BROOKS MACDONALD
Group plc

Annual Report & Accounts

for the year ended 30 June 2009

111 Park Street London W1K 7JL

Financial Highlights

+30%

Turnover has increased from £16.78 million to £21.8 million, a rise of 30%.

+57%

Pre-tax profit was £3.18 million compared to £2.03 million, an increase of 57%.

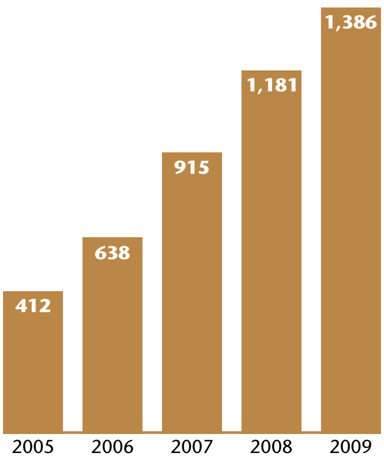
+17%

Discretionary funds under management rose from £1,181 million to £1,386 million, an increase of 17%.

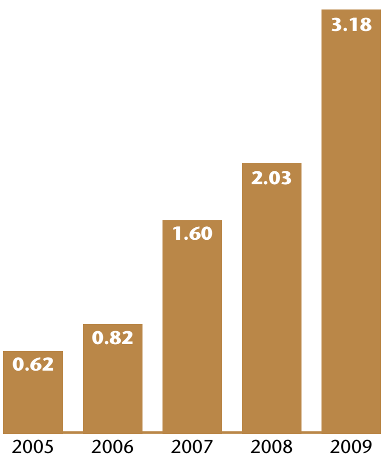
5.5p

The board has decided to recommend a dividend of 5.5p per share compared with 3.5p 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.

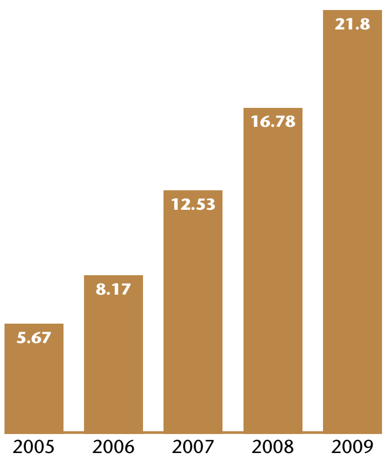
Funds under Management, £m



Pre tax profit, £m



Turnover, £m



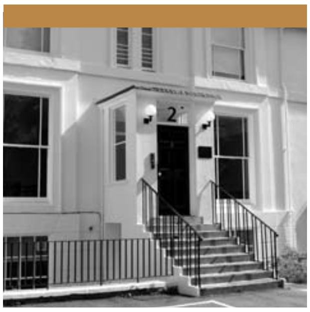
Group Overview

Brooks Macdonald Group plc is an AiM listed integrated wealth management group. The group consists of three companies: Brooks Macdonald Asset Management Limited, a discretionary asset management business; Brooks Macdonald Financial Consulting Limited, a financial advisory and employee benefits consultancy; and Brooks Macdonald Nominees Limited, a non-FSA regulated company that provides in-house custody, nominee and dealing services.

Brooks Macdonald Asset Management provides a bespoke, fee based, investment management service to high net worth individuals, charities and trusts. It has offices in London, Manchester, Winchester, Tunbridge Wells, and Edinburgh.

Brooks Macdonald Financial Consulting is London based and provides fee based, independent advice to high net worth individuals, families and businesses.

The Brooks Macdonald Group has developed under stable management since formation in 1991 and now has in excess of 140 staff throughout the UK. In 2005 the group listed on AiM. Management and staff retain considerable ownership of the business.



Tunbridge Wells
2 Mount Ephraim Rd Tunbridge Wells Kent TN1 1EE

Winchester
Church Court Waltham Chase Hampshire SO32 2LN

Edinburgh
10 Melville Crescent Edinburgh EH3 7LU

Manchester
55 King Street Manchester M2 4LQ

Chairman's Statement

Christopher Knight, Chairman

"...another successful year for Brooks Macdonald, achieved despite turbulent market conditions."

I am pleased to report another successful year for Brooks Macdonald, achieved despite turbulent market conditions.

On a turnover 30 per cent higher at £21.8 million, we report a pre-tax profit of £3.18 million compared with £2.03 million in the previous financial year, an increase of 57 per cent. Earnings per share were 22.56p, an increase of 82 per cent.

Funds under management at 30 June 2009 stood at £1,386 million, compared with £1,181 million a year earlier, an increase of 17 per cent. We are particularly pleased to have grown our funds under management during a period when markets globally have been so challenged.

The Board has decided to recommend a dividend of 5.5p per share, compared with 3.5p for the previous financial year.

In April we opened an office in Tunbridge Wells which has got off to a good start and which will be expanded by the acquisition of Lawrence House, the Kent fund manager which we recently announced. We have also announced the opening of an office in Edinburgh which together with the recruitment of a senior team further expands our regional presence.

Staff retention has always been a hallmark of Brooks Macdonald. With the increase in the number of our staff, the board believes that it is appropriate to increase the amount of share capital over which options can be granted from 10 to 15 per cent. Shareholders will be asked to approve this increase at the AGM on 16 October.

The continued expansion of our business in a period of economic uncertainty and market volatility reflects a robust investment process, our emphasis on client service and the strength of our relationships with intermediaries and other introducers. It also reflects the professionalism and dedication of our staff to whom I record my thanks.

Christopher Knight
Chairman

14 September 2009

Chief Executive's Review

Chris Macdonald, Chief Executive

"Our strategy is based on multiple avenues for growth and I believe this has held us in good stead historically and puts the group in a strong position going forward."

This has been a strong year of growth for the group in spite of poor market conditions. In the first half of the financial year equity markets in particular faced sharp declines and whilst the economic position has improved (from a very low base) in the second half, sentiment still remains fragile. Against this backdrop it is therefore particularly pleasing to be able to report robust growth in the business.

Funds under management rose from £1,181 million in June 2008 to £1,386 million, a rise of 17.4 per cent. It is a measure of investment performance, service levels and marketing success that this increase compares favourably to the APCIMS Balanced Index that fell 13.84 per cent over the year and the FTSE100 that was down 22.5 per cent. Our strategy is based on multiple avenues of growth and I believe this puts the group in a strong position going forward. We have since the year-end announced the purchase of Lawrence House Fund Managers, the first acquisition undertaken by the group. Clearly the price has to be right for both sides but equally important are synergies and 'fit' and I am confident that Lawrence House will add to the group in all regards.

Our regional presence has also increased over the year. Our offices in Winchester and Manchester have both had strong inflows of funds and clients and our most recent office outside London, in Tunbridge Wells, has got off to a very solid start. In addition we have opened an office in Edinburgh this month, which is another very exciting opportunity for the group.

In London, our main office, growth remains strong and the five fund management teams have all shown growth in funds under management and the number of clients. In addition Financial Consulting and our central services have all recruited over the financial year. This is imperative as a key component of our growth is ensuring that we deliver service and performance in equal measure to our clients. Financial Consulting continues to be an important part of our wealth management proposition for private clients as well as our employee benefit service to corporate clients.

We continue to invest in improving our service delivery to clients. We have a highly skilled development team, who are constantly challenged with improving processes and systems. Over the last year they have established several third party data feeds and technological improvements to information systems. In addition we have recruited a Service Development Manager to head all project work.

Chief Executive's Review

Investment performance in relative terms has been strong. Credit needs to be paid to our asset allocation committee and indeed the individual fund management teams who have avoided the major financial 'landmines' that have been exposed over the last year.

Our two principal services in Asset Management are discretionary fund management for high net worth clients and our discretionary Managed Portfolio Service, a fund of funds service for smaller clients. The latter is still a relatively new service but has grown considerably and has been a significant factor, together with our four Strategic Alliances, towards our strong profits and funds under management growth.

