46**

Sarah Soar has a degree in Marine Biology and Zoology. She joined Brewin Dolphin in 1984 and in 1991 left to join another firm but returned in 1994, bringing colleagues to form a new Marlborough branch for the Group. She is Regional Managing Director for London and the Southern branches and Business Development Director for the Group. Sarah became a director of Brewin Dolphin Limited in 2003 and joined the Brewin Dolphin Holdings Board in October 2007. Sarah is Chairman of the Governors of St Francis School, Pewsey.

**11**

**Ian Benjamin Speke**  
**Aged 58**

Ben Speke joined Wise Speke in 1973 continuing a long family involvement. In 1974 he joined the London jobbers Pinchin Denny and subsequently moved to Hoare Govett. In 1980 he rejoined Wise Speke and became a Director in 1987. In 1999 after Wise Speke became part of the Group he became Managing Director of the Newcastle office. In 2000 he joined the Brewin Dolphin Holdings Board and is a member of the Group's Regional Managing Directors Committee. He is also responsible for Group training and health and safety.

**12**

**Simon Still, FInstD**  
**Chief Operating Officer — Aged 59**

Simon Still graduated from Durham University. After 14 years executive experience in the electronics and engineering industry, which included starting a software company, entered a City based consultancy practice in 1987. In 1991 he became a consultant to Wise Speke. In 2001 he became Chief Operating Officer of the Group. He is a Non-Executive Director of the Association of Private Client Investment Managers, and an external member of Durham Cathedral Finance Committee.

**13**

**Michael John Ross Williams**  
**Aged 61**

Michael Williams joined Brewin Dolphin & Co. in 1968 and became a partner in 1978. He has consistently been involved in portfolio management. He joined the Board on incorporation in 1987 and is responsible for the Group's legal matters and for the Associates of Brewin Dolphin Limited.

**14**

**Francis Edward (Jock) Worsley, OBE, FCA**  
**Aged 67**

Jock Worsley was appointed to the Board in September 2003. He was founder of the Financial Training Company and its Executive Chairman from 1972 until 1993. He has been President of the Institute of Chartered Accountants of England and Wales, Deputy Chairman of Lautro, a member of the Building Societies Commission and Independent Complaints Commissioner for SIB and the FSA. He was Chairman of the Cancer Research Campaign from 1998 until its merger in 2002 with the Imperial Cancer Research Fund. He is the Non-Executive Chairman of Lloyds Members Agency Services Ltd.



	01	02
03	04	05
06	07	08
09	10	11
12	13	14



The Directors present their report and the audited accounts for the 52 week period ended 28 September 2008. The comparative figures are for the year ended 30 September 2007.

## Principal Activity

The principal activity of the Group is that of Investment Management, with an Investment Banking division. The principal activity of the Company is that of a holding company.

## Branches

Operations are carried out in the UK and the Channel Islands. Details of branches are set out on page 77.

## Review of the Business and its Future Development

Accompanying this Directors' Report are the Executive Chairman's Statement, Business Review, Operating and Financial Review, Corporate Governance Report and Directors' Remuneration Report.

A review of the business and its future development, including the principal risks and uncertainties facing the Group, is set out in the Business Review on page 6 and the Operating and Financial Review on page 8.

## Results and Dividends

The results of the Group are set out in detail on page 34. The Company paid a final dividend and an interim dividend during the period, as detailed in note 13 to the financial statements. A final dividend of 3.55p pence per ordinary share is proposed and if approved, payable on 6 April 2009 to shareholders on the register at close of business on 13 March 2009.

## Capital Structure

Movements in the Company's share capital are set out in note 27 to the financial statements which includes the rights and obligations attaching to shares and restrictions on the transfer of shares.

The Company has, over the last three year period, issued a total of 2% of its issued share capital of ordinary shares in relation to the acquisition of businesses.

## Financial Instruments and Risk Management

Disclosures regarding financial instruments are provided within the Operating and Financial Review and note 25 to the financial statements. Note 25 also contains details of risks and risk management.

## Directors

The Directors are listed on page 2. Biographies of the Directors are given on page 14.

## Directors' Interests in Shares and Substantial Shareholdings

The interests of the Directors in the shares of the Company are set out on page 27 in the Directors' Remuneration Report. The interests of substantial shareholders and Directors are set out on page 72.

## Directors' Indemnities

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

## Notifiable Interests

As at 7 November 2008 the Company had been notified of the interests shown below in the voting rights of the Company.

Name	Date Notified	Interest in ordinary shares	% of voting rights
Aegon UK Group of Companies	25-Jul-08	8,567,155	4.07%
Liontrust Investment Services Limited	24-Jul-08	10,445,043	4.96%
JP Morgan Chase & Co	29-Nov-07	9,684,579	4.69%
Legal & General Group plc	25-Oct-07	8,572,435	4.14%
Schroders plc	18-Oct-07	10,215,867	4.94%

## Annual General Meeting

Notice of the Annual General Meeting ("AGM") is set out on page 73. Information relating to certain of the resolutions is given or referred to in the notes forming part of the notice.

## Purchase of Own Shares

At the Annual General Meeting on 22 February 2008 shareholders approved a resolution for the Company to make purchases of its own shares to a maximum number of 20,670,597 ordinary shares. This resolution remains valid until the conclusion of the next Annual General Meeting on 27 February 2009. As at 28 September 2008 the Directors had not used this authority.

## Employees

The average number of persons, including Directors, employed by the Group and their remuneration, is set out in note 7 to the financial statements.

### Employment Policies

Our employees are vital to the continued success of the Group. The Group and our employees are committed to treating our clients fairly.

Employees are encouraged to identify with, and to become involved with, the financial performance of the Group and service to clients by extensive profit sharing and bonus arrangements. In addition, the employees own over 27% of the Group.

### Communication

Communication with our employees is essential. Employees are kept informed of and consulted regularly on key issues affecting them and the Group by the intranet and Group meetings around the country - which include question and answer sessions and email where appropriate. In addition, management accounts are widely distributed.

### Training and Development

Training is both actively encouraged and supported by the Board.

Brewin Dolphin provides a consultative and proactive approach to the training and development of our people. Our primary objective is to ensure that all staff have the opportunity to review their development, career and performance via our annual development review. This provides a detailed understanding of training needs and opportunities for personal and organisational improvement.

Training has played a critical role in supporting the Treating Customers Fairly ("TCF") initiative by providing professional expertise to training and culture initiatives in this area. Competency is now fully integrated within training and a significant programme of improvements to our validation of professional competence has been designed for roll-out over the coming months.

Continuing Professional Development (CPD) is an important goal for Brewin Dolphin, to ensure that all staff are encouraged constantly to learn, develop and improve. The Training Department plays a key role in monitoring CPD, and ensuring that our goals in this area are met.

Brewin Dolphin operates a Graduate Trainee Programme which provides a highly structured and comprehensive programme of experiential and instructor led learning. To date all participants in the scheme have a 100% pass rate in their professional examinations.

### Equal Opportunities

The Group has a strong commitment to maintaining a working environment based on equality and diversity. All employment decisions are made irrespective of colour, race, age, nationality, ethnic or national origin, sex, mental or physical disabilities, marital status or sexual preference. For employees who may have a disability, the Group ensures that procedures and equipment are in place to aid them.

For the purposes of training, career development and promotion, all employees are treated in the same way.

### Disabled Employees

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitude of the applicant concerned. In the event of employees becoming disabled every effort is made to ensure that their employment within the Group continues and that appropriate training is arranged and suitable equipment is supplied in order that they can continue in their role. It is the policy of the Group that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

### Benefits

The Group is proud of the attractive benefits available to employees. All employees are allowed to participate in our interest free loan facility in respect of an annual season ticket for travelling to and from work. In addition, all staff have the option of joining our private medical insurance scheme.

The Group offers a flexible benefits package for senior staff which includes permanent health insurance and a company car facility.

The Group recognises the need for an appropriate work/life balance for employees which not only improves morale within the Group, but helps to retain employees.

We are proud to report a low employee turnover.

### Employee Assistance Programme

We understand there may be times when employees need specialist advice on employment, personal, financial or legal matters. To support them and their immediate families we provide them with free access to a confidential 24 hour helpline, where they can speak with specialist information consultants and counsellors.

## Pensions

The Group has a normal retirement age of 65. All permanent employees are invited to join the senior staff pension scheme after successful completion of their probation period. Other than those employees participating in our flexible benefits package, members of the senior staff pension scheme receive an employer contribution of 6% of gross salary into the scheme.

Mrs Linda Cartwright is the Personnel Director of Brewin Dolphin Limited and reports to Robin Bayford, the Board Director with responsibility for Human Resources.

## Charitable and Political Donations

The Group made charitable donations of £61,127 during the period (2007: £42,839). No political donations were made during the period (2007: £nil).

## Charitable Fundraising

Throughout the past year our Branches have organised a huge variety of fundraising events for local and national charities, raising over £319,000 between them. The Group has contributed in cash and in kind to all these efforts, which have included the 'Drive for Zoë' campaign, when an employee drove a vintage car to all 39 Brewin Dolphin offices to raise funds for a children's cancer trust following the death of a daughter of a member of staff. There were also three fundraising dinners; several long distance bike rides; over 30 entrants in the London Marathon and the Great North Run, as well as numerous other Branch events.

The Company has a policy of matching the fundraising efforts of our employees up to a specified limit and of contributing to the appeals of our charity clients. The Group also operates a Give As You Earn Scheme and actively encourages employees to participate. Many of our Divisional Directors provide pro bono director and trustee services for charities, amounting to over 700 recorded hours this year.

## Sponsorship

The Group also sponsors a number of sporting and charitable events around the country. In the South, Brewin Dolphin sponsored the Jersey Regatta, the Marlborough Jazz Festival and Orchestra West while in the North projects including Opera North and Keswick's Share Donation Appeal have been extremely successful. The Bell Lawrie division continued to support the Scottish Schools cup (its seventh year of sponsorship) as well as the Bell Lawrie Scottish Sailing Series and the IRFU Ulster Branch Youth Cups.

## Community Policy

The North East branches have a long standing involvement in the Young Professionals Forum – a networking channel for young business people in the Region. Throughout the Group we have a policy of providing work experience placements for students in many branches, for a number of weeks each, per annum.

## Creditor Payment Policy

It is the Group's policy to settle all of its trading transactions on the agreed settlement date; this policy extends to other trade creditors whose terms are normally 28 days. On average, creditors were paid within 10 days in 2008 and 2007.

## Environmental and Ethical Matters

The Group believes firmly in the importance of conducting its business in a responsible and sustainable way, sensitive to the developing needs and expectations of society at large.

Simon Still is the Director responsible for environmental matters. The Group's environmental policy is on our website. This year we commenced a significant piece of work with external consultants to minimise our computer footprint through virtualisation/consolidation of services wherever possible.

We have reduced the use of paper wherever possible by encouraging double sided printing, electronic communications with our shareholders and our clients, the use of the internet and internally by the widespread use of the intranet and email communication. We encourage colleagues not to print out emails. The majority of waste paper is recycled. All paper is produced in accordance with the Forest Stewardship Council and where possible the materials used are made up of 50% recycled and 50% virgin wood fibre for our reports, client reports, letterhead and marketing materials. Our printer and manufacturing mill remain environmentally accredited and are certified according to ISO 14001, ISO 9001 and OHSAS 18001 standards. Our printers are carbon neutral.

The Board have reviewed areas where there may be environmental risk from direct actions by the Group. This risk is considered to be minimal, as in all cases the Group's offices are located in large towns and its activities are desk based. Nearly all the premises are leasehold and our landlords are encouraged, when replacing equipment or for the services that they supply to us, to ensure that environmental issues are considered. The Group's major suppliers mainly provide market data and computer hardware and software. We ensure that appropriate environmental considerations are

# "BRANCHES HAVE ORGANISED A HUGE VARIETY OF FUNDRAISING EVENTS FOR LOCAL AND NATIONAL CHARITIES, RAISING OVER £319,000 BETWEEN THEM"

considered when a new supplier is chosen or when equipment is replaced. Overseas call centres are not used.

While the Group's overall investment policy is solely concerned with obtaining the best return for clients, it is our policy to construct portfolios, which take into account the personal preferences of our clients in relation to ethical and environmental matters.

We have a specialist Ethical Investment Service. In providing this service we have enlisted the help of EIRIS, who since 1983 have been helping investors choose shares on ethical grounds.

There are three levels of service provided:

- Ethical Collective Portfolio - a fund-based approach for investors wishing to spread their risk. In this service the principal investments are unit or investment trusts investing in ethical companies. The emphasis of each may be different but we aim to provide a balanced portfolio of investments which complement each other and provide exposure to different asset classes for our clients. This is a discretionary service option.
- Brewin Dolphin Ethical Portfolio - a facility for investors wishing to avoid the negative criteria, or even encourage the positive ethical contribution, of a particular sector or invest within their broader investment portfolio, without necessarily impacting on all of their investments - an ethical "pick and mix". In this service we have established a number of benchmark criteria for measuring the positive or negative ethical impact of specific sectors, thereby creating a "black" or "white" list for the purposes of investment selection. This service can either be run on a discretionary or advisory basis.
- Individual Ethical Portfolio - a customised, in-depth service for clients with detailed ethical requirements and whose portfolios need to be constructed or screened with reference to specific and detailed ethical criteria. In this instance an in-depth questionnaire is completed by the client at the outset. As implied, this service allows individual clients effectively to select their own ethical criteria, which are then used as the focus for selecting the individual investments in the client's portfolio. This option is only available as a discretionary service.

## Health and Safety

The Group has a Health and Safety at Work Policy which is reviewed annually by the Board. The Group Board Executive Director responsible for health and safety throughout the financial year was Ben Speke.

The Group is committed to the health and safety of its employees, clients, sub-contractors and others who may be affected by our work activities. The Group evaluates the risks to health and safety in the business and manages this through an effective Health and Safety Management System.

The Group provides necessary information, instruction, training and supervision to ensure that employees are able to discharge their duties effectively. The Health and Safety Management System used by the Group ensures compliance with all applicable legal and regulatory requirements and internal standards and seeks, by continuous improvement, to develop health and safety performance.

## Auditors

Each of the persons who is a director at the date of approval of this annual report confirms that:

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

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985.

Deloitte & Touche LLP, whose name is changing to Deloitte LLP on 1 December 2008, have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

## By order of the Board

**Angela Wright**  
Secretary

26 November 2008

The Directors are committed to a high standard of corporate governance and to compliance with the best practice provisions of the Combined Code on Corporate Governance issued in 2006 by the Financial Reporting Council ("the Combined Code") for which the Board is accountable to the shareholders. The following statement and the Directors' Remuneration Report on page 25 explain how the principles set out in the Combined Code have been applied by the Group and details the Group's compliance with the Combined Code provisions for the year.

## The Board

At the end of the year the Board had fourteen members, comprising nine Executive Directors and five Non-Executive Directors. During the year John Hall and Vikram Lall retired; their resignations were accepted by the Board at the Annual General Meeting held on 22 February 2008. Biographies of all the current Directors are presented on page 14 and all those Directors served throughout the year. One third of the Board is required to be re-elected each year. Each of the Non-Executive Directors is considered by the Board to be independent.

## Directors' meeting attendance

	Board	Audit Committee	Remuneration Committee	Nomination Committee
<b>Total Meetings Held</b>	<b>12</b>	<b>4</b>	<b>1</b>	<b>2</b>
J Matheson	12	-	-	-
R Bayford	12	-	-	-
B Howard	11	-	-	-
J Hall	4	-	-	-
C Legge	12	-	-	-
D McCorkell	11	-	-	-
S Soar	10	-	-	-
I Speke	11	-	-	-
S Still	12	-	-	-
M Williams	12	-	-	-
W Hood	12	4	1	2
A Knight	9	-	-	-
V Lall	2	-	-	-
S Lamport	10	4	-	-
S Miller	10	4	1	2
F Worsley	12	4	1	2

The Non-Executive Directors meet with the Executive Chairman prior to most Board meetings. On four occasions during the period the Non-Executive Directors met on their own.

The Board maintains a schedule of matters reserved for the Board which is reviewed annually by the Company Secretary. The specific responsibilities retained by the Board include: establishing Group

strategy and approving the annual budget; reviewing the Group's operational and financial performance; approving major acquisitions, divestments and capital expenditure; reviewing the Group's systems of control and risk management; approving appointments to the Board and the Company Secretary; approving policies relating to Directors' remuneration and the severance of Directors' contracts; and ensuring that a reasonable discourse occurs with shareholders.

Appropriate training and induction is made available to newly appointed directors, taking into account any previous experience they may already have as a director of a public limited company or otherwise. Regular training sessions are carried out for the entire Board when appropriate. Executive members of the Board have to date been appointed from within the Group and have served on the Brewin Dolphin Limited Board prior to appointment.

## The Roles of the Executive Chairman and Non Executive Deputy Chairman

There is a clear division of duties between the Executive Chairman and the Non-Executive Deputy Chairman, with terms of reference that have been clearly defined in writing and are reviewed annually and agreed by the Board. This ensures that a clear balance of power and authority is present.

## Re-appointment of Executive and Non-Executive Directors

Robin Alec Bayford and Simon Edward Callum Miller both retire by rotation and, being eligible, offer themselves for re-election.

It is the view of the Board that Robin Bayford continues to perform effectively and it is appropriate for him to continue to serve as a Director of the Company.

The role of Simon Edward Callum Miller as a Non-Executive Director has been reviewed and it is the view of the Board that he continues to make a valuable contribution to the Board demonstrating a commitment to his role.

## Directors' Conflicts of Interest

At a general meeting of the Company, a special resolution was passed to amend the Company's Articles of Association to grant the Board the power to authorise any potential conflicts of interest. This is now an Agenda item at all Board meetings and gives each Director the opportunity to raise any conflict of interest they may have, or to update the Board on any change to a previous conflict of interest already lodged. A Register of Conflicts is held by the



1762

Company Secretary and referred to when decisions are made. A log of all conflicts raised is maintained and updated accordingly. All Directors are aware that it is their responsibility to raise and update any conflicts of interest they may have.

## Committees of the Board

The Board has three standing committees: the Nominations Committee, the Audit Committee and the Remuneration Committee. These committees have written terms of reference, which are reviewed regularly and any amendments approved by the Board. Membership of the committees is as set out on page 2. The terms of reference of the Committees can be viewed on the Company's website, together with Committee membership. Sight of all Directors' contracts, or, in the case of Non-Executive Directors, letters of appointment, can be obtained via the Company Secretary.

All the Committees are able to call on independent professional advisers if they consider it necessary.

