BROOKS MACDONALD

Group plc

Annual Report & Accounts

for the year ended 30 June 2010

111 Park Street London W1K 7JL

Financial Highlights

+61%

Turnover has increased from £21.8 million to £35.1 million, a rise of 61%.

+57%

Discretionary Funds Under Management rose from £1.386 billion to £2.186 billion.

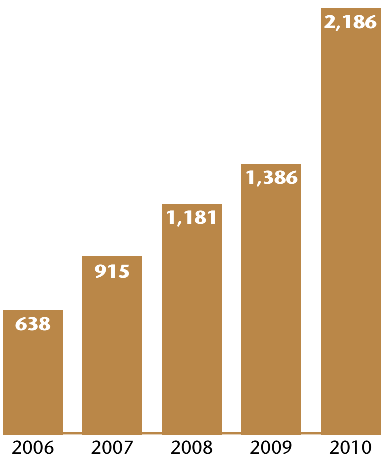
+78%

Pre-tax profit was £5.68 million compared to £3.18 million, an increase of 78%.

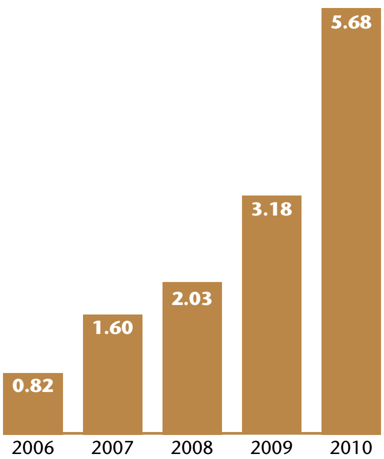
9p

The board has decided to recommend a final dividend of 6p per share making a total of 9p for the year compared with 5.5p for the previous year. This final dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial accounts.

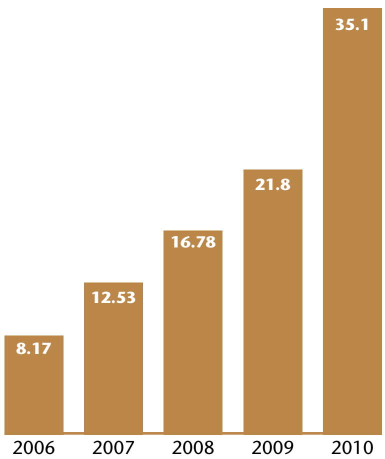
Funds under Management, £m



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 principal companies: Brooks Macdonald Asset Management Limited, a discretionary asset management business; Brooks Macdonald Financial Consulting Limited, a financial advisory and employee benefits consultancy; and Braemar Group plc, a specialist property fund and estate management company.

Brooks Macdonald Asset Management provides a bespoke, fee based, investment management service to private high net worth individuals, charities and trusts. It also provides in-house custody, nominee and dealing services and has offices in London, Hampshire, Manchester, 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 Braemar Group which was acquired after the year end is based in Hale Cheshire. It designs and manages specialist funds in the property sector and manages property assets on behalf of the funds and other clients.

The Brooks Macdonald Group has developed under stable management since formation in 1991 and, including Braemar Group, now has in excess of 200 staff throughout the UK. The group shares are listed on AIM, with management and staff retaining considerable ownership of the business.

Hampshire
The Long Barn Dean Estate Wickham Road
Fareham Hampshire PO17 5BN

Manchester
55 King Street Manchester M2 4LQ

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

Edinburgh
10 Melville Crescent Edinburgh EH3 7LU

Braemar
Richmond House Heath Road Hale Cheshire WA14 2XP

Chairman's Statement

Christopher Knight, Chairman

"The year under review was one of significant progress for Brooks Macdonald."

This has been another strong year for Brooks Macdonald, with pre-tax profit increasing by 78% to £5.7m. Earnings per share were 38.10p, an increase of 69%.

On the back of these excellent results the Board has decided to recommend a final dividend of 6p per share. This, following our maiden interim dividend in March 2010 of 3p, represents a 64% increase in total dividends over last year, when a single dividend of 5.5p was paid.

Funds under management at 30 June 2010 were £2.186bn, compared with £1.386bn a year earlier, an increase of 57%. We are delighted that FUM now exceed £2bn, a milestone which reflects the group's robust business model, consistent investment performance across all risk mandates and the continued ability to generate new business from both on-going and new relationships.

The momentum seen in the first half of the year carried through into the second half and beyond. Since the end of the financial year we have completed the acquisition of Braemar Group, a specialist manager of property funds. This acquisition was undertaken only after careful consideration of its "fit" with Brooks Macdonald in terms of company values as well as its ability to enhance shareholder value.

In April I was pleased to welcome Nicholas Holmes and Andrew Shepherd to the Board. As Joint Managing Directors of our asset management company they have played a major role in the growth of our business. Colin Harris, the former Chief Executive Officer of Newton Investment Group, was appointed a non executive director in July. I am confident that Colin's experience and expertise will be of significant value to Brooks Macdonald as we continue to expand.

Market conditions remain volatile but they have provided some 'tailwind' over the period in terms of assisting growth. However none of the progress of the group would have been possible without the hard work, dedication and professionalism of our staff.

The year under review was one of significant progress for Brooks Macdonald. Our strong balance sheet, growing brand and the strength and depth of talent throughout the group give the Board confidence that our progress will continue in the current year.

Christopher Knight
Chairman

14 September 2010

Chief Executive's Review

Chris Macdonald, Chief Executive

"I remain firmly of the view that private clients require a blend of service and investment performance in a risk controlled environment."

The group continues to have a number of growth strategies and I am pleased to report that these have enabled us to continue to grow the business at a very successful rate over the last year. Organic growth has been the major driving force, but has been combined with new office openings, strategic alliances and the acquisition of Lawrence House.

Funds under management rose from £1.386bn to £2.186bn over the period representing an increase of 57%. Whilst markets remained volatile they were supportive, with the APCIMS Balanced index rising 12.66% and the less relevant FTSE100 rising 6.7% over the same period.

We continue to work closely with high quality IFAs and professional introducers alike. This continues to account for a major part of the group's growth and in the period under review over 80% of our new business came from these sources. I would like to take this opportunity to thank all our professional connections for their continued support.

Our principal offering to clients is based around providing high quality fee based private client discretionary fund management. This service is divided into the management of Private Portfolios, Self Invested Personal Pensions ('SIPP'), Charities and Trusts, and our Managed Portfolio Service ('MPS'). In addition we have a bespoke financial consulting practice. I am pleased to report that in all areas we have seen growth.

The group has continued to make significant strides in the SIPP market, which now accounts for 42% of funds under management. Our MPS service, aimed at clients with portfolios of between £20,000 and £150,000, has seen considerable growth in the number of SIPP accounts but also noticeably from ISA amalgamations. This represents around 7% of FUM and continues to be a driver of profit and turnover growth. Our pipeline for new business remains robust for all our discretionary investment management services.

In London we have seen continued growth in the fund management teams, our operations department, central functions and financial consulting. This remains our largest office and further space has been secured to allow continued growth. Outside of London, we have relocated our Hampshire office to larger premises reflecting its considerable success, and Manchester, Tunbridge Wells and our newest office in Edinburgh have all grown ahead of forecasts over the last year. We will continue to look at regional opportunities over the coming year.

The Retail Distribution Review ('RDR') is scheduled for January 2013 and it will change the distribution models of most firms

Chief Executive's Review

in financial services. We are highly supportive of the proposed changes and see RDR as a considerable opportunity for the group over the next two years and beyond.

In July 2010 we completed the acquisition of the Braemar Group. Part of our growth strategy has been to look at niche funds and to make acquisitions where we can see strong medium term value. Braemar very much fitted these objectives. It manages over £500m of property and has £45m in specialist funds. Whilst still early days in terms of integration, I am pleased to report initial progress has been strong. I do not believe that in the first year the acquisition will be earnings enhancing due to the system development and new recruitment that will take place, but over the medium term (2011 onwards) I am confident that this will be a valuable addition to the group.

I remain firmly of the view that private clients require a blend of service and investment performance in a risk controlled environment. We continue to invest in the investment management process to expand our research and performance capabilities as well as investing in the development of our systems to enhance the offering to our clients.

Over the year a number of landmarks were achieved. We passed through £2bn of funds under management, we announced further significant 'hires', added further strategic partners and were awarded the accolade of being one of the Best Companies in the UK to work for according to the Sunday Times. The latter was especially pleasing as it is a strong reflection of the ethos and culture of the group. During the year the company decided to establish the Brooks Macdonald Employee Benefit Trust to motivate and retain our employees, all of whom are potential beneficiaries of the Trust.

