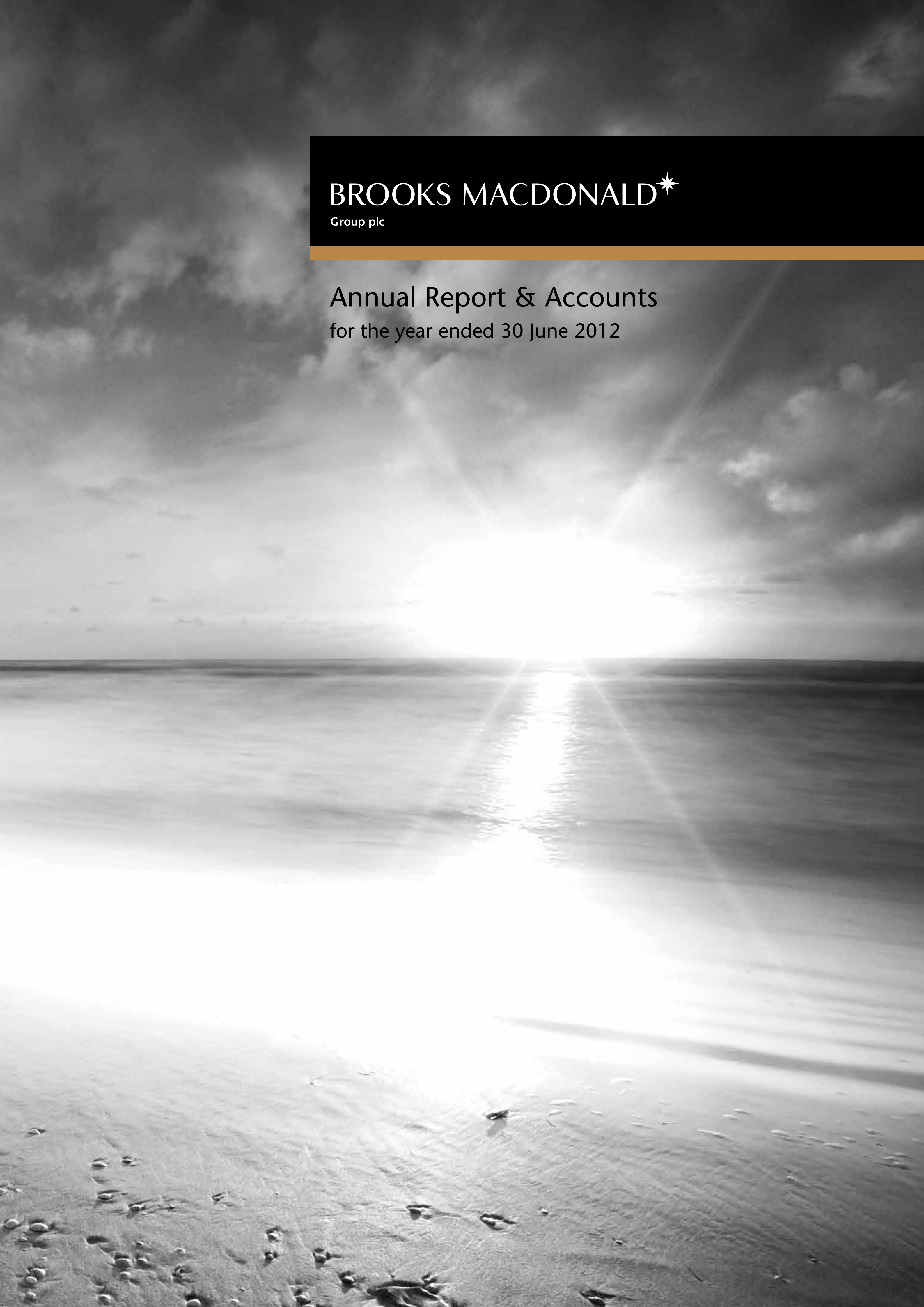
BROOKS MACDONALD

Group plc

Annual Report & Accounts

for the year ended 30 June 2012



Financial highlights

19%

Discretionary Funds Under Management rose from £2.969 billion to £3.52 billion, an increase of 19%.

17%

Pre-tax profit was £8.5 million compared to £7.3 million, an increase of 17%.