## Remuneration Committee

The Remuneration Committee is chaired by Nick Hood and the other members are Simon Miller and Jock Worsley. There was one meeting of the Remuneration Committee during the year and it was fully attended by all members. The Directors' Remuneration Report is presented on page 25, which gives further information.

## Audit Committee

The members of the Audit Committee are Jock Worsley (Chairman), Nick Hood, Simon Miller and Sir Stephen Lamport. The Finance Director, Chief Operating Officer, Head of Regulation, the Head of Internal Audit and the Company Secretary normally attend all Audit Committee meetings at the Committee's request. The Board is satisfied that at least one member of the Audit Committee has recent and relevant financial experience.

The Committee met four times during the period under review and all meetings were fully attended by all members.

The Committee maintains a formal calendar of items that are to be considered at each committee meeting and within the annual audit cycle, to ensure that its work is in line with the requirements of the Code.

The Committee is responsible for:

- monitoring of the work of both the Internal Audit department and Risk Management Department;
- considering the reports received from the Compliance Department and Risk Management Departments;
- reviewing the Company's procedures for handling allegations from whistleblowers and for detecting fraud; and
- reviewing the scope and findings of the reports from the external auditors and the Group's interim and annual financial statements prior to their submission to the Board.

During the year, the Audit Committee discharged its responsibilities as set out in its terms of reference by undertaking the following work:

- reviewing the Annual Report and Financial Statements and the Interim Report. In doing so, the Committee reviewed significant accounting policies, financial reporting issues and judgements and reports from the external auditors;
- reviewing the effectiveness of the external audit process, the external auditors' strategy and plan for the audit and the qualifications, expertise, resources and independence of the external auditors;
- reviewing and approving the internal auditor's annual plan and reviewing all reports from internal audits;
- reviewing regular reports from the Group's Head of Regulation;
- receiving regular reports from the Group's Risk Management Committee;
- reviewing the Group's ICAAP and Group's Annual Corporate Risk Review;
- reviewing and agreeing the scope of the audit work to be undertaken by the auditors and the fees to be paid to the external auditors; and
- reviewing the Committee's own terms of reference.



The external auditors meet privately with the Audit Committee at least twice a year without senior management being present.

#### **Nominations Committee**

The members of the Nomination Committee are Nick Hood (Chairman), Jock Worsley and Simon Miller. The Nominations Committee is responsible for the Board's succession planning. The Nominations Committee met twice during the year and both meetings were fully attended by all members.

#### **Company Secretary**

The Company Secretary is responsible for advising the Board on all Corporate Governance matters as well as ensuring good information flows within the Board and its Committees. All Directors have access to the services of the Company Secretary and may take, if necessary, independent, professional advice at the Company's expense.

#### **Insurance**

The Company maintains appropriate insurance cover in respect of litigation against the Directors.

#### **Board Evaluation**

The Board appointed an external adviser to conduct a formal and rigorous annual evaluation of the Board and its committees to ensure that they continue to act effectively and efficiently. The review took the form of individual questionnaires and one-to-one interviews with all members of the Board. The outcome of this evaluation has been presented to the Executive Chairman and Senior Independent Non-Executive Director.

#### **Relationship with Shareholders**

The Company places a great deal of importance on communication with shareholders and aims to keep shareholders informed by regular communication. The Group's Executive Chairman, Head of Investment Management and Finance Director meet regularly with the Group's institutional investors and the Group's website is kept up-to-date covering all corporate activity. Messrs Hood and Worsley also met with various institutional shareholders during the year. The Company recognises the importance of ensuring effective communication with all of its shareholders. Half-yearly reports, written on the Group by Equity Development Limited, are available to all shareholders on the Web at [www.equity-development.co.uk](http://www.equity-development.co.uk). The Company welcomes all shareholders to its AGM, with the opportunity to ask questions formally at the meeting or more informally afterwards. The Company's policy is to announce the

number of proxy votes cast on resolutions at the AGM. For shareholders who are clients of Brewin Dolphin Limited and who hold their shares in one of our nominee accounts, we provide an on-line voting service on the Group website for shareholders to vote before our AGM.

#### **Auditors' Independence**

The Board uses the auditors for audit and related activities. An analysis of auditors' remuneration is provided in note 9 to the financial statements.

The majority of tax advisory and similar work is carried out by another major accountancy firm. It is the policy of the Board formally to review the appointment of auditors every six years; a review was last carried out in 2007. After considering the engagement terms for 2008, and a rotation of the audit partner (as mandated by standard independence requirements), the Audit Committee recommended to the Board that the reappointment of the auditors be proposed to the shareholders at the 2009 AGM.

#### **Internal Control and Risk Management**

The Board undertakes a full review of all aspects of the Group's business, identifies the main risks to the business and identifies the key controls to counter these risks. Day-to-day review and monitoring has been delegated to both the Investment Management Risk Controls Committee ("IMRCC") and Investment Banking Risk and Controls Committee ("IBRCC") of Brewin Dolphin Limited, the activities of which include overseeing and reviewing the control, monitoring and reporting frameworks and related procedures for risk management. The IMRCC committee meets weekly, and the IBRCC monthly.

The Compliance department and Internal Audit carry out regular reviews. The Board considers reputational risk, portfolio performance and the added risk of taking on new teams and business streams. The level, detail and nature of complaints are carefully monitored.

The Directors are responsible for the system of internal control established by the Group, reviewing its effectiveness and reporting to the shareholders that they have done so. They report as follows:

- i. There is an ongoing process for identifying, evaluating and managing the significant risks faced by the Group as outlined above. This has been in place for the period under review and up to the date of approval of the annual report and accounts. It

is regularly reviewed by the Board and accords with the revised Turnbull guidance in the Combined Code. Any system of internal control is designed to highlight and manage rather than to eliminate the risk of failure to achieve business objectives, and can provide only reasonable, and not absolute, assurance against material misstatement or loss. Steps are being taken to embed internal control and risk management further into the operations of the business and to deal with areas of improvement which come to management's and the Board's attention.

- ii. Financial results, key operating statistics and controls are reported to the Board monthly, and variances are followed up vigorously. Monthly reports are received from the compliance and internal audit functions.
- iii. The Directors have reviewed the Group's system of internal controls and compliance monitoring and believe that these provide assurance that problems have been identified on a timely basis and dealt with appropriately throughout the period under review and up to the date of approval of the annual report and accounts.

## Model Code

The Company has its own internal dealing rules which extend the FSA Listing Rules Model Code provisions to all employees.

## Compliance with the Combined Code

The Directors consider that the Company has been in full compliance with the provisions set out in the Code throughout the period ended 28 September 2008, except as described below:

- the Executive Chairman did not, on appointment, meet the independence criteria set out in the Code since he had previously been an employee and an Executive Director of the Company. To ensure that there is a clear balance of power and authority an Independent Non-Executive Deputy Chairman was appointed. There is clear division of duties between the Executive Chairman and the Independent Non-Executive Deputy Chairman with written terms of reference.

- in designing schemes of performance-related remuneration, the remuneration committee does not fully follow the provisions in Schedule A to the Code in that in respect of annual bonus payments paid to executive directors upper limits are not set, nor are predetermined performance criteria applied. This reflects the culture of the Group which is to pay to income producing and senior management employees a significant element of their remuneration by way of incentive and not to dis-incentivise any employee through the capping of potential incentives. It also recognises the application of predetermined performance criteria is not practical for all executive directors, given the nature of both the business and their individual roles.

**Angela Wright**  
**Secretary**

26 November 2008

This report has been prepared in accordance with Schedule 7A to the Companies Act 1985. The report also meets the relevant requirements of the Listing Rules of the Financial Services Authority and describes how the Board has applied the principles relating to Directors' remuneration in the Combined Code. As required by the Act, a resolution to approve the report will be proposed at the Annual General Meeting of the Company at which the financial statements will be approved.

The Act requires the auditors to report to the company's members on certain parts of the Directors' Remuneration Report and to state whether in their opinion those parts of the report have been properly prepared in accordance with the Companies Act 1985. The report labels those parts that are audited.

The members of the Remuneration Committee are as set out on page 2.

The Remuneration Committee consists solely of Independent Non-Executive Directors. None of the Committee members has any personal financial interests (other than as shareholders), conflicts of interest arising from cross Directorships or day-to-day involvement in running the business. The Executive Chairman attends part of the meetings of the Committee but not when his own remuneration is discussed. The Finance Director provides factual and statistical information to the Committee, which in turn can call for external reports and assistance. No director plays any part in any discussion about his or her own remuneration.

## Policy on Remuneration of Executive Directors

The remuneration of J Matheson, the Executive Chairman, R Bayford, Finance Director, S Still, Chief Operating Officer, D McCorkell, Head of Investment Management, B Howard, Head of Regulation and S Soar, is awarded by reference to the performance of the Group and their contribution to enhancing future growth. The Remuneration Committee reviews the basic salaries of these Directors together with their profit participation, based on a number of factors including work undertaken and comparable salaries. In assessing all aspects of pay and benefits, the Remuneration Committee compares packages offered by similar investment management companies. These companies are chosen having regard to:

- i. the size of the company – its turnover and numbers of employees; and
- ii. its growth pattern.

The Remuneration Committee also compares these salaries to the remuneration of other senior employees within the Group including the other Executive Directors. The working of this policy can be seen in the table below so that all Directors are remunerated within the same framework.

The Committee determines the basic salaries of the other Executive Directors (C Legge, B Speke and M Williams) but their profit participation is determined solely by reference to their own team's performance on a strict formula in line with other investment managers or corporate financiers within the Group. Teams normally share 30% to 40% of profit after paying a full contribution to Group overheads. The members of the team, depending on individual performance, determine the split of profit share within the team. The profit share percentage can rise to 45% on the margin or be as little as 20% depending on pre determined formulae based on total team salaries. For the Investment Banking Division profit share can increase to 60% on the margin.

# DIRECTORS' REMUNERATION REPORT (continued)

The movement in Executive Directors' remuneration in 2008 reflects the incidence of Group and team performance and is set out below:

(Audited)	Salary and fees £'000	Benefits in kind £'000	Profit share £'000	Profit share taken as pension £'000	Total £'000	Basic pension contributions £'000	Total 2008 £'000	Total 2007 £'000
<b>Executives remunerated on the results of the Group</b>								
J G Matheson	198	6	440	–	644	54	<b>698</b>	833
R A Bayford	158	2	189	210	559	24	<b>583</b>	657
J P Hall*	98	–	–	–	98	–	<b>98</b>	724
B M Howard**	179	10	300	–	489	3	<b>492</b>	–
D W McCorkell	156	4	233	87	480	25	<b>505</b>	542
S J S Soar**	144	7	250	–	401	7	<b>408</b>	–
S J H Still	182	4	–	169	355	–	<b>355</b>	589
<b>Executives remunerated on their own profit centres' results</b>								
C D Legge	166	3	225	–	394	–	<b>394</b>	382
I B Speke	115	3	144	35	297	29	<b>326</b>	380
M J R Williams	125	2	504	–	631	20	<b>651</b>	490
<b>Non-Executives</b>								
W N Hood	54	–	–	–	54	–	<b>54</b>	52
A A Knight	34	–	–	–	34	–	<b>34</b>	6
V Lall *	14	–	–	–	14	–	<b>14</b>	32
Sir S Lampert	34	–	–	–	34	–	<b>34</b>	17
S E C Miller	49	–	–	–	49	–	<b>49</b>	32
F E Worsley	41	–	–	–	41	–	<b>41</b>	39
<b>Total</b>	<b>1,747</b>	<b>41</b>	<b>2,285</b>	<b>501</b>	<b>4,574</b>	<b>162</b>	<b>4,736</b>	<b>4,775</b>
Total 2007	1,583	19	2,431	598	4,631	144	4,775	

\*Retired 22 February 2008 \*\*Appointed 1 October 2007

Executive Directors' main pension entitlement is via a defined contribution scheme. The following Directors were also in the Brewin Dolphin Limited Staff Scheme, their entitlement under the scheme being as follows:

(Audited)	Accrued pension entitlement at 28 September 2008* £'000	Increase in accrued pension in period* £'000	Transfer value of accrued pension at 28 September 2008 £'000	Transfer value of accrued pension entitlement at 30 September 2007 £'000	Change in transfer value over year less members' contributions made £'000	Increase in accrued pension (explicitly excluding inflation*) £'000	Transfer value of increase in accrued pension less member's contributions over period to 28 September 2008 £'000	Cost to Company over and above members contributions where still accruing service in the Scheme £'000
J G Matheson <sup>1</sup>	–	–	–	52	–	–	–	–
R A Bayford <sup>1</sup>	–	–	–	38	–	–	–	–
J P Hall <sup>2</sup>	13	1	212	193	19	–	4	–
B M Howard**	–	–	–	–	–	–	–	–
C D Legge	13	1	232	189	39	–	6	6
D W McCorkell <sup>3</sup>	7	–	87	72	15	–	–	–
I B Speke <sup>3</sup>	13	–	206	171	35	–	–	–
S J S Soar**	–	–	–	–	–	–	–	–
S J H Still <sup>1</sup>	–	–	–	24	–	–	–	–
M J R Williams	13	1	196	158	34	–	5	5
V Lall <sup>3</sup>	7	–	125	107	18	–	–	–

<sup>1</sup> These members opted-out of the Scheme with effect from 31 July 2007 and transferred out of the Scheme during the period 1 October 2007 to 28 September 2008. Reduced transfer values of £33,075 – R A Bayford; £44,653 – J G Matheson and £20,366 – S J H Still were paid out of the Scheme.

<sup>2</sup> J P Hall retired as Executive Director and from the Scheme on 22 February 2008. Accordingly the accrued pension figure shown for him is the amount in payment for him at 28 September 2008 (which is the same as that on retirement) and the transfer value has been calculated at 28 September 2008.

<sup>3</sup> For these members, the increase in accrued pension has been subject to a minimum of zero to reflect their leaving benefit underpin as at 1 April 2004 (or as at 31 October 2004 in the case of Mr V Lall).

\*An inflation adjustment of 3.9% has been excluded from the increase to the accrued pension.

\*\*Appointed 1 October 2007

## Shareholder Information

Directors' shareholdings are as follows as at 28 September 2008 and 30 September 2007: (see also page 72)

Fully paid ordinary 1 pence shares

Directors	2008 Fully paid	2007 Fully paid
R A Bayford	838,761	785,706
J P Hall <sup>3</sup>	–	3,361,543
W N Hood	45,000	25,000
B M Howard <sup>1</sup>	68,092	–
A Knight	–	–
V Lall <sup>4</sup>	–	552,347
Sir S Lamport	–	–
C D Legge	2,603,923	2,592,678
J G Matheson	466,621	462,640
D W McCorkell	653,059	638,058
S E C Miller	10,000	7,500
S J S Soar <sup>2</sup>	224,422	–
I B Speke	360,287	352,622
S J H Still	277,010	114,028
M J R Williams	965,336	952,153
F E Worsley	10,000	10,000
	<b>6,522,511</b>	<b>9,854,275</b>

In addition, Directors held the following nil paid shares:

	Price	Latest repayment date	2008 Nil Paid	2007 Nil Paid
B M Howard <sup>1</sup>	£1.010	May 2012	49,504	–
	£1.845	December 2013	27,100	–
	£1.625	December 2014	15,384	–
	£1.040	July 2015	24,038	–
<b>Total</b>			<b>116,026</b>	–
S J S Soar <sup>2</sup>	£1.010	May 2012	9,900	–
	£1.570	December 2012	6,369	–
	£1.845	December 2013	5,420	–
	£1.625	December 2014	15,384	–
	£1.040	July 2015	24,038	–
<b>Total</b>			<b>61,111</b>	–
S J H Still	£0.823	December 2010	–	60,753
	£1.010	May 2012	–	24,752
	£1.625	December 2014	15,384	–
<b>Total</b>			<b>15,384</b>	<b>85,505</b>

<sup>1</sup> appointed 1 October 2007; on appointment B M Howard held 2,611 fully paid shares and 106,980 nil paid shares

<sup>2</sup> appointed 1 October 2007; on appointment S J S Soar held 190,102 fully paid shares and 52,065 nil paid shares

<sup>3</sup> retired 22 February 2008; on retirement J P Hall held 3,361,543 fully paid shares.

<sup>4</sup> retired 22 February 2008; on retirement V Lall held 552,347 fully paid shares.

