BROOKS MACDONALD
Group plc

Annual Report and Accounts

for the year ended 30 June 2008

Contents

Directors and advisors

Directors

C J Knight	Non-executive Chairman
C A J Macdonald	Chief Executive
J M Gumpel	Executive Director
S J Jackson	Finance Director
N H Lawes	Executive Director
R H Spencer	Investment Director
S P Wombwell	Non-executive Director

Company Secretary

S J Jackson

Offices

111 Park Street London W1K 7JL
Church Court Waltham Chase Hampshire SO32 2LN
55 King Street Manchester M2 4LQ

Registered Office

111 Park Street London W1K 7JL

Registered Number

4402058

Auditors

Moore Stephens LLP St Paul's House Warwick Lane London EC4M 7BP

Solicitors

Macfarlanes LLP 20 Cursitor Street London EC4A 1LT

Bankers

The Royal Bank of Scotland London Victoria Branch

Registrars

Capita Registrars The Registry 34 Beckenham Road Kent BR3 4TU

Nominated advisor and broker

Collins Stewart Limited 9th Floor 88 Wood Street London EC2V 7QR

Group overview

Brooks Macdonald Group plc is an integrated private client discretionary asset manager and financial advisory group which was founded in 1991.

During the year there were three trading companies within the Group: Brooks Macdonald Asset Management Limited, Brooks Macdonald Financial Consulting Limited and Brooks Macdonald Services Limited. Brooks Macdonald Asset Management and Brooks Macdonald Financial Consulting are both authorised and regulated by the Financial Services Authority and offer fee based services to a range of clients.

Brooks Macdonald Services, a non-FSA regulated company, provides in-house custody, nominee and dealing services.

Brooks Macdonald Asset Management provides a bespoke, personalised fund management service mainly to individuals but also to trusts and charities. Brooks Macdonald Financial Consulting advises individuals, families and businesses of all sizes on a long term-basis on a broad range of services including pensions, taxation, mortgages and employee benefits.

Brooks Macdonald Asset Management and Brooks Macdonald Financial Consulting have their own client bank as well as sharing a number of clients. The two companies frequently work in tandem with one another as well as cross referring clients who require specialist areas of expertise. All three trading companies share the central resources of compliance, accounts, personnel, IT and training all of which are dealt with in-house.

Chairman's Statement

I am pleased to report a strong set of results for the year ended 30 June 2008. Against a backdrop of turbulent markets the Group has had another year of significant progress.

Pre-tax profit was £2.03 million compared to £1.60 million, an increase of 27%. Turnover has increased from £12.53 million to £16.78 million, a rise of 34%, and discretionary funds under management rose from £915 million to £1,181 million, an increase of 29%.

The Board has decided to recommend a dividend of 3.5p per share compared with 2.25p for the previous year. The dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements.

Brooks Macdonald Asset Management and Brooks Macdonald Services

Investment markets have been and remain difficult and it is therefore particularly pleasing that funds under management have grown significantly during the year. Whereas the FTSE 100 declined 14.8% and the more relevant APCIMS Balanced Index fell by 10.2%, our discretionary funds under management, through a combination of strong organic growth and investment performance, rose by 29%. This is a reflection of a robust investment management process, strong distribution and the high service levels delivered by our teams in London, Winchester and Manchester. Noteworthy have been our new business efforts with professional introducers and in the formation of strategic alliances.

The growth in our asset management business is supported by our services company, which provides considerable operational leverage for the Group.

Brooks Macdonald Financial Consulting

It was another good year for our financial consulting company which achieved growth in each of its employee benefits, mortgage, and financial planning teams.

Whilst market conditions and sentiment are at best uncertain there is still strong demand for quality independent fee based advice. By operating in three distinct but complementary marketplaces we continue to benefit from the wishes of our clients to have access, within one company, to advice on all the issues they may encounter throughout their financial life.

Outlook

We are hardly immune to market conditions but the strength of our business model gives us grounds for cautious optimism for our future performance: we have an excellent client bank, strong relationships with professional introducers and a first class team of investment and financial consulting professionals.

Christopher Knight
Chairman
11 September 2008

Chief Executive's Review

This has been a record year for the Group with a number of landmarks being achieved. Profit before tax exceeded £2 million for the first time, funds under management reached £1 billion in December 2007 and turnover exceeded £16 million. The commitment and hard work of all our staff are reflected in these results and I would like to start my review by thanking them for their continued dedication, enthusiasm and professionalism.

Brooks Macdonald Asset Management

Funds under management have risen from £915 million to £1,181 million at 30 June 2008, a rise of £266 million or 29%. Over the previous three financial years funds under management have risen from £464 million (June 2005) to £638 million (June 2006) to £915 million (June 2007).These have all been successful years but unlike this past year (where the APCIMS Balanced Index fell 10.2%) the growth has been supported by investment markets. Thus this has been a highly successful year despite investment markets.

Our organic growth is attributable to a number of factors. Our expertise in the SIPP sector (both in asset management and financial consulting) is widely recognised and this continues to be an area of considerable growth. In addition we continue to improve the service and investment proposition we offer our clients. Over the last year we have expanded our development team, with the remit to look at enhancements to service delivery. This encompasses web based valuations, increasing electronic delivery to clients and in all forms of reporting. In addition we have increased our research capabilities.

Our investment process continues to be robust. We invest, on behalf of clients, across all investment sectors (equities, fixed interest, cash, property, hedge funds and alternatives) and through all investment mediums (collectives, direct, SPVs, etc). We firmly believe in both top down asset allocation and bottom up investment selection and manage funds in a disciplined risk controlled environment, without stifling the individual flair of fund managers. This style of fee based investment management has undoubtedly aided our growth over the last year.

In addition we continue to develop relationships with high quality professional introducers. This has been successful over the last three years and we remain firmly committed to this strategy for 2008/09 and beyond. In a few cases we have formalised and expanded these relationships to develop strategic alliances with selected firms. Whilst this is still in its embryonic stages, initial results are highly encouraging.

We continue to recruit across the Group, with staff numbers increasing from 80 to 103 over the period. In asset management there has been a further intake of fund manager trainees, a process we are firmly committed to, alongside expansion of our new business and executive support teams. This applies to our three offices in London, Winchester and Manchester.

Brooks Macdonald Services continues to grow in tandem with asset management. BMS allows the Group to administer all investment work 'in house' and is a vital part of the Group's success. BMS gives the Group considerable capacity for growth as well as operational leverage.

Brooks Macdonald Financial Consulting

In financial consulting we have achieved our fourth year in a row of controlled expansion. Growth has been achieved by selective recruitment, a successful internal trainee programme, targeted marketing and effective use of IT systems.

Financial consulting now has three distinct teams: employee benefits, mortgages, and financial planning. Each offers independent fee based advice to its clients, whether individuals or companies. Demand for the services of our consultants continues to be strong in our target markets of the legal, accountancy, and banking sectors.

Outlook

The Group has had another successful year, not just in terms of financial results/performance but also in the progress made in all aspects of the business. The infrastructure, people and service we provide to clients enable the Group to continue its organic growth and, in spite of poor market and economic conditions, we can look forward with confidence.

Chris Macdonald.

Chris Macdonald
Chief Executive
11 September 2008

Business Review

Risks and uncertainties

The principal risks and uncertainties that face the Group are:

Financial risks

The Group's principal financial risks and the measures and policies for the management of those risks are set out in note 26 to the consolidated financial statements.

Non-financial risks

The significant non-financial risks faced by Group are as follows:

Reputational risk

The Group has a growing reputation as provider of high quality investment and wealth management services. There is a risk that significant damage to reputation could lead to the loss of existing clients as well as impacting on the ability to gain new clients which would lead to a fall in financial income.

Such risk could lead to negative publicity arising from reasons such as poor investment performance or client service or regulatory censure. This risk is minimised by ensuring the Group maintains a culture of high ethical and professional standards whilst focussing on delivering a first class service to all of our clients. The Group maintains an independent compliance department which ensures conformity with the regulations of the Financial Services Authority as well as relevant statute in all of our dealings with our clients. This compliance function is monitored by the Compliance Committee of the Group Board and additionally reviewed by our external auditors.

Regulatory risk

The sector in which the Group operates is heavily regulated and any breach of regulations could lead to fines or disciplinary action against the Group or its staff. The Group monitors actual and impending changes in regulations in order to asses the impact on the business of the Group and we plan to ensure that we have sufficient resources to implement any necessary changes.

Competition risk

Operating in a competitive market there is a risk of loss of existing clients due to poor performance, failure to respond to changes in the market place, or the loss of key investment professionals. To minimise this risk, the Group continues to invest in its employees and monitors developments in the marketplace in which it operates to ensure that the Group continues to offer a wide range of services. Recruitment policies are designed to attract high quality staff and the Group regularly reviews and benchmarks its remuneration packages and contractual arrangements in order to retain and motivate staff. A dedicated training manager provides structured training plans in order to ensure all staff continue to develop their careers within the Group.

Technology risk

A key part of the high quality service delivered to clients is facilitated by a flexible and robust IT infrastructure.

New IT projects are regularly reviewed and appraised at board meetings in order to ensure that the Group continues to develop its IT capabilities. As well as our offices in Winchester and Manchester providing back up facilities we have a disaster recovery site based at Heathrow.

Operational risk

Operational risk is the risk that the Group suffers a loss resulting from inadequate or failed internal processes, people and systems or from external events. The Group's policy to minimise these risks is to continuously monitor and review the controls in place to ensure these are adequate for the risks involved.