I wish to end this report by thanking all members of staff. Total staff numbers have increased from 140 to 168 over the financial year, and now amount to over 200, and it remains a privilege to work alongside such a talented group of individuals. With growth being generated from a number of sources, an exceptional team and a robust balance sheet we continue to look forward with confidence.

Chris Macdonald
Chief Executive

14 September 2010

"With growth being generated from a number of sources, an exceptional team and a robust balance sheet we continue to look forward with confidence."

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 and risk 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 Hampshire, 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 2010.

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 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 risk is contained in note 24 to the consolidated financial statements on pages 36 to 38.

Results and dividends

The profit before taxation for the year was £5,682,463 (2009: £3,185,423) and the profit for the year after taxation was £3,856,821 (2009: £2,254,565).

The company paid a final dividend and an interim dividend during the year of 5.5p and 3p respectively (2009: final dividend only 3.5p) amounting in total to £857,020 (2009: £349,477) - see note 9 on page 28.

The directors recommend a final dividend of 6p per share (2009: 5.5p). This results in total dividends of 9.0p (2009: 5.5p) per ordinary share for the year. These dividends amount to £920,837 (2009: £550,893).

It is proposed that the retained profit of £3,220,176 (2009: £1,924,136) 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 2010*	At 30 June 2009*
C J Knight	71,585	71,585
C A J Macdonald	1,003,308	1,028,308
J M Gumpel	790,379	815,379
N I Holmes (appointed 12 April 2010)	41,002	41,002
S J Jackson	50,862	43,462
N H Lawes	32,262	32,262
A W Shepherd (appointed 12 April 2010)	29,262	29,262
R H Spencer	954,058	984,058
C R Harris (appointed 14 July 2010)	-	-
S P Wombwell	88,204	88,204

*or date of appointment if later

Details of share options held by the directors at the beginning and the end of the year can be found within the report on directors' remuneration on pages 10 to 12.

Retirement and re-appointment of directors

C R Harris, N I Holmes and A W Shepherd have all been appointed as additional directors since the last Annual General Meeting and accordingly the Company's articles of association require them to retire from office at this Annual General Meeting and offer themselves for re-election.

C J Knight, C A J Macdonald and S P Wombwell will retire by rotation at the Annual General Meeting and being eligible will offer themselves for re-election.

Report of the Directors

Substantial shareholdings

Substantial interests in the company's shares as at 1 September 2010 have been advised to the company as follows:

	Number	Percentage holding
C A J Macdonald	1,003,308	9.62%
R H Spencer	984,058	9.44%
J M Gumpel	790,379	7.58%
Hargreave Hale & Co	715,641	6.86%
Liontrust Asset Management	663,534	6.36%
Jamiro Properties Inc.	659,537	6.32%
Legal & General Investment Management Limited	439,500	4.22%
Brewin Dolphin Securities	426,649	4.09%
Artemis Investment Management Limited	423,997	4.07%
Octopus Investments Limited	341,530	3.28%
Montanaro Fund Managers Limited	328,774	3.15%
A W Butt	326,862	3.14%

Political and charitable donations

No contributions were made for political purposes during the year (2009: nil).

During the year the group formed the Brooks Macdonald Foundation, which is administered by the Charities Aid Foundation. The group made an initial contribution of £10,000 (2009: nil) and staff will be encouraged to donate to charity in a tax efficient manner through the Give As You Earn payroll giving scheme.

The objective of the Foundation is to make charitable donations and review community activities, as suggested by employees, and to support employee's participation in a wide range of activities involving both local and international charities.

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 30 days (2009: 31 days).

Events since the end of the year

Details of events after the statement of financial position date are set out in note 28 to the financial statements on page 39.

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.

Annual General Meeting

The 2010 Annual General Meeting will be held on Tuesday 19 October 2010 at 9:30am at 111 Park Street London W1K 7JL. The notice of the meeting is on pages 45 to 50 with details of the resolutions proposed and explanatory notes.

By Order of the Board

S J JACKSON
Director
14 September 2010

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.

Directors' Remuneration Report

for the year ended 30 June 2010

The board presents the remuneration report for the year ended 30 June 2010 setting out the remuneration policy and related matters.

Remuneration committee

During the year the remuneration committee comprised S P Wombwell (Chairman) and C J Knight and met three times during the year under review. The committee is primarily responsible for the following:

- the review and approval of the groups remuneration policy
- the design and review of performance targets and conditions that are attached to performance-related remuneration schemes

C R Harris was appointed to the committee on 14 September 2010

Directors' remuneration

	Salary or fee	Profit related bonus	Benefits	2010 Total	2009 Total	2010 Pension contributions	2009 Pension contributions
Chairman							
C J Knight	31,100	-	-	31,100	30,176	-	-
Executive							
C A J Macdonald	203,775	390,000	2,158	595,933	455,510	30,566	30,566
J M Gumpel	151,000	175,000	2,158	328,158	262,735	22,650	22,650
N I Holmes[1]	30,301	135,000	794	166,095	-	4,200	-
S J Jackson	151,000	240,000	2,899	393,899	282,957	22,650	22,650
N H Lawes	151,000	140,000	4,089	295,098	244,696	22,650	22,650
A W Shepherd[1]	30,301	135,000	-	165,301	-	4,200	-
R H Spencer	151,000	220,000	2,158	373,158	282,735	29,982	22,650
Non-executive							
S P Wombwell	21,600		-	21,600	20,900	-	-

Equity incentives

All directors are entitled to take part in HM Revenue & Customs approved Brooks Macdonald Group Sharesave Scheme on the same terms as all other employees. An option grant was made on 1 June 2008 and the details of the grants to directors are shown below:

Sharesave Scheme

	At 30 June 2009[2]	Awarded in the year	Exercised in the year	At 30 June 2010	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
N I Holmes	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
A W Shepherd	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

[1] Appointed 12 April 2010 [2] Or date of appointment

The Brooks Macdonald Group Enterprise Management Incentive Scheme (EMI) was adopted by the shareholders of the company on 11 February 2005.

Options granted can be exercised if there has been an increase in the diluted earnings per share of the company of at least 2% per annum more than the increase in the Retail Price Index over the period of three financial years starting with the financial year in which the date of grant falls and ending with the financial year in which the third anniversary of the date of grant falls.

Options may not normally be exercised before the third anniversary of the date of the grant and expire on the tenth anniversary of the grant.

The details of the grants to directors are shown below:

Enterprise Management Incentive Scheme

	At 30 June 2009[3]	Awarded in the year	Exercised in the year	At 30 June 2010	Exercise price	Earliest exercise date	Expiry date
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
N I Holmes	22,000	-	(22,000)	-	140p	11.03.08	11.03.15
	15,000			15,000	155p	01.11.08	01.11.15
	9,000	-	-	9,000	215p	18.10.09	17.10.16
	6,000	-	-	6,000	290.5p	17.10.10	31.10.17
S J Jackson	29,500	-	(7,400)	22,100	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	-	(10,000)	4,000	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
A W Shepherd	14,000	-	-	14,000	140p	11.03.08	11.03.15
	14,000			14,000	155p	01.11.08	01.11.15
	9,000	-	-	9,000	215p	18.10.09	17.10.16
	6,000	-	-	6,000	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

[3] Or date of appointment

Directors' Remuneration Report

for the year ended 30 June 2010

The Brooks Macdonald Group Phantom Share Scheme was adopted by the board on 15 October 2008 with the intention of creating an incentive plan for senior key directors and employees of the group

The scheme is a cash scheme based on the increase in the ordinary share price of the company. The award can be exercised if there has been compound annual growth of at least 20% in earnings per share of the company over the three year performance period from 1 July 2008 to 30 June 2011.

The details of the grants to directors are shown below:

Phantom Share Scheme	At 30 June 2009[4]	Awarded in the year	Exercised in the year	At 30 June 2010	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
N I Holmes	50,000	-	-	50,000	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
A W Shepherd	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 R Harris, C J Knight and S P Wombwell held no EMI share options or phantom awards at either the beginning or the end of the year or at the date of their appointment.

The average share price during the year was 538 pence. Details of the share option schemes are provided in note 15 and note 19 (b) to the financial statements. The market price at the end of the year was 780 pence and the highest and lowest price during the year was 780 pence and 292 pence respectively.

[4] Or date of appointment

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 2010 which comprise the consolidated statement of comprehensive income, consolidated income statement, consolidated statement of financial position, 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 Chapter 3 of Part 16 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 9, 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 2010 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.

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 2010.