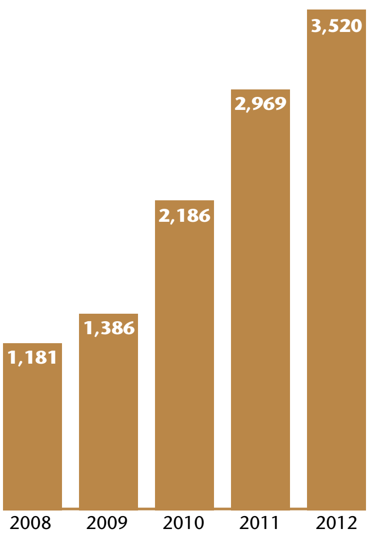
12%

Basic earnings per share have increased from 51.92p to 57.94p, an increase of 12%.

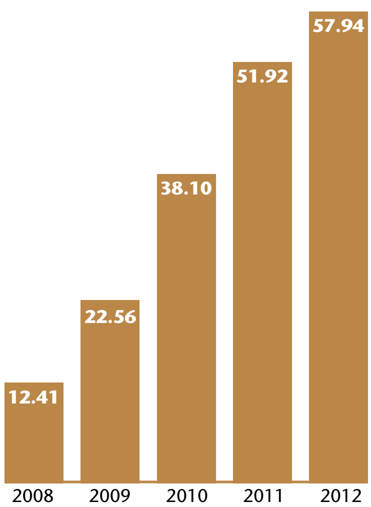
18.5p

A proposed final dividend of 12.5p per share making a total of 18.5p for the year, an increase of 23%.

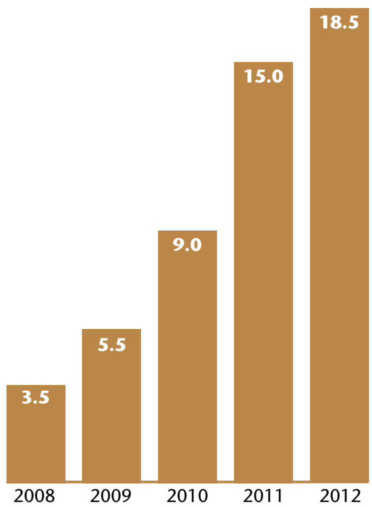
Funds under Management, £m



Earnings per share, pence



Dividend per share, pence



Group overview

Brooks Macdonald Group plc is an AIM listed, integrated, wealth management group. The group consists of four principal companies: Brooks Macdonald Asset Management Limited, a discretionary asset management business; Brooks Macdonald Funds Limited, a fund management business; Brooks Macdonald Financial Consulting Limited, a financial advisory and employee benefits consultancy; and Braemar Estates (Residential) Limited, an 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, Manchester, Hampshire, Tunbridge Wells, Edinburgh, Taunton and York.

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

The Braemar Group is based in Hale and acts as fund manager to our regulated OEICs, under the name Brooks Macdonald Funds, as well as providing specialist funds in the property and structured return sectors. It also 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 now has in excess of 280 staff throughout the UK. The group's shares are listed on AIM, with management and staff retaining considerable ownership of the business.

Edinburgh
10 Melville Crescent Edinburgh EH3 7LU

London
111 Park Street Mayfair London W1K 7JL

London
110 Park Street Mayfair London W1K 7JL

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

Hale
Richmond House Heath Road Hale Cheshire WA14 2XP

Manchester
1 Marsden Street Manchester M2 1HW.

Taunton
Blackbrook Gate Blackbrook Park Avenue Taunton Somerset TA1 2PX

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

York
Howard House 3 St Mary's Court Blossom Street York YO24 1AH

Chairman's statement

Christopher Knight, Chairman

"...the group has continued to invest significantly in its future"

In a year of poor investment markets, fragile investor sentiment and considerable regulatory change, I am pleased to report continued progress for the group.

Profit before tax has increased by 17% from £7.29m to £8.52m. Earnings per share are 57.94p compared with 51.92p, an increase of 12%.

The board is recommending a final dividend of 12.5p per share which, if approved by shareholders, will result in total dividends for the year of 18.5p per share. This represents an increase of 23% over last year's dividends of 15p per share.

Our discretionary funds under management as at 30 June 2012 were £3.52 billion, a rise of 19% (30 June 2011: £2.97bn) over the twelve months. By comparison the APCIMS Balanced index fell by 2% and the FTSE 100 by over 6% during that period. Included in this figure is Brooks Macdonald Funds which had funds under management of £148m at the year end (£101m June 2011).