Report of the Directors

The directors present herewith their annual report, together with the audited financial statements for the Group for the year ended 30 June 2008

This is the first year for which the Group has prepared its financial statements under International Financial Reporting Standards (IFRS). The last statements under UK Generally Accepted Accounting Practice (GAAP) were for the year ended 30 June 2007. The date of transition to International Financial Reporting Standards was 1 July 2006 and all comparative information in these financial statements has been restated to reflect the Group's adoption of IFRS.

Principal activities and business review

A review of the Group's activities and future developments, which fulfils the requirements of the business review, including the financial performance during the year, key performance indicators and a description of the principal risks and uncertainties facing the Group is set out on page 6 which forms part of this report. A description of the Group's financial risk management objectives and policies and its exposure to price, credit, liquidity and cash flow risk is contained in note 26 to the consolidated financial statements on pages 36 and 37. Other matters material to the appreciation of the Group's position are contained in the Chairman's Statement and Chief Executive's Review on pages 3 to 5 respectively.

Results and dividends

The profit for the year after taxation was £1,219,091 (2007 : £1,121,991)

The Company paid a dividend during the year of £220,795 (2007 : £147,197)

The Directors recommend a dividend of 3.5p per ordinary share amounting to £349,477 to be paid after the year end.

It is proposed that the retained profit of £998,296 (2007 : £974,794) be transferred to reserves.

Directors and their interests

The Directors of the Company during the year and their beneficial interests in the share capital of the Company at the beginning and end of the year were as follows:

Ordinary shares of 1p	**At 30 June 2008**	**At 30 June 2007**
C J Knight	71,585	71,585
C A J Macdonald	1,028,308	1,020,346
J M Gumpel	815,379	807,417
S J Jackson	43,462	25,000
N H Lawes	32,262	24,300
R H Spencer	984,058	976,096
S P Wombwell	88,204	65,442

Details of share options held by the directors at the beginning and the end of the year are as follows:

Sharesave Scheme	At 30 June 2007	Awarded between 1 July 2007 and 30 June 2008	Shares vested	At 30 June 2008	Exercise price	Earliest exercise date	Expiry date
C A J Macdonald	5,460	2,502	(7,962)	–	119p	01.06.08	30.11.08
C A J Macdonald	–	4,795	–	4,795	196p	01.06.11	30.11.11
J M Gumpel	5,460	2,502	(7,962)	–	119p	01.06.08	30.11.08
J M Gumpel	–	4,795	–	4,795	196p	01.06.11	30.11.11
S J Jackson	5,460	2,502	(7,962)	–	119p	01.06.08	30.11.08
S J Jackson	–	4,795	–	4,795	196p	01.06.11	30.11.11
N H Lawes	5,460	2,502	(7,962)	–	119p	01.06.08	30.11.08
N H Lawes	–	4,795	–	4,795	196p	01.06.11	30.11.11
R H Spencer	5,460	2,502	(7,962)	–	119p	01.06.08	30.11.08
R H Spencer	–	4,795	–	4,795	196p	01.06.11	30.11.11
S P Wombwell	5,460	2,502	(7,962)	–	119p	01.06.08	30.11.08
S P Wombwell	–	4,795	–	4,795	196p	01.06.11	30.11.11
Enterprise Management Incentive Scheme							
C A J Macdonald	10,000	–	–	10,000	155p	01.11.08	01.11.15
C A J Macdonald	–	17,500	–	17,500	290.5p	17.10.10	31.10.17
J M Gumpel	10,000	–	–	10,000	155p	01.11.08	01.11.15
J M Gumpel	–	12,500	–	12,500	290.5p	17.10.10	31.10.17
S J Jackson	40,000	–	(10,500)	29,500	140p	11.03.08	11.03.15
S J Jackson	20,000	–	–	20,000	155p	01.11.08	01.11.15
S J Jackson	17,000	–	–	17,000	215p	18.10.09	17.10.16
S J Jackson	–	12,500	–	12,500	290.5p	17.10.10	31.10.17
N H Lawes	14,000	–	–	14,000	140p	11.03.08	11.03.15
N H Lawes	10,000	–	–	10,000	155p	01.11.08	01.11.15
N H Lawes	17,000	–	–	17,000	215p	18.10.09	17.10.16
N H Lawes	–	12,500	–	12,500	290.5p	17.10.10	31.10.17
R H Spencer	10,000	–	–	10,000	155p	01.11.08	01.11.15
R H Spencer	–	12,500	–	12,500	290.5p	17.10.10	31.10.17

C J Knight held no share options at either the beginning or the end of the year.

The average share price during the year was 275 pence. Details of the share option schemes are provided in note 18 (b) to the financial statements.

S J Jackson and J M Gumpel will retire by rotation at the Annual General Meeting and being eligible will offer themselves for re-election.

Report of the Directors

continued

Substantial interests in the Company's shares as at 3 September 2008 have been advised to the Company as follows:

	Number	Percentage holding
Liontrust Asset Management	1,279,010	12.81%
C A J Macdonald	1,028,308	10.30%
R H Spencer	984,058	9.86%
Brewin Dolphin Securities	821,170	8.22%
J M Gumpel	815,379	8.17%
Hargreave Hale & Co	807,100	8.08%
M Lawrence	678,381	6.79%
Jamiro Properties Inc.	659,537	6.61%
A W Butt	476,862	4.77%
Octopus Investments Limited	469,980	4.71%
Chase Nominees Limited	407,140	4.08%

Payment policy

The Group does not apply a specific payment code. The payment of suppliers' invoices is made in accordance with terms agreed with suppliers subject to the resolution of any disagreement regarding the supply. In the majority of cases, the terms agreed with suppliers are for payment within 30 days of their invoice date. At the year end, the average trade creditor, after making allowance for longer credit terms with one of the Group's suppliers, was settled in 42 days (2007 : 38 days).

Events since the year end

The final dividend of 3.5 per share is payable on 23 October 2008. The final dividend is subject to approval by shareholders at the Annual General Meeting.

Auditors

A resolution to re-appoint Moore Stephens LLP as the Company's auditors will be put to the forthcoming Annual General Meeting.

Each of the persons who are directors at the time when this report is approved has confirmed that:

(a) so far as each director is aware, there is no relevant audit information of which the Company's auditors are unaware; and

(b) each director has taken all the steps that ought to have been taken as a director, including making appropriate enquiries of fellow directors and the Company's auditors for that purpose, in order to be aware of any information needed by the Company's auditors in connection with preparing their report and to establish that the Company's auditors are aware of that information.

By Order of the Board

S J JACKSON
Director
11 September 2008

Statement of Directors' Responsibilities

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the Group and of the profit or loss of the Group for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent Auditors' Report to the Shareholders of Brooks Macdonald Group plc

We have audited the group financial statements of Brooks Macdonald Group Plc for the year ended 30 June 2008 which comprise the consolidated income statement, the consolidated balance sheet, the consolidated statement of changes in shareholders' equity, the consolidated cash flow statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

We have reported separately on the parent company financial statements of Brooks Macdonald Group Plc for the year ended on 30 June 2008.

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 auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the group 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 group financial statements 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 group financial statements give a true and fair view and whether the group financial statements have been properly prepared in accordance with the Companies Act 1985 and 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 specific information presented in the business review. In addition we report to you if, in our opinion, 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 read other information contained in the Annual' Report and consider whether it is consistent with the group financial statements. The other information comprises only the Chairman's Statement, Chief Executive's Report and business review. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the group financial statements. Our responsibilities do not extend to any other information.

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 group financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the group financial statements, and of whether the accounting policies are appropriate to the group'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 group financial statements 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 group financial statements.

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 30 June 2008 and of its profit for the year then ended;
- the group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation; and
- the information given in the Directors' Report is consistent with the group financial statements.

St Paul's House
Warwick Lane
London EC4M 7BP

Moore Stephens LLP
Registered Auditors
Chartered Accountants

11 September 2008

Consolidated Income Statement

for the year ended 30 June 2008

	Note	2008 £	2007 £
Revenue	*3*	16,786,350	12,536,943
Administrative costs		(15,074,405)	(11,058,555)
Operating profit	*4*	1,711,945	1,478,388
Finance income	*6*	315,530	121,944
Profit before taxation		2,027,475	1,600,332
Taxation	*7*	(808,384)	(478,341)
Profit for the year		1,219,091	1,121,991
Earnings per share			
Basic	*22*	12.41p	11.44p
Diluted	*22*	12.08p	11.15p

Consolidated Balance Sheet

as at 30 June 2008

	Note	2008 £	2007 £
Assets			
Property, plant and equipment	9	876,941	465,769
Intangible assets	10	605,271	365,438
Total non-current assets		1,482,212	831,207
Current assets			
Trade and other receivables	11	2,840,270	2,740,493
Deferred taxation	12	20,980	162,093
Financial assets	13	–	37
Cash and cash equivalents		5,923,712	4,956,120
Total current assets		8,784,962	7,858,743
Total assets		10,267,174	8,689,950
Current liabilities			
Trade and other payables		(4,037,849)	(3,583,333)
Current tax liabilities		(310,482)	(506,567)
Total current liabilities	14	(4,348,331)	(4,089,900)
Non-current liabilities			
Non-current provisions	15	(53,607)	(204,990)
Other non-current liabilities	16	(20,313)	(20,313)
Total non-current liabilities		(73,920)	(225,303)
Net assets		5,844,923	4,374,747
Financed by:			
Equity			
Share capital	18	99,850	98,131
Share premium account	19	1,571,031	1,365,910
Other reserves	20	813,903	548,863
Retained earnings	21	3,360,139	2,361,843
Total equity		5,844,923	4,374,747