# DIRECTORS' REMUNERATION REPORT (continued)

## Share Options (Audited)

### Directors Interests in Share Option Schemes

Name	Scheme	Date of Grant	Exercise Price	No of options at 1 October 2007	No of options issued	No of options exercised	No of options at 28 September 2008	Value over exercise price when exercised / at the end of the period £	Value over exercise price at the start of the period £	Exercisable from	Exercisable to
B M Howard	1994 approved executive share option scheme	12/12/2002	37.50p	2,500	–	2,500	–	3,013	3,656	12/12/2007	12/12/2012
	1994 approved executive share option scheme	05/12/2003	81.30p	6,000	–	–	6,000	2,697	6,147	05/12/2008	05/12/2013
	Senior employee matching share purchase scheme	19/12/2003	82.30p	30,376	–	30,376	–	24,969	30,816	19/12/2007	19/12/2010
	Approved SAYE scheme	24/01/2005	81.60p	2,229	–	2,229	–	1,725	2,277	01/03/2008	01/09/2008
	Senior employee matching share purchase scheme	26/05/2005	101.00p	49,504	–	–	49,504	12,500	40,965	26/05/2009	26/05/2012
	2004 approved share option plan	05/12/2005	145.00p	4,000	–	–	4,000	–	1,550	05/12/2010	05/12/2015
	Senior employee matching share purchase scheme	18/12/2006	184.50p	27,100	–	–	27,100	–	n/a	18/12/2010	18/12/2013
	2004 approved share option plan	29/11/2007	168.00p	–	10,925	–	10,925	–	n/a	29/11/2012	29/11/2017
	Senior employee matching share purchase scheme	14/12/2007	162.50p	–	15,384	–	15,384	–	n/a	14/12/2011	14/12/2014
	Senior employee matching share purchase scheme	24/07/2008	104.00p	–	24,038	–	24,038	5,348	n/a	24/07/2012	24/07/2015
<b>Total</b>				<b>121,709</b>	<b>50,347</b>	<b>35,105</b>	<b>136,951</b>	<b>50,252</b>	<b>85,411</b>		
D W McCorkell	Approved SAYE scheme	01/03/2000	30.00p	1,752	–	1,752	–	2,260	2,694	01/03/2008	01/09/2008
	Approved SAYE scheme	24/01/2005	81.60p	2,229	–	2,229	–	1,725	2,277	01/03/2008	01/09/2008
<b>Total</b>				<b>3,981</b>	<b>–</b>	<b>3,981</b>	<b>–</b>	<b>3,985</b>	<b>4,971</b>		
I B Speke	Approved SAYE scheme	01/03/2000	30.00p	7,665	–	7,665	–	9,888	11,785	01/03/2008	01/09/2008
	1994 approved executive share option scheme	05/06/2000	167.50p	17,500	–	–	17,500	–	2,844	05/06/2005	05/06/2010
<b>Total</b>				<b>25,165</b>	<b>–</b>	<b>7,665</b>	<b>17,500</b>	<b>9,888</b>	<b>14,629</b>		
J G Matheson	Approved SAYE scheme	01/03/2000	30.00p	1,752	–	1,752	–	2,260	2,694	01/03/2008	01/09/2008
	1994 approved executive share option scheme	05/12/2003	81.30p	4,000	–	–	4,000	1,798	4,098	05/12/2008	05/12/2013
	Approved SAYE scheme	24/01/2005	81.60p	2,229	–	2,229	–	1,725	2,277	01/03/2008	01/09/2008
<b>Total</b>				<b>7,981</b>	<b>–</b>	<b>3,981</b>	<b>4,000</b>	<b>5,783</b>	<b>9,069</b>		
J P Hall*	Approved SAYE scheme	24/01/2005	81.60p	2,229	–	2,229	–	471	2,277	01/03/2008	01/09/2008
<b>Total</b>				<b>2,229</b>	<b>–</b>	<b>2,229</b>	<b>–</b>	<b>471</b>	<b>2,277</b>		
M J R Williams	Approved SAYE scheme	24/01/2005	81.60p	2,229	–	2,229	–	1,725	2,277	01/03/2008	01/09/2008
<b>Total</b>				<b>2,229</b>	<b>–</b>	<b>2,229</b>	<b>–</b>	<b>1,725</b>	<b>2,277</b>		
S J H Still	Senior employee matching share purchase scheme	19/12/2003	82.30p	60,753	–	60,753	–	33,232	61,634	19/12/2007	19/12/2010
	Unapproved share option scheme	04/03/2003	33.50p	100,000	–	100,000	–	123,500	150,250	04/03/2008	04/03/2013
	Approved SAYE scheme	24/01/2005	81.60p	2,229	–	2,229	–	1,725	2,277	01/03/2008	01/09/2008
	Senior employee matching share purchase scheme	26/05/2005	101.00p	24,752	–	–	24,752	6,250	20,482	26/05/2009	26/05/2012
	Senior employee matching share purchase scheme	14/12/2007	162.50p	–	15,384	–	15,384	–	3,269	14/12/2011	14/12/2014
<b>Total</b>				<b>187,734</b>	<b>15,384</b>	<b>162,982</b>	<b>40,136</b>	<b>164,707</b>	<b>237,912</b>		
S J S Soar	1994 approved executive share option scheme	05/06/2000	167.50p	9,000	–	–	9,000	–	1,463	05/06/2005	05/06/2010
	1994 approved executive share option scheme	04/06/2001	139.00p	9,000	–	–	9,000	–	4,028	04/06/2006	04/06/2011
	1994 approved executive share option scheme	12/12/2002	37.50p	2,500	–	–	2,500	2,219	3,656	12/12/2007	12/12/2012
	Senior employee matching share purchase scheme	19/12/2003	82.30p	30,376	–	–	30,376	13,350	30,816	19/12/2007	19/12/2010
	Approved SAYE scheme	24/01/2005	81.60p	1,346	–	1,346	–	1,041	1,375	01/03/2008	01/09/2008
	Senior employee matching share purchase scheme	26/05/2005	101.00p	9,900	–	–	9,900	2,500	8,192	26/05/2009	26/05/2012
	Senior employee matching share purchase scheme	19/12/2005	157.00p	6,369	–	–	6,369	–	1,704	19/12/2009	19/12/2012
	Senior employee matching share purchase scheme	18/12/2006	184.50p	5,420	–	–	5,420	–	n/a	18/12/2010	18/12/2013
	Senior employee matching share purchase scheme	14/12/2007	162.50p	–	15,384	–	15,384	–	3,269	14/12/2011	14/12/2014
	Senior employee matching share purchase scheme	24/07/2008	104.00p	–	24,038	–	24,038	5,348	19,170	24/07/2012	24/07/2015
<b>Total</b>				<b>73,911</b>	<b>39,422</b>	<b>1,346</b>	<b>111,987</b>	<b>24,458</b>	<b>73,673</b>		

\* retired 22 February 2008.

I B Speke had an interest free loan under the Company's share purchase schemes, amounting to £ nil at the period end (2007: £29,000). This loan was granted prior to him becoming a Director of the Company and was secured on the Company's shares.

### Terms of the Option Schemes (Audited)

The Group's two approved employee option schemes were adopted in 1994 and 2004 respectively and the sharesave scheme in April 1998. An unapproved option scheme was adopted in 2000, though to date only 100,000 options have been granted under this scheme. The approved and unapproved option schemes have the same performance criteria, namely that the year on year growth in annual fee income charged on portfolios shall not be less than 10% per annum compound or a 33% increase in annual fees over a three year period. Under the above schemes the number of options over ordinary shares may not exceed 10% of the Company's ordinary share capital over a ten year period. The approved and unapproved options are exercisable from five to ten years from grant. The sharesave scheme options are exercisable from three to five years of grant.

The senior employee matching share purchase scheme is additional to the above schemes and allows a further 5% issue of options over a ten year period, provided that a similar number of shares are subscribed for by senior executives at the price the options are issued. These shares are issued nil paid but have to be subscribed for at the earlier of the exercise of the matching option, the sale of the shares, the employee leaving the Group, or after seven years. The options can be exercised within four to seven years.

There are two strict performance criteria for the options to be exercised involving both the executive team's profitability and Group earnings per share exceeding the growth in the retail price index by 4% compound and 2% compound respectively. This is a criteria thought to be realistic but not easy to achieve. The Group operates in a cyclical business, and over a seven year period there will be downturns, but the compound rate of return means that the hurdle increases over time. The incentive is designed to be long term and is matched by an equal commitment with considerable risk by the employee.

### Policy on External Appointments

The Group encourages external appointments at a senior level. Directors' fees arising from external appointments are either paid to the Group or taken into account in assessing the overall executives' remuneration package.

J G Matheson is a Non-Executive Director of Bluehoney AIM VCT2 plc and during 2008 received remuneration of £11,000 for the financial period ended 30 November 2007 (2007: £11,000). J G Matheson has been a Non-Executive Director of stv group plc

(formerly SMG plc) since March 2007; during 2008 he received remuneration of £26,000 for the financial period ended 31 December 2007. J P Hall is a Non-Executive Director of Mountview Estates PLC and received remuneration of £24,000 for the financial period ended 31 March 2007. S J H Still was a Non-Executive Director of Affinity Food Holdings Ltd until he resigned on 31 July 2008 he received remuneration of £15,000 for the financial period ended 30 April 2008 (2007: £15,000). The remuneration above was paid directly to the individual directors.

### Group Policy on Contracts of Service

All senior executives including Executive Directors have substantially identical six-month rolling contracts. There are no exceptional termination provisions for either senior executives or Executive Directors. All contracts include six-month garden leave clauses, which are vigorously enforced. If Directors were allowed to leave without going on garden leave within the six-month notice period, the normal policy would be to only pay them for the period worked. Profit share is never paid to any employee who has indicated that they will be leaving except in the case of ill health or retirement when exceptions can be made. Directors' contracts of service which include details of remuneration are made available for inspection at the Annual General Meeting.

The commencement dates of the executive contracts are as follows:

R A Bayford	January 2000
B M Howard	April 2003
C D Legge	January 2000
J G Matheson	May 2005
D W McCorkell	January 2000
I B Speke	August 1998
S J S Soar	January 2000
S J H Still	January 2001
M J R Williams	March 2000

### Non-Executive Directors' Remuneration

The Board determines the level of non-executive fees. Non-executive Directors have three year letters of appointment.

### Material Contracts with Directors

There were no material contracts between the Group and the Directors other than the loans outstanding for nil paid shares for B M Howard, S J S Soar and S J H Still acquired as part of the Senior Employee Matching Purchase Share Scheme. The Directors undertake transactions in stocks and shares in the ordinary course

# DIRECTORS' REMUNERATION REPORT (continued)

of the Group's business for their own account. The transactions are not material to the Group in the context of its operations. £nil was outstanding in respect of these transactions at 28 September 2008 and 30 September 2007.

## Policy on Remuneration of other Senior Executives

The Remuneration Committee approves any change to profit share schemes throughout the Group. These schemes are progressively geared on set formulae depending on the nature of the business undertaken.

## Performance Graph

The Graph below shows the Company's total shareholder return (TSR) against that of the FTSE 350 Speciality and Other Finance Index; the sector in which the Company is included. TSR is calculated assuming dividends are reinvested on receipt.



## Share Price

At 28 September 2008 the Company's share price was 126.25p (2007 183.75p). The highest price in the period was 230.00p and the lowest 97.50p.

## Nick Hood

Chairman of Remuneration Committee

26 November 2008



The directors are responsible for preparing the Annual Report and the financial statements. The directors are required to prepare financial statements for the group in accordance with International Financial Reporting Standards as adopted by the EU (IFRS) and have also elected to prepare financial statements for the company in accordance with IFRS. Company law requires the directors to prepare such financial statements in accordance with IFRS, the Companies Act 1985 and Article 4 of the IAS Regulation.

International Accounting Standard 1 requires that financial statements present fairly for each financial year the company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the Preparation and Presentation of Financial Statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRS. Directors are also required to:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and
- provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company, for safeguarding the assets, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of a directors' report and directors' remuneration report which comply with the requirements of the Companies Act 1985.

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

## Directors' Responsibility Statement

We confirm that to the best of our knowledge:

1. the financial statements, prepared in accordance with IFRS, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
2. the Directors' Report, together with information provided in the Executive Chairman's Statement, Business Review and the Operating and Financial Review, includes a fair view of the development and performance of the business and the position of the company and the undertakings included in the consolidation taken as a whole, together with the description of the principal risks and uncertainties they face.

By order of the Board

## Executive Chairman

**J Matheson**

26 November 2008

# INDEPENDENT AUDITORS' REPORT

## **Independent Auditors' Report to the members of Brewin Dolphin Holdings PLC**

We have audited the group and parent company financial statements (the "financial statements") of Brewin Dolphin Holdings PLC for the 52 week period ended 28 September 2008, which comprise the Consolidated Income Statement, the Consolidated and Parent Company Statements of Recognised Income and Expense, the Consolidated and Parent Company Balance Sheets, the Consolidated and Parent Company Cash Flow Statements and the related notes 1 to 34. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditors**

The directors' responsibilities for preparing the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and, as regards the group financial statements, Article 4 of the IAS Regulation. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. The information given in the Directors' Report includes the specific information presented in the Executive Chairman's Statement, the Business Review and the Operating and Financial Review that is cross referenced from the Review of the Business and its Future Development section of the Directors' Report.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We review whether the Corporate Governance Statement reflects the company's compliance with the nine provisions of the 2006 Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the group's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report as described in the contents section and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any further information outside the Annual Report.

### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the Directors' Remuneration Report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Directors' Remuneration Report to be audited.

## **Opinion**

In our opinion:

- the group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the group's affairs as at 28 September 2008 and of its profit for the 52 week period then ended;
- the parent company financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the parent company's affairs as at 28 September 2008;
- the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and, as regards the group financial statements, Article 4 of the IAS Regulation; and
- the information given in the Directors' Report is consistent with the financial statements.

## **Separate opinion in relation to IFRSs**

As explained in Note 3a to the group financial statements, the group in addition to complying with its legal obligation to comply with IFRSs as adopted by the European Union, has also complied with the IFRSs as issued by the International Accounting Standards Board.

In our opinion the group financial statements give a true and fair view, in accordance with IFRSs, of the state of the group's affairs as at 28 September 2008 and of its profit for the 52 week period then ended.

## **Deloitte & Touche LLP**

**Chartered Accountants and Registered Auditors**

**London, United Kingdom**

26 November 2008

# CONSOLIDATED INCOME STATEMENT

## 52 WEEK PERIOD ENDED 28 SEPTEMBER 2008

		52 weeks to 28 September 2008 £'000	Year to 30 September 2007 £'000
	Note		
<b>Continuing operations</b>			
Revenue	5	186,969	198,032
Other operating income	3g	19,526	11,247
<b>Total income</b>	6	<b>206,495</b>	<b>209,279</b>
Staff costs	7	(105,834)	(117,641)
Other operating costs		(70,607)	(56,882)
	6	<b>(176,441)</b>	<b>(174,523)</b>
<b>Operating profit</b>		<b>30,054</b>	<b>34,756</b>
Other gains and losses	8	–	58
Finance income	10	7,142	7,406
Finance costs	10	(994)	(564)
<b>Profit before tax</b>	6 & 9	<b>36,202</b>	<b>41,656</b>
Tax	11	(11,127)	(12,708)
<b>Profit attributable to equity shareholders of the parent from continuing operations</b>	29	<b>25,075</b>	<b>28,948</b>
<b>Earnings per share</b>			
From continuing operations			
Basic	14	12.2p	14.5p
Diluted	14	11.7p	13.8p

# CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE

## 52 WEEK PERIOD ENDED 28 SEPTEMBER 2008

	52 weeks to 28 September 2008 £'000	Year to 30 September 2007 £'000
(Loss)/gain on revaluation of available-for-sale investments	(900)	816
Deferred tax credit/(charge) on revaluation of available-for-sale investments	254	(41)
Actuarial (loss)/gain on defined benefit pension scheme	(4,375)	1,420
Deferred tax credit/(charge) on actuarial (loss)/gain on defined benefit pension scheme	1,225	(620)
Current tax credit on share based payments	568	219
Deferred tax (charge)/credit on share based payments	(1,255)	220
<b>Net (expense)/income recognised directly in equity</b>	<b>(4,483)</b>	<b>2,014</b>
<b>Transfers</b>		
Transfer gain on revaluation on sale of available-for-sale investments	–	(54)
Transfer tax on revaluation on sale of available-for-sale investments	–	18
Transfer to profit or loss on sale of available-for-sale investments	–	36
	<b>(4,483)</b>	<b>1,978</b>
Profit for period	<b>25,075</b>	<b>28,948</b>
<b>Total recognised income and expense for the period attributable to equity shareholders of the parent</b>	<b>20,592</b>	<b>30,926</b>

# CONSOLIDATED BALANCE SHEET AS AT 28 SEPTEMBER 2008

	Note	As at 28 September 2008 £'000	As at 30 September 2007 £'000
<b>Assets</b>			
<b>Non-current assets</b>			
Goodwill	15	93,023	65,767
Property, plant and equipment	16	27,975	20,949
Available-for-sale investments	18	10,626	11,526
Other receivables	19	2,098	2,059
Deferred tax asset	20	–	542
<b>Total non-current assets</b>		<b>133,722</b>	<b>100,843</b>
<b>Current assets</b>			
Trading investments	18	724	1,251
Trade and other receivables	19	283,404	356,385
Cash and cash equivalents	21	60,546	87,946
<b>Total current assets</b>		<b>344,674</b>	<b>445,582</b>
<b>Total assets</b>		<b>478,396</b>	<b>546,425</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Bank overdrafts	22	3,717	543
Trade and other payables	23	306,855	404,873
Current tax liabilities		484	4,965
Provisions	32	2,068	–
Shares to be issued including premium	24	8,233	4,504
<b>Total current liabilities</b>		<b>321,357</b>	<b>414,885</b>
<b>Net current assets</b>		<b>23,317</b>	<b>30,697</b>
<b>Non-current liabilities</b>			
Retirement benefit obligation	26	7,964	9,735
Deferred tax liabilities	20	3,993	–
Deferred purchase consideration	24	2,960	664
Shares to be issued including premium	24	16,946	5,809
<b>Total non-current liabilities</b>		<b>31,863</b>	<b>16,208</b>
<b>Total liabilities</b>		<b>353,220</b>	<b>431,093</b>
<b>Net assets</b>		<b>125,176</b>	<b>115,332</b>
<b>Equity</b>			
Called up share capital	27	2,080	2,035
Share premium account	29	90,145	86,968
Revaluation reserve	29	6,898	7,544
Merger reserve	29	4,562	4,562
Profit and loss account	29	21,491	14,223
<b>Equity attributable to equity holders of the parent</b>	29	<b>125,176</b>	<b>115,332</b>

Approved by the Board of Directors and authorised for issue on 26 November 2008.

Signed on its behalf by

**J G Matheson**  
Executive Chairman

**R A Bayford**  
Finance Director

# COMPANY BALANCE SHEET AS AT 28 SEPTEMBER 2008

	Note	As at 28 September 2008 £'000	As at 30 September 2007 £'000
<b>Assets</b>			
<b>Non-current assets</b>			
Investment in subsidiaries	17	141,052	125,160
Available-for-sale investments	18	–	–
Other receivables	19	430	430
<b>Total non-current assets</b>		<b>141,482</b>	<b>125,590</b>
<b>Current assets</b>			
Trade and other receivables	19	7,708	11,327
Cash and cash equivalents	21	57	182
<b>Total current assets</b>		<b>7,765</b>	<b>11,509</b>
<b>Total assets</b>		<b>149,247</b>	<b>137,099</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	23	7,357	14,222
Shares to be issued including premium	24	8,233	4,504
<b>Total current liabilities</b>		<b>15,590</b>	<b>18,726</b>
<b>Net current liabilities</b>		<b>(7,825)</b>	<b>(7,217)</b>
<b>Non-current liabilities</b>			
Shares to be issued including premium	24	16,946	5,809
<b>Total non-current liabilities</b>		<b>16,946</b>	<b>5,809</b>
<b>Total liabilities</b>		<b>32,536</b>	<b>24,535</b>
<b>Net assets</b>		<b>116,711</b>	<b>112,564</b>
<b>Equity</b>			
Called up share capital	27	2,080	2,035
Share premium account	29	90,145	86,968
Revaluation reserve	29	–	–
Merger reserve	29	4,847	4,847
Profit and loss account	29	19,639	18,714
<b>Equity attributable to equity holders</b>	<b>29</b>	<b>116,711</b>	<b>112,564</b>

Approved by the Board of Directors and authorised for issue on 26 November 2008.