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

150 Aldersgate Street
London
EC1A 4AB
14 September 2010

Consolidated Income Statement

for the year ended 30 June 2010

	Note	2010 £	2009 £
Revenue	3	35,108,634	21,752,209
Administrative costs		(29,500,860)	(18,765,646)
Operating profit	4	5,607,774	2,986,563
Finance income	6	105,676	198,860
Finance cost	6	(30,987)	-
Profit before taxation		5,682,463	3,185,423
Taxation	7	(1,825,642)	(930,858)
Profit for the year		**3,856,821**	**2,254,565**
Earnings per share			
Basic	21	38.10p	22.56p
Diluted	21	36.31p	22.26p

The group had no other comprehensive income in either period.

Consolidated Statement of Financial Position

as at 30 June 2010

	Note	2010 £	2009 (re-stated[5]) £	2008 (re-stated[5]) £
Assets				
Non-current assets				
Property, plant and equipment	10	2,042,002	1,471,160	876,941
Available for sale	11	194,177	-	-
Intangible assets	12	1,892,145	406,849	605,271
Deferred tax assets	13	1,261,307	144,784	20,980
Total non-current assets		**5,389,631**	**2,022,793**	**1,503,192**
Current assets				
Trade and other receivables	14	3,793,191	3,507,191	2,840,270
Cash and cash equivalents		14,374,719	8,347,287	5,923,712
Total current assets		**18,167,910**	**11,854,478**	**8,763,982**
Total assets		23,557,541	13,877,271	10,267,174
Current liabilities				
Trade and other payables		(8,692,726)	(4,828,172)	(4,037,849)
Current tax liabilities		(1,313,120)	(767,326)	(310,482)
Provisions	16	(377,110)	(188,710)	(53,607)
Total current liabilities	**15**	**(10,382,956)**	**(5,784,208)**	**(4,401,938)**
Non-current liabilities				
Other non-current liabilities	17	(764,517)	(14,063)	(20,313)
Total non-current liabilities		**(764,517)**	**(14,063)**	**(20,313)**
Net assets		**12,410,068**	**8,079,000**	**5,844,923**
Financed by:				
Equity				
Share capital	19	102,451	100,162	99,850
Share premium account	20	2,012,427	1,621,303	1,571,031
Other reserves		1,790,739	1,073,260	813,903
Retained earnings		8,504,451	5,284,275	3,360,139
Total equity		**12,410,068**	**8,079,000**	**5,844,923**

Approved and authorised for issue by the Board of directors on 14 September 2010

C A J Macdonald
Chief Executive

S J Jackson
Finance Director

[5] See note on page 18

Consolidated Statement of Cash Flows

for the year ended 30 June 2010

	Note	2010 £	2009 £
Cash inflow from operating activities			
Cash generated from operations	18	10,432,064	3,918,440
Taxation paid		(1,709,681)	(509,035)
Net cash generated from operating activities		**8,722,383**	**3,409,405**
Cash flow from investing activities			
Purchase of property, plant and equipment		(1,053,043)	(923,814)
Purchase of intangible assets		(210,629)	(20,907)
Acquisition of subsidiary company, net of cash acquired	18	(848,184)	-
Interest received	6	105,676	198,860
Purchase of Gilt		-	(738,393)
Other interest	6	(30,987)	-
Purchase of available for sale asset		(194,177)	-
Sale of Gilt		-	797,317
Net cash used in investing activities		**(2,231,344)**	**(686,937)**
Cash flows from financing activities			
Proceeds of issue of shares		393,413	50,584
Dividend paid to shareholders		(857,020)	(349,477)
Net cash used in financial activities		(463,607)	(298,893)
Net increase in cash and cash equivalents		6,027,432	2,423,575
Cash and cash equivalents at start of year		8,347,287	5,923,712
Cash and cash equivalents at end of year		**14,374,719**	**8,347,287**

Consolidated statement of changes in equity

for the year ended 30 June 2010

	Share capital £	Share premium account £	Share option reserve £	Merger reserve £	Available for sale reserve £	Retained earnings £	Total £
At 1 July 2008	99,850	1,571,031	622,362	191,541	-	3,360,139	5,844,923
Comprehensive income							
Profit for the year	-	-	-	-	-	2,254,565	2,254,565
Other comprehensive income	-	-	-	-	-	-	-
Fair value gain on available for sale asset	-	-	-	-	66,582	-	66,582
Fair value gain on available for sale asset transfer	-	-	-	-	(66,582)	-	(66,582)
Transfer	-	-	(19,048)	-	-	19,048	-
Total comprehensive income	-	-	(19,048)	-	-	2,273,613	2,254,565
Transactions with owners							
Issue of shares for cash	312	50,272	-	-	-	-	50,584
Share options	-	-	189,622	-	-	-	189,622
Share options deferred taxation	-	-	88,783	-	-	-	88,783
Dividends paid	-	-	-	-	-	(349,477)	(349,477)
At 30 June 2009	100,162	1,621,303	881,719	191,541	-	5,284,275	8,079,000
Comprehensive income							
Profit for the year	-	-	-	-	-	3,856,821	3,856,821
Other comprehensive income							
Share options transfer	-	-	(220,375)	-	-	220,375	-
Total comprehensive income	-	-	(220,375)	-	-	4,077,196	3,856,821
Transactions with owners							
Issue of shares for cash	2,289	391,124	-	-	-	-	393,413
Share options	-	-	251,164	-	-	-	251,164
Deferred tax -share options	-	-	686,690	-	-	-	686,690
Dividends paid	-	-	-	-	-	(857,020)	(857,020)
At 30 June 2010	**102,451**	**2,012,427**	**1,599,198**	**191,541**	-	**8,504,451**	**12,410,068**

Notes to the Financial Consolidated Statements

General information

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

Restatement of financial position as at 30 June 2009 and 30 June 2008

In respect of provision for client compensation payments, at 30 June 2009 and 30 June 2008, these were classified as non-current provisions and have now been classified as current provisions and the balance sheets have therefore been restated.

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, except for the measurement of certain financial assets that are held at fair value, 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 2009.

In the current year the following new and revised standards have been adopted and have affected the amounts reported in these financial statements:

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.

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.

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 required greater disclosure about certain types of financial instruments and their fair value measurement and liquidity risk.

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

(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. Although relevant, they are not expected to have a material impact on the group's results, financial position and disclosures unless otherwise noted.

IFRS 2-Group Cash-settled Share based Payment Arrangements effective for accounting periods on or after 1 February 2010. Existing IFRS 2 has been amended to clarify the accounting for group cash-settled share based payment transactions.

Notes to the Financial Consolidated Statements

1. Principal accounting policies - continued

IFRIC 19-Extinguishing Financial Liabilities with Equity Instruments effective for accounting periods on or after 1 July 2010. IFIRC clarifies that equity instruments issued to a creditor to extinguish a financial liability are consideration paid in accordance with paragraph 41 of IAS 39 Financial Instruments: Recognition and Measurement.

There are number of other standards and interpretations, and revisions to existing standards and interpretations, 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 financial information requires the use of assumptions, estimates and judgements about future conditions. Use of available information and application of judgement are inherent in the formation of estimates. Actual results in the future may differ from those reported. In this regard, management believes that the accounting policies where judgement is necessarily applied are those that relate to; the measurement of indefinite life intangible assets, deferred consideration and trade receivables.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision only affects both current and future periods.

Further information about key assumptions the future and key sources of estimation uncertainty are set out below:

Business combinations

As described in note 8, the group has deferred consideration in respect of the acquisition of Lawrence House Fund Managers Limited which has been calculated as £725,719 allowing for an estimated growth in acquired funds discounted by the cost of capital. The group does not consider that the potential changes to these assumptions would result in the deferred consideration being materially different.

Share based payments

The group engages in share-based payments in respect of services received from certain employees. Estimating fair value for these payments requires determining the most appropriate valuation model and the inputs to that model. The assumptions and models used for estimating fair value are disclosed in notes 15 and 19.

Intangibles

The group has acquired client relationships and new teams of fund managers as described in note 12 and in assessing the fair value of those assets the group has estimated the finite life based on the experience of existing client relationships.

(d) Business combinations

Basis of consolidation

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.

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the fair value of the aggregate amount of the consideration transferred, at the acquisition date irrespective of the extent of any minority interest. Acquisition costs incurred are charged to the income statement.

When the group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. If the business combination is acquired in stages, the fair value of the groups' previously held equity interest is re-measured as at the acquisition date and the difference is charged or credited to the income statement.

Notes to the Financial Consolidated Statements

1. Principal accounting policies - continued

Any contingent consideration to be transferred by the group will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with IAS 39 either in the income statement or as a change to other comprehensive income.