Approved and authorised for issue by the Board of directors on 11 September 2008

C A J Macdonald Chief Executive
S J Jackson Finance Director

Consolidated Cash Flow Statement

for the year ended 30 June 2008

	Note	2008 £	2007 £
Cash inflow from operating activities			
Cash generated from operations	*17*	2,642,457	2,133,419
Taxation paid		(836,285)	(258,246)
Net cash generated from operating activities		1,806,172	1,875,173
Cash flow from investing activities			
Purchase of property, plant and equipment		(605,519)	(426,242)
Purchase of intangible assets		(534,636)	–
Interest received	*6*	315,530	121,944
Net cash used in investing activities		(824,625)	(304,298)
Cash flows from financing activities			
Proceeds of issue of shares		206,840	–
Dividend paid to shareholders		(220,795)	(147,197)
Net cash used in financial activities		(13,955)	(147,197)
Net increase in cash and cash equivalents		967,592	1,423,678
Cash and cash equivalents at start of year		4,956,120	3,532,442
Cash and cash equivalents at end of year		5,923,712	4,956,120

Consolidated Statement of Changes in Equity

for the year ended 30 June 2008

	Share capital £	Share premium account £	Share option reserve £	Merger reserve £	Retained earnings £	Total £
At 1 July 2006	98,131	1,365,910	54,000	191,541	1,387,049	3,096,631
Profit for the year	–	–	–	–	1,121,991	1,121,991
Dividends paid	–	–	–	–	(147,197)	(147,197)
Deferred tax – share options	–	–	137,131	–	–	137,131
Share option movement	–	–	166,191	–	–	166,191
At 30 June 2007	98,131	1,365,910	357,322	191,541	2,361,843	4,374,747
Issue of shares for cash	1,719	205,121	–	–	–	206,840
Profit for the year	–	–	–	–	1,219,091	1,219,091
Dividends paid	–	–	–	–	(220,795)	(220,795)
Deferred tax – share options	–	–	27,071	–	–	27,071
Share option movement	–	–	237,969	–	–	237,969
At 30 June 2008	99,850	1,571,031	622,362	191,541	3,360,139	5,844,923

Notes to the Financial Statements

for the year ended 30 June 2008

General information

Brooks Macdonald Group plc is a public limited company, incorporated and domiciled in the United Kingdom.

The general accounting policies applied in the preparation of these financial statements are set out below. These policies have been applied consistently to all the years presented unless otherwise stated and in preparing an opening balance sheet at 1 July 2006 for the purpose of transition to International Financial Reporting Standards (IFRS).

Explanation of transition to IFRS

This is the first year for which the group has presented its financial statements under IFRS as adopted by the European Union and with those parts of the Companies Act 1985 applicable to companies reporting under IFRS. The last statements under UK Generally Accepted Accounting Practice (GAAP) were for the year ended 30 June 2007. The date of transition to International Financial Reporting was 1 July 2006 and all comparative information in these financial statements has been restated to reflect the Group's adoption of International Financial Reporting Standards.

1. Principal accounting policies

(a) Accounting conventions
The financial statements for the year ended 30 June 2008 have been prepared for the first time in accordance with IFRS as adopted by the European Union.

The Group has adopted all new and revised standards and interpretations issued by the International Accounting Standards Board and the International Financial Reporting Interpretations Committee that are relevant to the Group's operations and effective for annual reporting periods beginning 1 July 2007.

(b) New IFRS standards and interpretations – standards effective in 2008
IFRS 7 "Financial Instruments: Disclosures" and amendment to IAS1, "Presentation of financial statements". These introduce new disclosures relating to financial instruments and do not have any impact on the classification and valuation of the Group's financial instruments. As required by IFRS 7, comparative disclosures have also been made.

IFRS 2 "Share – based payments". The Group has applied the requirements of IFRS 2 Share Based Payments and has also adopted the requirements of IFRIC 11 "IFRS 2 Group and Treasury Share Transactions" in respect of share-based payments.

(c) Standards and interpretations which become effective in future periods
In respect of the following standards and interpretations, the Group has not decided to early adopt, although relevant these are not expected to have a material impact of the Group's results although the directors have not assessed the impact of any disclosure requirements:

IAS 1 (Revised)	Presentation of Financial Statements (effective from 1 January 2009)
IAS 27 (Revised)	Consolidated Financial Instruments (effective from 1 July 2009)
IAS 28 (Revised)	Investments in Associates (effective from 1 January 2009)
IAS 32 (Revised)	Financial Instruments (effective from 1 January 2009)
IFRS 3 (Revised)	Business Combinations (effective from 1 July 2009)
IFRS 8	Operating Segments (effective from 1 January 2009)

Notes to the Financial Statements

for the year ended 30 June 2007

1. Principal accounting policies *(continued)*

(c) Standards and interpretations which become effective in future periods *(continued)*

Improvement Project

The International Accounting Standards Board (IASB) has completed its 2007 IFRS improvement project, which has resulted in changes to a number of International Accounting Standards (IAS). The IAS and IFRS which have been amended and are effective in 2009 are as follows:

IFRS 5	Non-current Assets Held for Sale and Discontinued Operations
IAS 1	Presentation of Financial Statements
IAS 16	Property, Plant and Equipment
IAS 19	Employee Benefits
IAS 20	Accounting for Government Grants and Disclosure of Government Assistance
IAS 23	Borrowing Costs
IAS 27	Consolidated and Separate Financial Statements
IAS 28	Investments in Associates
IAS 31	Interests in Joint Ventures
IAS 36	Impairment of Assets
IAS 38	Intangible Assets
IFRIC 12	Service Concession Arrangements
IFRIC 13	Customer Loyalty Programmes
IFRIC 14	The limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction
IFRIC 15	Agreements for the Construction of Real Estate
IFRIC 16	Hedges of a Net Investment in a Foreign Operation

The Group has not decided to early adopt these standards and they are not expected to have a material impact on the Group's results although the directors have not assessed the impact of any disclosure requirements on the Group's results.

(d) Basis of presentation

The financial statements have been prepared on the historical cost basis. The principal accounting policies adopted are set out below. The accounting policies set out below have been applied consistently to all periods presented in the consolidated accounts.

Notes to the Financial Statements

continued

1. **Principal accounting policies *(continued)***

(e) Critical accounting estimates and judgements

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities. If in the future such estimates and assumptions which, are based on management's best judgement at the date of preparation of the financial statements, deviate from actual circumstances, the original estimates and assumptions will be modified as appropriate in the period in which the circumstances change. The areas where a higher degree of judgement or complexity arise, or areas where assumptions and estimates are significant to the consolidated financial statements in particular revenue and share based payments, are discussed below.

(f) Business combinations

The Group's financial statements comprise of a consolidation of the accounts of the parent Company (Brooks Macdonald Group plc) and its subsidiaries. The underlying financial statements of the subsidiaries are prepared for the same reporting year as the parent Company, using consistent accounting policies. Subsidiaries are entities controlled by the Company. Control exists when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of the subsidiaries are included from the date on which control is transferred to the Group to the date that control ceases.

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

On 28 January 2004, the Company acquired 100% of the issued ordinary share capital of Brooks Macdonald Financial Consulting Limited by means of a share for share exchange as part of a group reorganisation.

The Group has taken advantage of the exemption in IFRS 1 and has decided not to apply IFRS 3 to business combinations prior to the date of transition to IFRS. In particular the merger undertaken in 2004 as accounted for under UK GAAP has not been reclassified as an acquisition.

(g) Revenue

Revenue and profit recognition

Revenue represents the fair value of consideration received or receivable from clients for services provided by the Group, net of discounts and VAT, after eliminating sales within the Group. Revenue is recognised as follows:

Interest

Revenue is recognised as the interest accrues (using the effective interest rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument) to the net carrying amount of the financial asset. The effective interest rate is a method of calculating the amortised cost of the financial asset or a financial or liability and allocating the interest income or expense over the relevant period.

Provision of services

Fees and commissions receivable and payable are recognised in the accounting period in which the services are provided. Provision is made for all foreseeable future losses.

(h) Cash and cash equivalents

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

1. Principal accounting policies *(continued)*

(i) Share based payments

The Group provides equity settled share-based payment transactions in respect of services received from certain employees. The fair value of the services received is measured by reference to the fair value of the shares or share options granted on the date of the grant. The cost of the employee services received in respect of the shares or share options granted is recognised in the income statement over the vesting period, with a corresponding credit to equity.

The fair value of the options granted is determined using option pricing models, which take into account the exercise price of the option, the current share price, the risk free interest rate, the expected volatility of the Company's share price over the life of the option/award and other relevant factors.

(j) Segmental reporting

A business segment is a Group of assets and operations engaged in providing services that are subject to risks and returns that are different from those of other business segments. Direct costs are allocated to the segment that generated the cost. Indirect costs are allocated to reporting segments so as to reflect the proportion of the cost that each segment has generated, on a pro rata basis.

(k) Fiduciary activities

The Group commonly acts as trustees and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions. These assets and income arising thereon are excluded from these financial statements, as they are not assets of the Group.

The Group holds money on behalf of some clients in accordance with the Client Money Rules of the Financial Services Authority. Such monies and the corresponding liability to clients are not included within the balance sheet as the Group is not beneficially entitled thereto.

(l) Property, plant and equipment

Property, plant and equipment is included in the balance sheet at cost less accumulated depreciation and any provisions for impairment.

Provision is made for depreciation on all property, plant and equipment at rates calculated to write off the cost or valuation, less estimated residual value, of each asset over its expected useful life, as follows:

Fixtures and fittings	–	15% per annum
Equipment	–	20% per annum

The assets' residual lives are reviewed, and adjusted if appropriate, at the balance sheet date. Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the income statement.