We continue to work closely with the top end of the IFA market and professional introducers. We have expanded our new business development team in all our offices as this is a sector to which we remain firmly committed. The recently announced Retail Distribution Review is encouraging and indeed supportive of this strategy as well as our own Financial Consultancy company.

In spite of recent, in our opinion poor, changes to pension legislation, our growth in SIPPs continues unabated. Indeed since the changes announced by the Chancellor in April, over 50 per cent of our new business has continued to be the management of SIPPs.

None of the above would have been possible without the energy, commitment and drive of all members of staff. We are in a privileged position of having a very strong team at all levels, to whom I extend my thanks. Staff numbers have grown to 140 and I am pleased to state that in spite of considerable growth the firm remains a vibrant, open and fun place to work.

The group has had a strong year in both absolute and relative terms. We have a strong balance sheet, team, client bank, distribution and investment model and thus we can continue to look forward with confidence.

Chris Macdonald
Chief Executive

14 September 2009

"The group has had a strong year in both absolute and relative terms."

Risks and uncertainties

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 24 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.

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 assess the impact on the business and to ensure that the group has 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, Manchester, Tunbridge Wells and most recently Edinburgh 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 2009.

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 within the Chairman's statement, the Chief Executive's review and the risks and uncertainties summary on pages 3 to 6 which form 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 24 to the consolidated financial statements on pages 31 to 32.

Results and dividends

The profit before taxation for the year was £3,185,423 (2008: £2,027,475) and the profit for the year after taxation was £2,254,565 (2008: £1,219,091).

The company paid a final dividend during the year of 3.5p (2008: 2.25p) amounting in total to £349,477 (2008: £220,795) – see note 8 on page 24.

The directors recommend a dividend of 5.5p per ordinary share amounting to £549,178 to be paid after the year end.

It is proposed that the retained profit of £1,924,136 (2008: £998,296) 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 2009	At 30 June 2008
C J Knight	71,585	71,585
C A J Macdonald	1,028,308	1,028,308
J M Gumpel	815,379	815,379
S J Jackson	43,462	43,462
N H Lawes	32,262	32,262
R H Spencer	984,058	984,058
S P Wombwell	88,204	88,204

Report of the Directors

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 2008	Awarded in the year	Exercised in the year	At 30 June 2009	Exercise price	Earliest exercise date	Expiry date
C A J Macdonald	4,795	-	-	4,795	196p	01.06.11	30.11.11
J M Gumpel	4,795	-	-	4,795	196p	01.06.11	30.11.11
S J Jackson	4,795	-	-	4,795	196p	01.06.11	30.11.11
N H Lawes	4,795	-	-	4,795	196p	01.06.11	30.11.11
R H Spencer	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
	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
	12,500	-	-	12,500	290.5p	17.10.10	31.10.17
S J Jackson	29,500	-	-	29,500	140p	11.03.08	11.03.15
	20,000	-	-	20,000	155p	01.11.08	01.11.15
	17,000	-	-	17,000	215p	18.10.09	17.10.16
	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
	10,000	-	-	10,000	155p	01.11.08	01.11.15
	17,000	-	-	17,000	215p	18.10.09	17.10.16
	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
	12,500	-	-	12,500	290.5p	17.10.10	31.10.17

Phantom Share option scheme	At 30 June 2008	Awarded in the year	Exercised in the year	At 30 June 2009	Base price	Earliest exercise date	Expiry date
C A J Macdonald	-	25,000	-	25,000	218.5	15.10.11	29.10.11
J M Gumpel	-	25,000	-	25,000	218.5	15.10.11	29.10.11
S J Jackson	-	50,000	-	50,000	218.5	15.10.11	29.10.11
N H Lawes	-	50,000	-	50,000	218.5	15.10.11	29.10.11
R H Spencer	-	25,000	-	25,000	218.5	15.10.11	29.10.11

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

The average share price during the year was 252.99 pence. Details of the share option schemes are provided in note 14 and note 18 (b) to the financial statements. The market price at the end of the year was 295 pence and the highest and lowest price during the year was 306 pence and 216 pence respectively.

R H Spencer and N H Lawes will retire by rotation at the Annual General Meeting and being eligible will offer themselves for re-election.

Report of the Directors

Substantial interests in the company's shares as at 27 August 2009 have been advised to the company as follows:

	Number	Percentage holding
Liontrust Asset Management	1,279,010	12.77%
C A J Macdonald	1,028,308	10.27%
R H Spencer	984,058	9.82%
Brewin Dolphin Securities	850,604	8.49%
J M Gumpel	815,379	8.14%
Hargreave Hale & Co	801,704	8.00%
Jamiro Properties Inc.	659,537	6.58%
Octopus Investments Limited	437,530	4.37%
A W Butt	346,852	3.46%
Chase Nominees Limited	307,140	3.07%

Payment policy

The group and company do 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 for both the group and company was 31 days (2008: 42 days).

Events since the year end

The final dividend of 5.5p per share is payable on 23 October 2009. The final dividend is subject to approval by shareholders at the Annual General Meeting.

On 4 September 2009 Brooks Macdonald Asset Management Limited, a wholly owned subsidiary of the company, completed the acquisition of 100% of the issued share capital of Lawrence House Fund Managers Limited for an initial cash consideration of £1.07 million with a subsequent amount payable in 24 months subject to various conditions.

Lawrence House managed around £65 million of funds including an OEIC with three sub funds and the operation of the business will be transferred to our Tunbridge Wells office from its current base in Canterbury.

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
14 September 2009

Statement of Directors' Responsibilities

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements for the group in accordance with IFRS as adopted by the European Union and for the company in accordance with United Kingdom Generally Accepted Accounting Practice (UK GAAP). In accordance with IFRS as adopted by the European Union the group financial statements must present fairly the financial position and performance of the group. In accordance with UK GAAP, the company financial statements must present fairly the financial position and performance of the company. Under company law directors must not approve the financial statements unless they are satisfied that they give a true and fair view. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether the financial statements have been prepared in accordance with an applicable accounting framework;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company and group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Independent Auditor's Report

to the members of Brooks Macdonald Group plc

We have audited the group financial statements of Brooks Macdonald Group plc for the year ended 30 June 2009 which comprise the consolidated income statement, consolidated balance sheet, consolidated cash flow statement, consolidated statement of changes in equity and the related notes.

The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the company's members, as a body, in accordance with Sections 495-496 of the Companies Act 2006. 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

As explained more fully in the Statement of Directors' Responsibilities on page 10, the directors are responsible for the preparation of the group financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the group financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the group financial statements:

- give a true and fair view of the state of the group's affairs as at 30 June 2009 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the directors' report for the financial year for which the group financial statements are prepared is consistent with the group financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

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

- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Other matter

We have reported separately on the parent company financial statements of Brooks Macdonald Group plc for the year ended 30 June 2009.