Goodwill is initially measured at cost being the excess of the consideration transferred over the group's net identifiable assets acquired and liabilities assumed. If the consideration is lower than fair value of the net assets of the subsidiary acquired, the difference is recognised in income statement.

Impairment
After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the group's cash generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquisition are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash generating unit retained.

(e) Fees, commissions and interest
Portfolio and other management advisory and custody services are billed in arrears and are recognised over the period the service is provided. These fees are calculated on the basis of a percentage of the value of the portfolio over the period the service is provided. Dealing charges are levied at the time the deal is placed for the client.

Financial consulting fees are charged to clients on an hourly fee rate or by a fixed fee arrangement and are recognised over the period the service is provided. Commissions receivable and payable are accounted for in the period which they are earned.

Interest 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 income statement.

Notes to the Financial Consolidated Statements

1. Principal accounting policies - continued

(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.

(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

All property plant and equipment is included in the balance sheet at historical cost less accumulated depreciation and any provisions for impairment.

Provision is made for depreciation rates calculated to write off the cost or valuation, less estimated residual value, of each asset over its expected useful life, using a straight line method as follows:

Fixtures and fittings	15% per annum
Equipment	20% per annum
Leasehold improvements	over the term of the lease

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) Available for sale

Available for sale financial assets are carried at fair value and their value is based on the current bid prices of the asset as quoted in active markets.

(l) Intangible assets

Intangible assets are client relationships that are recognised when acquired by the group as part of a business combination or when separate payments are made to acquire funds under management by adding teams of investment managers. Client relationships are initially recognised at cost and are subsequently measured at cost less accumulated amortisation and any impairment losses. If acquired as part of a business combination the initial cost of client relationships is the fair value at the acquisition date.

The amortisation of client relationships is charged to the income statement on a straight line basis over their estimated useful lives (five to fifteen years).

(m) Financial assets

The group classifies financial assets as loans and receivables, they are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market.

(n) 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.

Notes to the Financial Consolidated Statements

1. Principal accounting policies - continued

(o) Foreign currency translation

The company's functional and the group's 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.

(p) Retirement benefit costs

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

(q) 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.

(r) 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.

(s) Operating lease payments

Rents due under operating leases are charged to income statement on a straight line basis over the term of the lease. Where leases which have lease incentives, such as rent- free periods, the benefit of these incentives is recognised over the lease term.

(t) Goodwill

Goodwill on acquisition is initially measured at cost, being the excess of the cost of the business combination over the group's interest in the net fair value of the separately identifiable assets, liabilities and contingent liabilities of a subsidiary or associate at date of acquisition. In accordance with IFRS 3 Business combinations, goodwill is not amortised but reviewed annually for impairment and as such, is stated at cost less any provision for impairment of value. Any impairment is recognised immediately in the income statement and not subsequently reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. On acquisition, any goodwill acquired is allocated to cash generating units for the purpose of impairment testing. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Notes to the Financial Consolidated Statements

2. Segmental information

For management purposes, 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 2010	Investment management £	Financial consulting £	Total £
Total revenues	34,556,615	2,738,212	37,294,827
Inter company revenues	(1,632,254)	(553,939)	(2,186,193)
External revenues	32,924,361	2,184,273	35,108,634
Segmental result	7,813,507	43,683	7,857,190
Unallocated items			(2,174,727)
Profit before tax			5,682,463
Taxation			(1,825,642)
Profit for the year			**3,856,821**
At 30 June 2010			
Segment assets	7,102,048	3,169,784	10,271,832
Unallocated assets			13,285,709
Total assets			**23,557,541**
Segment liabilities	6,776,649	1,457,009	8,233,658
Unallocated liabilities			2,913,815
Total liabilities			**11,147,473**
Capital expenditure	-	1,053,043	1,053,043
Depreciation	-	482,201	482,201
Provisions charged	344,433	48,000	392,433
Provisions utilised	200,433	3,600	204,033

Notes to the Financial Consolidated Statements

2. Segmental information - continued

Year ended 30 June 2009	Investment management £	Financial consulting £	Total £
Total revenues	20,604,186	2,467,083	23,071,269
Inter 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

3. Revenue

	2010 £	2009 £
Fee income	31,496,042	20,512,693
Financial services commissions	3,431,070	1,158,360
Other income	181,522	81,156
	35,108,634	**21,752,209**

Notes to the Financial Consolidated Statements

4. Operating profit

	2010 £	2009 £
This is stated after charging/(crediting):		
Rent receivable	-	(19,733)
Staff costs (see note 5)	13,307,222	9,124,199
Auditors' remuneration (see below)	84,872	96,523
Depreciation	482,201	329,595
Operating leases – buildings	530,985	397,020
Other staff costs	619,424	527,938
Property costs	419,896	262,545
Amortisation	310,695	219,329
Computer costs	451,699	332,341
Cost of share options	1,506,900	378,600
Dealing charges	3,287,405	1,995,037
(Profit) on disposal of investment securities	-	(58,924)
(Profit) on foreign exchange	-	(1,859)

	2010 £	2009 £
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	67,391	58,903
- other services pursuant to legislation	6,059	6,255
- services relating to corporate finance transactions	10,422	30,365
	84,872	96,523

5. Employee information

(a) Staff costs

	2010 £	2009 £
Wages and salaries	11,738,119	7,957,195
Social security costs	1,287,408	933,041
Pension costs	281,695	233,963
	13,307,222	**9,124,199**

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

Notes to the Financial Consolidated Statements

5. Employee information - continued

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

	2010	2009
Professional staff	63	53
Support staff	88	70
	151	**123**

(c) Directors' emoluments

Key management personnel are considered to comprise the company directors.

	2010 £	2009 £
Salaries	2,303,377	1,517,775
Non executive directors' fees	52,700	51,075
Pension contributions – defined contribution retirement scheme	136,898	121,166
Benefits in kind	14,256	10,858
Share based payments	388,504	92,143
	2,895,735	**1,793,017**

Highest paid director		
Remuneration and benefits in kind	595,933	455,510
Pension contribution to defined contribution retirement scheme	30,566	30,566
	626,499	**486,076**

Retirement benefits are accruing to seven directors (2009: five) under a defined contribution retirement scheme.

6. Finance income

	2010 £	2009 £
Bank interest	104,306	193,314
Other interest	1,370	5,546
	105,676	**198,860**

Finance expense	2010 £	2009 £
Other interest	30,987	-
	30,987	-

Notes to the Financial Consolidated Statements

7. Taxation

	2010 £	2009 £
The tax charge on the profit on ordinary activities for the year was as follows:		
UK corporation tax @ 28% (2009: 29.5%)	2,152,642	961,120
Under provision/ (overprovision) in prior years	66,964	(40,074)
Deferred taxation	(393,964)	9,812
	1,825,642	**930,858**
Factors affecting the charge for the year		
Profit on ordinary activities before tax	5,682,463	3,185,423
Profit on ordinary activities multiplied by the standard rate of tax in the UK of 28% (2009: 29.5%)	1,591,089	891,918
Disallowable expenses	989,665	198,345
Excess of capital allowances over depreciation and timing differences	(173,996)	(119,352)
Under/ (overprovision) in prior years	66,964	(40,074)
Share options exercised - tax relief	(254,116)	(9,791)
Deferred taxation (credit) / charge (see note below)	(393,964)	9,812
Actual tax charge	**1,825,642**	**930,858**

The deferred taxation credit of £393,964 (2009: charge of £9,812) represents a credit £429,833 (2009: credit of £35,021) arising out of the share option reserve at the balance sheet date and a charge of £35,869 (2009: £44,833) relating to accelerated capital allowances.

8. Business combinations

On 4 September 2009, the group acquired the entire share capital Lawrence House Fund Managers Limited (LHFM) for a total consideration of £1,798,684. LHFM managed three sub-funds through an open ended investment company (OEIC) together with a number of private client portfolios .The acquisition has enabled the group to increase its funds under management and also expand its current OEIC offering, together with acquiring additional skill sets in this sector. On 9 September 2009 LHFM changed its name to Brooks Macdonald Asset Management (Tunbridge Wells) Limited (BMTW), the clients were transferred to Brooks Macdonald Asset Management Limited, and the company ceased to trade.

The consideration for LHFM was by way of cash based on the value of the client relationships and the distributable reserves at the date of the acquisition. The intangible assets represent the value of the client relationships which are being amortised over a period of 15 years.