(m) Intangible assets

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and impairment losses. Amortisation is charged to profit and loss on a straight line basis over the estimated useful lives of the intangible asset. The estimated useful life is five years.

(n) Financial assets

The Group classifies its financial assets as loans and receivables which are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. They arise when the Group provides money, goods or services to a debtor.

Notes to the Financial Statements

continued

1. Principal accounting policies *(continued)*

(o) Provisions

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

(p) Foreign currency translation

The Company's functional and presentational currency is sterling. Foreign currency transactions are translated using the exchange rate prevailing at the transaction date. Foreign exchange gains and losses resulting from settlement of such transactions and from the translation of period end monetary assets and liabilities are recognised in the income statement

(q) Retirement benefit costs

Contributions in respect of the Group's defined contribution retirement scheme are charged to the profit and loss account as they fall due.

(r) Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Group financial statements. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability settled based on its tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

(s) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowances for credit losses. An allowance account for credit losses is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the allowance for credit losses is the difference between the carrying amount and the present value of the estimated future cash flows, discounted at the effective interest rate. The allowance for credit losses is recognised in the income statement.

(t) Operating lease payments

Rents due under operating leases are charged to the profit and loss account on a straight line basis over the term of the lease. The Group benefited from a rent-free period under the terms of the current property lease. In accordance with SIC15 Operating Leases Incentives, the benefit is being allocated over the shorter of the lease term and the date of the market review specified in the lease. During the rent-free period a rental charge has been recognised in the profit and loss account and accrued as a liability in the balance sheet.

2. Segmental information

For management purposes the Group's activities are organised into three operating divisions, investment management, financial planning and nominee and custody services to clients. These divisions are the basis on which the Group reports its primary segmental information.

Revenues and expenses are allocated to the business segment that originated the transaction. Revenues and expenses that are not directly originated by a business segment are reported as unallocated. Centrally incurred expenses are allocated to business segments on an appropriate pro-rata basis. Segmental assets and liabilities comprise operating assets and liabilities, being the majority of the balance sheet.

	Investment management £	Financial planning £	Nominee and custody services £	Total £
Year ended 30 June 2008				
Total revenues	11,771,774	2,648,611	2,632,324	17,052,709
Inter company revenues	(266,359)	–	–	(266,359)
External revenues	11,505,415	2,648,611	2,632,324	16,786,350
Segmental result	2,078,979	127,021	84,517	2,290,517
Unallocated items				(263,042)
Profit before tax				2,027,475
Taxation				(808,384)
Profit for the year				1,219,091
At 30 June 2008				
Segment assets	6,747,775	1,426,073	964,208	9,138,034
Unallocated assets				1,129,140
Total assets				10,267,174
Segment liabilities	1,751,673	1,495,319	547,923	3,794,915
Unallocated liabilities				627,336
Total liabilities				4,422,251
Capital expenditure	–	605,519	–	605,519
Depreciation	–	194,347	–	194,347
Provisions charged	9,607	23,000	–	32,607
Provisions utilised	66,000	117,990	–	183,990

Notes to the Financial Statements

continued

2. Segmental information *(continued)*

	Investment management £	Financial planning £	Nominee and custody services £	Total £
Year ended 30 June 2007				
Total revenues	8,181,847	2,595,099	1,829,980	12,606,926
Inter company revenues	(69,983)	–	–	(69,983)
External revenues	8,111,864	2,595,099	1,829,980	12,536,943
Segmental result	1,921,979	245,771	7,717	2,175,467
Unallocated items				575,135
Profit before tax				1,600,332
Taxation				478,341
Profit for the year				1,121,991
At 30 June 2007				
Segment assets	6,030,997	1,102,285	1,389,905	8,523,187
Unallocated assets				116,763
Total assets				8,689,950
Segment liabilities	1,869,531	1,620,292	303,425	3,793,248
Unallocated liabilities				521,955
Total liabilities				4,315,203
Capital expenditure	–	426,242	–	426,242
Depreciation	–	129,941	–	129,941
Provisions charged	12,000	43,490	–	55,490
Provisions utilised	42,000	1,800	–	43,800

Geographical segments

The Group’s operations are all located in the United Kingdom.

3. Revenue

	2008 £	2007 £
Fee income	15,099,265	11,252,777
Financial services commissions	1,582,469	1,130,542
Other income	104,616	153,624
	16,786,350	12,536,943

4. Operating profit

	2008 £	2007 £
This is stated after charging/(crediting):		
Rent receivable	(104,616)	(153,624)
Staff costs (see note 5)	7,812,915	5,779,220
Auditors' remuneration (see below)	60,086	52,004
Depreciation	194,347	129,941
Operating leases – land & building	345,000	345,000
Losses on foreign exchange	470	1,518

	2008 £	2007 £
A more detailed analysis of auditors' remuneration is provided below:		
Fees payable to the Company's auditors for the audit of the Company's annual accounts	1,000	1,135
Fees payable to the Company's auditors for other services to the Group:		
– audit of the Company's subsidiaries pursuant to legislation	52,370	45,589
– other services pursuant to legislation	6,716	5,280
	60,086	52,004

5. Employee information

	2008 £	2007 £
(a) Staff costs		
Wages and salaries	6,827,877	5,051,011
Social security costs	797,110	581,126
Pension costs	187,928	147,083
	7,812,915	5,779,220

Pension costs are in respect of a defined contribution retirement scheme.

(b) The average monthly number of employees during the year including directors was made up as follows:

	Number	Number
Support staff	56	42
Professional staff	47	38
	103	80

Notes to the Financial Statements

continued

5. **Employee information *(continued)***

(c) Directors' emoluments

All of the Company's Directors are considered to be key management personnel.

	2008 £	2007 £
Fees and salaries	1,298,000	1,150,000
Non executive directors' fees	48,875	45,000
Pension contributions – defined contribution retirement scheme	92,760	69,875
Benefits in kind	13,842	10,942
Share based payments	74,009	36,531
	1,527,486	1,312,348
Highest paid director		
Remuneration and benefits in kind	367,588	307,589
Pension contribution to defined contribution retirement scheme	23,400	17,500
	390,988	325,089

Retirement benefits are accruing to five directors (2007 : five) under a defined contribution retirement scheme.

(d) Share option schemes

Following its admission to AIM the Company set up two share option schemes, a Sharesave Scheme 2005 and an Enterprise Management Incentive (EMI) Scheme.

The Sharesave Scheme enables all eligible employees to participate in a scheme whereby they enter into a savings contract for a period of three years. At the end of the three years they receive a bonus payment and the right to subscribe for a number of ordinary shares at the option price up to the maximum value of their savings contract.

The EMI scheme is an incentive scheme used by the Company to offer share options to key employees and directors of the group as a part of their remuneration package in addition to their basic pay, performance bonus and other benefits. The share options granted under the EMI scheme are subject to performance conditions being met by the Company.

Grants of EMI share options to employees and directors of the Group which when in total exceed the limits of the scheme form unapproved share options which are subject to the same rules and performance conditions of the EMI scheme (note 18).

6. Finance income

	2008 £	2007 £
Bank interest	315,530	121,131
Other interest	–	813
	315,530	121,944

7. Taxation

	2008 £	2007 £
The tax charge on the profit on ordinary activities for the year was as follows:		
UK corporation tax @ 29.5% (2007 : 30%)	640,200	503,303
Deferred taxation	168,184	(24,962)
	808,384	478,341
Factors affecting charge for year		
Profit on ordinary activities before tax	2,027,475	1,600,332
Profit on ordinary activities multiplied by the standard rate of tax in the UK of 29.5% (2007 : 30%)	598,105	480,099
Disallowable expenses	93,355	105,527
Excess of capital allowances over depreciation and timing differences	(43,948)	(26,045)
Profits taxed at small companies rate	(7,312)	(56,278)
Deferred taxation charge – (see note below)	168,184	(24,962)
Actual tax charge	808,384	478,341

The deferred taxation charge of £168,184 represents £103,952 arising out of the share option reserve at the balance sheet date and £64,232 relates to accelerated capital allowances. The 2007 figure is a deferred taxation credit arising out of the share option reserve at 30 June 2007.

Notes to the Financial Statements

continued

8. Dividends

	2008 £	2007 £
Paid final dividend on ordinary shares of 2.25p (2007 : 1.5p)	220,795	147,197

In respect of 2007 a technical issue arose in respect of the final dividend of £147,197 paid by the Company on 20 October 2006 whereby under the Companies Act the Company should have filed interim accounts with the Registrar of Companies which showed the requisite level of distributable reserves and it inadvertently failed to do so. Brooks Macdonald Group plc has, however, always had sufficient profits to pay all of its dividends.

Brooks Macdonald Group plc was advised that, as a technical matter, it may have claims against shareholders who were recipients of these payments to recover the amounts paid, and against those directors who participated at the Board meeting at which the decision was taken to pay the dividend.

It is clearly not the intention of Brooks Macdonald Group plc that any such claim should be made by it against either the shareholders or the directors. This matter was remedied by shareholders passing a resolution at the Annual General Meeting held on 16 October 2007.