Colin Moore (Senior Statutory Auditor)
For and behalf of Moore Stephens LLP, statutory auditor

St Paul's House
Warwick Lane
London EC4M 7BP
14 September 2009

Consolidated Income Statement

for the year ended 30 June 2009

	Note	2009 £	2008 £
Revenue	3	21,752,209	16,786,350
Administrative costs		(18,765,646)	(15,074,405)
Operating profit	4	2,986,563	1,711,945
Finance income	6	198,860	315,530
Profit before taxation		3,185,423	2,027,475
Taxation	7	(930,858)	(808,384)
Profit for the year		**2,254,565**	**1,219,091**
Earnings per share			
Basic	20	22.56p	12.41p
Diluted	20	22.26p	12.08p

Consolidated Balance Sheet

as at 30 June 2009

	Note	2009 £	2008 £
Assets			
Non-current assets			
Property, plant and equipment	9	1,471,160	876,941
Intangible assets	10	406,849	605,271
Deferred tax assets	11	144,784	20,980
Total non-current assets		**2,022,793**	**1,503,192**
Current assets			
Trade and other receivables	12	3,507,191	2,840,270
Financial assets	13	-	-
Cash and cash equivalents		8,347,287	5,923,712
Total current assets		**11,854,478**	**8,763,982**
Total assets		13,877,271	10,267,174
Current liabilities			
Trade and other payables		(4,828,172)	(4,037,849)
Current tax liabilities		(767,326)	(310,482)
Total current liabilities	14	**(5,595,498)**	**(4,348,331)**
Non-current liabilities			
Non-current provisions	15	(188,710)	(53,607)
Other non-current liabilities	16	(14,063)	(20,313)
Total non-current liabilities		**(202,773)**	**(73,920)**
Net assets		**8,079,000**	**5,844,923**
Financed by:			
Equity			
Share capital	18	100,162	99,850
Share premium account	19	1,621,303	1,571,031
Other reserves		1,073,260	813,903
Retained earnings		5,284,275	3,360,139
Total equity		**8,079,000**	**5,844,923**

Approved and authorised for issue by the Board of directors on 14 September 2009

C A J Macdonald
Chief Executive

S J Jackson
Finance Director

Consolidated Cash Flow Statement

for the year ended 30 June 2009

	Note	2009 £	2008 £
Cash inflow from operating activities			
Cash generated from operations	17	3,918,440	2,642,457
Taxation paid		(509,035)	(836,285)
Net cash generated from operating activities		**3,409,405**	**1,806,172**
Cash flow from investing activities			
Purchase of property, plant and equipment		(923,814)	(605,519)
Purchase of intangible assets		(20,907)	(534,636)
Interest received	6	198,860	315,530
Purchase of Gilt		(738,393)	-
Sale of Gilt		797,317	-
Net cash used in investing activities		**(686,937)**	**(824,625)**
Cash flows from financing activities			
Proceeds of issue of shares		50,584	206,840
Dividend paid to shareholders		(349,477)	(220,795)
Net cash used in financial activities		**(298,893)**	**(13,955)**
Net increase in cash and cash equivalents		**2,423,575**	**967,592**
Cash and cash equivalents at start of year		5,923,712	4,956,120
Cash and cash equivalents at end of year		**8,347,287**	**5,923,712**

Consolidated statement of changes in equity

for the year ended 30 June 2009

	Share capital £	Share premium account £	Share option reserve £	Merger reserve £	Retained earnings £	Total £
At 1 July 2007	98,131	1,365,910	357,322	191,541	2,361,843	4,374,747
Profit for the year	-	-	-	-	1,219,091	1,219,091
Share based payments	-	-	237,969	-	-	237,969
Deferred tax-share options	-	-	27,071	-	-	27,071
	-	-	265,040	-	1,219,091	1,484,131
Dividends paid	-	-	-	-	(220,795)	(220,795)
Shares issued	1,719	205,121	-	-	-	206,840
At 30 June 2008	99,850	1,571,031	622,362	191,541	3,360,139	5,844,923
Profit for the year	-	-	-	-	2,254,565	2,254,565
Share based payments	-	-	189,622	-	-	189,622
Share based payment awards	-	-	(19,048)	-	19,048	-
Deferred tax-share options	-	-	88,783	-	-	88,783
	-	-	259,357	-	2,273,613	2,532,970
Dividends paid	-	-	-	-	(349,477)	(349,477)
Shares issued	312	50,272	-	-	-	50,584
At 30 June 2009	**100,162**	**1,621,303**	**881,719**	**191,541**	**5,284,275**	**8,079,000**

Notes to the Financial Statements

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.

1. Principal accounting policies

(a) Accounting conventions

The financial statements have been prepared on the historical cost basis and 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 2008. There have been no new standards adopted in the year that have had an effect on the entity.

(b) Standards and interpretations which become effective in future periods

The group has not decided to early adopt the following standards and interpretations, and revisions to existing standards and interpretations. Although relevant, they are not expected to have a material impact on the group's results, financial position and disclosures unless otherwise noted:

IAS 1 – "Presentation of Financial Statements" (Revised) effective for accounting periods beginning on or after 1 January 2009. The amendment to the standard requires the preparation of a statement of comprehensive income either to replace or to complement the current income statement. In addition, restatements or reclassifications of comparative balance sheet information will include a restatement of the opening balance sheet of the comparative period. There are also terminology changes.

IFRS 2 – "Share-based payments" effective for accounting periods beginning on or after 1 January 2009. The amendments clarify that vesting conditions comprise only service conditions and performance conditions, and specifies the accounting treatment for a failure to meet a non-vesting condition.

IFRS 3 – "Business Combinations" (Revised) effective for accounting periods beginning on or after 1 July 2009. The revised standard introduces a number of changes in the accounting for business combinations that impact on the amount of goodwill recognised, the reported results in the period that an acquisition occurs and future reported results. The effect on the financial statements will depend on the incidence and timing of future changes in the group.

IAS27 – "Consolidated and Separate Financial Statements" (Amendments) effective for accounting periods beginning on or after 1 July 2009. The amendments provide new guidance on accounting changes in the interests in subsidiaries. The effect on the financial statements will depend on the incidence and timing of future changes in the group.

IFRS 7 – "Financial Instruments Disclosures" effective for accounting periods beginning on or after 1 January 2009. Amendments relating to the reclassification of financial assets. This will require greater detail about certain types of financial instruments which if applicable to the group will require additional disclosure.

IFRS 8 – "Operating Segments" effective for accounting periods beginning on or after 1 January 2009. This standard replaces IAS 14 "Segment Reporting" and will require a change in the disclosure of segmental information.

There are a number of other standards and interpretations, and revisions to existing standards and interpretations, including the improvements project, in issue but not in force at 30 June 2009. These are not considered likely to have a material impact on the group's financial statements.

(c) 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 are revenue and share based payments and are discussed below.

Notes to the Financial Statements

1. Principal accounting policies – continued

(d) Business combinations

The group's financial statements comprise 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 and 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.

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.

(e) Revenue

Revenue 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:

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.

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.

(f) 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.

(g) Share based payments

The group provides equity and cash 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 or accruals depending on the nature of the scheme.

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.

The group also operates a phantom cash settled share based scheme. On the grant date, the liability incurred is measured at fair value. The liability is re-measured at the end of each reporting period and at the date of settlement, with any changes in fair value recognised in the profit and loss account.

(h) 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.

Notes to the Financial Statements

1. Principal accounting policies – continued

(i) 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.

(j) 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.

(k) 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.

(l) 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.

(m) 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.

(n) Foreign currency translation

The group's functional and presentation 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.

(o) Retirement benefit costs

Contributions in respect of the group's defined contribution retirement scheme are charged to the income statement as they fall due.

Notes to the Financial Statements

1. Principal accounting policies – continued

(p) 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.

(q) Trade receivables

Trade receivables are recognised and carried at original invoice amount less an allowance for any uncollectable amounts. Doubtful debts are provided for when the collection of the full amount is no longer probable, whilst bad debts are written off when identified.

(r) Operating lease payments

Rents due under operating leases are charged to income statement 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. 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 income statement and accrued as a liability in the balance sheet.

Notes to the Financial Statements

2. Segmental information

For the purposes of reporting under IAS14 (Segment Reporting), the group's activities are split into two operating divisions, investment management and financial planning. The group's other activity, offering nominee and custody services to clients, has been included within investment management. 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.