An initial amount of consideration of £1,072,965 was paid with the contingent deferred balance of £756,706 due on 4 September 2011 based on an estimate of the future value of the original funds acquired. This estimate has been made allowing for a growth in the value of the funds less an allowance for withdrawals.

The net present value of the contingent deferred balance of £725,719 was calculated by applying a cost of capital of 5%and the charge of £30,987 in respect of the year to 30 June 2010 has been made to the consolidated income statement and shown as other interest expense.

Notes to the Financial Consolidated Statements

8. Business combinations - continued

The fair value of receivables was equal to the gross contractual amount and are all considered fully recoverable. The fair value of the net assets at the acquisition date was as follows:

	Fair value £
Intangible assets	1,585,362
Cash and cash equivalents	224,781
Other current assets	22,179
Current liabilities	(33,638)
Net identifiable assets acquired	1,798,684
Consideration - cash	(1,072,965)
Consideration - deferred	(725,719)
	-

The current assets represent corporation tax recoverable and prepayments all of which are considered to be recoverable and the current liabilities including deferred tax, VAT and accruals all of which have been settled after the acquisition date.

The revenue of LHFM since the acquisition date was £578,298 and the company contributed a profit of £250,059 in the period. On a full year basis the revenue and contribution would have been £691,241 and £233,326 respectively.

9. Dividends

	2010 £	2009 £
Paid final dividend of 5.5p (2009: 3.5p)	550,893	349,477
Paid interim dividend of 3.0p (2009: nil)	306,127	-
	857,020	349,477
Proposed final dividend of 6.0p (2009: 5.5p)	**614,710**	**550,893**

The final dividend is payable on 25 October 2010 to shareholders on the register at the close of business on 24 September subject to approval by the shareholders at the Annual General Meeting.

Notes to the Financial Consolidated Statements

10. Property, plant and equipment

	Fixtures and fittings £	Equipment and leasehold improvements £	Total £
Cost			
At 1 July 2009	281,661	2,475,448	2,757,109
Additions	330,785	722,258	1,053,043
At 30 June 2010	**612,446**	**3,197,706**	**3,810,152**
Depreciation			
At 1 July 2009	131,603	1,154,346	1,285,949
Charge for the year	65,579	416,622	482,201
At 30 June 2010	**197,182**	**1,570,968**	**1,768,150**
Net book value			
At 30 June 2009	150,058	1,321,102	1,471,160
At 30 June 2010	**415,264**	**1,626,738**	**2,042,002**

	Fixtures and fittings £	Equipment and leasehold improvements £	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**

11. Available for sale

	2010 £	2009 £
At 1 July 2009	-	-
Additions	194,177	-
30 June 2010	**194,177**	-

The available for sale asset represents the purchase of 8,544,638 shares in Braemar Group plc, an AIM listed company. The market value at the balance sheet date was the same price as at the acquisition date of the shares. Since the year end the company acquired 100% of the issued share capital of Braemar Group plc as detailed in note 28 to the financial statements.

Notes to the Financial Consolidated Statements

12. Intangible assets

Intangible assets relate to deferred payments in respect of the acquisition of new teams of fund managers and the acquisition of client relationships.

	Acquired client relationships £	Acquisition of new teams of fund managers £	Total £
Cost			
At 1 July 2009	-	1,285,330	1,285,330
Additions	1,585,362	210,629	1,795,991
At 30 June 2010	**1,585,362**	**1,495,959**	**3,081,321**
Depreciation			
At 1 July 2009	-	878,481	878,481
Charge for the year	88,592	222,103	310,695
At 30 June 2010	**88,592**	**1,100,584**	**1,189,176**
Net book value			
At 30 June 2009	-	406,849	406,849
At 30 June 2010	**1,496,770**	**395,375**	**1,892,145**

	Acquired client relationships £	Acquisition of new teams of fund managers £	Total £
Cost			
At 1 July 2008	-	1,264,423	1,264,423
Additions	-	20,907	20,907
At 30 June 2009	-	**1,285,330**	**1,285,330**
Depreciation			
At 1 July 2008	-	659,152	659,152
Charge for the year	-	219,329	219,329
At 30 June 2009	-	**878,481**	**878,481**
Net book value			
At 30 June 2008	-	605,271	605,271
At 30 June 2009	-	**406,849**	**406,849**

Notes to the Financial Consolidated Statements

13. Deferred tax asset

	2010 £	2009 (re-stated) £	2008 (re-stated) £
At 1 July 2009	144,784	20,980	162,093
Amounts credited/ (charged) to the income statement	429,833	35,021	(168,184)
Share based payments	686,690	88,783	27,071
At 30 June 2010	**1,261,307**	**144,784**	**20,980**

14. Trade and other receivables

	2010 £	2009 (re-stated) £	2008 (re-stated) £
Trade receivables	706,427	701,945	769,624
Other receivables	302,770	167,900	87,253
Prepayments	2,783,994	2,637,346	1,983,393
	3,793,191	**3,507,191**	**2,840,270**

15. Current liabilities

	2010 £	2009 (re-stated) £	2008 (re-stated) £
Trade payables	1,878,841	1,409,014	1,077,201
Corporation tax liabilities	1,313,120	767,326	310,482
Other taxes and social security	945,081	823,600	763,021
Other payables	493,027	257,832	384,213
Accruals and deferred income	5,375,777	2,337,726	1,813,414
Provisions (note 16)	377,110	188,710	53,607
At 30 June 2010	**10,382,956**	**5,784,208**	**4,401,938**

Included in accruals and deferred income is an accrual of £1,444,996 (2009: £188,978) in respect of two phantom share option schemes, which were approved by the group's directors in October 2009 and October 2008.

The schemes are cash settled plans and the payments made to participants in respect of awards are in the form of cash. The phantom schemes are 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. The charge for the year in respect of both of the phantom schemes was £1,256,018 (2009: £188,978)

Notes to the Financial Consolidated Statements

15. 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 19. The number of options at the balance sheet is stated below:

Phantom Scheme	2010 Number of options	2010 Weighted average base price £	2009 Number of options	2009 Weighted average base price £
At 1 July 2009	469,000	2.185	-	-
Granted in the year	55,000	4.255	474,000	2.185
Forfeited in the year	(7,500)	2.461	(5,000)	2.185
At 30 June 2010	**516,500**	**2.40**	**469,000**	**2.185**

16. Provisions

	2010 £	2009 (re-stated) £	2008 (re-stated) £
At 1 July 2009	188,710	53,607	204,990
Charged to income statement	392,433	286,191	32,607
Paid during the year	(204,033)	(151,088)	(183,990)
At 30 June 2010	**377,110**	**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 (2009: eight months) from the date of notification of the complaint.

17. Other non-current liabilities

	2010 £	2009 (re-stated) £	2008 (re-stated) £
Other payables	7,811	14,063	20,313
Deferred consideration	756,706	-	-
	764,517	**14,063**	**20,313**

Deferred contingent consideration relates to the funds acquired by Brooks Macdonald Asset Management Limited from Lawrence House Fund Managers Limited (now called Brooks Macdonald Asset Management (Tunbridge Wells) Limited). The final amount payable is dependent on the value of the funds acquired after 24 months from the date of acquisition, 4 September 2009.

Notes to the Financial Consolidated Statements

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

	2010 £	2009 £
Operating profit	5,607,774	2,986,563
Depreciation	482,201	329,595
Amortisation of intangible assets	310,695	219,329
Profit on disposal of Gilt	-	(58,924)
Increase in debtors	(263,821)	(666,921)
Increase in creditors	3,830,916	790,323
Increase in provisions	188,400	135,103
Increase/(decrease) in non-current liabilities	24,735	(6,250)
Share based payments	251,164	189,622
Net inflow	**10,432,064**	**3,918,440**

During the year the group obtained control of Lawrence House Fund Managers Limited, as detailed above in note 8. The fair values of the assets acquired and liabilities assumed were as follows:

Intangibles	1,585,362
Cash	224,781
Other current assets	22,179
Current liabilities	(33,638)
Total purchase price paid	1,798,684
Less: deferred consideration	(725,719)
Cash paid	1,072,965
Less: cash of subsidiary acquired	(224,781)
Cash paid to obtain control net of cash acquired	**(848,184)**

Notes to the Financial Consolidated Statements

19. Share capital

(a) Called up share capital

	Authorised 2010 £	Authorised 2009 £
20,000,000 ordinary shares of 1p each	200,000	200,000

	Issued 2010 £	Issued 2009 £
10,016,241 (2009: 9,985,062) ordinary shares of 1p each	100,162	99,850
228,930 (2009: 31,179) shares issued re exercise of options	2,289	312
10,245,171 (2009: 10,016,241) ordinary shares of 1p each	**102,451**	**100,162**

During the year 228,930 ordinary shares of 1p each were issued: 31,438 shares and 10,092 shares related to the Sharesave Scheme which were issued at a value of 220p and 176p per share respectively and 100,400, 35,500 and 51,500 shares related to the exercise of Enterprise Management Incentive Scheme options at values of 140p, 155.5p and 215p respectively.