Property assets under administration, managed by Braemar Estates, grew to £865m, an increase of 15% (£750m June 2011) over the financial year and third party assets under administration are now in excess of £50m. We intend to report our property assets under administration and our third party assets under administration every six months, while continuing to report on a quarterly basis our discretionary funds under management including those in our Funds business.

During the year we completed the acquisition of the Investment Management department of Clarke Willmott LLP which has formed the nucleus of our new office in Taunton. This acquisition added £114m to funds under management. In April we opened our seventh regional office in York. Since the year end we have acquired Park Street London Limited, a long term introducer of funds and clients to the group. These acquisitions have been funded from the group's own cash resources.

In addition to these acquisitions the group has continued to invest significantly in its future. Our Funds business has made good progress, particularly since the year end with the appointment of Braemar Estates as the property manager for the newly launched Ground Rents Income Fund plc, which raised some £50m on flotation. In April we became an Application Service Provider, enabling us to offer third party administration services. We are optimistic about the long term potential of this new revenue stream.

The economic outlook remains challenging, markets are lacklustre and the launch of the Retail Distribution Review in January 2013 will lead to significant changes. Enhanced regulation is involving the industry in materially greater cost. Despite the difficult macroeconomic outlook the group continues to make good headway whilst striving to ensure that we deliver strong risk adjusted returns for our clients in a service-led and transparent environment.

Christopher Knight
Chairman

12 September 2012

Chief Executive's review

Chris Macdonald, Chief Executive

"Against a very tough economic background, the group has continued to grow successfully"

"Our growth plans revolve around organic growth, investment and service development. In all three areas we have seen continued progress over the financial year"

Introduction

I would like to start this review by thanking all members of staff, our strategic partners and professional introducers for all their hard work and support over the last financial year. Against a very tough economic background, the group has continued to grow successfully. None of this would have been possible without the commitment, professionalism and diligence of our colleagues.

Funds under management

Our discretionary funds under management rose 19% to £3.52 billion during the financial year against declining investment markets. This growth reflects a combination of continued support from the professional intermediary market, the launch of our Funds business, an acquisition and solid investment performance.

Our new business is largely introduced from our 11 strategic alliances and from over 420 professional intermediary firms based throughout the UK. Whilst investment conditions remain volatile, the need for professional bespoke investment management for high net worth individuals remains high. This is supported by the continued growth of the Self Invested Personal Pension ('SIPP') market place and the rising demand for our Managed Portfolio Service (to cater for clients with smaller investment portfolios not requiring a bespoke service).

Our Funds business has continued to gain traction over the year and since the year end. We have seven funds; four niche funds and three generalist risk based fund of funds. As well as having good performance records, our niche funds are attracting interest in part due to challenging market conditions. This was highlighted by Braemar being appointed as property manager of the Ground Rents Income Fund plc and rising interest in our recently launched UK Farming fund.

Strategies for growth

Our growth plans revolve around organic growth, investment and service development. In all three areas we have seen continued progress over the financial year. Our organic growth has been focused on the recruitment of high quality staff, growth of Braemar Estates and Financial Consulting and a sharp increase in the number of Strategic Partners and introducing Professional Intermediaries.

The investments we have made, Brooks Macdonald Funds apart, have been via the acquisition of the Investment Management team of Clarke Willmott LLP, the establishment of our Taunton office in November and the establishment of our York office in April. This has continued, post the year end, with the acquisition of Park Street London Limited. We will continue to assess appropriate acquisition opportunities as they arise and will maintain our rigorous search for quality with regards to any investment opportunity.

Our move to becoming an Application Service Provider has also involved a considerable investment as well as significant internal resource. This is both an investment and a considerable service development. In Easter this year the project completed; it will allow significant 'back office' scale as well as giving us the capacity to take on third party administration. Whilst the latter is still in very early development, I am pleased that third party assets under administration are already in excess of £50m.

Chief Executive's review

We continue to invest in our people and promotion of our strong culture. Total staff numbers grew from 248 to 282 in the year, including an increase in investment managers from 43 to 55 as well as the recruitment of additional trainees. Such additional capacity is vital to provide the headroom for further growth in funds under management.