Year ended 30 June 2009	Investment management £	Financial planning £	Total £
Total revenues	20,604,186	2,467,083	23,071,269
Intra company revenues	(1,006,094)	(312,966)	(1,319,060)
External revenues	19,598,092	2,154,117	21,752,209
Segmental result	4,499,210	75,182	4,574,392
Unallocated items			(1,388,969)
Profit before tax			3,185,423
Taxation			(930,858)
Profit for the year			**2,254,565**
At 30 June 2009			
Segment assets	11,666,861	2,182,540	13,849,401
Unallocated assets			27,870
Total assets			**13,877,271**
Segment liabilities	3,569,073	1,414,935	4,984,008
Unallocated liabilities			814,263
Total liabilities			**5,798,271**
Capital expenditure		923,814	923,814
Depreciation		548,924	548,924
Provisions charged	212,981	73,210	286,191
Provisions utilised	69,088	82,000	151,088

Notes to the Financial Statements

2. Segmental information – continued

Year ended 30 June 2008	Investment management £	Financial planning £	Total £
Total revenues	14,404,098	2,648,611	17,052,709
Intra company revenues	(266,359)		(266,359)
External revenues	14,137,739	2,648,611	16,786,350
Segmental result	2,163,496	127,021	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	7,711,961	1,426,073	9,138,034
Unallocated assets			1,129,140
Total assets			**10,267,174**
Segment liabilities	(2,299,596)	(1,495,319)	(3,794,915)
Unallocated liabilities			(627,336)
Total liabilities			**(4,422,251)**
Capital expenditure		605,519	605,519
Depreciation		489,150	489,150
Provisions charged	(9,607)	(23,000)	(32,607)
Provisions utilised	(66,000)	(117,990)	(183,990)

Geographical segments

The group's operations are all located in the United Kingdom.

3. Revenue

	2009 £	2008 £
Fee income	20,512,693	15,099,265
Financial services commissions	1,158,360	1,582,469
Other income	81,156	104,616
	21,752,209	**16,786,350**

Notes to the Financial Statements

4. Operating profit

	2009 £	2008 £
This is stated after charging/(crediting):		
Rent receivable	(19,733)	(104,616)
Staff costs (see note 5)	9,124,199	7,812,915
Auditors' remuneration (see below)	96,523	60,086
Depreciation	329,595	194,347
Operating leases – buildings	397,020	345,000
Profit on disposal of investment securities	(58,924)	-
(Profit)/losses on foreign exchange	(1,859)	470

	2009 £	2008 £
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	1,000
Fees payable to the company's auditors for other services to the group:		
- audit of the company's subsidiaries pursuant to legislation	58,903	52,370
- other services pursuant to legislation	6,255	6,716
Services relating to corporate finance transactions	30,365	-
	96,523	**60,086**

5. Employee information

(a) Staff costs

	2009 £	2008 £
Wages and salaries	7,957,195	6,827,877
Social security costs	933,041	797,110
Pension costs	233,963	187,928
	9,124,199	**7,812,915**

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:

	2009	2008
Support staff	70	56
Professional staff	53	47
	123	**103**

Notes to the Financial Statements

5. Employee information – continued

(c) Directors' emoluments

Key management personnel are considered to comprise the company directors.

	2009 £	2008 £
Fees and salaries	1,517,775	1,298,000
Non executive directors' fees	51,075	48,875
Pension contributions – defined contribution retirement scheme	121,166	92,760
Benefits in kind	10,858	13,842
Share based payments	92,143	74,009
	1,793,017	**1,527,486**
Highest paid director		
Remuneration and benefits in kind	455,510	367,588
Pension contribution to defined contribution retirement scheme	30,566	23,400
	486,076	**390,988**

Retirement benefits are accruing to five directors (2008: 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).

During the financial year, group started a phantom share option scheme, which is a cash settled scheme, details of which are given in note 14.

6. Finance income

	2009 £	2008 £
Bank interest	193,314	315,530
Other interest	5,546	-
	198,860	**315,530**

Notes to the Financial Statements

7. Taxation

	2009 £	2008 £
The tax charge on the profit on ordinary activities for the year was as follows:		
UK corporation tax @ 28% (2008: 29.5%)	961,120	640,200
Overprovision in prior years	(40,074)	-
Deferred taxation	9,812	168,184
	930,858	**808,384**
Factors affecting the charge for the year		
Profit on ordinary activities before tax	3,185,423	2,027,475
Profit on ordinary activities multiplied by the standard rate of tax in the UK of 28% (2008: 29.5%)	891,918	598,105
Disallowable expenses	198,345	93,355
Excess of capital allowances over depreciation and timing differences	(119,382)	(43,948)
Overprovision in prior years	(40,074)	-
Profits taxed at small companies rate	-	(7,312)
Share options exercised - tax relief	(9,791)	-
Deferred taxation charge - (see note below)	9,812	168,184
Actual tax charge	**930,858**	**808,384**

The deferred taxation charge of £9,812 represents a credit of £35,021 (2008: charge of £103,952) arising out of the share option reserve at the balance sheet date and a charge of £44,833 (2008: £64,232) relating to accelerated capital allowances.

8. Dividends

	2009 £	2008 £
Paid final dividend on ordinary shares of 3.5p (2008: 2.25p)	349,477	220,795

A dividend of 5.5p per ordinary share amounting to £549,178 is recommended to be paid after the year end.

Notes to the Financial Statements

9. Property, plant and equipment

	Fixtures and fittings £	Equipment £	Total £
Cost			
At 1 July 2008	208,245	1,625,050	1,833,295
Additions	73,416	850,398	923,814
At 30 June 2009	**281,661**	**2,475,448**	**2,757,109**
Depreciation			
At 1 July 2008	105,145	851,209	956,354
Charge for the year	26,458	303,137	329,595
At 30 June 2009	**131,603**	**1,154,346**	**1,285,949**
Net book value			
At 30 June 2008	103,100	773,841	876,941
At 30 June 2009	**150,058**	**1,321,102**	**1,471,160**

	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**

Notes to the Financial Statements

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 2008	1,264,423
Additions	20,907
At 30 June 2009	**1,285,330**
Amortisation	
At 1 July 2008	659,152
Charge for the year	219,329
At 30 June 2009	**878,481**
Net book value at 30 June 2009	**406,849**

	£
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**

11. Deferred tax asset

	2009 £	2008 £
At 1 July 2008	20,980	162,093
Amounts credited/(charged) to income statement	35,021	(168,184)
Share based payments	88,783	27,071
At 30 June 2009	**144,784**	**20,980**

Notes to the Financial Statements

12. Trade and other receivables

	2009 £	2008 £
Trade receivables	701,945	769,624
Other receivables	167,900	87,253
Prepayments and accrued income	2,637,346	1,983,393
	3,507,191	**2,840,270**

13. Financial assets

	£
Cost	
At 1 July 2008	15,305
Additions - Gilt	738,393
Disposals - Gilt	(738,393)
At 30 June 2009	**15,305**
Impairment	
At 1 July 2008	15,305
Provision for the year	-
At 30 June 2009	**15,305**
Net book value	
At 30 June 2008	-
At 30 June 2009	**-**

The investments at the balance sheet date comprised of investments listed on the London Stock Exchange. The market value of the investments was nil.

14. Current liabilities

	2009 £	2008 £
Trade payables	1,409,014	1,077,201
Corporation tax liabilities	767,326	310,482
Other taxes and social security costs	823,600	763,021
Other payables	257,832	384,213
Accruals and deferred income	2,337,726	1,813,414
	5,595,498	**4,348,331**

Included in accruals and deferred income is an accrual of £188,978 (2008: £nil) in respect of a phantom share option scheme, which was approved by the group's directors in October 2008. The scheme is a cash settled plan and the payments made to participants in respect of awards are in the form of cash. The phantom scheme is awarded at no cost to the participants. The amount that is ultimately paid to the participants of the scheme is equal to the increase in market value of the ordinary shares determined after a three year vesting period. The awards will be vested after three years only to the extent that the performance conditions are satisfied.

Notes to the Financial Statements

14. Current liabilities – continued

These awards will be forfeited in total if the performance fails to meet the minimum criteria. The options granted were valued on the basis of the market prices at the time the options were granted and were calculated using the Black Scholes method, details of which are given in note 18. The number of options at the balance sheet is stated below:

Phantom Scheme	2009 Number of options	2009 Weighted average base price (£)	2008 Number of options	2008 Weighted average base price (£)
At 1 July 2008	-	-	-	-
Granted in the year	474,000	2.185	-	-
Forfeited in the year	(5,000)	2.185	-	-
At 30 June 2009	**469,000**	**2.185**	-	-

15. Non-current provisions

	2009 £	2008 £
At 1 July 2008	53,607	204,990
Charged to income statement	286,191	32,607
Paid during the year	(151,088)	(183,990)
At 30 June 2009	**188,710**	**53,607**

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 (2008: eight months) from the date of notification of the complaint.