(b) Share option schemes- equity based

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. Under the schemes certain employees hold options to subscribe for shares in the company at prices ranging from 140p to 578p. The 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 and are subject to performance conditions being met by the company. The company has no legal or constructive obligation to repurchase or settle the options in cash.

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.

Notes to the Financial Consolidated Statements

19. Share capital - continued

Enterprise Management Incentive Scheme	2010 Number of options	2010 Weighted average exercise price £	2009 Number of options	2009 Weighted average exercise price £
At 1 July 2009	624,500	2.01	654,000	2.01
Granted in the year	-		-	-
Forfeited in the year	(8,500)	2.20	(15,000)	2.52
Exercised in the year	(187,400)	1.635	(14,500)	1.46
At 30 June 2010	**428,600**	**2.165**	**624,500**	**2.01**

Employee Sharesave Scheme	2010 Number of options	2010 Weighted average exercise price £	2009 Number of options	2009 Weighted average exercise price £
At 1 July 2009	300,478	2.09	294,345	2.01
Granted in the year	66,470	5.78	75,474	2.40
Forfeited in the year	(7,101)	3.13	(52,662)	2.08
Exercised in the year	(41,530)	2.09	(16,679)	1.76
At 30 June 2010	**318,317**	**2.85**	**300,478**	**2.09**

The options granted under the Employee Sharesave Scheme, the EMI Scheme and the Phantom Scheme (note 15) 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 volatility ranging between 15% and 49%, 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 £5.78 per share, the charge for the year being £251,164 (2009: £189,622).The weighted average remaining contractual life of share options at the end of the year was 3.92 years (2009: 4.39 years). The weighted average share price at the date of exercise for options exercised during the period was £5.69. The total charge for the equity based schemes and phantom schemes was £1,507,182 (2009: £378,600).

20. Share premium account

	2010 £	2009 £
At 1 July 2009	1,621,303	1,571,031
Shares issued re exercise of options	391,124	50,272
At 30 June 2010	**2,012,427**	**1,621,303**

Notes to the Financial Consolidated Statements

21. Earnings per share

	2010 £	2009 £
Earnings		
Profit after tax for the financial year	3,856,821	2,254,565
Weighted average number of shares	No. (m)	No. (m)
Number of ordinary shares at start of year	10.02	9.98
Share issues	0.10	0.01
Basic earnings per share denominator	10.12	9.99
Issuable on exercise of options	0.50	0.26
Diluted earnings per share denominator	10.62	10.25
Basic earnings per share	38.10	22.56p
Diluted earnings per share	36.31	22.26p

22. Lease commitments

As at the balance sheet date, the group had outstanding obligations under non-cancellable operating leases in respect of property occupied by the group that fall due as follows:

	2010 £	2009 £
Within one year	658,754	416,577
In the second year to fifth year inclusive	2,491,057	491,995

23. Client money and funds under management

	2010 £'000	2009 £'000
Clients' bank accounts - total balance	331,000	404,000
Funds under management	2,186,000	1,386,000

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.

Notes to the Financial Consolidated Statements

24. Financial risk management - continued

(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 payable by the group under non-derivative financial liabilities together with cash and balances at bank on demand.

At 30 June 2010	On demand £	Not more than 3 months £	After 3 months but not more than 1 year £	After 1 year but less than 5 years £	Total £
Cash flows arising from financial assets					
Cash and balances at bank	14,374,719	-	-	-	14,374,719
Cash flows arising from financial liabilities					
Trade and other payables	-	1,878,841	-	-	1,878,841
Other financial liabilities	-	7,061,090	-	2,086,840	9,147,930
	-	**8,939,931**	-	**2,086,840**	**11,026,771**
Net liquidity gap	**14,374,719**	**(8,939,931)**	-	**(2,086,840)**	**3,347,948**

At 30 June 2009	On demand £	Not more than 3 months £	After 3 months but not more than 1 year £	After 1 year but less than 5 years £	Total £
Cash flows arising from financial assets					
Cash and balances at bank	8,347,287	-	-	-	8,347,287
Cash flows arising from financial liabilities					
Trade and other payables	-	1,409,014	-	-	1,409,014
Other financial liabilities	-	4,186,216	-	203,041	4,389,257
	-	**5,595,230**	-	**203,041**	**5,798,271**
Net liquidity gap	**8,347,287**	**(5,595,230)**	-	**(203,041)**	**2,549,016**

(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 be £143,000 (2009: £83,000) on 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 of 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 exposed to a price risk through its holdings of equity securities which are reported at fair value (note 11). Given the short term nature of the holding of this asset the group does not consider the price risk to be material.

Notes to the Financial Consolidated 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.

	2010 £	2009 £
Credit risk relating to on balance sheet exposures:		
Cash and balances at bank	14,374,719	8,347,287
Trade receivables are analysed below:		
Carrying amount	706,427	701,945
Neither past due nor impaired	706,427	701,945

No external credit ratings are acquired with regard to the trade receivable 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 2010 was £12,410,068 (2009: £8,079,000). Regulatory capital is derived from the Group Internal Capital Adequacy Assessment Process (ICAAP), which is a requirement of the Capital Requirements Directive. The ICAAP draws on the group's risk management process which is embedded within the individual businesses, function heads and executive committees within the group.

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.

The 2010 ICAAP was approved in April 2010. There have been no capital requirement breaches during the course of the year.

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.

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	2010 £ Loan Balance	2009 £ Loan Balance	2010 £ Maximum amount	2009 £ Maximum amount
J M Gumpel	3,863	3,910	4,636	4,692
N I Holmes	147	138	1,760	1,658
S J Jackson	4,286	3,724	8,572	7,488
N H Lawes	Nil	Nil	4,020	3,700
A W Shepherd	3,750	3,225	5,000	4,300
R H Spencer	Nil	1,350	Nil	4,950

Notes to the Financial Consolidated Statements

28. Events since the end of the year

On 6 July 2010, Brooks Macdonald Group plc completed the acquisition of 100% of the issued share capital of Braemar Group plc (BG) at a price of 2.25p for each ordinary share. BG has two core divisions: Braemar Securities which designs, promotes and manages niche structured financial products in the property sector through open ended investment companies and closed end residential funds; and Braemar Estates (BE) which manages property assets on behalf of the funds and other clients. At the date of the acquisition the value of the funds was approximately £45million and BE managed approximately 3,100 properties in the UK with a combined value of over £500 million.

The acquisition of this range of property funds has enabled the group to strengthen its position in the specialist fund management market.

The total consideration of £4,118,780 of was satisfied by cash of £3,032,977 in respect of 123,868,959 ordinary shares and outstanding share options in BG and by the issue of 139,851 new shares in Brooks Macdonald Group plc, with a value of £1,085,803, to the management of BG in exchange for their aggregate holding of 48,257,421 ordinary shares.

The fair value of the assets is the gross contractual amounts and all are considered to be fully recoverable. At the date of the acquisition the assets and liabilities acquired are detailed below:

At 6 July 2010	Fair Value £
Non-current assets	
Goodwill and intangible assets	4,483,039
Investment properties	607,000
Property, plant and equipment	135,056
Other non-current assets	122,379
	5,347,474
Current assets	
Trade receivables	640,012
Cash and cash equivalents	161,654
Other current assets	97,534
	899,200
Current liabilities	
Trade and other payables	(1,234,517)
Interest bearing loans and borrowings	(537,150)
Other current liabilities	(8,314)
	(1,779,981)
Non-current liabilities	
Interest bearing loans and borrowings	(307,500)
Deferred taxation	(40,413)
	(347,913)
Total assets	**4,118,780**

At the balance sheet date the group had a 4.96% interest in Braemar Group plc this was acquired shortly before the balance sheet date and the value of the interest has not changed since the acquisition date. At 6 July 2010, the group acquired all of the remaining shares of Braemar Group plc.

Due to the recent completion date of the acquisition the group has yet to fully assess the fair value of the assets and liabilities acquired and the resultant goodwill arising from the acquisition.

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 2010 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 Chapter 3 of Part 16 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 9, 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 2010
- 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;
- 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 2010.