Signed on its behalf by

**J G Matheson**  
Executive Chairman

**R A Bayford**  
Finance Director

# COMPANY STATEMENT OF RECOGNISED INCOME AND EXPENSE

## 52 WEEK PERIOD ENDED 28 SEPTEMBER 2008

	52 weeks to 28 September 2008 £'000	Year to 30 September 2007 £'000
<b>Transfers</b>		
Transfer to profit or loss on sale of available-for-sale investments	–	(700)
Profit for period	<b>14,895</b>	13,613
<b>Total recognised income and expense for the period attributable to equity shareholders</b>	<b>14,895</b>	12,913

# CONSOLIDATED CASH FLOW STATEMENT

## 52 WEEK PERIOD ENDED 28 SEPTEMBER 2008

		52 weeks to 28 September 2008 £'000	Year to 30 September 2007 £'000
	Note		
<b>Net cash flow from operating activities</b>	33	<b>14,104</b>	54,183
<b>Cash flows from investing activities</b>			
Purchase of goodwill	15	(10,681)	(6,114)
Purchases of property, plant and equipment	16	(15,746)	(10,106)
Proceeds from sale of available-for-sale investments		–	159
Purchases of available-for-sale investments		–	(400)
Dividend received from available-for-sale investments	10	404	322
<b>Net cash used in investing activities</b>		<b>(26,023)</b>	(16,139)
<b>Cash flows from financing activities</b>			
Dividends paid to equity shareholders		(21,500)	(11,279)
Proceeds on issue of shares		2,845	2,259
<b>Net cash used in financing activities</b>		<b>(18,655)</b>	(9,020)
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(30,574)</b>	29,024
Cash and cash equivalents at the start of period		87,403	58,379
<b>Cash and cash equivalents at the end of period</b>		<b>56,829</b>	87,403
Firm's cash		38,189	68,960
Firm's overdraft		(3,717)	(543)
Firm's net cash		34,472	68,417
Client settlement cash		22,357	18,986
Net cash and cash equivalents		56,829	87,403
Cash and cash equivalents shown in current assets		60,546	87,946
Bank overdrafts		(3,717)	(543)
Net cash and cash equivalents		56,829	87,403

For the purposes of the cash flow statement, cash and cash equivalents include bank overdrafts.



# COMPANY CASH FLOW STATEMENT

## 52 WEEK PERIOD ENDED 28 SEPTEMBER 2008

		52 weeks to 28 September 2008 £'000	Year to 30 September 2007 £'000
<b>Net cash flow from operating activities</b>	Note 33	<b>18,530</b>	9,181
<b>Cash flows from financing activities</b>			
Dividends paid to equity shareholders		(21,500)	(11,279)
Proceeds on issue of shares		2,845	2,259
<b>Net cash used in financing activities</b>		<b>(18,655)</b>	(9,020)
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(125)</b>	161
Cash and cash equivalents at the start of period		182	21
<b>Cash and cash equivalents at the end of period</b>		<b>57</b>	182

# NOTES TO THE FINANCIAL STATEMENTS

## 1. General information

Brewin Dolphin Holdings PLC is a company incorporated in the United Kingdom under the Companies Act 1985. The address of the registered office is given on page 2. The nature of the Group's operations and its principal activities are set out in the Directors' Report. The company is registered in England and Wales.

## 2. Adoption of new and revised Standards

In the current year, the Group has adopted IFRS 7 *Financial Instruments: Disclosures* which is effective for annual reporting periods beginning on or after 1 January 2007, and the related amendment to IAS 1 *Presentation of Financial Statements*. The impact of the adoption of IFRS 7 and the changes to IAS 1 has been to expand the disclosures provided in these financial statements regarding the Group's financial instruments and management of capital (see note 25).

At the date of authorisation of these financial statements, the following Standards and Interpretations (relevant to the Group's activities) which have not been applied in these financial statements were in issue but not yet effective (and in some cases not yet endorsed by the EU):

IFRS 3 (revised January 2008)	Business Combinations
IFRS 8	Operating Segments
IFRIC 14	IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of IFRS 3 (revised January 2008) in the future will affect the way in which the Group accounts for business combinations after September 2009. When IFRS 8 comes into effect for periods commencing on or after 1 January 2009, it is expected to lead to additional segmental disclosures. The adoption of IFRIC 14 in the future is not currently expected to have a material impact on financial statements of the Group.

## 3. Significant accounting policies

### a. Basis of accounting

The financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRSs). The financial statements have also been prepared in accordance with IFRSs adopted by the European Union and therefore the group financial statements comply with Article 4 of the EU IAS Regulation.

The financial statements of Brewin Dolphin Holdings PLC (the "Company") have also been prepared in accordance with International Financial Reporting Standards (IFRSs).

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments. The principal accounting policies adopted are set out below.

### b. Basis of consolidation

The Group accounts consolidate the accounts of Brewin Dolphin Holdings PLC and all its subsidiary undertakings.

The acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired during the period are included in the consolidated income statement from the date of acquisition to the date of disposal.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

In the Company's accounts investments in subsidiary undertakings are stated at cost less any provision for impairment. Dividends received and receivable are credited to the income statement to the extent that they represent a realised profit and loss for the Company.

In accordance with Section 230 of the Companies Act 1985 Brewin Dolphin Holdings PLC has taken advantage of the legal dispensation not to present its own income statement. The amount of the profit for the financial period dealt with in the financial statements of the Company is disclosed in note 12 to the financial statements.

### c. Transaction date accounting

All securities transactions entered into on behalf of clients are recorded in the accounts on the date of the transaction.

#### **d. Foreign currencies**

The Group's functional currency is Sterling. Foreign currency monetary assets and liabilities have been translated into Sterling at the exchange rates ruling at the balance sheet date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined.

Transactions during the period have been translated into Sterling at the rates ruling at the time the transactions were executed.

All exchange differences are reflected in the income statement, except for any exchange differences arising on any non-monetary assets and liabilities where the changes in fair value are recognised directly in equity.

#### **e. Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable and represents gross commission, investment management fees and investment banking retainers, other fees plus other income, excluding VAT, receivable in respect of the period.

Investment management fees and investment banking retainers are recognised in the period in which the related service is provided and investment management commissions are recognised when the transaction is performed.

Other fees including corporate finance fees and placing commissions are taken to the income statement when payment is contractually due.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

#### **f. Operating profit**

Operating profit is stated as being profit before finance income, finance costs and tax.

#### **g. Other operating income**

Interest receivable and payable on client free money balances is netted to calculate the Group's share of interest receivable and included under the heading "Other operating income".

#### **h. Leases**

Annual rentals on operating leases are charged to the income statement on a straight-line basis over the lease term.

Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

#### **i. Share based payments**

The Group has applied the requirements of IFRS 2 "Share-based payments". In accordance with the transitional provisions, IFRS 2 has been applied to all grants of equity instruments made after 7 November 2002 that were unvested as of 1 January 2005.

The Group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest.

Fair value is measured by use of a Black-Scholes option pricing model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

#### **j. Taxation**

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expenses that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

# NOTES TO THE FINANCIAL STATEMENTS (continued)

## j. Taxation (continued)

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

## k. Goodwill

Goodwill represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

Goodwill includes the value of indivisible customer relationships and customer lists, which cannot be separated from the underlying business combination and separately reliably measured.

Goodwill is recognised as an asset and reviewed for impairment at least annually. Any impairment is recognised immediately in the income statement and is not subsequently reversed.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal the attributable amount of goodwill is included in the determination of the profit or loss.

Goodwill arising on acquisitions before the date of transition to IFRS has been retained at the previous UK GAAP amounts subject to being tested for impairment at that date. Goodwill written off to reserves under UK GAAP prior to 1998 has not been reinstated and is not included in determining any subsequent profit or loss on disposal.

Future anticipated payments in respect of earnouts are based on the directors' best estimate of the obligations, which are dependent on future performance of the interests acquired. When earnouts are to be settled in cash or share consideration, the fair value of the consideration is obtained by discounting to present value the amounts expected to be payable in the future. The resulting interest charge is included within finance costs.

## l. Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any recognised impairment. Depreciation has been provided on the basis of equal annual instalments to write off the cost less estimated residual values of tangible fixed assets over their estimated useful lives as follows:

Computer equipment	3 to 4 years
Office equipment	4 to 10 years
Leasehold improvements	over 5 years

## m. Financial instruments

Financial assets and financial liabilities are recognised in the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

## n. Financial assets

Investments are recognised and derecognised on trade date, where a purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held to maturity' investments, 'available-for-sale' financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

### *Financial assets at FVTPL*

Financial assets are classified as at FVTPL where the financial asset is held-for-trading or it is designated as at FVTPL. A financial asset is classified as held-for-trading if it has been acquired principally for the purpose of selling in the near future.

#### **n. Financial assets (continued)**

Financial assets at FVTPL are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporate any dividends or interest earned on the financial asset. Their value is determined in the manner described in note 18.

##### *Available-for-sale financial assets*

Certain shares held by the Group are classified as being available-for-sale and are stated at fair value. Fair value is determined in the manner described in note 18. Gains and losses are recognised directly in equity in the revaluation reserve with the exception of impairment losses which are recognised directly in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the revaluation reserve is included in the profit or loss account.

Dividends on available-for-sale equity instruments are recognised in profit and loss when the Group's right to receive payment is established.

##### *Loans and receivables*

Trade receivables, loans, and other receivables that have fixed or determinable payments and are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

##### *Impairment of financial assets*

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected. The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets.

#### **o. Netting of balances**

Amounts due to and from counterparties due to settle on balance are shown net where there is a currently enforceable legal right to set off the recognised amounts. Amounts due to and from counterparties due to settle against delivery of stock are shown gross.

#### **p. Financial liabilities and equity**

Financial liabilities and equity are classified according to the substance of the contractual arrangements entered into.

##### *Equity instruments*

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

##### *Financial liabilities*

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'. Financial liabilities are classified as at FVTPL where the financial liability is either held for trading or it is designated as at FVTPL.

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

#### **q. Shares to be issued including premium**

Shares to be issued represent the Company's best estimate of the amount of ordinary shares in the Company, which are likely to be issued on the successful completion of acquisitions which involve deferred payments in the Company's shares. The sum is discounted to present value using a pre-tax discount rate that reflects current market assessments of the time value of money and revised annually in the light of actual results. Where shares are due to be issued within a year then the sum is included in current liabilities. Where the team involved has not yet joined, the resultant liability is shown as an amount contracted for but not provided in the accounts.

#### **r. Retirement benefit costs**

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due. Payments made to state-managed retirement benefit schemes are dealt with as payments to defined contribution schemes where the Group's obligations under the schemes are equivalent to those arising in a defined contribution retirement benefit scheme.

For defined benefit retirement benefit schemes, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses are recognised in full in the period in which they occur. They are recognised outside the profit or loss and presented in the statement of recognised income and expense ("SORIE").

Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the benefits become vested.

The retirement benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligation, as adjusted for unrecognised past service cost, and as reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the scheme.

# NOTES TO THE FINANCIAL STATEMENTS (continued)

## s. Impairment of tangible and intangible assets excluding goodwill

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

## t. Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date and are discounted to present value where the effect is material.

## 4. Critical accounting judgements and key sources of estimation uncertainty

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities and profits and losses. Evaluation of the accounting judgements takes into account historical experience as well as future expectations.

### Retirement benefit obligation

In conjunction with the Group's Actuary, the Group makes estimates about a range of long term trends, including life expectancy. These estimates are governed by the rules set out in IAS 19 which inevitably lead to significant swings in the pension deficit from year to year, as long term interest rates change and short term market movements affect asset valuations. The detailed assumptions are set out in note 26.

### Shares to be issued including premium and deferred purchase consideration

The Group includes within these headings its best estimate discounted to present value of the ultimate sum which will be paid for goodwill under deferred purchase agreements. This is inevitably judgemental and depends on events which transpire over periods up to five years. Market conditions are an important factor.

### Impairment of goodwill

The Group values goodwill based on the valuation of individual units making up the total goodwill. For the investment management business this is normally based on the value of funds under management at the period end, the percentages of funds being used depending on values attributed in recent public transactions for the purchase of advisory and discretionary funds. A price earnings basis is used where appropriate. For investment banking broking and other units a similar basis is used normally based on turnover but again a price earnings ratio is used where appropriate.

### Valuation of investment in Euroclear plc

The fair valuation of the Group's investment in Euroclear plc is based upon the Group's share of net assets, dividend yield and the prices of similar quoted companies discounted for marketability. This calculation inevitably includes a number of areas of judgement.

## 5. Revenue

	2008 £'000 52 weeks	2007 £'000 Year
Commission income	87,471	95,236
Financial planning and trail income	21,009	17,931
Investment banking fees and retainers	9,410	24,642
Investment management fees	69,079	60,223
	<b>186,969</b>	<b>198,032</b>

## 6. Segmental information

For management purposes, the Group is divided into two business streams: Investment Management and Investment Banking. These form the basis for the primary segment information reported below. All operations are carried out in the United Kingdom and the Channel Islands.

### 52 week period ended 28 September 2008

	Discretionary Portfolio Management £'000	Advisory Portfolio Management £'000	Total Investment Management £'000	Investment Banking £'000	Group £'000
Total income	122,975	70,721	193,696	12,799	206,495
Operating profit	18,765	10,791	29,556	498	30,054
Other gains and losses and finance income (net)					6,148
Profit before tax					36,202
<b>Other information</b>					
Capital expenditure			15,147	599	15,746
Depreciation			8,459	126	8,585
Share-based payments			621	40	661
Segment assets excluding current tax assets			447,082	31,314	478,396
Segment liabilities excluding current tax liabilities			321,422	31,314	352,736

### Year ended 30 September 2007

	Discretionary Portfolio Management £'000	Advisory Portfolio Management £'000	Total Investment Management £'000	Investment Banking £'000	Group £'000
Total income	110,413	69,326	179,739	29,540	209,279
Operating profit	15,154	12,555	27,709	7,047	34,756
Other gains and losses and finance income (net)					6,900
Profit before tax					41,656
<b>Other information</b>					
Capital expenditure			10,055	51	10,106
Depreciation			5,981	76	6,057
Share-based payments			522	85	607
Segment assets excluding current tax assets			398,112	148,313	546,425
Segment liabilities excluding current tax liabilities			277,815	148,313	426,128

Investment banking profit was reduced by £500,000 of redundancy costs in the second half of 2008.



# NOTES TO THE FINANCIAL STATEMENTS (continued)

## 7. Staff costs and related party transactions

Group	2008 52 weeks No.	2007 Year No.
The average monthly number of employees including Directors by category was:		
Investment Management	913	848
Investment Banking	76	79
Business Support	665	567
	<b>1,654</b>	<b>1,494</b>
	<b>£'000</b>	<b>£'000</b>
The aggregate payroll costs were as follows:		
Wages and salaries	85,476	91,118
Social security costs	9,724	11,186
Share-based payments	661	607
Termination benefits	634	946
Other pension costs	9,339	13,784
	<b>105,834</b>	<b>117,641</b>

The Company does not have any employees.

### Remuneration of key management personnel

The remuneration of the Directors, who are the key management personnel of the Group, is set out in the Directors' Remuneration Report on page 26.

### Directors' transactions

Material contracts with Directors and loans to Directors are shown in the Directors' Remuneration Report on page 26; there are no other related party transactions with Directors.

## 8. Other gains and losses

	2008 52 weeks £'000	2007 Year £'000
Profit on disposal of available-for-sale investments	–	58
	<b>–</b>	<b>58</b>

## 9. Profit for the period

Profit for the period has been arrived at after charging/(crediting):

	2008 52 weeks £'000	2007 Year £'000
Net foreign exchange gains	(603)	(407)
Depreciation of property, plant and equipment (note 16)	8,585	6,057
Staff costs (see note 7)	105,834	117,641
Other pension costs (note 7)		
Defined benefit scheme – including death in service contributions	482	2,041
Defined contribution scheme	8,857	11,743
Reversal of impairment of trade receivables	(65)	(323)
Impairment of goodwill (see note 15)	430	–
Auditors' remuneration (see analysis below)	502	432*

\* includes a fee of £18,000 that was charged to share premium during the year in relation to acquisition costs.

### Analysis of auditors' remuneration

Fees payable to the Company's auditors for the audit of the Company's annual accounts	55	55
Fees payable to the Company's auditors and their associates for other services to the Group: the audit of the Company's subsidiaries pursuant to legislation	180	180
Other services pursuant to legislation	70	65
Tax services	95	2
Information technology services	47	–
Corporate finance services	–	18
Other services		
Assurance services for external parties	–	42
AAF 01/06	55	70
	55	112
	502	432

## 10. Finance income and finance costs

	2008 52 weeks £'000	2007 Year £'000
<b>Finance income</b>		
Interest income on pension plan assets	159	60
Dividends from available-for-sale investments	404	322
Interest on bank deposits	6,579	7,024
	7,142	7,406
<b>Finance costs</b>		
Finance cost of deferred consideration	981	515
Interest on bank overdrafts	13	49
	994	564

# NOTES TO THE FINANCIAL STATEMENTS (continued)

## 11. Taxation

	2008 52 weeks £'000	2007 Year £'000
United Kingdom		
Current tax	5,955	10,247
Prior year	192	430
Overseas tax		
Current tax	216	297
Prior year	5	5
	6,368	10,979
United Kingdom deferred tax		
Current year	5,024	2,127
Prior year	(265)	(398)
	11,127	12,708

United Kingdom corporation tax is calculated at 29% (2007: 30%) of the estimated assessable taxable profit for the period.

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

The charge for the period can be reconciled to the profit per the income statement as follows:

Profit before tax	36,202	41,656
Tax at the UK corporation tax rate of 29% (2007: 30%)	10,499	12,497
Tax effect of expenses that are not deductible in determining taxable profit	551	395
Tax effect of prior year tax	197	435
Tax effect of prior year deferred tax	(265)	(398)
Tax effect of share-based payments	162	(259)
Tax effect of deferred tax timing differences	(191)	(84)
Tax effect of leasehold property depreciation	174	122
Tax expense	11,127	12,708
Effective tax rate for the year	31%	31%

In addition to the amount charged to the income statement, deferred tax relating to the revaluation of the Group's available-for-sale investments amounting to £(254,000) (2007: £41,000) has been (credited)/charged directly to equity and deferred tax relating to the actuarial gain/(loss) in the defined benefit pension scheme amounting to £1,225,000 (2007: £(620,000)) has been charged/(credited) directly to equity.

## 12. Profit attributable to equity shareholders of the parent

	2008 52 weeks £'000	2007 Year £'000
Profit after taxation dealt with in the accounts of the Company	14,895	13,613

### 13. Dividends

	2008 52 weeks £'000	2007 Year £'000
Amounts recognised as distributions to equity holders in the period:		
First interim dividend paid 10 April 2007, 2.875p per share	–	5,791
Second interim dividend paid 25 October 2007, 3.375p per share	–	6,869
Final dividend paid 6 April 2008, 3.5p per share	7,248	–
Interim dividend paid 24 September 2008, 3.55p per share	7,383	–
	<b>14,631</b>	<b>12,660</b>

Proposed final dividend for the 52 weeks ended 28 September 2008 of 3.55p (2007: 3.5p) per share based on shares in issue at 7 November 2008 (8 November 2007)	<b>7,388</b>	<b>7,124</b>
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The proposed final dividend for the 52 week period ended 28 September 2008 of 3.55p per share, is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements.