Regional presence

Whilst London remains our largest office, we now have seven regional offices. Our first office outside London was Hampshire followed by Manchester, Tunbridge Wells, Edinburgh and then an office in Hale following the acquisition of Braemar plc in 2010. We have enjoyed considerable success in all our offices, and the opening of offices in Taunton and shortly afterwards in York in the financial year under review not only gives us further regional growth opportunities but also increases our coverage for both clients and professional intermediaries alike. In both cases the new offices have started well.

We continue to consider opportunities to open new offices whether by acquisition of businesses or teams, such as in Taunton, or by organic investment, such as in York.

Regulation

In January 2013 the Retail Distribution Review ('RDR') comes into force. This is a complex piece of regulation with the desired outcomes of greater consumer clarity, transparency of charges, greater professional standards and a more robust financial regulatory regime. We are public in our support of these outcomes and whilst there has been a significant amount of work done to date, and more necessary ahead of RDR, we remain excited about the opportunities that it will bring.

Our Asset Management business will, under RDR, be Restricted, advising only on Investment Management, whereas our Consulting business will be Independent, advising where appropriate on all aspects of financial planning.

Brand

As a business we have a strong culture based around high standards, a team orientated approach and a passion for delivering service and performance to our clients. Over the last year we have increased our focus on this and I was delighted when we were included in the Sunday Times 100 Best Companies to work for and were the highest placed company in the financial services industry.

In terms of performance and service awards, Brooks Macdonald Financial Consulting was named in the Private Client Practitioner Top 25 IFA Companies 2012 list. Brooks Macdonald Asset Management ("BMAM") was named as the winner of the Incisive Media Gold Standard Award for Portfolio Management and Best Discretionary Adviser at this year's Investment Week Fund Manager of the Year Awards. BMAM also achieved a Defaqto 5 Star Rating for its Bespoke Portfolio Service and Managed Portfolio Service – one of only five companies to have achieved 5 Star Ratings in both of the discretionary management categories.

A highlight of the year has been our three year sponsorship of Middlesex County Cricket Club. This has already raised our profile and has benefited our marketing activity and increased our web-site traffic. We have also continued to support schools and sports clubs via sponsorship and this now exceeds 50 teams. The Brooks Macdonald Foundation has supported over 25 charities in the last year. Increasing our profile and being supportive to communities is very much a journey but we have made significant progress over the year.

Summary and Outlook

Last year was tough. We believe that market conditions will remain volatile and, given the onset of RDR, we are entering a period of significant change in the distribution landscape for financial services. We are fortunate that the group is well positioned, financially stable and with a large number of exciting opportunities. It is this together with the quality and commitment of our staff that allows us to look forward with continued confidence.

We have had an encouraging start to the new financial year with funds under management continuing to grow, enhanced by Braemar's appointment as property manager of Ground Rents Income Fund plc. We are confident of maintaining our track record of growth.

Chris Macdonald
Chief Executive

12 September 2012

Business review

Group overview

The group has had another successful year with pre-tax profits increasing by 17% in the year to over £8.5m. Basic earnings per share have risen from 51.92p per share last year to 57.94p for the year ended 30 June 2012.

The group has no borrowings and at 30 June 2012 its cash balances totalled £13.5m. The detailed movement in group cash balances is shown on page 21 and below.

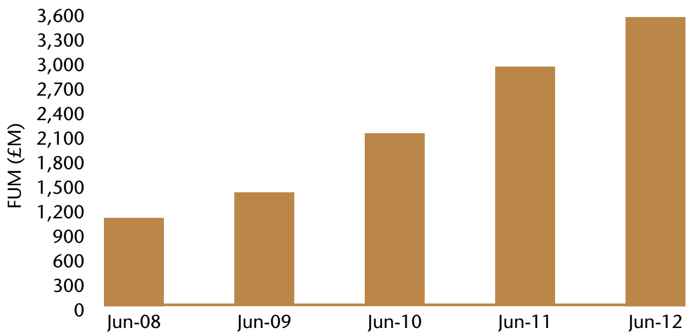
Investment Management

The investment management division principally provides discretionary investment management services to private investors, charities and trusts. Despite difficult economic and investment conditions during the financial year the division has continued to grow funds under management both organically and through the acquisition of the Clarke Willmott investment management team in October 2011.