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

150 Aldersgate Street
London EC1A 4AB
14 September 2010

Company Balance Sheet

as at 30 June 2010

	Note	2010 £	2009 £
Fixed assets			
Investments in subsidiaries	32	5,137,071	4,885,907
Listed investments at cost	32	194,177	-
Total fixed assets		**5,331,248**	**4,885,907**
Current assets			
Amounts owed by subsidiary undertakings		2,263,340	2,311,588
Other debtors		7,164	9,359
Cash at bank and in hand		12,060,297	26,844
Total current assets		**14,330,801**	**2,347,791**
Creditors: amounts falling due within one year			
Trade creditors		488,724	6,410
Amounts owed to subsidiary undertakings		13,865,866	4,000,000
Other creditors		5,199	5,199
Accruals and deferred income		1,751,225	809,016
Total current liabilities		**16,111,014**	**4,820,625**
Net current liabilities		(1,780,213)	(2,472,834)
Net assets		**3,551,035**	**2,413,073**
Financed by:			
Equity			
Share capital	33	102,451	100,162
Share premium account	34	2,012,427	1,621,303
Share option reserve	34	898,946	647,782
Retained earnings	34	537,211	43,826
Shareholders' funds	**35**	**3,551,035**	**2,413,073**

Approved by the Board of directors on 14 September 2010 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. Profit/ (2009 loss) 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 profit after tax for the financial year ended 30 June 2010 of £1,350,405 (2009: loss £591,438).

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

The average number of employees during the year was nine (2009: seven).

Directors' emoluments are set out in note 5.

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 9.

32. Investments

Subsidiary undertakings	2010 £	2009 £
Cost at 1 July 2009	4,885,907	4,696,285
Additions	251,164	189,622
Cost at 30 June 2010	**5,137,071**	**4,885,907**
Listed investments		
Cost at 1 July 2009	-	-
Additions	194,177	-
Cost at 30 June 2010	**194,177**	-

Details of the subsidiary undertakings of the company as at 30 June 2010 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 Asset Management (Tunbridge Wells) Limited (see below)	Ordinary £1	UK	Investment management

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

Brooks Macdonald Asset Management (Tunbridge Wells) Limited became a wholly owed subsidiary of Brooks Macdonald Asset Management Limited on 4 September 2009. The company's trading activities at that date were transferred to Brooks Macdonald Asset Management Limited and the company ceased to trade.

The listed investment represents the purchase of shares in an AIM listed company called Braemar Group plc , which on 6 July 2010, became a wholly owned subsidiary of Brooks Macdonald Group plc. Details of which are given in note 28.

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 19 to the consolidated accounts.

Notes to the Company accounts

34. Reserves

	2010 £	2009 £
Profit and loss account		
At 1 July 2009	43,826	984,741
Retained profit /(loss) for the year	1,350,405	(591,438)
Dividends paid	(857,020)	(349,477)
At 30 June 2010	**537,211**	**43,826**

	Share premium £	Share option reserve £
At 1 July 2009	1,621,303	647,782
Shares issued	391,124	-
Share based payments	-	251,164
At 30 June 2010	**2,012,427**	**898,946**

35. Reconciliation of movements in shareholders' funds

	2010 £	2009 £
Opening shareholders' funds	2,413,073	3,113,782
Profit /(loss)for the year	1,350,405	(591,438)
Dividends paid	(857,020)	(349,477)
Share based payments	251,164	189,622
Share capital issued	393,413	50,584
Net (reduction)/addition to shareholders funds	1,137,962	(700,709)
Closing shareholders' funds	**3,551,035**	**2,413,073**

36. Lease commitments

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

	2010 £	2009 £
Within one year	-	36,713
In the second year to fifth year inclusive	661,754	53,000

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 6 July 2010, the company acquired 100% of the issued share capital in Braemar Group plc, an AIM listed company incorporated in the United Kingdom. Braemar Group plc trading activities are fund management and property management.

Explanation of AGM Business

Explanation of AGM Business

Enclosed with this document is a notice convening the annual general meeting of the company for 19 October 2010. This explanatory note gives further information on resolutions numbered 2 to 13 set out in the notice of AGM.

Resolution 2 – To declare a final dividend

The directors recommend a final dividend of 6.0 pence per ordinary share. Subject to approval by shareholders, the final dividend will be paid on 25 October 2010 to shareholders on the register on 24 September 2010.

Resolutions 3 to 8 – To re-elect certain of the directors

Nicholas Holmes, Andrew Shepherd and Colin Harris have all been appointed as additional directors since the annual general meeting in 2009 and, accordingly, the company's articles of association require them to retire from office at this annual general meeting and offer themselves for re-election.

In addition, the company's articles of association state that one third of the other directors (or the nearest whole number closest to one third) must 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 offer themselves for re-election. Christopher Macdonald, Christopher Knight and Simon Wombwell are therefore offering themselves for re-election on this basis.

Information on each of the directors standing for re-election is set out below. The Chairman confirms that each of the directors offering themselves for re-election has extensive relevant experience of the group and its business. The board is therefore of the opinion that all such persons should be re-elected to the board.

Nicholas Holmes (39), joined the Group in 1996 as a trainee and headed an investment team in London from 2006 before he was appointed joint managing director of Brooks Macdonald Asset Management Limited in September 2008. In April of 2010 Nicholas was appointed to the group board.

Andrew Shepherd (37), started working in financial services in 1994 and was investment director for AFPS Asset Management before joining Brooks Macdonald Asset Management in 2002 where he headed an investment team before becoming joint managing director in September 2008.In April of 2010 Andrew was appointed to the group board.

Colin Harris (56), non-executive director, is a qualified solicitor and a member of the Law Society of Scotland. Colin worked for Aon as in house legal counsel before joining Newton Investment Group in 1985 where he was chief executive officer from 1998 until his retirement in 2002. Since retirement Colin has held a number of non-executive posts and is currently a non-executive director for Longbow Capital LLP and is a trustee of Sevenoaks School Foundation.

Christopher Macdonald (49), chief executive officer, was one of the founding directors of the company in 1991and he has worked in private client fund management since 1981. As CEO Chris is responsible for the overall strategy and growth of the group and he was instrumental in the successful admission to AIM in 2005. Chris has won numerous investment awards, is a fellow of the Institute of Professional Development and he is a non executive director of Invesco Perpetual AIM VCT plc.

Chris Knight (64), has been a non-executive director of Brooks Macdonald Group since 2002; he was appointed Chairman in 2005. A chartered accountant, Chris was an investment banker for nearly 30 years, for much of that time with Morgan Grenfell and, following its takeover, with Deutsche Bank. He has extensive corporate finance experience gained during his banking career in London, New York and Hong Kong.He is a non-executive director of Intertek Group plc and of Powerflute Oyj.

Simon Wombwell (49), has spent his entire career in the financial services industry, primarily involved in the development, sales and marketing of investment products and has been a non-executive director of Brooks Macdonald Group since 2002. He joined Newton Fund Managers in 1994 where he performed a number of roles before being appointed Managing Director of Newton Fund Managers in 1998. Following the acquisition of Newton by Mellon Bank he was also appointed head of UK Distribution for Mellon Global Investments. He left Newton Fund Managers and Mellon Global Investments in 2004 and was Head of UK Sales and Marketing for Scottish Widows Investment Partnership from 2004 until 2010. Simon is an Associate of the Society of Investment Professionals.

Explanation of AGM Business

Resolution 9 – 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 10 – 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 2009, will expire at the end of this year's annual general meeting.

Resolution 10 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 £34,150 (i.e. up to 3,415,000 ordinary shares) representing approximately 33% of the ordinary shares in issue on 24 September 2010. 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 11 – 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 2009, will expire at the end of this year's annual general meeting. Accordingly, resolution 11 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 £5,120 (i.e. up to 512,000 ordinary shares) (representing approximately 5% of the ordinary shares in issue on 24 September 2010).

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.

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 12 – Company's authority to purchase its own shares
Resolution 12 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 2009, 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 24 September 2010. 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).

Explanation of AGM Business

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 13 – Adoption of new Long Term Incentive Scheme

In order to further align the interests of senior employees with those of shareholders, the board is now proposing to introduce a new incentive scheme, the Brooks Macdonald Group Long Term Incentive Scheme (the "LTIS"), under which it may grant nil-price options. Options will vest after three years, subject to the satisfaction of appropriately stretching performance conditions. For the initial awards, the board proposes to use performance conditions similar to those used under the existing incentive scheme.

A copy of the rules of the LTIS is available for inspection at the registered office of the company at 111 Park Street, London W1K 7JL during normal business hours on any weekday and at the place of the AGM for at least 15 minutes prior to and at the annual general meeting. In addition the principal terms of the rules of the LTIS are summarised in the appendix to the notice of annual general meeting.