### 14. Earnings per share

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

	2008 '000	2007 '000
<b>Number of shares</b>		
<b>Basic</b>		
Weighted average number of shares in issue in the period	<b>206,157</b>	201,438
<b>Diluted</b>		
Weighted average number of options outstanding for the period	<b>2,415</b>	5,135
Estimated weighted average number of shares earned under deferred consideration arrangements	<b>8,527</b>	4,712
Diluted weighted average number of options and shares for the period	<b>217,099</b>	211,285
<b>Earnings attributable to ordinary shareholders</b>		
	<b>£'000</b>	<b>£'000</b>
Profit attributable to equity shareholders of the parent from continuing operations	<b>25,075</b>	28,948
Finance costs of deferred consideration (note a)	<b>549</b>	311
Less tax	<b>(159)</b>	(93)
Adjusted basic profit for the period and attributable earnings	<b>25,465</b>	29,166
From continuing operations		
Basic	<b>12.2p</b>	14.5p
Diluted	<b>11.7p</b>	13.8p

a) Finance costs of deferred consideration are added back where the issue of shares is more dilutive than the interest cost saved.

# NOTES TO THE FINANCIAL STATEMENTS (continued)

## 15. Goodwill

Goodwill can be broken down into individual cash-generating units, mainly consisting of investment management teams. The cost of purchased goodwill is recognised as an asset and reviewed for impairment for each cash-generating unit at least annually after the first year, using the fair value less cost to sell method. Fair value is established by valuing clients' funds under management based on the value of funds under management at the period end, the percentages of funds being used depending on values attributed in recent public transactions for the purchase of advisory and discretionary funds. If the carrying amount of goodwill relating to any cash-generating unit exceeds the calculated fair value less cost to sell, a value in use is calculated using a discounted cash flow method. Goodwill includes the cost of indivisible customer relationships and customer lists, which cannot be separated from the underlying business combination and separately reliably measured.

Group	2008 £'000	2007 £'000
<b>Cost</b>		
At start of period	65,767	66,846
Revaluations of shares to be issued and deferred purchase consideration in respect of acquisition in prior periods (see note 24)	2,475	(9,788)
Additions	25,211	8,709
<b>At end of period</b>	<b>93,453</b>	<b>65,767</b>
<b>Accumulated impairment losses</b>		
At start of period	–	–
Impairment losses for the period	(430)	–
<b>At end of period</b>	<b>(430)</b>	<b>–</b>
<b>Carrying amount at end of period</b>	<b>93,023</b>	<b>65,767</b>
The above figures can be analysed as follows:		
South East investment management team	9,987	9,987
Other investment management teams	83,036	55,780
	<b>93,023</b>	<b>65,767</b>

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

There were no impairment losses incurred by the Group prior to 2008. This is because the deferred purchase method of acquisition, based on income actually introduced, is designed to prevent over payment by the Group for businesses. Significant impairment should only be incurred if an investment management team leaves the Group with their clients. Currently all goodwill carried on the balance sheet relates to the Investment Management Division. Since the Group was founded in 1987 only 3 (2007: 2) significant Investment Management teams have left the Group. As a result, changes in the assumptions used in the calculation of the recoverable amounts of cash-generating units are unlikely to have a significant effect on impairment charges recognised.

The £430,000 goodwill impairment loss incurred in the period can be split as to £340,000 in relation to the Investment Management Division of which £100,000 relates to the loss of a cash-generating unit and the balance of £240,000 to an initial overpayment for a cash-generating unit. £90,000 of the goodwill impairment loss is in relation to an initial overpayment for a cash generating unit in the Investment Banking Division.

## 15. Goodwill (continued)

	2008 £'000	2007 £'000
Additions relate to:		
Acquisitions in the period		
Cash	9,749	3,955
Deferred purchase liability	2,393	297
Value of shares to be issued*	12,181	1,804
Shares issued in period	–	994
	24,323	7,050
Acquisitions in prior periods		
Cash	932	1,659
Shares issued in period	166	–
Deferred purchase liability	(210)	–
Additions in period	25,211	8,709
Shares purchased instead of issuing shares	–	500
Issue of shares and change in shares to be issued	(12,347)	(2,798)
Deferred purchase liability	(2,183)	(297)
Net cash movement shown in the cash flow statement	10,681	6,114

\* The number of shares issuable will be determined by the share price at the date of issue, if the shares had been issued at the end of the period the number of shares issued would have been 9,648,317 ordinary 1 pence shares.

Acquisitions in the period comprise the acquisition of 21 investment management businesses and consist entirely of goodwill. Goodwill includes the cost of indivisible customer relationships and customer lists, which cannot be separated from the underlying business combination and separately reliably measured. There are no contracts which legally bind customers to the business, the relationship is with the team who looks after the client. The majority of these businesses were purchased for a consideration mainly payable in Company's shares on deferred purchase terms dependent on results (see notes 3k, 3q and 24).

Additions relating to new acquisitions in the period were as follows:

Cash-generating units	Date of acquisition	£'000
Swansea, Plymouth and York branches	October 2007	2,938
Glasgow, Birmingham, Leeds, Exeter and Cheltenham businesses	October 2007-September 2008	902
London businesses (10)	October 2007-September 2008	14,109
Belfast business	May 2008	711
Nottingham branch	September 2008	5,617
Other	September 2008	46
		24,323

As stated above there was one impairment loss recognised in the profit and loss account of £240,000 for an acquisition in the period (2007: £nil).

Acquisitions during the period reduced profits for the period by £0.6 million (2007: increased by £0.1 million) and increased revenue by £6.8 million (2007: £1.9 million). If the acquisitions had been effected at the start of the period profits would have increased by £0.5 million (2007: £0.5 million) and revenue increased by a further £3.0 million (2007: £1.0 million). It is estimated that acquisitions since the balance sheet date will increase profits by £ nil million and revenue by £0.75 million over the next reporting period.

# NOTES TO THE FINANCIAL STATEMENTS (continued)

## 16. Property, plant and equipment

Group	Leasehold Improvements £'000	Office Equipment £'000	Computer Equipment £'000	Total £'000
<b>Cost</b>				
At 1 October 2006	3,053	5,591	45,444	54,088
Additions	1,141	371	8,594	10,106
Disposals	(17)	(23)	(18)	(58)
At 1 October 2007	4,177	5,939	54,020	64,136
Additions	3,381	2,089	10,276	15,746
Disposals	(533)	(868)	(1)	(1,402)
<b>At 28 September 2008</b>	<b>7,025</b>	<b>7,160</b>	<b>64,295</b>	<b>78,480</b>
<b>Depreciation</b>				
At 1 October 2006	1,593	2,871	32,704	37,168
Charge for the period	405	823	4,829	6,057
Eliminated on disposal	(9)	(16)	(13)	(38)
At 1 October 2007	1,989	3,678	37,520	43,187
Charge for the period	764	1,023	6,798	8,585
Eliminated on disposal	(447)	(820)	–	(1,267)
<b>At 28 September 2008</b>	<b>2,306</b>	<b>3,881</b>	<b>44,318</b>	<b>50,505</b>
<b>Net book value</b>				
<b>At 28 September 2008</b>	<b>4,719</b>	<b>3,279</b>	<b>19,977</b>	<b>27,975</b>
At 1 October 2007	2,188	2,261	16,500	20,949
At 1 October 2006	1,460	2,720	12,740	16,920

## 17. Subsidiaries

The following are the Group's principal subsidiary undertakings, all of which are included in the consolidated financial statements:

Name	Country of registration	Trade	Class of share capital	Percentage of voting rights held
Brewin Dolphin Limited	England & Wales	Investment Manager	Ordinary	100%
Brewin Nominees Limited	England & Wales	Nominee Company	Ordinary	100%
Brewin Dolphin MP	England & Wales	Investment Manager	A Ordinary	100%
			B Ordinary	100%
North Castle Street (Nominee) Limited	Scotland	Nominee Company	Ordinary	100%

## Company

	2008 £'000	2007 £'000
At start of period	125,160	123,958
Net additional investment in Brewin Dolphin Limited	15,231	595
Capital contribution to Brewin Dolphin Limited re share-based payments	661	607
<b>At end of period</b>	<b>141,052</b>	<b>125,160</b>



## 18. Investments

### Available-for-sale investments

	Listed investments £'000	Unlisted investments £'000	Total £'000
<b>Group</b>			
At 1 October 2006	963	9,500	10,463
Additions	400	–	400
Net gains from changes in fair value recognised in equity	163	500	663
At 1 October 2007	1,526	10,000	11,526
Net losses from changes in fair value recognised in equity	(900)	–	(900)
<b>At 28 September 2008</b>	<b>626</b>	<b>10,000</b>	<b>10,626</b>

### Company

At 1 October 2006	–	9,500	9,500
Disposal	–	(9,500)	(9,500)
Net gains from changes in fair value recognised in equity	–	–	–
At 1 October 2007	–	–	–
Net gains/(losses) from changes in fair value recognised in equity	–	–	–
<b>At 28 September 2008</b>	<b>–</b>	<b>–</b>	<b>–</b>

Unlisted available-for-sale investments represent the Group's holding of 19,899 ordinary shares in Euroclear plc. This holding represents 0.52% of Euroclear plc's shares. As at 28 September 2008 the Directors updated their valuation of the Group's holding in Euroclear plc; the valuation remains at £10 million. This valuation took into account the Group's share of net assets, dividend yield and the prices of similar quoted companies discounted for marketability.

### Trading investments

	Listed investments £'000	Unlisted investments £'000	Total £'000
<b>Group</b>			
Fair value			
At 1 October 2007	1,251	–	1,251
<b>At 28 September 2008</b>	<b>724</b>	<b>–</b>	<b>724</b>

Investments are measured at fair value which is determined directly by reference to published prices in an active market where available. During the period the Group realised gains from trading investments of £1,308,000 (2007: £2,275,000); at the period end unrealised losses were £35,000 (2007: £33,000).

## 19. Other financial assets

### Trade and other receivables

#### Group

	2008 £'000	2007 £'000
<b>Non-current: other receivables</b>		
Loans – see (i) below	2,098	2,059
	<b>2,098</b>	<b>2,059</b>
<b>Current: trade and other receivables</b>		
Trade debtors	249,633	319,703
Other debtors	3,275	10,119
Prepayments and accrued income	30,496	26,563
	<b>283,404</b>	<b>356,385</b>

(i) £2,098,000 (2007: £2,059,000) represents loans to staff under the Group share schemes which are repayable in more than one year. The loans are secured on the Company's shares. The Directors believe that these balances are fully recoverable.

# NOTES TO THE FINANCIAL STATEMENTS (continued)

## 19. Other financial assets (continued)

### Company

	2008 £'000	2007 £'000
<b>Non-current: other receivables</b>		
Loans	430	430
	<b>430</b>	<b>430</b>
<b>Current: trade and other receivables</b>		
Prepayments and accrued income	11	6
Amounts due from subsidiary undertakings	7,697	11,321
	<b>7,708</b>	<b>11,327</b>

Trade debtors relate to either market or client transactions and are considered to be past due once the date for settlement has passed. The date for settlement is determined when the trade is booked. It is expected that some transactions may become past due in the normal course of business. Fees owed by clients are considered to be past due when they remain unpaid after 30 days after the relevant billing date. The maximum exposure to credit risk is the carrying value as above.

### Ageing of past due but not impaired trade debtors

	2008 £'000	2007 £'000
Not past due	239,299	310,327
Up to 15 days past due	8,016	8,078
16 to 30 days past due	746	387
31 to 45 days past due	685	518
More than 45 days past due	853	391
	<b>249,599</b>	<b>319,701</b>

### Individually impaired trade debtors

Individually impaired trade debtors	1,169	1,202
Provision for doubtful debts	(1,135)	(1,200)
	<b>34</b>	<b>2</b>

<b>Trade debtors</b>	<b>249,633</b>	<b>319,703</b>
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The Directors consider that the carrying amount of the trade and other receivables approximates to their fair value. Any trade debtor in relation to client balances which are older than ninety days are provided for unless collateral is held.

### Movements in provision for doubtful debts

At start of period	1,200	1,523
Released to the income statement	(65)	(323)
<b>At end of period</b>	<b>1,135</b>	<b>1,200</b>

No other financial assets of the Group or the Company, other than doubtful debts, are impaired.

## 20. Deferred tax (liability)/asset

	Capital Allowances £'000	Revaluation £'000	Other short term timing differences £'000	Retirement Benefit Obligation £'000	Share based payments £'000	Goodwill Amortisation £'000	Total £'000
<b>Group</b>							
1 October 2006	304	(2,917)	1,939	4,626	1,604	(3,083)	2,473
Credit/(charge) in the period to the income statement	(239)	–	1,012	(1,280)	(172)	(1,050)	(1,729)
Credit/(charge) in the period to the statement of recognised income and expense	–	(21)	–	(620)	439	–	(202)
30 September 2007	65	(2,938)	2,951	2,726	1,871	(4,133)	542
Credit/(charge) in the period to the income statement	(10)	–	(714)	(1,721)	(266)	(2,048)	(4,759)
Credit/(charge) in the period to the statement of recognised income and expense	–	254	–	1,225	(1,255)	–	224
<b>28 September 2008</b>	<b>55</b>	<b>(2,684)</b>	<b>2,237</b>	<b>2,230</b>	<b>350</b>	<b>(6,181)</b>	<b>(3,993)</b>
<b>Company</b>							
1 October 2006	–	(2,720)	–	–	–	–	(2,720)
Credit/(charge) in the period to the income statement	–	2,720	–	–	–	–	2,720
Credit/(charge) in the period to the statement of recognised income and expense	–	–	–	–	–	–	–
30 September 2007	–	–	–	–	–	–	–
Credit/(charge) in the period to the income statement	–	–	–	–	–	–	–
Credit/(charge) in the period to the statement of recognised income and expense	–	–	–	–	–	–	–
<b>28 September 2008</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>

## 21. Cash and cash equivalents

	2008 £'000	2007 £'000
<b>Group</b>		
Firm's cash	38,189	68,960
Client settlement cash	22,357	18,986
	<b>60,546</b>	<b>87,946</b>
<b>Company</b>		
Firm's cash	57	182
	<b>57</b>	<b>182</b>

Client settlement cash is held in segregated client accounts and is not available for use in the business. Cash and cash equivalents comprises cash at banks.

At the balance sheet date there were also deposits for clients, not included in the consolidated balance sheet, which were held in segregated client bank accounts amounting to £1,586,497,156 (2007: £1,397,264,692).

## 22. Bank overdrafts

	2008 £'000	2007 £'000
<b>Group</b>		
Bank overdrafts	3,717	543
	<b>3,717</b>	<b>543</b>

Bank overdrafts are unsecured and repayable on demand.

# NOTES TO THE FINANCIAL STATEMENTS (continued)

## 23. Other financial liabilities

### Trade and other payables

	2008 £'000	2007 £'000
<b>Current Group</b>		
Trade creditors	239,132	305,681
Other creditors	4,573	11,939
Other taxes and social security	4,847	4,644
Accruals and deferred income	57,438	75,323
Deferred purchase consideration (see note 24)	865	417
Dividend	–	6,869
	<b>306,855</b>	<b>404,873</b>

### Company

Other creditors	21	17
Dividend	–	6,869
Amounts payable to subsidiary undertakings	7,336	7,336
	<b>7,357</b>	<b>14,222</b>

Trade creditors relate to either market or client transactions; the date for settlement is determined when the trade is booked. Other balances principally comprise amounts outstanding for ongoing costs.

The Directors consider that the carrying amount of trade payables approximates to their fair value.

## 24. Shares to be issued including premium and other deferred purchase liabilities

The Group acquires businesses on deferred purchase terms based on the value of income introduced over, normally, a three year period. The payment is normally made in ordinary shares and these shares have to be held typically for a further three years. At the discretion of the Board these shares can be purchased in the market rather than issued. The estimated likely cost of these shares is reassessed annually, see notes 3(q) and 4. At the period end there was a net upward assessment of £2.5m (2007: downward £9.8m). These adjustments are inevitably subjective and dependent on events, influenced by market conditions. The other side of the liability is recorded in goodwill (see note 15).

Each individual transaction has a cap as to the maximum value that could be paid out. The value of the cap is always set at a value substantially above what it is expected will be paid out. The total value of these caps is £15m (2007: £6m) for shares to be issued within one year, £83m (2007: £33m) for shares to be issued from one to five years, with a further potential of £3m (2007: £44m) in relation to expenditure contracted for but not provided in the accounts which would be payable in 2011/12.

In the event of the Group being acquired by a third party, provisions exist to renegotiate the deferred purchase consideration into the shares of the acquiring entity, or for the earn-out period to be truncated.

## 24. Shares to be issued including premium and other deferred purchase liabilities (continued)

	Shares to be issued inc. premium (Group & Company) 2008 £'000	Deferred Purchase Consideration (Group only) 2008 £'000	Total 2008 £'000
<b>As at 28 September 2008</b>			
Deferred consideration relating to acquisitions			
<b>Current liability</b>			
Payments relating to 10 cash-generating units	8,233	865	9,098
	8,233	865	9,098
<b>Non-current liability</b>			
Payments relating to 6 cash-generating units payable in 2009/10	3,037	316	3,353
Payments relating to 12 cash-generating units 2010/11	5,752	1,599	7,351
Payments relating to 7 cash-generating units payable in 2011/12	4,832	619	5,451
Payments relating to 3 cash-generating units payable in 2012/13	2,677	343	3,020
Payments relating to 1 cash-generating unit payable in 2013/14	648	83	731
	16,946	2,960	19,906
<b>Total current and non-current liability</b>	<b>25,179</b>	<b>3,825</b>	<b>29,004</b>
<b>Expenditure contracted for but not provided in the accounts</b>			
Due within one year	–	75	75
Due within more than one year 2011/2012	2,000	–	2,000
<b>Reconciliation of movement in total of current and non-current liabilities</b>			
Balance as at 1 October 2007	10,313	1,081	11,394
On acquisitions	12,181	2,393	14,574
Adjustment to prior year acquisitions (see notes 3q and 15)	2,042	433	2,475
Discounting charged to the income statement	853	128	981
Payments made	(210)	(210)	(420)
<b>Balance as at 28 September 2008</b>	<b>25,179</b>	<b>3,825</b>	<b>29,004</b>

# NOTES TO THE FINANCIAL STATEMENTS (continued)

## 24. Shares to be issued including premium and other deferred purchase liabilities (continued)

	Shares to be issued inc. premium (Group & Company) 2007 £'000	Deferred Purchase Consideration (Group only) 2007 £'000	Total 2007 £'000
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As at 30 September 2007

Deferred consideration relating to acquisitions

### Current liability

Hill Osborne	200	–	200
Other	4,304	417	4,721
	4,504	417	4,921

### Non-current liability

Various 2008/9	1,921	257	2,178
Various 2009/10	3,043	324	3,367
Various 2010/11	845	83	928
	5,809	664	6,473

<b>Total current and non-current liability</b>	<b>10,313</b>	<b>1,081</b>	<b>11,394</b>
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### Expenditure contracted for but not provided in the accounts

Due within one year	–	3,800	3,800
Due within more than one year 2011/2013	3,000	–	3,000

### Reconciliation of movement in total of current and non-current liabilities

Balance as at 1 October 2006	17,500	3,629	21,129
On acquisitions	1,804	297	2,101
Adjustment to prior year acquisitions (see note 15)	(7,991)	(1,797)	(9,788)
Discounting charged to the income statement	500	15	515
Payments made	(1,500)	(1,063)	(2,563)
Balance as at 30 September 2007	10,313	1,081	11,394

## 25. Financial instruments and risk management

### Overview

The Group has exposure to the following risks from its use of financial instruments:

- market risk;
- credit risk;
- liquidity risk; and
- operational risk.