16. Other non-current liabilities

	2009 £	2008 £
Other payables	**14,063**	**20,313**

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

	2009 £	2008 £
Operating profit	2,986,563	1,711,945
Depreciation	329,595	194,347
Amortisation of intangible assets	219,329	294,803
Profit on disposal of Gilt	(58,924)	-
Financial assets written down	-	37
Increase in debtors	(666,921)	(99,777)
Increase in creditors	784,073	454,516
Increase/(decrease) in provisions	135,103	(151,383)
Share based payments	189,622	237,969
Net inflow	**3,918,440**	**2,642,457**

Notes to the Financial Statements

18. Share capital

(a) Called up share capital

	Authorised 2009 £	Authorised 2008 £
20,000,000 ordinary shares of 1p each	200,000	200,000

	Issued 2009 £	Issued 2008 £
9,985,062 (2008: 9,813,100) ordinary shares of 1p each	99,850	98,131
31,179 (2008: 171,962) shares issued re exercise of options	312	1,719
10,016,241 (2008: 9,985,062) ordinary shares of 1p each	**100,162**	**99,850**

During the year 31,179 ordinary shares of 1p each were issued: 16,679 shares related to the Sharesave Scheme which were issued at a value of 176p per share and 8,500 and 6,000 shares related to the exercise of Enterprise Management Incentive Scheme options at values of 140p and 155.5p respectively.

(b) Share options - equity based

The company operates 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 140p 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	2009 Number of options	2009 Weighted average exercise price (£)	2008 Number of options	2008 Weighted average exercise price (£)
At 1 July 2008	654,000	2.01	492,000	1.68
Granted in the year	-	-	173,500	2.905
Forfeited in the year	(15,000)	2.52	(1,000)	1.40
Exercised in the year	(14,500)	1.46	(10,500)	1.40
At 30 June 2009	**624,500**	**2.01**	**654,000**	**2.01**

Employee Sharesave Scheme	2009 Number of options	2009 Weighted average exercise price (£)	2008 Number of options	2008 Weighted average exercise price (£)
At 1 July 2008	294,345	2.01	275,079	1.53
Granted in the year	75,474	2.40	193,810	1.96
Forfeited in the year	(52,662)	2.08	(13,082)	1.19
Exercised in the year	(16,679)	1.76	(161,462)	1.19
At 30 June 2009	**300,478**	**2.09**	**294,345**	**2.01**

The options granted under the Employee Sharesave Scheme, the Enterprise Management Incentive Scheme and the phantom scheme (note 14) 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 £189,622 (2008: £237,969).The weighted average remaining contractual life of share options at the end of the year was 4.39 years (2008: 4.93 years). The weighted average share price at the date of exercise for options exercised during the period was £2.70.

Notes to the Financial Statements

19. Share premium account

	2009 £	2008 £
At 1 July 2008	1,571,031	1,365,910
Shares issued re exercise of options	50,272	205,121
At 30 June 2009	**1,621,303**	**1,571,031**

20. Earnings per share

	2009 £	2008 £
Earnings		
Profit after tax for the financial year	2,254,565	1,219,091
Weighted average number of shares	No. (m)	No. (m)
Number of ordinary shares at start of year	9.98	9.81
Share issues	0.01	0.01
Basic earnings per share denominator	9.99	9.82
Issuable on exercise of options	0.26	0.28
Diluted earnings per share denominator	10.25	10.10
Basic earnings per share	22.56p	12.41p
Diluted earnings per share	22.26p	12.08p

21. Lease commitments

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

	2009 £	2008 £
Within one year	416,577	397,023
In the second year to fifth year inclusive	491,995	759,686

22. Disclosure of control

There is no controlling party of the company.

Notes to the Financial Statements

23. Client money and funds under management

	2009 £'000	2008 £'000
Clients' bank accounts - total balance	404,000	297,000
Funds under management	1,386,000	1,181,000

24. 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 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.

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 2009	On demand £
Cash and balances at bank	8,347,287

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

(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 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, have £83,000 (2008: £59,000) impact on the pre-tax profits and equity.

Foreign exchange risk

The group does not have any material exposure to transactional foreign currency risk and, therefore, no foreign exchange risk analysis is provided.

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.

Notes to the Financial Statements

24. Financial risk management – continued

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.

	2009 £	2008 £
Credit risk relating to on balance sheet exposures:		
Cash and balances at bank	8,347,287	5,923,712
Trade receivables are analysed below:		
Carrying amount	701,945	769,624
Neither past due nor impaired	701,945	769,624

No external credit ratings are acquired with regard to the trade receivables as collateral is held by the group in excess of the total value of the receivables.

25. Capital management

Capital is defined as the total of share capital, share premium, retained earnings and other reserves. Total capital at 30 June 2009 was £8,079,000 (2008: £5,844,923). 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.

26. 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.

Notes to the Financial Statements

27. Related party transactions

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

Director	2009 £ Loan Balance	2009 £ Maximum amount	2008 £ Loan Balance	2008 £ Maximum amount
C A J Macdonald	Nil	Nil	Nil	5,437
J M Gumpel	3,910	4,692	Nil	3,812
S J Jackson	3,724	7,488	3,578	7,155
N H Lawes	Nil	3,700	Nil	3,472
R H Spencer	1,350	4,950	Nil	416

28. Events after the balance sheet date

On 4 September 2009 Brooks Macdonald Asset Management Limited, a wholly owned subsidiary of the company, completed the acquisition of 100% of the issued share capital of Lawrence House Fund Managers Limited for an initial cash consideration of £1.07 million with a subsequent amount payable in 24 months subject to various conditions.

Lawrence House manages around £65 million of funds including an OEIC with three sub funds and the operation of the business will be transferred to our Tunbridge Wells office from its current base in Canterbury.

Independent Auditor's Report

to the members of Brooks Macdonald Group plc

We have audited the parent company financial statements of Brooks Macdonald Group plc for the year ended 30 June 2009 which comprise the parent company balance sheet, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Sections 495-496 of the Companies Act 2006. 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

As explained more fully in the statement of directors' responsibilities on page 10, the directors are responsible for the preparation of the parent company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the parent company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the parent company financial statements:

- give a true and fair view of the state of company's affairs at 30 June 2009
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the parent company financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

Other matter

We have reported separately on the group financial statements of Brooks Macdonald Group plc for the year ended 30 June 2009

Colin Moore (Senior Statutory Auditor)
For and on behalf of Moore Stephens LLP, Statutory Auditor

St Paul's House
Warwick Lane
London EC4M 7BP
14 September 2009

Company Balance Sheet

as at 30 June 2009

	Note	2009 £	2008 £
Fixed assets			
Investments	32	4,885,907	4,696,285
Total fixed assets		**4,885,907**	**4,696,285**
Current assets			
Amounts owed by subsidiary undertakings		2,311,588	2,000,906
Other debtors		9,359	37,739
Cash at bank and in hand		26,844	1,006,189
Total current assets		**2,347,791**	**3,044,834**
Creditors: amounts falling due within one year			
Trade creditors		6,410	22,842
Amounts owed to subsidiary undertakings		4,000,000	4,000,000
Other creditors		5,199	5,199
Accruals and deferred income		809,016	599,296
Total current liabilities		**4,820,625**	**4,627,337**
Net current liabilities		(2,472,834)	(1,582,503)
Net assets		**2,413,073**	**3,113,782**
Financed by:			
Equity			
Share capital	33	100,162	99,850
Share premium account		1,621,303	1,571,031
Share option reserve		647,782	458,160
Retained earnings	34	43,826	984,741
Shareholders' funds	**35**	**2,413,073**	**3,113,782**

Approved by the Board of directors on 14 September 2009 and signed on its behalf

C A J Macdonald
Chief Executive

S J Jackson
Finance Director

Notes to the Company accounts

29. Principal accounting policies

(a) Basis of accounting

The financial statements have been prepared under the historical cost convention. They have been drawn up to comply 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) 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.