Resolution 13 in the notice of annual general meeting, which will be proposed as an ordinary resolution, will adopt the LTIS in the form of the draft rules produced to the meeting (and summarised in the appendix to the notice of AGM) and authorise the directors to implement the LTIS.

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 Tuesday 19 October 2010 at 9.30 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 2010.
2 To declare a final dividend of 6.0 pence per Ordinary Share for the year ended 30 June 2010.
3 To re-elect Christopher Macdonald as a director.
4 To re-elect Christopher Knight as a director.
5 To re-elect Simon Wombwell as a director.
6 To re-elect Nicholas Holmes as a director.
7 To re-elect Colin Harris as a director.
8 To re-elect Andrew Shepherd as a director.
9 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:

10 That 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 £34,150, 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. However, 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.

All previous unutilised authorities given to the directors pursuant to section 551 of the Act shall cease to have effect at the conclusion of the annual general meeting, save to the extent that those authorities are exercisable pursuant to section 551(7) of the Act by reason of any offer or agreement made prior to the date of this resolution which would or might require shares to be allotted or rights to be granted on or after that date.

Disapplication of pre-emption rights

To resolve as a special resolution:

11 That, subject to the passing of resolution 10 above, the directors be generally empowered pursuant to sections 570 and 573 of the Act to allot equity securities (within the meaning of section 560 of the Act) for cash, pursuant to the authority conferred by resolution 10, as if section 561 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:

11.1 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

11.2 otherwise than pursuant to paragraph 11.1 up to an aggregate nominal amount of £5,120;

but the Company may, before such expiry, 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 10" were omitted.

All previous unutilised powers given to the directors pursuant to sections 570 and 573 of the Act shall cease to have effect at the conclusion of this annual general meeting.

Company's authority to purchase its own shares

To resolve as a special resolution:

12 That the Company be generally authorised pursuant to section 701 of the Act to make market purchases (within the meaning of section 693(4) of the Act) of its Ordinary Shares of £0.01 each on such terms and in such manner as the directors shall determine, provided that:

Notice Of Annual General Meeting

12.1 the maximum number of Ordinary Shares hereby authorised to be purchased is 1,000,000;

12.2 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);

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

12.4 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.

Adoption of new Long Term Incentive Scheme

To resolve as an ordinary resolution:

13 That:

13.1 the new Brooks Macdonald Group Long Term Incentive Scheme (the "LTIS"), the draft rules of which are to be produced to the meeting marked "LTIS Rules", and (for the purposes of identification only) initialled by the Chairman, be adopted and that such rules be and are hereby approved in the form of the draft; and

13.2 the directors (or an appropriately constituted committee of directors) are hereby authorised to do all acts and things which they may consider necessary or expedient for implementing, giving effect to and operating the LTIS approved under the preceding paragraph of this resolution.

By order of the Board

S J JACKSON
Secretary

23 September 2010

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, PXS, 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, PXS, The Registry, 34 Beckenham Road, Kent BR3 4TU no later than 9.30a.m. 17 October 2010. 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 17 October 2010 (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.

Notice Of Annual General 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.

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; [and]
- the draft rules of the Brooks Macdonald Group Long Term Incentive Scheme.

FORM OF PROXY

ANNUAL GENERAL MEETING 19 OCTOBER 2010 AT 9.30 AM

Brooks Macdonald Group plc

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

I/We (see note 5) Name

Address

being a member/members of the above-named Company hereby appoint the [chairman of the meeting] (see note 6) OR

Name

Address

as my/our proxy to attend, speak and vote in my/our name and on my/our behalf at the annual general meeting of the Company to be held on 19 October 2010 at 9.30 am 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 2 and 3) of the Ordinary Shares held by me.

I/we direct my/our proxy to vote on the resolutions set out in the notice of annual general meeting as I/we have indicated by placing a mark in the appropriate box below (see notes 7 and 8).

FOLD

FOLD

Ordinary Business	FOR	AGAINST	VOTE WITHHELD
Resolution 1: Ordinary resolution to receive and consider the Annual Report and Accounts for the year ended 30 June 2010			
Resolution 2: Ordinary resolution to declare a final dividend of 6.0 pence per Ordinary Share			
Resolution 3: Ordinary Resolution to re-elect Christopher Macdonald as a director			
Resolution 4: Ordinary resolution to re-elect Christopher Knight as a director			
Resolution 5: Ordinary resolution to re-elect Simon Wombwell as a director			
Resolution 6: Ordinary resolution to re-elect Nicholas Holmes as a director			
Resolution 7: Ordinary resolution to re-elect Colin Harris as a director			
Resolution 8: Ordinary resolution to re-elect Andrew Shepherd as a director			
Resolution 9: Ordinary resolution to re-appoint the Company's auditors and authorise the directors to determine their remuneration			
Special Business	**FOR**	**AGAINST**	**VOTE WITHHELD**
Resolution 10: Ordinary resolution to give the directors authority to allot shares			
Resolution 11: Special resolution to give the directors power to disapply pre-emption rights in relation to the allotment of shares			
Resolution 12: Special resolution to give the Company a general authority to purchase its own shares			
Resolution 13: Ordinary resolution to approve the rules of the new Brooks Macdonald Long Term Incentive Scheme			

Signature: Date: / /2010

(To be valid, this proxy form must be signed) (see note 11)

Notes:

Your rights to appoint a proxy

1 As a member of the Company you are entitled to appoint a proxy to exercise all or any of your 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. 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.

2 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.

3 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.

4 If you appoint a proxy, this does not preclude you from attending the meeting and voting in person.

Procedure for appointing a proxy

5 Please insert your full name and address in block capitals in the box.

6 To appoint as your proxy a person other than the chairman of the meeting, delete the words in square brackets and insert the full name and address of your chosen proxy in block capitals in the box. If you sign and return this proxy form with no name inserted in the box, the chairman of the meeting will be deemed to be your proxy. Where you appoint as your proxy someone other than the chairman of the meeting, it is your responsibility to ensure that that person attends the meeting and is aware of your voting intentions. If you wish your proxy to make any comments on your behalf, you will need to appoint someone other than the chairman of the meeting and give that person your directions.

Directing your proxy how to vote

7 To direct your proxy how to vote on the resolutions mark the appropriate box with a "✓"or an "X". If no voting direction is given, your proxy can vote or abstain from voting as he or she chooses. Your proxy has the right to vote (or abstain from voting) as he or she chooses in relation to any other business (including a resolution to adjourn the meeting or to amend a resolution) which may properly come before the meeting.

8 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.

Other

9 To be valid, this proxy form must be received by post or (during normal business hours only) by hand at Capita Registrars Limited, PXS, The Registry, 34 Beckenham Road, Kent BR3 4TU no later than 9.30 am on Friday 15 October 2010.

10 In the case of joint holders of any share, where more than one of the joint holders purports to appoint a proxy in respect of the same share, only the appointment submitted by the person whose name stands first in the register as one of the joint holders will be accepted.

11 This proxy form must be signed and dated by the member or his or her attorney duly authorised in writing. In the case of a member which is a company, this proxy form must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or other authority under which this proxy form is signed, or a copy of such power or authority, must be included with the proxy form.

12 In accordance with Regulation of the Uncertified Securities Act only those shareholders entered on the register of members at 6.00 pm on Friday 15 October 2010 are entitled to attend and vote at the annual general meeting to be held at 9.30 am on 19 October 2010.

Directors and advisers

Directors

C J Knight	Chairman
C A J Macdonald	Chief Executive
J M Gumpel	
N I Holmes (appointed 12 April 2010)	
S J Jackson	Finance director
N H Lawes	
A W Shepherd (appointed 12 April 2010)	
R H Spencer	
C R Harris (appointed 14 July 2010)	Non-executive director
S P Wombwell	Non-executive director

Company Secretary
S J Jackson

Offices
110 & 111 Park Street London W1K 7JL
The Long Barn Dean Estate Wickham Road Fareham PO17 5BN
55 King Street Manchester M2 4LQ
2 Mount Ephraim Road Tunbridge Wells TN1 1EE
10 Melville Crescent Edinburgh EH3 7LU
Braemar Group - Richmond House Heath Road Hale Cheshire WA14 2XP

Registered Office
111 Park Street London W1K 7JL

Registered Number
4402058

Auditors
Moore Stephens LLP
150 Aldersgate Street London EC1A 4AB

Solicitors
Macfarlanes LLP
20 Cursitor Street London EC4A 1LT

Principal Bankers
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
9th Floor 88 Wood Street London EC2V 7QR

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