This note presents information about the Group's exposure to each of the above risks, the Group's policy and processes for measuring and managing risk and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

The Board of Directors have overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's risk management considers the major areas of market risk, credit risk, liquidity risk and operational risk. The Board determines the risk appetite and is responsible for the implementation of a risk management framework that recognises the risks faced by the Group. Authority flows from the Board to the Risk Management Committee ("RMC") and from there to specific committees which are integral to the management of risk.

Brewin Dolphin's activities involve the measurement, evaluation, acceptance and management of some degree of risk, or combination of risks. The Board has set a low risk appetite whilst recognising the inevitable risk of being exposed to adverse movements in the stock market.

## 25. Financial instruments and risk management (continued)

The Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Audit Committee is assisted in its role by Internal Audit. The Audit Committee's key role in risk management is the assessment of controls that are in place to mitigate risk and the review of the Risk Management Schedule bi-annually which is prepared by the RMC.

### *Capital risk management*

The capital structures of the Group and Company consist of issued share capital, reserves and retained earnings as disclosed in note 29.

The Group has an Internal Capital Adequacy Assessment Process ("ICAAP"), as required by the Financial Services Authority ("FSA") for establishing the amount of regulatory capital to be held by the Group; Brewin Dolphin Limited ("BDL") is the only regulated entity within the Group.

The ICAAP draws on the Group's Annual Corporate Risk Review which is based on bi-annual risk assessments. It gives consideration to both current and projected financial and capital positions. The ICAAP is updated throughout the year to take account of the bi-annual risk assessments and for any significant changes to business plans and any unexpected issues that may occur. The ICAAP is discussed and approved at a Brewin Dolphin Holdings Board meeting at least annually.

Capital adequacy is monitored daily by management. The Group uses the simplified approach to Credit Risk and the standardised approach for Operational Risk to calculate Pillar 1 requirements. The Group observed the FSA's regulatory requirements throughout the period.

The regulatory capital resources of the principal operating subsidiary, BDL, calculated in accordance with FSA definitions were as follows at the period end:

	28 September 2008 £'000
Tier 1 capital resources	
Ordinary share capital	18,325
Share premium account	94,028
Retained earnings	2,600
Shares to be issued	25,179
	140,132
Deduction – goodwill	(83,913)
	56,219
Tier 2 capital resources	
Revaluation reserve	3,236
Deductions	–
	3,236
Tier 1 plus tier 2 capital resources	59,455
Deduction – material holdings	(4,055)
	55,400
Tier 3 capital resources	472
Total capital before deductions	55,872
Deductions from total capital	(618)
Total capital resource after deductions	55,254
Total capital requirement	31,653

The regulatory capital resources for the Group on a consolidated basis are £55 million with a total capital requirement of £32 million.

There were no changes in the Group's approach for capital management during the period.



# NOTES TO THE FINANCIAL STATEMENTS (continued)

## 25. Financial instruments and risk management (continued)

### Significant accounting policies

Details of the significant accounting policies, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each financial asset and financial liability, are disclosed in note 3 to the financial statements.

### Categories of financial instruments

Group	Carrying value	
	2008 £'000	2007 £'000
<b>Financial assets</b>		
Fair value through profit and loss - held for trading	724	1,251
Loans and receivables (including cash and trade receivables)	346,048	446,390
Available-for-sale financial assets	10,626	11,526
	<b>357,398</b>	<b>459,167</b>
<b>Financial liabilities</b>		
Amortised cost	337,916	410,679
	<b>337,916</b>	<b>410,679</b>

The carrying value approximates to the fair value of the financial assets and liabilities held.

### Company

	Carrying value	
	2008 £'000	2007 £'000
<b>Financial assets</b>		
Loans and receivables (including cash and trade receivables)	8,195	11,939
	<b>8,195</b>	<b>11,939</b>
<b>Financial liabilities</b>		
Amortised cost	32,536	24,535
	<b>32,536</b>	<b>24,535</b>

The carrying value approximates to the fair value of the financial assets and liabilities held.

### I. Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of the Group's market risk management is to both control and manage our exposure within the Group's risk appetite whilst accepting the inherent risk of market fluctuations.

The Group acts as an Investment Manager and agency stockbroker within the UK; all trades are matched in the market.

The Group undertakes only limited principal trading on its own behalf; a maximum gross position of £2 million has been set as a limit by the Board. No single trade or accumulative position in any one stock can be in excess of £0.5 million. A hurdle stop loss price is operated in which the stop loss is set at a fixed percentage below the market price. This sets a limit on the maximum possible loss, as the stop loss will be triggered if the market price drops below the level set, resulting in the stock being sold. Conversely, where the market price rises the stop loss price will rise proportionately, to set a new stop loss price, thus protecting any profits. The stop loss position is monitored on average three times a day and is recalculated when necessary. Principal trading positions are monitored daily by the Risk Management Department and closing positions are reported to management. Any breaches of limits are notified immediately to management, as are stop losses, which are enforced.

The Group deals in foreign currencies on a matched basis on behalf of clients, limiting foreign exchange exposure. The total net foreign exchange exposure at the year end was £342,000 (2007: £273,000).

The Group does not hold any derivatives.

There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk during the period.

## 25. Financial instruments and risk management (continued)

### *Equity price risk*

The Group is exposed to equity risk arising from its available-for-sale investments and those held-for-trading. Equity investments designated as available-for-sale are held for strategic purposes rather than trading purposes and the Group does not actively trade in these investments.

### *Equity price sensitivity analysis*

The sensitivity analyses below have been determined based on the exposure to equity price risk at the reporting date.

If equity prices had been 5% higher/lower:

- profit for the 52 week period ended 28 September 2008 would have been £37,000/£52,000 higher/lower (2007: £33,000 higher/lower) due to change in the value of held-for-trading investments and available-for-sale investments; and
- other equity reserves as at 28 September 2008 would increase by £531,000/decrease by £516,000 (2007: increase/decrease by £576,000) for the Group as a result of the changes in fair value of available-for-sale investments.

The Group's sensitivity to equity prices has not changed significantly from the prior period.

### *Interest rate risk*

The Group is exposed to interest rate risk; this arises because the interest rate paid to its clients on their deposits is linked to the base rate. The Group holds client deposits on both fixed rate short term deposit and on demand. At the period end, £250 million was held on 45 day terms, with the balance of client monies held on demand or repayable within 15 days. At the end of the period a 1% increase in base rate would increase profitability by £200,000 (2007: decrease profitability by £500,000).

## II. Credit risk

Credit risk refers to the risk that a client or other counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group's exposure to credit risk arises principally from the settlement of client and market transactions and cash deposited at banks. The Group uses the simplified approach to calculate credit risk as defined by the FSA. The aim of the Group's approach to credit risk management is to minimise the risk as far as possible.

The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and clients and with collateral held, in the main, in Group nominee companies which helps to mitigate credit risk. The collateral held consists of equity and gilts quoted on recognised exchanges plus cash.

The Group undertakes traded options as part of its service to clients, this is an insignificant part of the Group's business. This business is transacted as principal as per the LIFFE rules, all such transactions are always on a matched basis, clients are required to pledge collateral if they hold option positions, which are monitored on a daily basis.

### *Maximum exposure*

The maximum exposure to credit risk at the end of the reporting period is equal to the balance sheet figure.

### *Credit exposure*

Credit exposure in relation to both client and market transactions is monitored daily. The Group's exposure to large trades is limited with an average bargain size of £35,000; there are additional controls for high value trades.

### *Impaired assets*

The total gross amount of individually impaired assets in relation to trade receivables at the period end was £1,169,500 (2007: £1,202,000). Collateral valued at fair value by the Group in relation to these impaired assets was £34,500 (2007: £2,000). The net difference has been provided as a doubtful debt (see note 19).

### *Credit quality*

Financial assets that are neither past due nor impaired in respect of trade receivables relate mainly to bonds, equity and gilt trades quoted on a recognised exchange, are matched in the market, and are either traded on a cash against documents basis or against a client's portfolio in respect of which any one trade would normally be a small percentage of the client's collateral held in the Group nominee. At the period end no financial assets, that would otherwise be past due or impaired had been renegotiated.

Loans to employees are repayable over 5 to 10 years and are secured against the employees' shareholdings in the Company (see note 19).

The credit risk on liquid funds, cash and cash equivalents is limited due to deposits being held at three major banks with minimum credit rating of "A", assigned by international credit rating agencies. Deposits are managed by the Treasury Department and are reviewed regularly by the Management Committee.

# NOTES TO THE FINANCIAL STATEMENTS (continued)

## 25. Financial instruments and risk management (continued)

The Group carries out at least an annual review of all its banks' and custodians' credit ratings.

There has been no change to the Group's exposure to credit risk or the manner in which it manages and measures the risk during the period.

### III. Liquidity risk

Liquidity risk refers to risk that the Group will be unable to meet its financial obligations as they fall due. The Group maintains adequate cash resources to meet its financial obligations at all times. All client cash deposits are repayable on demand. At 28 September 2008, the Group had access to an overdraft facility of £15 million (2007: £25 million).

As the Group normally deals with the market on cash against document basis, liquidity risk is monitored by daily exception reports of unmatched items past settlement date and managed by the Treasury Department and Credit Control Department, reports are reviewed regularly by the Management Committee.

There has been no change to the Group's exposure to liquidity risk or the manner in which it manages and measures the risk during the period.

The following are the undiscounted cash flows, with the exception of shares to be issued, of financial liabilities based on the earliest date on which the Group can be required to pay.

<b>Group</b>						
<b>As at 28 September 2008</b>						
	Up to 1 month £'000	1 month to 3 months £'000	3 months to 1 year £'000	1 to 5 years £'000	Over 5 years £'000	Total £'000
<b>Financial liabilities</b>						
Amortised cost	255,287	47,058	14,767	20,073	731	337,916
	<b>255,287</b>	<b>47,058</b>	<b>14,767</b>	<b>20,073</b>	<b>731</b>	<b>337,916</b>

<b>As at 30 September 2007</b>						
	Up to 1 month £'000	1 month to 3 months £'000	3 months to 1 year £'000	1 to 5 years £'000	Over 5 years £'000	Total £'000
<b>Financial liabilities</b>						
Amortised cost	330,720	48,672	24,358	6,929	–	410,679
	<b>330,720</b>	<b>48,672</b>	<b>24,358</b>	<b>6,929</b>	<b>–</b>	<b>410,679</b>

<b>Company</b>						
<b>As at 28 September 2008</b>						
	Up to 1 month £'000	1 month to 3 months £'000	3 months to 1 year £'000	1 to 5 years £'000	Over 5 years £'000	Total £'000
<b>Financial liabilities</b>						
Amortised cost	7,357	8,233	–	16,298	648	32,536
	<b>7,357</b>	<b>8,233</b>	<b>–</b>	<b>16,298</b>	<b>648</b>	<b>32,536</b>

<b>As at 30 September 2007</b>						
	Up to 1 month £'000	1 month to 3 months £'000	3 months to 1 year £'000	1 to 5 years £'000	Over 5 years £'000	Total £'000
<b>Financial liabilities</b>						
Amortised cost	14,222	4,304	200	5,809	–	24,535
	<b>14,222</b>	<b>4,304</b>	<b>200</b>	<b>5,809</b>	<b>–</b>	<b>24,535</b>

### IV. Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes whether due to internal, people and systems risks or from external events, including legal and financial crime risk but does not include strategic, reputation and business risk.

The objective of the Group's approach to operational risk management is to both control and manage the risk in a cost effective manner consistent with the Group's risk appetite. Operational risk is monitored and reported via specific committees that report into the Risk Management Committee.

The Group uses the Standardised Approach under Pillar 1 for regulatory purposes and uses the results of its annual risk management and control review process for risk management and Pillar 2 purposes.

Information disclosure under Pillar 3 of the Capital Requirements Directive will be published on the Group's website before 31 December 2008 at [www.brewin.co.uk](http://www.brewin.co.uk).

## 26. Retirement benefit obligation

The Group operates a registered Defined Contribution Scheme (The Brewin Dolphin Senior Staff Pension Fund) and a registered Defined Benefit Scheme (The Brewin Dolphin Limited "BDL" RBS) in the UK which both offers pensions in retirement and death benefits to members. The disclosures provided are in respect of the Defined Benefit Scheme only.

Pension benefits are related to the members' final salary at retirement and their length of service. Since 1 April 2003 the Scheme has been closed to new members. Members under age 55 at 1 April 2004 ceased to accrue further service in the BDL RBS from that date. Contributions to the Scheme for the period beginning 29 September 2008 are expected to be £1.45m plus the member contributions for those members still accruing service.

The Company has opted to recognise all actuarial gains and losses immediately via the Statement of Recognised Income and Expenditure (SORIE).

A full actuarial valuation of the Scheme was carried out as at 31 December 2005 and has been updated to 28 September 2008 by a qualified independent actuary. The major assumptions used by the actuary were (in nominal terms) as follows:

	As at 28 September 2008	As at 30 September 2007
Discount rate	7.00%	5.80%
Rate of salary increase	3.60%	3.20%
Rate of increase to pensions in payment	3.60%	3.20%
Rate of inflation	3.60%	3.20%

Average assumed life expectancies for members on retirement at age 65.

Existing pensioners		
Males	87.0 years	86.2 years
Females	89.8 years	89.1 years
Future pensioners		
Males	88.1 years	87.3 years
Females	90.9 years	90.1 years

In order to determine the expected return on Scheme assets, it is assumed that the returns available on equities will exceed those available from gilts by 3.5% per annum. This is 1.0% per annum greater than the out-performance allowance used for the funding valuation. Under IAS 19, the expected return on assets does not affect the surplus/deficit to be disclosed but will determine the IAS 19 pension cost for the period beginning 29 September 2008.

The assets in the scheme and the expected rates of return were:

	Long-term rate of return expected at 28 September 2008	Value at 28 September 2008 £'000	Long-term rate of return expected at 30 September 2007	Value at 30 September 2007 £'000
Equities	8.10%	27,533	7.60%	35,753
Bonds	5.10%	11,676	5.20%	11,863
Other	5.00%	573	5.75%	333
		<b>39,782</b>		<b>47,949</b>
The actual return on assets over the period was:		<b>(8,410)</b>		<b>2,806</b>
Present value of defined obligation:				
Funded plans		<b>47,746</b>		<b>57,684</b>
Unfunded plans		<b>-</b>		<b>-</b>
<b>Total</b>		<b>47,746</b>		<b>57,684</b>
Present value of unfunded obligations		<b>7,964</b>		<b>9,735</b>
Net liability in balance sheet		<b>7,964</b>		<b>9,735</b>

# NOTES TO THE FINANCIAL STATEMENTS (continued)

## 26. Retirement benefit obligation (continued)

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

	2008	2007
	£'000	£'000
Benefit obligation at beginning of period	57,684	56,315
Service cost	378	540
Interest cost	3,203	2,868
Contributions by scheme participants	258	197
Actuarial loss	(7,397)	(1,542)
Benefits paid	(5,617)	(694)
Curtailments and settlements	(763)	–
Benefit obligation at end of period	47,746	57,684

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

Fair value of plan assets at beginning of period	47,949	40,893
Expected return on plan assets	3,362	2,928
Actuarial gain/(loss)	(11,772)	(122)
Contributions by employer	5,602	4,747
Contributions by plan participant	258	197
Benefits paid	(5,617)	(694)
Fair value of plan assets at end of period	39,782	47,949

### The amounts recognised in the income statement are:

Current service cost	378	540
Interest on obligation	3,203	2,868
Expected return on plan assets	(3,362)	(2,928)
Settlements and curtailments	(763)	–
Total (income)/expense	(544)	480

### Actuarial gains and (losses) to be shown in SORIE:

Actuarial (losses)/gains	(4,375)	1,420
	(4,375)	1,420

### Cumulative gains and (losses) recognised in SORIE:

	(6,872)	(2,497)
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### History of scheme assets, obligations and experience adjustments

	As at 28/09/2008 £'000	As at 30/09/2007 £'000	As at 30/09/2006 £'000	As at 30/09/2005 £'000	As at 26/09/2004 £'000
Present value of defined benefit obligation	47,746	57,684	56,315	49,158	42,259
Fair value of scheme assets	39,782	47,949	40,893	36,221	29,556
Deficit in the scheme	(7,964)	(9,735)	(15,422)	(12,937)	(12,703)
Experience adjustments arising on scheme liabilities	(7,397)	(1,542)	4,558	4,332	914
Experience item as a percentage of scheme liabilities	-15%	-3%	8%	9%	9%
Experience adjustments arising on scheme assets	(11,772)	(122)	1,307	3,666	613
Experience item as a percentage of scheme assets	-30%	0%	3%	10%	2%

## 27. Called up share capital

### Group and Company

	2008 No.	2007 No.	2008 £'000	2007 £'000
Authorised:				
Ordinary shares of 1p each	500,000,000	500,000,000	5,000	5,000
Ordinary shares of 1p each				
Allotted, issued and fully paid:	208,109,706	203,538,486	2,080	2,035
Allotted, issued Dec 2003 at 82.3p, nil paid last subscription date Dec 2010	–	814,075	–	–
Allotted, issued Dec 2004 at 103.3p, nil paid last subscription date Dec 2011	653,411	745,374	–	–
Allotted, issued May 2005 at 101p, nil paid last subscription date Dec 2012	59,404	59,404	–	–
Allotted, issued Dec 2005 at 157p, nil paid last subscription date Dec 2012	503,155	541,370	–	–
Allotted, issued Dec 2006 at 185.5p, nil paid last subscription date Dec 2013	474,250	520,320	–	–
Allotted, issued June 2007 at 217.5p, nil paid last subscription date June 2014	466,618	485,006	–	–
Allotted, issued Dec 2007 at 162.5p, nil paid last subscription date Dec 2014	750,684	–	–	–
Allotted, issued July 2008 at 104p, nil paid last subscription date July 2015	798,051	–	–	–
	211,815,279	206,704,035	2,080	2,035

During the period the following shares were issued:

Date	Price £	Reason	No. of shares issued	Nominal value £'000	Share premium £'000	Total £'000
August 2008	0.845	Further payment Hill Osborne acquisition	445,642	4	373	377
Various	0.30 to 1.675	Options	3,088,793	31	1,840	1,871
1,036,785 previously nil paid shares now paid up	0.823 to 2.175	Now paid up	–	10	979	989
December 2007	1.625	Nil paid under matching share purchase scheme	769,143	–	–	–
July 2008	1.04	Nil paid under matching share purchase scheme	807,666	–	–	–
		Costs of issue	–	–	(15)	(15)
			5,111,244	45	3,177	3,222

# NOTES TO THE FINANCIAL STATEMENTS (continued)

## 27. Called up share capital (continued)

The following options have been granted and remain outstanding:

(Certain options lapsed during the period on personnel leaving the Group.)