9. Property, plant and equipment

	Fixtures and fittings £	Equipment £	Total £
Cost			
At 1 July 2007	169,022	1,058,754	1,227,776
Additions	39,223	566,296	605,519
At 30 June 2008	208,245	1,625,050	1,833,295
Depreciation			
At 1 July 2007	83,356	678,651	762,007
Charge for the year	21,789	172,558	194,347
At 30 June 2008	105,145	851,209	956,354
Net book value			
At 30 June 2007	85,666	380,103	465,769
At 30 June 2008	103,100	773,841	876,941

9. Property, plant and equipment *(continued)*

	Fixtures and fittings £	Equipment £	Total £
Cost			
At 1 July 2006	96,942	704,592	801,534
Additions	72,080	354,162	426,242
At 30 June 2007	169,022	1,058,754	1,227,776
Depreciation			
At 1 July 2006	64,140	567,926	632,066
Charge for the year	19,216	110,725	129,941
At 30 June 2007	83,356	678,651	762,007
Net book value			
At 30 June 2006	32,802	136,666	169,468
At 30 June 2007	85,666	380,103	465,769

10. Intangible assets

Intangible assets relate to payments made to key fee earners in return for an alternative commission structure and deferred payments in respect of the acquisition of new teams of fund managers.

	£
Cost	
At 1 July 2007	729,787
Additions	534,636
At 30 June 2008	1,264,423
Amortisation	
At 1 July 2007	364,349
Charge for the year	294,803
At 30 June 2008	659,152
Net book value at 30 June 2008	605,271

Notes to the Financial Statements

continued

10. Intangible assets *(continued)*

	£
Cost	
At 1 July 2006	729,787
Additions	–
At 30 June 2007	729,787
Amortisation	
At 1 July 2006	231,306
Charge for the year	133,043
At 30 June 2007	364,349
Net book value at 30 June 2007	365,438

11. Trade and other receivables

	2008 £	2007 £
Trade receivables	769,624	1,178,316
Other receivables	87,253	455,570
Prepayments and accrued income	1,983,393	1,106,607
	2,840,270	2,740,493

12. Deferred tax asset

	2008 £	2007 £
At 1 July 2007	162,093	–
Amounts charged to income statement	(168,184)	24,962
Share based payments	27,071	137,131
At 30 June 2008	20,980	162,093

13. Financial assets

	£
Cost	
At 1 July 2007 and 30 June 2008	15,305
Provision	
At 1 July 2006 and 30 June 2007	15,268
Provision for the year	37
At 30 June 2008	15,305
Net book value	
At 30 June 2007	37
At 30 June 2008	–

The investments comprised of investments listed on the London Stock Exchange. The market value of the investments was nil (2007 : £37).

14. Current liabilities

	2008 £	2007 £
Trade payables	1,077,201	1,139,500
Corporation tax liabilities	310,482	506,567
Other taxes and social security costs	763,021	745,393
Other payables	384,213	785,304
Accruals and deferred income	1,813,414	913,136
	4,348,331	4,089,900

15. Non-current provisions

	2008 £	2007 £
At 1 July 2007	204,990	193,300
Charged to income statement	32,607	55,490
Paid during the year	(183,990)	(43,800)
At 30 June 2008	53,607	204,990

Provisions for client compensation payments relate to the potential liability resulting from client complaints against the Group. The complaints are assessed on a case by case basis and provisions for compensation are made where judged necessary. Complaints are on average settled within eight months from the date of notification of the complaint.

Notes to the Financial Statements

continued

16. Other non-current liabilities

	2008 £	2007 £
Other payables	20,313	20,313

17. Reconciliation of operating profit and net cash inflow from operating activities

	2008 £	2007 £
Operating profit	1,711,945	1,478,388
Depreciation	194,347	129,941
Amortisation of intangible assets	294,803	133,043
Financial assets written down	37	–
(Increase) in debtors	(99,777)	(1,278,098)
Increase in creditors	454,516	1,492,264
(Decrease)/increase in provisions	(151,383)	11,690
Share based payments	237,969	166,191
Net inflow	2,642,457	2,133,419

18. Share capital

(a) Called up share capital

	Authorised 2008 £	Authorised 2007 £
20,000,000 Ordinary shares of 1p each	200,000	200,000

	Issued 2008 £	Issued 2007 £
9,813,100 Ordinary shares of 1p each	98,131	98,131
171,962 shares issued re exercise of options	1,719	–
9,985,062 Ordinary shares of 1p each	99,850	98,131

During the year 171,962 ordinary shares of 1p each were issued. 161,462 shares related to the Sharesave Scheme which were issued at a value of 119p per share and 10,500 shares related to the exercise of Enterprise Management Incentive Scheme options at a value of 140p.

18. Share capital *(continued)*

(b) Share options

The Company operates both an employee Sharesave Scheme open to all employees, and an Enterprise Management Incentive scheme. Under the schemes certain employees hold options to subscribe for shares in the company at prices ranging from 119p to 291p. Options are conditional on the employee completing three years' service and are exercisable three years from grant date. The options have a contractual term of between three and ten years depending on the scheme. The Company has no legal or constructive obligation to repurchase or settle the options in cash.

Enterprise management incentive scheme

	2008 Number of options	2008 Weighted average exercise price (£)	2007 Number of options	2007 Weighted average exercise price (£)
At 1 July	492,000	1.68	357,500	1.48
Granted in the year	173,500	2.905	149,500	2.15
Forfeited in the year	(1,000)	1.40	(15,000)	1.40
Exercised in the year	(10,500)	1.40	–	–
At 30 June	654,000	2.01	492,000	1.68

Employee sharesave scheme

	2008 Number of options	2008 Weighted average exercise price (£)	2007 Number of options	2007 Weighted average exercise price (£)
At 1 July	275,079	1.53	238,939	1.31
Granted in the year	193,810	1.96	71,552	2.20
Forfeited in the year	(2,359)	1.19	(35,412)	1.19
Exercised in the year	(161,462)	1.19	–	–
At 30 June	305,068	1.99	275,079	1.53

The options granted under the employee sharesave scheme and enterprise management incentive scheme were valued on the basis of market prices at the time the options were granted and were calculated using the Black Scholes method with a 15% volatility, on an historic price, covering the period to exercise cessation date. The expected volatility was estimated on the basis of the share price history subsequent to flotation. The risk free interest rate was assessed as the yield on gilt edged security with a maturity term of 10 years. The options were valued at prices up to £2.91 per share, the charge for the year being £237,969. The weighted average remaining contractual life of share options at the end of the year was 4.93 years (2007 : 5.61 years). The weighted average share price at the date of exercise for options exercised during the period was £2.45.

Notes to the Financial Statements

continued

19. Share premium account

	2008 £	2007 £
At 1 July	1,365,910	1,365,910
Shares issued re exercise of options	205,121	–
At 30 June	1,571,031	1,365,910

20. Other reserves

	2008 £	2007 £
Share option reserves (see note below)		
At 1 July 2007	357,322	54,000
Share based payments	265,040	303,322
At 30 June 2008	622,362	357,322
Merger reserve	191,541	191,541
Total other reserves	813,903	548,863

Share option reserve

As detailed in note 18(b) above, a provision has been made for the cost of share option schemes operated by the Group.

21. Profit and loss account

	2008 £	2007 £
At 1 July 2007	2,361,843	1,387,049
Profit for the year	1,219,091	1,121,991
Dividends paid	(220,795)	(147,197)
At 30 June 2008	3,360,139	2,361,843

22. Earnings per share

	2008 £	2007 £
Earnings		
Profit after tax for the financial year	1,219,091	1,121,991
Weighted average number of shares	**No. (m)**	**No. (m)**
Number of ordinary shares at start of year	9.81	9.81
Share issues	0.01	–
Basic earnings per share denominator	9.82	9.81
Issuable on exercise of options	0.28	0.25
Diluted earnings per share denominator	10.10	10.06
Basic earnings per share	12.41p	11.44p
Diluted earnings per share	12.08p	11.15p

23. Lease commitments

As at the balance sheet date, the Group had outstanding obligations under non-cancellable operating leases that fall due as follows:

	2008 £	2007 £
Within one year	397,023	383,213
In the second year to fifth year inclusive	769,686	1,125,307
After five years	–	17,000

24. Disclosure of control

There is no controlling party of the Company.

25. Client money and funds under management

The total balance on client bank accounts managed by the Group at 30 June 2008 was £297 million (2007 : £146 million). Total funds under management at 30 June 2008 were £1.18 billion (2007 : £915 million).

Notes to the Financial Statements

continued

26. Financial risk management

The Group offers a range of services to private clients, family and charitable trusts and corporate clients. The Group uses non-retail funding instruments to invest in liquid asset balances and to manage the risks arising from its operations.

The Group has a formal structure for managing risk, including established risk lines, reporting lines, mandates and other control procedures. The structure is reviewed regularly. The Group does not use derivative financial instruments for risk management purposes.

(a) Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its payment obligations associated with its financial liabilities when they fall due.

The primary objective of the Group's treasury policy is to manage short–term liquidity requirements and to ensure that the Group maintains a surplus of immediately realisable assets over its liabilities such that all known and potential cash obligations can be met.

The table below presents the cash flows receivable by the Group under non-derivative financial assets.

At 30 June 2008	**On demand £**
Cash and balances at bank	5,923,712

At 30 June 2007	**On demand £**
Cash and balances at bank	4,956,120

(b) Market risk

Interest rate risk

Cash flow interest rate risk is the risk the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Cash and cash equivalents are usually invested in short term cash deposits with maturities of no greater than three months. The effect of a 100 basis points increase/decrease in interest rates would not have a material impact on pre-tax profits or equity.

Foreign exchange risk

The Group does not have any material exposure to transactional foreign currency risk and, therefore, no sensitivity analysis is presented.

Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk) The Group is not exposed to price risk.