(e) Operating lease payments

Rents due under operating leases are charged to income statement 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 UITF 28 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 income statement and accrued as a liability in the balance sheet.

(f) 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.

30. Loss/(2008 profit) for the year

As permitted by Section 408 of the Companies Act 2006 the company has elected not to present its own profit and loss account for the year. Brooks Macdonald Group plc reported loss after tax for the financial year ended 30 June 2009 of £591,438 (2008: profit £1,686,957)

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

The average number of employees during the year was seven (2008: seven).

Directors' emoluments are set out in note five.

Notes to the Company accounts

31. Dividends

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

32. Investments

Subsidiary undertakings	2009 £	2008 £
Cost at 1 July 2008	4,696,285	4,458,316
Additions	189,622	237,969
Cost at 30 June 2009	**4,885,907**	**4,696,285**

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

Details of the subsidiary undertakings of the company as at 30 June 2009, 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
Brooks Macdonald Financial Consulting Limited	Ordinary 5p	UK	Financial consulting
Brooks Macdonald Asset Management Limited	Ordinary £1	UK	Investment management
Brooks Macdonald Nominees Limited (see below)	Ordinary £1	UK	Nominee Services

Brooks Macdonald Nominees Limited changed its name from Brooks Macdonald Services Limited and the company ceased trading on 30 June 2009. The trading activity of Brooks Macdonald Nominees Limited was transferred to Brooks Macdonald Asset Management Limited and was not a discontinued trading activity.

33. 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.

34. Reserves

	2009 £	2008 £
Profit and loss account		
At 1 July 2008	984,741	(481,421)
Retained (loss)/profit for the year	(591,438)	1,686,957
Dividends paid	(349,477)	(220,795)
At 30 June 2009	**43,826**	**984,741**

	Share premium £	Share option reserve £
At 1 July 2008	1,571,031	458,160
Shares issued	50,272	-
Share based payments	-	189,622
At 30 June 2009	**1,621,303**	**647,782**

Notes to the Company accounts

35. Reconciliation of movements in shareholders' funds

	2009 £	2008 £
Opening shareholders' funds	3,113,782	1,202,811
(Loss)/profit for the year	(591,438)	1,686,957
Dividends paid	(349,477)	(220,795)
Share based payments	189,622	237,969
Share capital issued	50,584	206,840
Net (reduction)/addition to shareholders' funds	(700,709)	1,910,971
Closing shareholders' funds	**2,413,073**	**3,113,782**

36. Lease commitments

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

	2009 £	2008 £
Within one year	36,713	36,713
In the second year to fifth year inclusive	53,000	17,000
	89,713	**53,713**

37. 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 27 to the consolidated financial statements.

38. Post balance sheet events

On 4 September 2009 Brooks Macdonald Asset Management Limited, a wholly owned subsidiary of the company, completed the acquisition of 100% of the issued share capital of Lawrence House Fund Managers Limited for an initial cash consideration of £1.07 million with a subsequent amount payable in 24 months subject to various conditions.

Lawrence House manages around £65 million of funds including an OEIC with three sub funds and the operation of the business will be transferred to our Tunbridge Wells office from its current base in Canterbury.

Explanation of AGM Business

Enclosed with this document is a notice convening the Annual General Meeting of the Company for 16 October 2009. This explanatory note gives further information on resolutions numbered 2 to 10 set out in the notice of AGM.

Resolution 2 – To declare a final dividend

The Directors recommend a final dividend of 5.5 pence per Ordinary Share. Subject to approval by shareholders, the final dividend will be paid on 23 October 2009 to shareholders on the register on 25 September 2009.

Resolutions 3 and 4 – To re-elect Richard Spencer and Nicholas Lawes

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 Richard Spencer and Nicholas Lawes have extensive relevant experience of the Group and its business. The Board is therefore of the opinion that Richard Spencer and Nicholas Lawes should be re-elected to the Board.

Richard Spencer (46), Investment Director, was one of the founding directors of the Company and in addition to his role as Investment Director he is responsible for the investment management process and research as well as managing one of the London asset management teams.

Nicholas Lawes (46), Executive Director, has management responsibility for financial consulting on the Group board and has board responsibility for compliance. Nicholas joined Brooks Macdonald in 2003 and he has over twenty years experience developing strategies for high net worth individuals and families to manage their wealth.

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 2006 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 2008, 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 £33,300 (ie. up to 3,330,000 Ordinary Shares) representing approximately 33% of the Ordinary Shares in issue on 23 September 2009. 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 2008, 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 offers of equity securities by way of rights issue, open offer or similar arrangements; and second, in relation to the allotment of equity securities for cash up to a maximum aggregate nominal amount of £5,000 (i.e. up to 500,000 Ordinary Shares) (representing approximately 5% of the Ordinary Shares in issue on 23 September 2009).

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 counted towards the anti-dilution limits for such share issues to the extent required by the Association of British Insurers guidelines.

Explanation of AGM Business

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 1,000,000 Ordinary Shares. The existing authority to make market purchases of Ordinary Shares, which was granted at the Annual General Meeting held in 2008, 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 23 September 2009. The minimum price that may be paid is 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.

The 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.

Resolution 9 – Adoption of new articles of association

Resolution 9 in the notice of Annual General Meeting, which will be proposed as a special resolution, is to adopt new articles of association (the "New Articles") in order to update the Company's current articles of association (the "Current Articles") primarily to take account of changes in English company law brought about by the Companies Act 2006.

The principal changes introduced in the New Articles are summarised in the Appendix. Other changes, which are of a minor, technical or clarifying nature and also some more minor changes which merely reflect changes made by the Companies Act 2006 have not been noted in the Appendix. A clean copy of the New Articles, together with a copy of the New Articles marked up to show all the proposed changes to the Current Articles, are available for inspection at the Company's Registered Office.

Resolution 10 – Amendments to share option schemes

Resolution 10 in the notice of Annual General Meeting, which will be proposed as an ordinary resolution, is to increase the maximum dilution limits for options granted under the Company's employee share schemes.

The Company has operated an Enterprise Management Incentive Scheme ("EMI Scheme") and a Save As You Earn Scheme ("SAYE Scheme") since its admission to AiM in March 2005. The maximum dilution limit for all employee share schemes operated in relation to the Company's shares will be increased from 10% to 15% (in any ten year period). The maximum dilution limit for discretionary schemes shall be increased from 5% to 10%.

This authority is being sought because there is currently insufficient headroom remaining under the EMI Scheme and the SAYE Scheme to grant enough options to fulfil the Company's remuneration and incentive strategy over the next 24 months.

Explanation of AGM Business

Appendix

APPENDIX

Explanatory notes of the principal changes to the Company's articles of association

1 **Articles which duplicate statutory provisions**
Provisions in the Current Articles which replicate provisions contained in the Companies Act 2006 are in the main to be removed in the New Articles to bring them into line with the Companies Act 2006. This is in line with the approach advocated by the Government that statutory provisions should not be duplicated in a company's constitution. Certain examples of such provisions include provisions as to the form of resolutions, the variation of class rights, the requirement to keep accounting records and provisions regarding the period of notice required to convene general meetings. The main changes made to reflect this approach are detailed below.

2 **Form of resolution**
The Current Articles contain a provision that, where for any purpose an ordinary resolution is required, a special or extraordinary resolution is also effective and that, where an extraordinary resolution is required, a special resolution is also effective. This provision is being amended as the concept of extraordinary resolutions has not been retained under the Companies Act 2006.

3 **Variation of class rights**
The Current Articles contain provisions regarding the variation of class rights. The proceedings and specific quorum requirements for a meeting convened to vary class rights are contained in the Companies Act 2006. The relevant provisions have therefore been amended in the New Articles.