	Exercise price	Grant date	2008 No.	2007 No.
Approved share option	71.5p	April 1998	10,000	192,500
Approved share option	167.5p	June 2000	692,900	718,900
Share save scheme	134p	June 2000	–	1,755
Approved share option	139p	June 2001	569,500	601,000
Approved share option	37.5p	December 2002	482,415	790,915
Share save scheme	30p	January 2003	–	897,462
Unapproved share option	33.5p	March 2003	–	100,000
Approved share option	81.3p	December 2003	811,190	844,590
Share save scheme	66.4p	December 2003	–	2,611
Unapproved share option <sup>#</sup>	82.3p	December 2003	224,781	929,506
Approved share option	98p	December 2004	760,708	778,708
Share save scheme	81.6p	December 2004	–	879,612
Unapproved share option <sup>#</sup>	103.3p	December 2004	793,776	837,337
Unapproved share option <sup>#</sup>	101p	May 2006	84,156	84,156
Approved share option	145p	December 2006	823,544	851,544
Unapproved share option <sup>#</sup>	157p	December 2006	519,078	611,431
Unapproved share option <sup>#</sup>	179.8p	May 2007	16,689	16,689
Approved share option	175.25p	November 2006	983,679	1,003,679
Unapproved share option <sup>#</sup>	184.5p	December 2006	474,250	520,320
Unapproved share option <sup>#</sup>	217.5p	June 2007	462,021	485,006
Approved share option	168p	November 2007	875,258	–
Unapproved share option <sup>#</sup>	162.5p	December 2007	744,531	–
Unapproved share option <sup>#</sup>	104p	July 2008	807,666	–
Total options outstanding			10,136,142	11,147,721

<sup>#</sup> Under the senior employee matching share purchase scheme.

Further details of the terms of the options and the senior employee matching share purchase scheme are given in the Directors' Remuneration Report.

The rights and obligations attached to the ordinary shares of 1 pence each in the Company are as follows:

- In terms of voting every member who is present in person or by proxy at a general meeting of the company shall have one vote on a show of hands and one vote for every share held on a poll.
- As regards dividends, all shares in issue at the period end rank pari passu for dividends. Shareholders shall be entitled to receive dividends following declaration by the Company. Dividends are not payable in respect of the 3,705,573 nil paid shares held by the Trustees in Brewin Dolphin Holdings PLC Employee Share Ownership Trust (the "Trust").
- Employees are restricted from any transfer of shares of the Company that would result in a change in beneficial holding during the period between the end of the Group's financial year end each year and the date on which the Group announces its preliminary final results. This restriction also applies during the period between the end of the Group's financial half-year and the announcement of the Group's results. Further restrictions may apply under the Disclosure and Transparency rules of the Financial Services Authority in respect of certain employees.
- There are no special rights for the ordinary shares in relation to control of the Company.

On takeover, the following criteria will apply to the option schemes:

- Approved share option schemes: under the 1994 scheme options can be exercised within three months of such control being obtained; they will automatically lapse at the end of the period. Under the 2004 approved scheme options can be exercised within 30 days of control being obtained. The options will lapse after six months.
- 2002 senior employee matching share scheme: options can be exercised within six months of the takeover, after such period the options will lapse.
- 2000 unapproved executive share option scheme: options can be exercised within six months of control being obtained, after such period any unexercised options will lapse.

All nil paid shares are held in the Trust up until they become fully paid shares. Nil paid shares are issued as part of the Senior Employee Matching Purchase Scheme, details of which are set out on page 29 of the Directors Remuneration Report and also note 28. The issue of nil paid shares to the Trust does not reduce shareholders' funds as the individuals subscribe at the market value on the day of issue.



## 28. Share-based payments

The Group has a number of share incentive plans for the granting of non-transferable options to employees.

The details of the plans are as follows:

Exercise Price	Vesting Period	Exercisable	Expiry Date
<b>2004 Approved Share Option Plan</b>			
The mid market average on the 3 dealing days immediately preceding date of grant	After the third anniversary of the date of grant provided the performance condition has been met with an opportunity for retesting after one further year	5 to 10 years from date of grant	The tenth anniversary of the date of grant
<b>1994 Approved Executive Share Option Scheme</b>			
The mid market average on the 3 dealing days immediately preceding date of grant	From the fifth anniversary of the date of grant subject to the performance conditions being met	5 to 10 years from date of grant	The tenth anniversary of the date of grant
<b>1998 Approved Savings Related Share Option Scheme</b>			
80% of market value of share on day invitation was issued or on day employees notified	Usually on third anniversary of the date of grant, except where option holder ceases to be an employee by reason of disability, retirement or redundancy	3, 5 or 7 years from date of grant	The expiry of 6 months after option becomes exercisable
<b>2002 Senior Employee Matching Share Scheme</b>			
The average closing mid market price on the 3 dealing days immediately preceding date of grant	Matching Option: From the fourth anniversary of the date of grant, upon the payment in full for the Purchased Shares to which the Matching Option relates and subject to satisfaction of a performance condition determined prior to the date of grant	4 to 7 years from date of grant	The seventh anniversary of the date of grant
<b>2000 Unapproved Executive Share Option Scheme</b>			
The average closing mid-market price on the 3 dealing days immediately preceding date of grant	From the fifth anniversary of the date of grant subject to the performance conditions being met	5 to 10 years from date of grant	The tenth anniversary of the date of grant

Details of the share options outstanding during the period are as follows:

	1994 Approved Option Scheme	Weighted Average Exercise Price (pence)	2004 Approved Option Scheme	Weighted Average Exercise Price (pence)	1998 SAYE Scheme	Weighted Average Exercise Price (pence)	2000 Unapproved Option Scheme	Weighted Average Exercise Price (pence)	2002 Senior Employee Matching Purchase Share Scheme	Weighted Average Exercise Price (pence)
Outstanding at the beginning of the period	1,635,505	60.12	2,650,620	142.87	1,779,685	55.56	100,000	33.50	3,467,756	134.65
Granted during the period	—	—	897,758	169.00	—	—	—	—	1,576,809	135.93
Forfeited during the period	(27,150)	68.80	(82,500)	152.04	(21,622)	89.79	—	—	(229,581)	158.62
Exercised during the period	(314,750)	39.45	(6,000)	98.00	(1,758,063)	55.14	(100,000)	—	(704,725)	—
Expired during the period	—	—	—	—	—	—	—	—	—	—
Outstanding at the end of the period	1,293,605	64.97	3,459,878	149.51	—	—	—	—	4,110,259	142.78
Exercisable at the end of the period	—	—	—	—	—	—	—	—	—	—

The table above and the one following exclude all options issued prior to November 2002.

Details of the share options outstanding during the year ended 30 September 2007 were as follows:

	1994 Approved Option Scheme	Weighted Average Exercise Price (pence)	2004 Approved Option Scheme	Weighted Average Exercise Price (pence)	1998 SAYE Scheme	Weighted Average Exercise Price (pence)	2000 Unapproved Option Scheme	Weighted Average Exercise Price (pence)	2002 Senior Employee Matching Purchase Share Scheme	Weighted Average Exercise Price (pence)
Outstanding at the beginning of the period	1,730,652	60.44	1,764,802	123.05	2,715,821	59.04	100,000	33.50	2,554,492	108.24
Granted during the period	—	—	1,063,765	175.25	—	—	—	—	1,032,426	197.97
Forfeited during the period	(84,000)	65.66	(159,447)	141.22	(69,993)	60.29	—	—	(119,162)	116.92
Exercised during the period	(11,147)	68.93	(18,500)	128.49	(866,143)	66.09	—	—	—	—
Expired during the period	—	—	—	—	—	—	—	—	—	—
Outstanding at the end of the period	1,635,505	60.12	2,650,620	142.87	1,779,685	55.56	100,000	33.50	3,467,756	134.65
Exercisable at the end of the period	—	—	—	—	2,611	—	—	—	—	—

# NOTES TO THE FINANCIAL STATEMENTS (continued)

## 28. Share-based payments (continued)

The weighted average share price at the date of exercise for share options exercised during the period was 157p (2007: 203p). The options outstanding at 28 September 2008 had a weighted average exercise price of 134p (2007: 109p), and a weighted average remaining contractual life of 1.4 years (2007: 1.7 years). During the 12 months to 28 September 2008 options were granted on 29 November 2007, 14 December 2007 and 24 July 2008. The aggregate of the estimated fair value of the options granted on these dates is £1,258,484. In 2007 options were granted on 30 November 2006, 18 December 2006 and 11 June 2007. The aggregate of the estimated fair value of the options granted on those dates is £1,022,792.

The inputs into the Black-Scholes model used for the purposes of determining fair value of options were as follows:

	1994 Approved Option Scheme	2004 Approved Option Scheme	1998 SAYE Scheme	2000 Unapproved Option Scheme	2002 Senior Employee Matching Purchase Share Scheme
Weighted average share price	59.40	153.40	74.17	33.50	139.36
Weighted average exercise price	59.40	153.20	59.33	33.50	139.01
Expected volatility	52%	36%	46%	58%	39%
Expected life (yrs)	5.00	5.00	3.67	5.00	4.00
Risk free rate	4.5%	4.6%	4.5%	4.5%	4.8%
Expected dividend yield	1.2%	3.4%	5.1%	5.2%	3.5%

Expected volatility was determined by calculating the historical volatility of the Group's share price over the previous year.

The Group recognised total expenses of £661,000 (2007: £607,000) related to equity-settled share-based payment transactions.

## 29. Reserves and reconciliation of changes in equity

Group	Called up share capital £'000	Share premium account £'000	Revaluation reserve £'000	Merger reserve £'000	Profit and loss account £'000	Total £'000
30 September 2006	1,995	82,755	6,805	4,562	(3,911)	92,206
Profit for the period	–	–	–	–	28,948	28,948
Dividends	–	–	–	–	(12,660)	(12,660)
Issue of shares	40	4,213	–	–	–	4,253
Revaluation	–	–	816	–	–	816
Deferred and current tax on items taken directly to equity	–	–	(41)	–	(181)	(222)
Released on sale of available-for-sale investments	–	–	(36)	–	–	(36)
Share-based payments	–	–	–	–	607	607
Actuarial gain on defined benefit pension scheme	–	–	–	–	1,420	1,420
30 September 2007	2,035	86,968	7,544	4,562	14,223	115,332
Profit for the period	–	–	–	–	25,075	25,075
Dividends	–	–	–	–	(14,631)	(14,631)
Issue of shares	45	3,177	–	–	–	3,222
Revaluation	–	–	(900)	–	–	(900)
Deferred and current tax on items taken directly to equity	–	–	254	–	538	792
Share-based payments	–	–	–	–	661	661
Actuarial loss on defined benefit pension scheme	–	–	–	–	(4,375)	(4,375)
28 September 2008	2,080	90,145	6,898	4,562	21,491	125,176

Company	Called up share capital £'000	Share premium account £'000	Revaluation reserve £'000	Merger reserve £'000	Profit and loss account £'000	Total £'000
30 September 2006	1,995	82,755	700	4,847	17,154	107,451
Profit for the period	–	–	–	–	13,613	13,613
Dividends	–	–	–	–	(12,660)	(12,660)
Share-based payments	–	–	–	–	607	607
Issue of shares	40	4,213	–	–	–	4,253
Released on sale of available-for-sale investments	–	–	(700)	–	–	(700)
30 September 2007	2,035	86,968	–	4,847	18,714	112,564
Profit for the period	–	–	–	–	14,895	14,895
Dividends	–	–	–	–	(14,631)	(14,631)
Share-based payments	–	–	–	–	661	661
Issue of shares	45	3,177	–	–	–	3,222
28 September 2008	2,080	90,145	–	4,847	19,639	116,711

### 30. Financial commitments

The Group recognised operating leases payments as an expense in the year as follows:

	2008		2007	
	Land and buildings £'000	Hire of equipment £'000	Land and buildings £'000	Hire of equipment £'000
Lease payments	3,221	2,350	3,027	1,248
	<b>3,221</b>	<b>2,350</b>	<b>3,027</b>	<b>1,248</b>

At the balance sheet date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2008		2007	
	Land and buildings £'000	Hire of equipment £'000	Land and buildings £'000	Hire of equipment £'000
Operating leases which expire:				
Not later than one year	4,145	1,960	3,572	1,404
Later than one year not later than five years	15,701	2,988	11,374	1,726
Later than five years	27,684	–	19,566	24
	<b>47,530</b>	<b>4,948</b>	<b>34,512</b>	<b>3,154</b>

The Group had significant operating lease arrangements with respect to the premises it occupies, computer hardware and office equipment including photocopiers and franking machines.

### 31. Capital commitments

	2008 £'000	2007 £'000
Expenditure contracted for but not provided in these accounts	750	2,828
Expenditure authorised by the Directors but not contracted for	2,000	10,072

### 32. Provisions

	2008 £'000
	<b>Sundry claims</b>
At start of period	–
Additions	2,068
Utilisation of provision	–
At end of period	<b>2,068</b>

The provision relates to sundry claims against the Group. Where there are legal actions against the Group the estimated liability has been included above with the related insurance debtor of £1,172,000 included in other debtors. The timing of settlements cannot be accurately forecast; settlement of £159,000 has been made since the balance sheet date.

# NOTES TO THE FINANCIAL STATEMENTS (continued)

## 33. Notes to the cash flow statement

	2008 52 weeks £'000	2007 Year £'000
<b>Group</b>		
Operating profit	30,054	34,756
Adjustments for:		
Depreciation of property, plant and equipment	8,585	6,057
Loss on disposal of property, plant and equipment	135	–
Goodwill impairment	430	–
Retirement benefit obligation	(6,146)	(4,267)
Share-based payment cost	661	607
Discounting of shares to be issued	981	515
Interest income	6,785	6,779
Interest expense	(994)	(564)
Operating cash flows before movements in working capital	40,491	43,883
Decrease/(Increase) in receivables and trading investments	73,280	(104,674)
(Decrease)/Increase in payables	(89,528)	124,132
Cash generated by operating activities	24,243	63,341
Tax paid	(10,139)	(9,158)
Net cash inflow from operating activities	14,104	54,183
<b>Company</b>		
Operating profit	14,895	13,613
Discounting of shares to be issued	11	–
Operating cash flows before movements in working capital	14,906	13,613
Decrease/(Increase) in receivables and trading investments	3,619	(4,432)
Increase in payables	5	–
Cash generated by operating activities	18,530	9,181
Tax paid	–	–
Net cash inflow from operating activities	18,530	9,181

Cash and cash equivalents comprise cash at bank and bank overdrafts.

## 34. Related party transactions

The captions in the primary financial statements of the parent company include amounts attributable to subsidiaries. These amounts have been disclosed in aggregate in the relevant notes to the financial statements and in detail in the following table:

	Amounts owed by related parties		Amounts owed to related parties	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
Bell Lawrie White & Co. Limited	–	–	2,436	2,436
Brewin Dolphin Limited	7,697	11,321	–	–
Stocktrade Broking Limited	–	–	4,900	4,900
	7,697	11,321	7,336	7,336

The only effect of related party transactions on the income statement of the parent company was in respect of dividends. The parent company received dividends of £15,000,000 (2007: £13,000,000) from Brewin Dolphin Limited and £16,600 (2007:£nil) from Webrich Limited.

The group companies did not enter into any transactions with related parties who are not members of the Group during the period, save as disclosed elsewhere in these financial statements.

On 8 December 2006, the Company sold to Brewin Dolphin Limited its holding in Euroclear plc shares, at the then net book cost of £9.5 million less notional taxation, a net payment of £6,780,000.

## FIVE YEAR RECORD

	2008 £'000	IFRS 2007 £'000	2006 £'000	2005 £'000	UK GAAP 2004 £'000
<b>Continuing operations</b>					
Revenue	186,969	198,032	164,594	136,563	113,007
Other operating income	19,526	11,247	9,044	8,097	8,397
<b>Total income</b>	<b>206,495</b>	<b>209,279</b>	<b>173,638</b>	<b>144,660</b>	<b>121,404</b>
Costs	(176,441)	(174,523)	(146,787)	(131,192)	(113,364)
<b>Operating profit</b>	<b>30,054</b>	<b>34,756</b>	<b>26,851</b>	<b>13,468</b>	<b>8,040</b>
Net finance income	6,148	6,900	5,199	4,301	3,234
<b>Profit on ordinary activities before goodwill amortisation and exceptional items</b>	<b>36,202</b>	<b>41,656</b>	<b>32,050</b>	<b>24,600</b>	<b>16,113</b>
Goodwill amortisation	–	–	–	–	(4,839)
Exceptional items (net)	–	–	–	(6,831)	–
<b>Profit before tax</b>	<b>36,202</b>	<b>41,656</b>	<b>32,050</b>	<b>17,769</b>	<b>11,274</b>
Tax	(11,127)	(12,708)	(10,045)	(5,555)	(4,510)
<b>Profit attributable to equity shareholders of the parent from continuing operations</b>	<b>25,075</b>	<b>28,948</b>	<b>22,005</b>	<b>12,214</b>	<b>6,764</b>
Dividends	(14,631)	(12,660)	(10,458)	(8,841)	(6,843)
<b>Earnings per share</b>					
From continuing operations excluding exceptional items					
Diluted	11.7p	13.8p	10.6p	8.3p	5.6p*

\*excluding goodwill amortisation

The amounts disclosed for 2004 are stated on the basis of UK GAAP because it is not practicable to restate amounts for periods prior to the date of transition to IFRS.