Credit risk

The Group invests some of its surplus funds in highly liquid market instruments. Such investments have a maturity no greater than three months. The difference between the book and the fair value of these instruments is not significant. To reduce the risk of a counterparty default the Group deposits the rest of its funds in approved high quality banks. At the balance sheet date there were no significant concentrations of credit risk.

26. Financial risk management *(continued)*

(b) Market risk *(continued)*

Credit risk relating to on balance sheet exposures:

	2008 £	2007 £
Cash and balances at bank	5,923,384	4,956,120

Trade receivables are analysed below.

	2008 £	2007 £
Carrying amount	769,624	1,178,316
Neither past due or impaired – all low risk	769,624	1,178,316

27. Capital management

Capital is defined as the total of share capital, share premium, retained earnings and other reserves. Total capital at 30 June 2008 was £5,844,923 (2007 : £4,374,747). Regulatory capital is determined in accordance with the requirements of the Financial Services Authority (FSA) in the UK.

The Group's objectives when managing capital are to comply with the capital requirements set by the FSA, to safe guard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain a strong capital base to support the development of the business.

Capital adequacy and the use of regulatory capital are monitored daily by the Group's management.

28. Guarantees

During the year the Company undertook a guarantee to the Royal Bank of Scotland to guarantee settlement for trading with CREST stock on behalf of clients. The Company holds client assets to fund such trading activity.

29. Related party transactions

The company's directors have taken advantage of the facility to have interest free season ticket loans which are available to all employees and directors. The directors who have such loans are as follows:

Director	2008 £ Loan Balance	2007 £ Loan Balance	2008 £ Maximum amount	2007 £ Maximum amount
C A J Macdonald	Nil	5,437	5,437	6,254
J M Gumpel	Nil	3,182	3,812	3,812
S J Jackson	3,578	3,262	7,155	6,524
N H Lawes	Nil	Nil	3,472	3,236
R H Spencer	Nil	402	416	5,000

30. Events after the balance sheet date

There have been no material events between the balance sheet date and the signing of this report.

Notes to the Financial Statements

continued

31. IFRS transition

The adjustments required to convert the Group's financial information from UK GAAP to IFRS are outlined in the reconciliations below.

Group IFRS balance sheet at 1 July 2006 – opening IFRS balance sheet

Assets	UK GAAP 1 July 2006 £	Intangibles £ *Note (a)*	IFRS 1July 2006 £
Non-current assets			
Property, plant and equipment	169,468		169,468
Intangible assets	–	498,481	498,481
	169,468	498,481	667,949
Current assets			
Trade and other receivables	1,960,876	(498,481)	1,462,395
Financial assets	37		37
Cash and cash equivalents	3,532,442		3,532,442
	5,493,355	(498,481)	4,994,874
Total assets	5,662,823		5,662,823
Current liabilities			
Trade and other payables	(2,084,819)		(2,084,819)
Tax payable	(261,510)		(261,510)
	(2,346,329)		(2,346,329)
Non-current liabilities			
Provisions	(193,300)		(193,300)
Other non-current liabilities	(26,563)		(20,313)
Total liabilities	(2,566,192)		(2,566,192)
Net assets	3,096,631		3,096,631
Capital and reserves			
Called up share capital	98,131		98,131
Share premium account	1,365,910		1,365,910
Share option reserve	54,000		54,000
Merger reserve	191,541		191,541
Retained earnings	1,387,049		1,387,049
Total equity	3,096,631		3,096,631

Notes

(a) Intangible assets relate to payments made to key fee earners in return for an alternative commission structure and deferred payments in respect of the acquisition of new teams of fund managers. These were included within prepayments under UK GAAP.

31. IFRS transition *(continued)*

Group IFRS balance sheet at 30 June 2007

Assets	**UK GAAP 30 June 2007** £	**Intangibles** £ *Note (a)*	**Deferred tax** £ *Note (b)*	**IFRS 30 June 2007** £
Non-current assets				
Property, plant and equipment	465,769			465,769
Intangible assets	–	365,438		365,438
	465,769	365,438		831,207
Current assets				
Trade and other receivables	3,105,931	(365,438)		2,740,493
Deferred tax	66,057		96,036	162,093
Financial assets	37			37
Cash and cash equivalents	4,956,120			4,956,120
	8,130,145	(365,438)	96,036	7,858,743
Total assets	8,593,914			8,689,950
Current liabilities				
Trade and other payables	(3,583,333)			(3,583,333)
Tax payable	(506,567)			(506,567)
	(4,089,900)			(4,089,900)
Non-current liabilities				
Provisions	(204,990)			(204,990)
Other non-current liabilities	(20,313)			(20,313)
Total liabilities	(4,315,203)			(4,315,203)
Net assets	4,278,711			4,374,747
Capital and reserves				
Called up share capital	98,131			98,131
Share premium account	1,365,910			1,365,910
Share option reserve	220,191		137,1321	357,322
Merger reserve	191,541			191,541
Retained earnings	2,402,938		(41,095)	2,361,843
Total equity	4,278,711		96,036	4,374,747

Notes

(a) Intangible assets relate to payments made to key fee earners in return for an alternative commission structure and deferred payments in respect of the acquisition of new teams of fund managers. These were included in prepayments under UK GAAP.

(b) Deferred taxation arising due to basis of calculation under IAS 12 – Income Taxes.

Notes to the Financial Statements

continued

31. IFRS transition *(continued)*

Group IFRS Income Statement for the year ended 30 June 2007

Continuing operations	**UK GAAP 30 June 2007 £**	**Reclassification £** *Note (a)*	**Deferred tax £** *Note (b)*	**IFRS 30 June 2007 £**
Revenue	12,070,569	466,374		12,536,943
Administrative costs	(11,058,555)			(11,058,555)
	1,012,014			1,478,388
Other operating income	153,624	(153,624)		–
Operating profit	1,165,638			1,478,388
Interest receivable	434,694	(312,750)		121,944
Profit on ordinary activities before taxation	1,600,332			1,600,332
Tax on profit on ordinary activities	(437,246)		(41,095)	(478,341)
Profit for the year	1,163,086		(41,095)	1,121,991
Earnings per share				
Basic	11.85p			11.44p
Diluted	10.55p			10.60p

Notes

(a) Transfer of operating income to revenue as required by IFRS and reclassification of interest turn to revenue.

(b) Deferred taxation arising due to basis of calculation under IAS 12 – Income Taxes.

Independent Auditors' Report to the Shareholders of Brooks Macdonald Group plc

We have audited the company financial statements of Brooks Macdonald Group plc for the year ended 30 June 2008 which comprise the balance sheet and related notes. These financial statements have been prepared under the accounting policies set out therein.

We have reported separately on the Group financial statements of Brooks Macdonald Group plc for the year ended 30 June 2008.

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 and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements 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 are properly prepared in accordance with the Companies Act 1985. We also 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 report to you whether in our opinion the information given in the directors' report is consistent with the financial statements.

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. 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 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 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.

Independent Auditors' Report to the Shareholders of Brooks Macdonald Group plc

continued

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 30 June 2008;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the Company's financial statements.

St Paul's House
Warwick Lane
London EC4M 7BP

Moore Stephens LLP
Registered Auditors
Chartered Accountants

11 September 2008

Company Balance Sheet

as at 30 June 2008

	Note	2008 £	2007 Restated £
Fixed assets			
Investments	*35*	4,696,285	4,458,316
Total fixed assets		4,696,285	4,458,316
Current assets			
Amounts owed by subsidiary undertakings		2,000,906	1,261,779
Other debtors		37,739	–
Cash at bank and in hand		1,006,189	4,666
Total current assets		3,044,834	1,266,445
Creditors: amounts falling due within one year			
Trade creditors		22,842	4,511
Amounts owed to subsidiary undertakings		4,000,000	4,000,000
Other creditors		5,199	5,199
Accruals and deferred income		599,296	512,240
Total current liabilities		4,627,337	4,521,950
Net current liabilities		(1,582,503)	(3,255,505)
Net assets		3,113,782	1,202,811
Financed by:			
Equity			
Share capital	*36*	99,850	98,131
Share premium account		1,571,031	1,365,910
Share option reserve		458,160	220,191
Retained earnings	*37*	984,741	(481,421)
Shareholders' funds	*38*	3,113,782	1,202,811

Approved by the Board of directors on 11 September 2008 and signed on its behalf

C A J Macdonald Chief Executive
S J Jackson Finance Director

Notes to the Company Financial Statements

32. Principal accounting policies

(a) Basis of accounting
The separate financial statements of the Company are presented as required by the Companies Act 1985. They have been prepared under the historical cost convention and in accordance with applicable accounting standards within the United Kingdom.

The Company has taken advantage of the exemption conferred by FRS 29 not to present the disclosures required by that standard relating to the financial risks in the Company's solus accounts.

The principal accounting policies of the company are set out below. They have been applied consistently throughout the year and preceding year.

(b) Investments in subsidiary companies
Investments in subsidiaries are carried at cost less provisions for impairment.

(c) Deferred taxation
Deferred taxation is provided in full on timing differences which result in an obligation at the balance sheet date, at rates that are expected to apply when they crystallise based on current tax rates and law.

Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. Deferred tax assets and liabilities are not discounted.

(d) Comparatives
Comparatives have been restated in respect of share option payments. The Company has adopted the requirements of UITF 44-Group and Treasury Share Transactions in respect of share based payments. The effect of this restatement is to increase the retained earnings by £154,806.

The Company has taken exemption under S230 not to publish its own profit and loss account.

(e) Share based payments
The Company has applied the requirements of FRS 20 Share-based payments and has adopted the requirements of UITF 44. Equity settled share based payments are measured at fair value at the date of the equity settled share based instrument is expensed on a straight line basis over the vesting period based on the number of shares that will eventually vest.