4 **Convening extraordinary and annual general meetings**
The provisions in the Current Articles dealing with the convening of general meetings and the length of notice required to convene general meetings are being amended to conform to new provisions in the Companies Act 2006. In particular a general meeting to consider a special resolution, other than an annual general meeting, can be convened on 14 days' notice whereas previously 21 days' notice was required.

5 **Votes of members**
Under the Companies Act 2006 proxies are entitled to vote on a show of hands whereas under the Current Articles proxies are only entitled to vote on a poll. The time limits for the appointment or termination of a proxy appointment have been altered by the Companies Act 2006 so that the articles cannot provide that they should be received more than 48 hours before the meeting or in the case of a poll taken more than 48 hours after the meeting, more than 24 hours before the time for the taking of a poll, with weekends and bank holidays being permitted to be excluded for this purpose. Multiple proxies may be appointed provided that each proxy is appointed to exercise the rights attached to a different share held by the shareholder. Multiple corporate representatives may be appointed (but if they purport to exercise their rights in different ways, then the power is treated as not being exercised). The New Articles reflect all of these new provisions.

6 **Conflicts of interest**
The Companies Act 2006 sets out directors' general duties which largely codify the existing law but with some changes. Under the Companies Act, a director must avoid a situation where he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the company's interests. The requirement is very broad and could apply, for example, if a director becomes a director of another company or a trustee of another organisation. The Companies Act 2006 allows directors of public companies to authorise conflicts and potential conflicts, where appropriate, where the articles of association contain a provision to this effect. The Companies Act 2006 also allows the articles of association to contain other provisions for dealing with directors' conflicts of interest to avoid a breach of duty. The New Articles give the directors authority to approve such situations and to include other provisions to allow conflicts of interest to be dealt with in a similar way to the current position.

There are safeguards which will apply when directors decide whether to authorise a conflict or potential conflict. First, only directors who have no interest in the matter being considered will be able to take the relevant decision, and secondly, in taking the decision the directors must act in a way they consider, in good faith, will be most likely to promote the company's success. The directors will be able to impose limits or conditions when giving authorisation if they think this is appropriate.

The New Articles also contain provisions relating to confidential information, attendance at board meetings and availability of board papers to protect a director being in breach of duty if a conflict of interest or potential conflict of interest arises. These provisions will only apply where the position giving rise to the potential conflict has previously been authorised by the directors. It is the Board's intention to report annually on the Company's procedures for ensuring that the Board's powers of authorisation of conflicts are operated effectively and that the procedures have been followed.

Explanation of AGM Business

7 Notice of board meetings
Under the Current Articles, when a director is abroad he can request that notice of directors' meetings are sent to him at a specified address and if he does not do so he is not entitled to receive notice while he is away. This provision has been removed, as modern communications mean that there may be no particular obstacle to giving notice to a director who is abroad. It has been replaced with a more general provision that a director is treated as having waived his entitlement to notice, unless he supplies the Company with the information necessary to ensure that he receives notice of a meeting before it takes place.

8 Records to be kept
The provision in the Current Articles requiring the Board to keep accounting records has been removed as this requirement is contained in the Companies Act 2006.

9 Distribution of assets
The Current Articles contain provisions dealing with the distribution of assets in kind in the event of the Company going into liquidation. These provisions have been removed in the New Articles on the grounds that a provision about the powers of liquidators is a matter for insolvency law rather than the articles and that the Insolvency Act 1986 confers powers on the liquidator which would enable it to do what is envisaged by the Current Articles.

10 Electronic and web communications
Provisions of the Companies Act 2006 which came into force in January 2007 enable companies to communicate with members by electronic and/or website communications. The New Articles continue to allow communications to members in electronic form and, in addition, they also permit the Company to take advantage of the new provisions relating to website communications. Before the Company can communicate with a member by means of website communication, the relevant member must be asked individually by the Company to agree that the Company may send or supply documents or information to him by means of a website, and the Company must either have received a positive response or have received no response within the period of 28 days beginning with the date on which the request was sent. The Company will notify the member (either in writing, or by other permitted means) when a relevant document or information is placed on the website and a member can always request a hard copy version of the document or information.

11 Directors' indemnities and loans to fund expenditure
The Companies Act 2006 has in some areas widened the scope of the powers of a company to indemnify directors and to fund expenditure incurred in connection with certain actions against directors. In particular, a company that is a trustee of an occupational pension scheme can now indemnify a director against liability incurred in connection with the company's activities as trustee of the scheme. In addition, the existing exemption allowing a company to provide money for the purpose of funding a director's defence in court proceedings now expressly covers regulatory proceedings and applies to associated companies.

12 The Company's objects
The provisions regulating the operations of the Company are currently set out in the Company's memorandum and articles of association. The Company's memorandum contains, among other things, the objects clause which sets out the scope of the activities the Company is authorised to undertake. This is drafted to give a wide scope.

The Companies Act 2006 significantly reduces the constitutional significance of a company's memorandum. The Companies Act 2006 provides that a memorandum will record only the names of subscribers and the number of shares each subscriber has agreed to take in the company. Under the Companies Act 2006 the objects clause and all other provisions which are currently contained in a company's memorandum, for existing companies at 1 October 2009, will be deemed to be contained in a company's articles of association but the company can remove these provisions by special resolution.

Further the Companies Act 2006 states that unless a company's articles provide otherwise, a company's objects are unrestricted. This abolishes the need for companies to have objects clauses. For this reason the Company is proposing to remove its objects clause together with all other provisions of its memorandum which, by virtue of the Companies Act 2006, are to be treated as forming part of the Company's articles of association as of 1 October 2009. Resolution 9.1 confirms the removal of these provisions for the Company. As the effect of this resolution will be to remove the statement currently in the Company's memorandum of association regarding limited liability, the New Articles also contain an express statement regarding the limited liability of the shareholders.

13 Change of name
Currently, a company can only change its name by special resolution. Under the Companies Act 2006 a company will be able to change its name by other means provided for by its articles. To take advantage of this provision, the New Articles enable the directors to pass a resolution to change the Company's name.

Explanation of AGM Business

14 Authorised share capital and unissued shares
The Companies Act 2006 abolishes the requirement for a company to have an authorised share capital and the New Articles reflect this. Directors will still be limited as to the number of shares they can at any time allot because allotment authority continues to be required under the Companies Act 2006, save in respect of employee share schemes.

15 Redeemable shares
At present if a company wishes to issue redeemable shares, it must include in its articles the terms and manner of redemption. The Companies Act 2006 enables directors to determine such matters instead provided they are so authorised by the articles. The New Articles contain such an authorisation. The Company has no current plans to issue redeemable shares but if it did so the directors would need shareholders' authority to issue new shares in the usual way.

16 Borrowing powers
The New Articles have been updated so that the accounting concepts used in limiting the borrowing powers of the Group are appropriate for the business carried out by the Group. For instance, the New Articles provide that any client money held by any member of the Group in trust for clients shall be excluded from any definition of money borrowed by the Group.

17 Authority to purchase own shares, consolidate and sub-divide shares, and reduce share capital
Under the law currently in force a company requires specific enabling provisions in its articles to purchase its own shares, to consolidate or sub-divide its shares and to reduce its share capital or other undistributable reserves as well as shareholder authority to undertake the relevant action. The Current Articles include these enabling provisions. Under the Companies Act 2006 a company will only require shareholder authority to do any of these things and it will no longer be necessary for articles to contain enabling provisions. Accordingly the relevant enabling provisions have been removed in the New Articles.

18 Provision for employees on cessation of business
The Companies Act 2006 provides that the powers of the directors of a company to make provision for a person employed or formerly employed by the company or any of its subsidiaries in connection with the cessation or transfer to any person of the whole or part of the undertaking of the company or that subsidiary, may only be exercised by the directors if they are so authorised by the company's articles or by the company in general meeting. The New Articles provide that the directors may exercise this power.

19 Use of seals
A company currently requires authority in its articles to have an official seal for use abroad. After 1 October 2009 such authority will no longer be required. Accordingly the relevant authorisation has been removed in the New Articles.