## FUNDS

	At 28 September 2008 £ Billion	At 30 September 2007 £ Billion
In Group's nominee or sponsored member	10.0	10.4
Stock not held in Group's nominee	0.2	0.3
<b>Discretionary funds under management</b>	<b>10.2</b>	<b>10.7</b>
In Group's nominee or sponsored member	6.8	8.2
Other funds where valuations are carried out but where the stock is not under the Group's control	1.7	2.7
<b>Advisory funds under management</b>	<b>8.5</b>	<b>10.9</b>
<b>Managed funds</b>	<b>18.7</b>	<b>21.6</b>
In Group's nominee or sponsored member	3.7	3.2
Stock not held in Group's nominee	0.2	0.3
<b>Execution only stock</b>	<b>3.9</b>	<b>3.5</b>
<b>Total funds</b>	<b>22.6</b>	<b>25.1</b>
<b>Stock</b>		
In Group's nominee or sponsored member	20.5	21.8
Stock not held in Group's nominee	2.1	3.3
	<b>22.6</b>	<b>25.1</b>

# SHAREHOLDERS AT 7 NOVEMBER 2008

There were no changes in Directors' shareholdings between 29 September 2008 and 26 November 2008.

	Number of ordinary shares <sup>#</sup> and options	% Voting equity after exercise of options	Number of ordinary shares <sup>#</sup>	% Voting equity prior to exercise of options
Directors				
R A Bayford *	838,761		838,761	
W N Hood	45,000		45,000	
B M Howard	321,069		184,118	
C D Legge	2,603,923		2,603,923	
J G Matheson	470,621		466,621	
D W McCorkell	653,059		653,059	
S E C Miller	10,000		10,000	
S J S Soar	397,520		285,533	
I B Speke	377,787		360,287	
S J H Still	332,530		292,394	
M J R Williams	965,336		965,336	
F E Worsley	10,000		10,000	
	7,025,606	3.2%	6,715,032	3.2%
Other employees of the Group	60,068,404	27.1%	50,242,836	23.7%
Employee Ownership	67,094,010	30.2%	56,957,868	26.9%
Institutions				
BlackRock Investment Management	13,365,255	6.0%	13,365,255	6.3%
Aberforth Partners	12,734,300	5.7%	12,734,300	6.0%
Schroder Investment Management	9,665,867	4.4%	9,665,867	4.6%
Legal & General Investment Management	9,170,705	4.1%	9,170,705	4.3%
Aegon Asset Management	9,162,620	4.1%	9,162,620	4.3%
JP Morgan Asset Management	8,576,591	3.9%	8,576,591	4.0%
Other	92,182,073	41.5%	92,182,073	43.6%
<b>Total</b>	<b>221,951,421</b>	<b>100.0%</b>	<b>211,815,279</b>	<b>100.0%</b>

\* Includes 12,198 non beneficial

<sup>#</sup> Nil paid and fully paid

At 28 September 2008 the Company's share price was 126.25p (30 September 2007: 183.75p). The highest price in the period was 230p and the lowest 97.5p.

Notice is hereby given that the Annual General Meeting of Brewin Dolphin Holdings PLC will be held at Merchant Taylors' Hall, 30 Threadneedle Street, London EC2R 8JB on Friday 27 February 2009 at 12 noon for the following purposes:

## As ordinary business

1. To receive the Accounts and the Reports of the Directors and Auditors for the financial year ended 28 September 2008.
2. To re-elect as a Director Mr Robin Alec Bayford who retires by rotation.
3. To re-elect as a Director Mr Simon Edward Callum Miller who retires by rotation.
4. To approve the Directors' Remuneration Report for the financial year ended 28 September 2008.
5. To re-appoint Deloitte & Touche LLP, whose name is changing to Deloitte LLP on 1 December 2008, as Auditors of the Company.
6. To authorise the Directors to determine the remuneration of the Auditors.
7. To approve the payment by the Company of a final dividend of 3.55p pence per ordinary share in respect of the year ended 28 September 2008.

**As special business**, to consider and, if thought fit, pass the following resolutions, in the case of resolutions 8 and 10 as ordinary resolutions and in the case of resolutions 9 and 11 as special resolutions.

8. That, in substitution for all subsisting authorities to the extent unused, the Directors be and they are hereby generally and unconditionally authorised in accordance with Section 80 of the Companies Act 1985, to exercise all the powers of the Company to allot relevant securities (as defined in Section 80(2) of that Act) up to an aggregate nominal amount of £705,344.88 (representing 33.3% of the issued share capital of the Company as at 7 November 2008 provided that this authority shall expire on 31 March 2010 or, if earlier, on the conclusion of the next Annual General Meeting of the Company save that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired.
9. That, subject to the passing of resolution 8 above and in substitution for all subsisting authorities to the extent unused, the Directors be and they are hereby empowered pursuant to Section 95 of the Companies Act 1985 to allot or make offers or agreements to allot for equity securities (as defined in Section 94 of that Act) for cash pursuant to the authority conferred by resolution 8 above and/or where such allotment constitutes an allotment of equity securities by virtue of Section 94(3A) of that Act as if Section 89(1) of that Act did not apply to any such allotment provided that such power being limited to:
  - (a) the allotment or sale of equity securities in connection with an issue of shares to holders of relevant shares or relevant employee shares, or in connection with any other form of issue of such securities in which such holders are offered the right to participate, in proportion (as nearly as may be) to their respective holdings, but subject to such exclusions or other arrangements as the Directors consider necessary or expedient to deal with any fractional entitlements or any legal or practical problems under the laws of any territory or the requirements of any stock exchange or regulatory authority; and
  - (b) the allotment or sale (otherwise than pursuant to sub-paragraph (a) above) of equity securities up to an aggregate nominal amount of £105,907.64 (being 5% of the issued share capital of the Company as at 7 November 2008),

and this authority shall expire on 31 March 2010 or, if earlier, on the conclusion of the next Annual General Meeting of the Company save that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired.

10. That:
  - (a) the Company be authorised to:
    - (i) make political donations to political parties and/or independent election candidates not exceeding £5,000;
    - (ii) make political donations to political organisations other than political parties not exceeding £5,000; and
    - (iii) incur political expenditure not exceeding £5,000; and
  - (b) Brewin Dolphin Limited, a wholly owned subsidiary of the Company, be authorised to:
    - (i) make political donations to political parties and/or independent election candidates not exceeding £20,000;
    - (ii) make political donations to political organisations other than political parties not exceeding £20,000
    - (iii) incur political expenditure not exceeding £20,000,

during the period beginning on the date of the passing of this resolution and ending on 31 March 2010 or, if earlier, the conclusion of the next Annual General Meeting of the Company. For the purposes of this resolution, the expressions "political donations", "political parties", "independent election candidates", "political organisations" and "political expenditure" have the meanings set out in sections 363 to 365 of the Companies Act 2006.



## NOTICE OF MEETING (continued)

11. That the Company be generally and unconditionally authorised to make market purchases (as defined in Section 163 of the Companies Act 1985) of ordinary shares of 1p each in the capital of the Company ("ordinary shares") provided that:

- (a) the maximum number of ordinary shares hereby authorised to be purchased shall be 21,181,528 (being 10% of the issued share capital of the Company as at 7 November 2008);
- (b) the minimum price which may be paid for an ordinary share shall be 1p;
- (c) the maximum price which may be paid for an ordinary share shall be the higher of (1) 5% above the average market value of the Company's shares for the 5 business days prior to the day the purchase is made and (2) the higher of the price of the last independent trade on the trading venues where the purchase is carried out and the highest current independent bid on the trading venues where the purchase is carried out;
- (d) the authority hereby conferred shall expire on 31 March 2010 or, if earlier, on the conclusion of the next Annual General Meeting of the Company unless such authority is renewed prior to such time; and
- (e) the Company may enter into contracts to purchase ordinary shares under the authority hereby conferred prior to the expiry of such authority, which contracts will or may be executed wholly or partly after the expiry of such authority, and may make purchases of ordinary shares pursuant to any such contracts.

By order of the Board

Angela Wright  
Company Secretary  
26 November 2008

#### Notes to Resolutions:

1. Brief biographies of the Directors are set out on pages 14 and 15. Further information on the proposed re-election of Mr Robin Alec Bayford and Mr Simon Edward Callum Miller can be found on pages 5 and 20.
2. As at 7 November 2008, the authorised share capital of the Company is £5,000,000 and the issued share capital is £2,118,152.79.
3. Under Section 80 of the Companies Act 1985, the Directors are, subject to certain exceptions, unable to allot relevant securities without the authority of shareholders in a general meeting. Relevant securities are defined in that Act to include the Company's ordinary shares or securities convertible into the Company's ordinary shares. Resolution 8 empowers the Directors to allot shares with an aggregate nominal value of up to £705,344.88, being approximately one third of the issued share capital of the Company as at 7 November 2008. The Directors have no present intention of exercising the authority to allot relevant securities pursuant to resolution 8 except in connection with the issue of ordinary shares under the Company's share option scheme and other share based payments. This authority would last until the earlier of the conclusion of the Annual General Meeting to be held in 2010 and 31 March 2010. As at 7 November 2008, the Company did not hold any shares in treasury.
4. Resolution 9 empowers the Directors to allot shares for cash other than in accordance with Section 89 of the Companies Act 1985. The Directors consider the authority referred to in resolution 9 desirable in order to have the flexibility to issue shares, for example to finance business opportunities. The authority sought under this resolution would last until the earlier of the Annual General Meeting to be held in 2010 and 31 March 2010.
5. The Company has no intention of changing its current policy of not making political donations to political parties or campaigns. However, it is noted that the Companies Act 2006 includes very broad definitions of political donations and political expenditure which may have the effect of covering a number of normal business activities that would not be thought to be donations to political parties. These could include support for bodies engaged in law reform or governmental policy review, involvement in seminars and functions that may be attended by politicians and job exchanges between industry and government. Accordingly, the Directors consider that it would be prudent to obtain shareholder approval at resolution 10 to incur total expenditure of £75,000 to cover all these activities. The authority, which applies for the Company and its wholly owned subsidiary Brewin Dolphin Limited, will last until the earlier of the conclusion of the Annual General Meeting to be held in 2010 and 31 March 2010.
6. The Directors have no present intention of exercising the authority to make purchases of the Company's shares pursuant to resolution 11. The directors will only exercise the authority to purchase the Company's shares where they consider that such purchases will be in the best interests of shareholders generally and will result in an increase in earnings per share. The Company may either cancel any shares it purchases under this authority or transfer them into treasury (and subsequently sell or transfer them out of treasury or cancel them). The Directors currently intend to hold any shares purchased under this authority in treasury. If granted, the authority would only be exercised if it was expected that an improvement in earnings per share would result and that the purchase would be in the best interests of shareholders generally. As at 7 November 2008 (the latest practicable date prior to publication of this Notice), there were outstanding options to subscribe for a total of 10,136,142 ordinary shares of 1p each in the Company. These options represent 4.8% of the Company's issued share capital as at 7 November 2008. The Company does not have any outstanding share warrants. If the authority under resolution 11 to make market purchases is granted and then exercised in full, the options would represent 5.3% of the Company's issued share capital as at 7 November 2008. The authority sought under this resolution would last until the earlier of the conclusion of the Annual General Meeting to be held in 2010 and 31 March 2010.
7. The Directors are unanimously in favour of resolutions nos. 1 to 11 (inclusive) to be proposed at the Meeting, which they consider to be in the best interests of the Shareholders as a whole. Accordingly, the Directors unanimously recommend Shareholders to vote in favour of those resolutions to be proposed at the Annual General Meeting as all the Directors intend to do in respect of their own beneficial shareholdings of, in aggregate, 6,510,313 ordinary fully paid shares (representing 3.0% of the current issued ordinary share capital of the Company).

#### Procedure Notes:

1. Members are entitled to appoint a proxy to exercise all or any of their rights to attend and to speak and vote on their behalf at the Meeting. A shareholder may appoint more than one proxy in relation to the Annual General Meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder. A shareholder should contact the Company's registrars, Equiniti Limited, if they wish to appoint more than one proxy. A proxy need not be a shareholder of the Company.
2. A form of proxy is enclosed and, to be valid, must be lodged with the Company's registrars, Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex, BN99 6ZL, not less than 48 hours before the time appointed for the holding of the Meeting. Submitting a completed form of proxy, or such other instrument or any CREST Proxy Instruction (as described in paragraph 7 below), does not prevent a member from attending the Meeting and voting in person.
3. Any person to whom this Notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a "Nominated Person") may, under an agreement between him/her and the shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the Annual General Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.

## NOTICE OF MEETING (continued)

4. The statement of the rights of shareholders in relation to the appointment of proxies in paragraphs 1 and 2 above does not apply to Nominated Persons. The rights described in these paragraphs can only be exercised by shareholders of the Company.
5. Under Regulation 41 of the Uncertificated Securities Regulations 2001, only those members who are registered on the Company's share register at 6pm on Wednesday 25 February 2009 are entitled to attend the Meeting and to vote in respect of the number of shares registered in their names at that time. Changes to entries on the share register after 6pm on Wednesday 25 February 2009 shall be disregarded in determining the rights of any person to attend and/or vote at the Meeting.
6. As at 7 November 2008 (being the latest practicable date prior to publication of this Notice) the Company's issued share capital consists of 211,815,279 ordinary shares, carrying one vote each. Therefore, the total voting rights in the Company as at 7 November 2008 are 211,815,279.
7. Electronic proxy Appointment through CREST

CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the Meeting to be held on Friday 27 February 2009 and any adjournments thereof by using the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with the specifications of Euroclear UK & Ireland Limited, and must contain the information required for such instruction, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA19) by 12 noon on Wednesday 25 February 2009. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Application Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

CREST members and, where applicable, their CREST sponsors, or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider, to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

8. Copies of the service contracts and engagement letters of all the Directors of the Company and the Company's articles of association will be available for inspection at least 15 minutes prior to and during the Meeting.
9. Shareholders should note that it is possible that, pursuant to requests made by shareholders of the Company under section 527 of the Companies Act 2006, the Company may be required to publish on a website a statement setting out any matter relating to (i) the audit of the Company's accounts (including the auditors' report and the conduct of the audit) that are to be laid before the Annual General Meeting; or (ii) any circumstance connected with an auditor of the Company ceasing to hold office since the previous Meeting at which annual accounts and reports were laid in accordance with section 437 of the Companies Act 2006. The Company may not require the shareholders requesting any such website publication to pay its expenses in complying with sections 527 or 528 of the Companies Act 2006. Where the Company is required to place a statement on a website under section 527 of the Companies Act 2006, it must forward the statement to the Company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the Annual General Meeting includes any statement that the Company has been required under section 527 of the Companies Act 2006 to publish on a website.
10. In order to facilitate voting by corporate representatives at the Meeting, arrangements will be put in place at the Meeting so that (i) if a corporate shareholder has appointed the Chairman of the Meeting as its corporate representative to vote on a poll in accordance with the directions of all of the other corporate representatives for that shareholder at the Meeting, then on a poll those corporate representatives will give voting directions to the Chairman and the Chairman will vote (or withhold a vote) as corporate representative in accordance with those directions; and (ii) if more than one corporate representative for the same corporate shareholder attends the Meeting but the corporate shareholder has not appointed the Chairman of the Meeting as its corporate representative, a designated corporate representative will be nominated, from those corporate representatives who attend, who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative. Corporate shareholders are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives ([www.icsa.org.uk](http://www.icsa.org.uk)) for further details of this procedure. The guidance includes a sample form of appointment letter if the Chairman is being appointed as described in (i) above.

# BRANCH ADDRESS LIST

**Aberdeen**

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Aberdeen, AB15 4DT  
Telephone: 01224 267900

**Belfast**

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Belfast  
BT1 3LY  
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**Birmingham**

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9 Colmore Row  
Birmingham  
B3 2BJ  
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**Bradford**

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8 Upper Piccadilly  
Bradford  
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**Cardiff**

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Castlebridge  
Cowbridge Road East  
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**Cheltenham**

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Cheltenham  
GL50 2JA  
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**Chester**

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47 Lower Bridge Street  
Chester  
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**Dorchester**

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6 Nantillo Street  
Poundbury, Dorchester  
Dorset, DT1 3WN  
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**Dumfries**

43 Buccleuch Street  
Dumfries  
DG1 2AB  
Telephone: 01387 252361

**Dundee**

31-32 Camperdown Street  
City Quay  
Dundee  
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Telephone: 01382 317200

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Compton Place Road  
Eastbourne  
BN21 1EB  
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**Edinburgh**

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Edinburgh  
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Elgin  
IV30 1NQ  
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**Exeter**

Vantage Point  
Woodwater Park  
Pynes Hill  
Exeter  
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**Glasgow**

48 St. Vincent Street  
Glasgow  
G2 5TS  
Telephone: 0141 221 7733

**Guernsey**

Suite B, St Peter Port House  
Saumarez Street,  
St Peter Port  
Guernsey, GY1 2PT  
Telephone: 01481 736682

**Hereford**

36 Bridge Street  
Hereford  
HR4 9DG  
Telephone: 01492 364300

**Inverness**

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Fairways Business Park  
Inverness  
IV2 6AA  
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**Jersey**

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55 The Esplanade  
St Helier  
Jersey, JE2 3QB  
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**Keswick**

42 St John Street  
Keswick, Cumbria  
CA12 5AF  
Telephone: 01768 781960

**Leeds**

34 Lisbon Street  
Leeds  
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Telephone: 0113 245 9341

**Leicester**

Permanent House  
Horsefair Street  
Leicester, LE1 5BU  
Telephone: 0116 242 0700

**Lincoln**

Olympic House  
Doddington Road  
Lincoln  
LN6 3SE  
Telephone: 01522 503000

**Llandudno**

59 Madoc Street  
Llandudno  
North Wales  
LL30 2TW  
Telephone: 01492 874391

**London**

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London  
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**Lymington**

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Efford Park  
Milford Road  
Lymington, SO41 0JD  
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**Manchester**

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36 St Ann Street  
Manchester, M2 7LE  
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**Marlborough**

Cross Keys House  
The Parade  
Marlborough  
Wiltshire, SN8 1NE  
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**Newcastle**

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30-34 Gallowgate  
Newcastle upon Tyne  
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**Norwich**

Jacquard House  
Old Bank of England Court  
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Norwich, NR2 4SX  
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Taunton  
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**Teesside**

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**York**

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Eboracum Way  
Heworth Green  
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**Stocktrade**

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