33. Profit for the year

As permitted by Section 230 of the Companies Act 1985 the Company has elected not to present its own profit and loss account for the year. Brooks Macdonald Group plc reported a profit after tax for the financial year ended 30 June 2008 of £1,686,957 (2007 : (£100,805) (re-stated)).

Auditors' remuneration for audit and other services to the Company are set out in note 4.

The average number of employees during the year was seven (2007 : seven).

Directors' emoluments are set out in note 5.

34. Dividends

Details of the Company's dividends paid and proposed for approval at the Annual General Meeting are set out in note 8.

35. Investments

	2008 £	2007 £
Subsidiary undertakings		
Cost at 1 July 2007	4,458,316	4,238,125
Additions	237,969	220,191
Cost at 30 June 2008	4,696,285	4,458,316

The additions represent the reclassification of share options in accordance with UITF 44.

Details of the subsidiary undertakings of the Company as at 30 June 2008, all of which were wholly owned and included in the consolidated financial statements, are given below:

Company	Type of share	Country of incorporation	Nature of business	Aggregate reserves £	Retained profit/(loss) for the year £
Brooks Macdonald Financial Consulting Limited	Ordinary 5p	UK	Financial consulting	2,524,147	(1,941,643)
Brooks Macdonald Asset Management Limited	Ordinary £1	UK	Investment management	4,761,199	1,481,230
Brooks Macdonald Services Limited	Ordinary £1	UK	Nominee Services	190,497	170,938

36. Share capital

Details of the share capital of the Company together with changes thereto, options thereon and share based payments are provided in note 18 to the consolidated accounts.

Notes to the Company Financial Statements

continued

37. Reserves

	2008 £	2007 £
Profit and loss account		
At 1 July 2007 as previously reported	(635,555)	(233,419)
Prior year adjustment	154,134	–
At 1 July 2007 restated	(481,421)	(233,419)
Retained profit/(loss) for the year	1,686,957	(100,805)
Dividends paid	(220,795)	(147,197)
At 30 June 2008	984,741	(481,421)

	Share premium £	Share option reserve £
At 1 July 2007	1,365,910	220,191
Shares issued	205,121	–
Share based payments	–	237,969
At 30 June 2008	1,571,031	458,160

38. Reconciliation of movements in shareholders' funds

	2008 £	2007 £
Opening shareholders' funds	1,048,677	1,284,622
Prior year adjustment	154,806	54,000
Opening shareholders' funds restated	1,202,811	1,338,622
Profit/(loss) for the year	1,686,957	(154,806)
Dividends paid	(220,795)	(147,197)
Share based payments	237,969	166,191
Share capital issued	206,840	–
Net addition /(reduction) to shareholders funds	1,910,971	(135,811)
Closing shareholders' funds	3,113,782	1,202,811

39. Lease commitments

The company has non-cancellable operating leases in respect of land and buildings with an annual charge which expire:

	2008 £	2007 £
2-5 years	36,713	36,713
More than 5 years	17,000	17,000
	53,713	53,713

40. Related party transactions

The Company has taken advantage of the exemption given by FRS 8 not to disclose transactions and balances with its subsidiaries. Details of directors related party transactions are detailed in note 29 to the consolidated financial statements.

Explanation of AGM Business

Enclosed with this document is a notice convening the Annual General Meeting of the Company for 15 October 2008 This explanatory note gives further information on resolutions numbered 2 to 8 set out in the notice of AGM.

Resolution 2 – To declare a final dividend

The Directors recommend a final dividend of 3.5 pence per Ordinary Share. Subject to approval by shareholders, the final dividend will be paid on 23 October 2008 to shareholders on the register on 26 September 2008.

Resolutions 3 and 4 – To re-elect Simon Jackson and Jonathan Gumpel

The Company's Articles of Association state that one third of the Directors shall retire from office at each Annual General Meeting and offer themselves for re-election. In addition, any Director who has been in office for more than three years since their last appointment or re-appointment should also retire and may offer themselves for re-election.

Information on each of the Directors standing for re-election is set out below. The Chairman confirms that Simon Jackson and Jonathan Gumpel have extensive relevant experience of the Group and its business. The Board is therefore of the opinion that Simon Jackson and Jonathan Gumpel should be re-elected to the Board.

Simon Jackson, *Finance Director* (49) is responsible for the Group's finance, IT, HR and facilities functions. Simon is a qualified Chartered Accountant and he joined Brooks Macdonald in 2000 having previously worked for two of the operating subsidiaries of Rutland Trust PLC.

Jonathan Gumpel, *Executive Director* (44) was one of the founding directors of the company and manages one of the London asset management teams and he is jointly responsible for overseeing investment management strategy and asset allocation. Jon has spent his entire working career in the private client sector and he is a non-executive director of two investment trusts: Close Assets Funds Limited and The Accelerated Return Fund.

Resolution 5 – To re-appoint Moore Stephens LLP as auditors

This Resolution proposes that Moore Stephens LLP should be re-appointed as the Company's auditors and authorises the Directors to determine their remuneration.

Resolution 6 – Authority to allot shares

The Companies Act 1985 prevents directors from allotting unissued shares without the authority of shareholders in general meeting. In certain circumstances this could be unduly restrictive. The Directors' existing authority to allot shares, which was granted at the Annual General Meeting held in 2007, will expire at the end of this year's Annual General Meeting.

Resolution 6 in the notice of Annual General Meeting will be proposed, as an ordinary resolution, to authorise the Directors to allot Ordinary Shares of 1 pence each in the capital of the Company up to a maximum nominal amount of £32,700 (i.e. 3,270,000 Ordinary Shares), representing approximately 33% of the nominal value of the Ordinary Shares in issue on 11 September 2008. The Company does not currently hold any shares in treasury.

The authority conferred by this Resolution will expire on the date which is fifteen months after the passing of this Resolution or, if sooner, at the end of next year's Annual General Meeting.

The Directors have no present plans to allot unissued shares other than on the exercise of share options under the Company's employee share option schemes. However, the Directors believe it to be in the best interests of the Company that they should continue to have this authority so that such allotments can take place to finance appropriate business opportunities that may arise.

Resolution 7 – To disapply pre-emption rights

Unless they are given an appropriate authority by shareholders, if the Directors wish to allot any of the unissued shares for cash or grant rights over shares or sell treasury shares for cash (other than pursuant to an employee share scheme) they must first offer them to existing shareholders in proportion to their existing holdings. This is known as pre-emption rights.

The existing disapplication of these statutory pre-emption rights, which was granted at the Annual General Meeting held in 2007, will expire at the end of this year's Annual General Meeting. Accordingly, Resolution 7 in the notice of Annual General Meeting will be proposed, as a special resolution, to give the Directors power to allot shares without the application of these statutory pre-emption rights: first, in relation to rights issues; and second, in relation to the allotment of equity securities for cash up to a maximum aggregate nominal amount of £4,900 (i.e. 490,000 Ordinary Shares) (representing approximately 5% of the nominal value of the Ordinary Shares in issue on 11 September 2008).

The authority sought and limits set by this Resolution will also apply to a sale by the Company of any shares it holds as treasury shares. The Treasury Share Regulations allow shares purchased by the Company out of distributable profits to be held as treasury shares, which may then be cancelled, sold for cash or used to meet the Company's obligations under its employee share-based incentive schemes. Any subsequent transfers of treasury shares by the Company to satisfy the requirements of employee share-based incentive schemes will be made within the 10% anti-dilution limit for such share issues.

The power conferred by this Resolution will expire on the date which falls fifteen months after the passing of this Resolution or, if sooner, at the end of next year's Annual General Meeting.

Resolution 8 – Company's authority to purchase its own shares

Resolution 8 in the notice of Annual General Meeting, which will be proposed as a special resolution, will authorise the Company to make market purchases of up to 980,000 Ordinary Shares. The existing authority to make market purchases of Ordinary Shares, which was granted at the Annual General Meeting held in 2007, will expire at the end of this year's Annual General Meeting.

The number of Ordinary Shares stated in this Resolution equals approximately 10% of the Company's Ordinary Shares in issue on 11 September 2008. The minimum price that may be paid shall be the nominal value of an Ordinary Share (i.e. 1 pence), and the maximum price shall not exceed 5% above the average of the middle market quotations for an Ordinary Share for the five business days before each purchase is made (exclusive of expenses).

The authority conferred by this Resolution will expire on the date which falls fifteen months after the passing of this Resolution or, if sooner, at the end of next year's Annual General Meeting.

Your Directors are committed to managing the Company's capital effectively. Although the Directors have no plans to make such purchases, buying back the Company's Ordinary Shares is one of the options they keep under review. Purchases would only be made after considering the effect on earnings per share, and the benefits for shareholders generally.

The Company may hold in treasury any of its own shares that it purchases pursuant to the Treasury Share Regulations and the authority conferred by this Resolution. This would give the Company the ability to re-issue treasury shares quickly and cost effectively and would provide the Company with greater flexibility in the management of its capital base.

Notice of Annual General Meeting

Notice is given that the annual general meeting of Brooks Macdonald Group plc ("the Company") will be held at 111 Park Street London W1K 7JL on Wednesday 15 October 2008 at 10.00 a.m. to consider the following:

Ordinary Business

To resolve as ordinary resolutions:

1 To receive and adopt the accounts and reports of the directors and the auditors for the year ended 30 June 2008.

2 To declare a final dividend of 3.5 pence per Ordinary Share for the year ended 30 June 2008.

3 To re-elect Simon Jackson as a director.

4 To re-elect Jonathan Gumpel as a director.

5 To re-appoint Moore Stephens LLP as the Company's auditors and to authorise the directors to determine their remuneration.