The New Articles provide an alternative option for execution of documents (other than share certificates). Under the New Articles, when the seal is affixed to a document it may be signed by one authorised person in the presence of a witness, whereas previously the requirement was for signature by either a director and the secretary or two directors or such other person or persons as the directors may approve.

20 Chairman's casting vote
The New Articles remove the provision giving the chairman a casting vote in the event of an equality of votes in a general meeting as this is no longer permitted under the Companies Act 2006.

21 President
The New Articles remove the provision giving the directors of the Company the ability to appoint a President of the Company. The Company has not, nor does it have a current intention to appoint a President.

22 Postponement of General Meetings
The New Articles remove the provisions that require the directors of the Company to advertise the date, time and place of any postponed general meeting of the Company in at least two national daily newspapers. The New Articles provide instead that the directors of the Company are required to make arrangements for notices of the change of place and/or postponement of a general meeting to appear at the original place of the general meeting.

23 General
Generally the opportunity has been taken to bring clearer language into the New Articles and in some areas to conform the language of the New Articles with that used in the model articles for public companies produced by the Department for Business, Innovation and Skills.

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 Friday 16 October 2009 at 10:00 a.m. for the following purposes:

Ordinary Business

To resolve as ordinary resolutions:

1 To receive and consider the accounts and reports of the directors and the auditors for the year ended 30 June 2009.

2 To declare a final dividend of 5.5 pence per Ordinary Share for the year ended 30 June 2009.

3 To re-elect Richard Spencer as a director.

4 To re-elect Nicholas Lawes 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 551 of the Companies Act 2006 ("the Act") to exercise all the powers of the Company to allot shares in the Company and to grant rights to subscribe for, or to convert any security into, shares in the Company ("Relevant Securities"), up to a maximum aggregate nominal amount of £33,300, 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 in each case 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 570 and 573 of the Act to allot equity securities (within the meaning of section 560(1) of the Act) for cash, pursuant to the authority conferred by Resolution 6 as if section 561(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 offer of equity securities (including, without limitation, under a rights issue, open offer or similar arrangement) in favour of holders of Ordinary Shares in the capital of the Company 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 £5,000;

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 560(2)(b) 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 701 of the Companies Act 2006 to make market purchases (within the meaning of section 693(4) of the Companies Act 2006) 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 1,000,000;

8.2 the maximum price which may be paid for each Ordinary Share shall be 5% above the average of the middle market quotations for an Ordinary Share (as derived from The Stock Exchange Daily Official List) 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.

Notice Of Annual General Meeting

Adoption of new articles of association
To resolve as a special resolution:

9 That:

9.1 the Articles of Association of the Company be amended by deleting all the provisions of the Company's Memorandum of Association which, by virtue of section 28 Companies Act 2006, are to be treated as part of the Company's Articles of Association; and

9.2 the Articles of Association produced to the meeting and initialled by the chairman of the meeting for the purpose of identification be adopted as the Articles of Association of the Company in substitution for, and to the exclusion of, the existing Articles of Association.

Amendments to share option schemes
To resolve as an ordinary resolution:

10 That:

10.1 the rules of the Brooks Macdonald Group Enterprise Management Incentive Scheme be amended by:

10.1.1 deleting the reference to "5 per cent" in Rule 4.4 and replacing it with a reference to "10 per cent"; and

10.1.2 deleting the reference to "ten per cent" in Rule 4.3 and replacing it with a reference to "fifteen per cent"; and

10.2 the rules of the Brooks Macdonald Group Save As You Earn Scheme be amended by deleting the reference to "10 per cent" in Rule 4.2 and replacing it with a reference to "15 per cent".

By order of the Board

S J JACKSON
Secretary

23 September 2009

Registered Office:
111 Park Street, London, W1K 7JL

NOTES:

Rights to appoint a proxy

1 Members of the Company are entitled to appoint a proxy to exercise all or any of their rights to attend and to speak and vote at a meeting of the Company. A proxy does not need to be a member of the Company. A member 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 that member.

2 A proxy form which may be used to make such appointment and give proxy directions accompanies this notice. If you do not receive a proxy form and believe that you should have one, or if you require additional proxy forms in order to appoint more than one proxy, please contact Capita Registrars Limited, The Registry, 34 Beckenham Road, Kent BR3 4TU

Procedure for appointing a proxy

3 To be valid, the proxy form must be received by post or (during normal business hours only) by hand at Capita Registrars Limited, The Registry, 34 Beckenham Road, Kent BR3 4TU no later than 10:00 a.m. on 14 October 2009. It should be accompanied by the power of attorney or other authority (if any) under which it is signed or a notarially certified (or certified by a solicitor with a current practising certificate) copy of such power or authority.

4 The return of a completed proxy form will not preclude a member from attending the annual general meeting and voting in person if he or she wishes to do so.

Record date

5 To be entitled to attend and vote at the annual general meeting (and for the purpose of the determination by the Company of the votes they may cast), members must be registered in the register of members of the Company at 6:00 p.m. on Wednesday 14 October 2009 (or, in the event of any adjournment, 48 hours before the time of the adjourned meeting). Changes to the register of members after the relevant deadline will be disregarded in determining the right of any person to attend and vote at the meeting.

Corporate representatives

6 Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.

Notice Of Annual General Meeting

Other rights of members

7 Any member attending the meeting has the right to ask questions. The Company must cause to be answered any such question relating to the business being dealt with at the meeting but no such answer need be given if (a) to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information, (b) the answer has already been given on a website in the form of an answer to a question, or (c) it is undesirable in the interests of the company or the good order of the meeting that the question be answered.

Documents available for inspection

8 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) and at the place of the meeting for at least 15 minutes prior to and during the annual general meeting copies of:

- the service contract of each executive director;
- the letter of appointment of each non-executive director;
- a clean copy of the proposed new articles of association of the Company, as referred to in Resolution 9 and a copy of the proposed new articles of association marked to show the proposed changes to the existing articles of association;
- the amended rules of the Brooks Macdonald Group Enterprise Management Incentive Scheme; and
- the amended rules of the Brooks Macdonald Group Save As You Earn Scheme.

FORM OF PROXY

ANNUAL GENERAL MEETING 16 OCTOBER 2009 AT 10.00 A.M. Brooks Macdonald Group plc

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 16 October 2009 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)

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

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 2009				
Resolution 2: Ordinary resolution to declare a final dividend of 5.5 pence per Ordinary Share				
Resolution 3: Ordinary resolution to re-elect Richard Spencer as a Director				
Resolution 4: Ordinary resolution to re-elect Nicholas Lawes as a Director				
Resolution 5: Ordinary resolution to re-appoint the Company's auditors and authorise the directors to determine their remuneration				
Special Business	**FOR**	**AGAINST**	**VOTE WITHHELD**	**DISCRETIONARY**
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				
Resolution 9: Special resolution to adopt the new Articles of Association of the Company in substitution for, and to the exclusion of, the existing Articles of Association				
Resolution 10: Ordinary resolution to amend the rules of the Brooks Macdonald Group Enterprise Management Incentive Scheme and the rules of the Brooks Macdonald Group Save As You Earn Scheme				

Signature: Date: / /

(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 14 October 2009, 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.

Brooks Macdonald Group plc

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

Directors and advisers

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
2 Mount Ephraim Road Tunbridge Wells TN1 1EE
10 Melville Crescent Edinburgh EH3 7LU

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
Barclays Bank plc, Cater Allen Private Bank, HSBC Bank plc, Lloyds TSB Bank plc, The Royal Bank of Scotland plc

Registrars
Capita Registrars Limited
The Registry 34 Beckenham Road Kent BR3 4TU

Nominated adviser and broker
Collins Stewart Europe Limited
88 Wood Street London EC2V 7QR

BROOKS MACDONALD GROUP PLC
111 Park Street Mayfair London W1K 7JL
T 020 7499 6424 I www.brooksmacdonald.com