Special Business

Directors' authority to allot shares

To resolve as an ordinary resolution:

6 THAT in place of all existing authorities, the directors be generally and unconditionally authorised pursuant to section 80 of the Companies Act 1985 ("the Act") to exercise all the powers of the Company to allot relevant securities (within the meaning of section 80) up to an aggregate nominal amount of £32,700 for a period expiring (unless previously revoked, varied or renewed) on the date which is fifteen months after the passing of this Resolution or, if sooner, the end of the next annual general meeting of the Company, but the Company may make an offer or agreement which would or might require relevant securities to be allotted after this authority expires and the directors may allot relevant securities in pursuance of such offer or agreement as if this authority had not expired.

Disapplication of pre-emption rights

To resolve as a special resolution:

7 THAT subject to the passing of Resolution 6 above and in place of all existing powers, the directors be generally empowered pursuant to section 95 of the Act to allot equity securities (within the meaning of section 94(2) to 94(3A) of the Act) for cash, pursuant to the authority conferred by Resolution 6 as if section 89(1) of the Act did not apply to such allotment, provided that this power shall expire on the date which is fifteen months after the passing of this Resolution or, if sooner, the end of the next annual general meeting of the Company. This power shall be limited to the allotment of equity securities:

7.1 in connection with an issue by way of rights (including, without limitation, under a rights issue, open offer or similar arrangement) in favour of holders of ordinary shares of £0.01 each in the capital of the Company ("Ordinary Shares") in proportion (as nearly as may be practicable) to their existing holdings of Ordinary Shares, but subject to such exclusions or other arrangements as the directors deem necessary or expedient in relation to fractional entitlements or any legal, regulatory or practical problems under the laws of any territory, or the requirements of any regulatory body or stock exchange; and

7.2 otherwise than pursuant to paragraph 7.1 up to an aggregate nominal amount of £4,900;

but the Company may make an offer or agreement which would or might require equity securities to be allotted after this power expires and the directors may allot equity securities in pursuance of such offer or agreement as if this power had not expired.

This power applies in relation to a sale of shares which is an allotment of equity securities by virtue of section 94(3A) of the Act as if in the first paragraph of this resolution the words "pursuant to the authority conferred by Resolution 6" were omitted.

Company's authority to purchase its own shares

To resolve as a special resolution:

8 THAT the Company be generally authorised pursuant to section 166 of the Act to make market purchases (within the meaning of section 163(3) of the Act) of its Ordinary Shares on such terms and in such manner as the directors shall determine, provided that:

8.1 the maximum number of Ordinary Shares hereby authorised to be purchased is 980,000;

8.2 the maximum price which may be paid for each Ordinary Share shall be 5 per cent. above the average of the middle market quotations for an Ordinary Share (as derived from the daily official list of London Stock Exchange plc) for the five business days immediately before the day on which the purchase is made (in each case exclusive of expenses);

8.3 the minimum price which may be paid for each Ordinary Share shall be £0.01; and

8.4 this authority (unless previously revoked, varied or renewed) shall expire on the date which is fifteen months after the passing of this Resolution or, if sooner, the end of the next annual general meeting of the Company, except in relation to the purchase of Ordinary Shares the contract for which was concluded before such date and which will or may be executed wholly or partly after such date.

BY ORDER OF THE BOARD

Simon Jackson
Company Secretary

Dated: 11 September 2008

Registered Office:

111 Park Street
London
W1K 7JL

Notice of Annual General Meeting

continued

Notes

1 Only those shareholders registered in the register of members of the Company as at 6.00 p.m. on Monday 13 October 2008 in accordance with regulation 41 of the Uncertificated Securities act 2001, shall be entitled to attend or vote at the meeting in respect of the number of Ordinary Shares registered in their name at that time. Changes to entries on the register of members after that time will be disregarded in determining the right of any person to attend or vote at the meeting.

2 Every shareholder entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and, on a poll, to vote instead of that shareholder. A proxy need not be a member of the Company.

3 A proxy form is enclosed with this notice. Instructions for use are shown on the form. To be valid, the form of proxy must be deposited at Capita Registrars Limited, The Registry, 34 Beckenham Road, Kent BR3 4TU **NOT LATER THAN 10.00 A.M. on 13 October 2008**, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power or authority. The completion and return of the form of proxy will not, however, preclude you from attending and voting at the meeting if you so wish.

4 There will be available for inspection at the registered office of the Company during normal business hours on any weekday (excluding Saturdays and public holidays) copies of the register of directors' interests, the service contract of each executive director and the letter of appointment of each non-executive director.

5 In order to facilitate voting by corporate representatives at the meeting, arrangements will be put in place at the meeting so that:

- if a corporate shareholder has appointed the chairman of the meeting as its corporate representative with instructions 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

- 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 (http://www.icsa.org.uk) for further details of this procedure. The guidance includes a sample form of representation letter if the chairman is being appointed as described in the first bullet point above.

ANNUAL GENERAL MEETING
15 OCTOBER 2008 AT 10.00 A.M.

FORM OF PROXY

Please read the notice of Meeting and the explanatory notes below carefully before completing this form.

I/We (see note 1) ....

being (a) shareholder(s) of Brooks Macdonald Group plc ("the Company") hereby appoint [the Chairman of the Meeting] (see note 2) OR

Name ....

Address ....

as my/our proxy to attend, speak and vote for me/us and on my/our behalf as directed below at the annual general meeting of the Company to be held on 15 October 2008 at 10.00 a.m. and at any adjournment thereof.

☐ Please tick this box if this proxy appointment is one of multiple appointments being made by the same member (see note 3).

Number of shares

The above proxy is appointed to exercise the rights attached to [all] OR ☐ (see notes 3, 4 and 5) of the Ordinary Shares held by me.

I/we direct my/our proxy to vote on the resolutions set out in the notice of annual general meeting as I/we have indicated by placing a mark in the appropriate box below (see notes 6 and 7).

Directions to your proxy

Ordinary Business	FOR	AGAINST	VOTE WITHHELD	DISCRETIONARY
Resolution 1: Ordinary resolution to receive and adopt the Annual Report and Accounts for the year ended 30 June 2008				
Resolution 2: Ordinary resolution to declare a final dividend of 3.5 pence per Ordinary Share				
Resolution 3: Ordinary resolution to re-elect Simon Jackson as a director				
Resolution 4: Ordinary resolution to re-elect Jonathan Gumpel as a director				
Resolution 5: Ordinary resolution to re-appoint the Company's auditors and authorise the directors to determine their remuneration				
Special Business				
Resolution 6: Ordinary resolution to give the directors authority to allot shares				
Resolution 7: Special resolution to give the directors power to disapply pre-emption rights in relation to the allotment of shares				
Resolution 8: Special resolution to give the Company a general authority to purchase its own shares				

Signature .... Date 2008

(To be valid, this Form of Proxy must be signed)

NOTES:

1 Please complete in block capitals with your full name and address.

2 If you wish to appoint a proxy other than the Chairman of the Meeting, please delete the words "the Chairman of the Meeting" in square brackets and insert the name and address of your chosen proxy in block capitals in the box provided and initial alterations.

3 Every shareholder entitled to attend and vote at the Meeting is entitled to appoint one or more proxies to attend and, on a poll, to vote instead of that shareholder. A proxy need not be a member of the Company. You may appoint more than one proxy in relation to a meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by you.

4 You may appoint a proxy in respect of all or some only of the shares held by you. If you do not want to appoint a proxy in respect of all of the shares held by you, delete the word "all" in square brackets and insert the number of shares in respect of which you wish to appoint your proxy in the box provided. If you sign and return this proxy form with no number inserted, you will be deemed to have appointed your proxy in respect of all of the shares held by you.

5 If you require additional proxy forms in order to appoint more than one proxy, please contact the Company's registrar, Capita Registrars Limited or you may copy this form. Please indicate by ticking the box provided if the proxy appointment is one of multiple appointments being made. You must also indicate in the separate box the number of shares in relation to which the proxy holder is authorised to act as your proxy. All proxy forms must be signed and should, wherever possible, be returned together in one envelope.

6 If you want your proxy to vote in a certain way on the resolutions specified please place a mark in the relevant boxes. If you select 'Discretionary' or fail to select any of the given options your proxy can vote as he or she chooses or can decide not to vote at all. The proxy can also do this on any other business (including a motion to adjourn the Meeting or to amend a resolution) which may properly come before the Meeting.

7 The 'Vote withheld' option is provided to enable you to abstain on any particular resolution. However it should be noted that a 'Vote withheld' is not a vote in law and will not be counted in the calculation of the proportion of the votes 'For' and 'Against' a resolution.

8 To be valid, this Form of Proxy must be deposited at Capita Registrars Limited, The Registry, 34 Beckenham Road, Kent BR3 4TU, NOT LATER THAN 10.00 A.M on 13 October 2008, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power or authority. The completion and return of this Form of Proxy will not, however, preclude you from attending and voting at the Meeting if you so wish.

9 Any alterations to this Form of Proxy should be initialled.

10 In the case of joint holders, the signature of the first named on the register of members will be accepted, but the names of all joint holders should be given.

11 In the case of a corporation, this Form of Proxy should be either given under its common seal or signed on its behalf by an officer or attorney duly authorised.

Third fold and tuck in

BUSINESS REPLY SERVICE
Licence No MB122

Capita Registrars
Proxy Department
P O Box 25
Beckenham
Kent
BR3 4BR

First Fold

Second fold

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