Funds under management (£m)		Year end 30 June 2012
At 1 July 2011		2,969
Inflows	– organic	593
	– acquired Clarke Willmott	114
Outflows	– market adjustment & withdrawals[1]	(156)
At 30 June 2012		3,520
Underlying rate of total net growth		18.55%

[1]Clients leaving and capital or income withdrawals of larger than £50,000 for bespoke portfolio service and larger than £20,000 for managed portfolio service

The underlying rate of growth of 19% of funds compares to a fall in the APCIMS Balanced index of 2% and a fall in the FTSE 100 index of 6% over the same period. This also represents a continued growth in funds under management over the last five years as shown below:



The financial performance of the division is driven mainly by the total funds under management and the net growth in new funds achieved over the year. The fee income includes a share of fees paid to introducers and these payments are shown within the administrative expenses of the division.

On 1 January 2013 the Retail Distribution Review (RDR) will come into force and this will change the way in which both the fee income and the corresponding share of the fee due to the introducer are reported. Under RDR any payment due to the introducer will in future be payable directly on the instruction of the client. Therefore, these payments will not form part of the administrative costs of the division and, where applicable, there will be a corresponding reduction in the fee income.

During the year there was a significant investment in the back office functions of the division whereby we took further functions of the investment management process in house and successfully became an Application Service Provider. This gave us an improved overall service to our clients, increased internal capacity and provided the opportunity to take on third party administration services.

As stated above, on 31 October 2011 we acquired £114m of funds under management through the purchase of the client relationship contracts of Clarke Willmott LLP, based in Taunton, for an initial cash consideration of £1.985m. The total consideration is based on a multiple of funds under management with deferred cash payments due at 12 months and 24 months after the completion date. The current best estimate of the total consideration is £4.2m.

Following the end of the financial year we completed the acquisition of Park Street London Limited, a long term introducer of funds and clients to the investment management division, for an estimated maximum cash consideration of £4.4m payable in instalments over a three year period.

Business review

Brooks Macdonald Funds and Braemar Estates

It has been a significant year for Brooks Macdonald Funds with the restructuring of the funds and the continued development of distribution through institutional investors, professional advisers and platforms in the UK. We now have seven funds which are showing good performance. These funds have attracted new investment throughout the year resulting in an overall increase in total funds under management to £148m – a rise of 46% over the year.

Braemar Estates has continued its growth in the property management sector with growth in the value of assets under administration to £865m from £750m in June 2011. This has grown substantially from £450m in October 2010 when the business was acquired. Following the year end Braemar Estates was appointed as the manager of the £50m Ground Rents Income Fund plc.

Brooks Macdonald Financial Consulting

The financial consulting division has continued to deliver fee based financial planning and ancillary services to high net worth individuals and employee benefit consultancy to a range of small to medium sized enterprises.

During the year the division saw a small increase in turnover and an improvement in the margin of the business and it is well positioned for the advent of RDR.

Board committees report

The principal board committees are audit, remuneration and risk and compliance committees all of which have specific terms of reference which are periodically reviewed and approved by the board. These terms of reference are available on the group website.

Audit committee

The members of the audit committee are Christopher Knight (Chairman) and Colin Harris. The board is satisfied that both members have recent and relevant financial experience.

The committee met twice during the year ended 30 June 2012. As well as being responsible for reviewing the external audit arrangements with regard to compensation, scope and period of office, the committee also considers the accounting policies of the group and the significant issues and judgements in connection with the regulatory financial reporting.

The committee reviews the external audit engagement letters and internal control findings reports and has discussions with the auditor with no management present.

Risk and Compliance committee

The board believes the best way to manage risk across the group is to embed the risk management process throughout the organisation. We endeavour to ensure that all identified risks are owned by specific committees which in turn report to the risk and compliance committee.

The members of the risk and compliance committee are Colin Harris (Chairman), Christopher Knight and Diane Seymour-Williams. The meetings of the committee are also attended by Christopher Macdonald, Simon Jackson, Simon Wombwell, Nicholas Holmes, Nicholas Lawes, Andrew Banks, the head of risk and compliance, and other senior members of the risk and compliance department.

During the year ended 30 June 2012 the committee met on four occasions. The principle responsibilities include overseeing the current risk exposures of the group, reviewing the risk assessment processes, assessing material breaches of risk limits and the adequacy of the proposed management action and reviewing the client complaints.

The risk management framework is broadly the same as for the previous year. The principal risks assessed by management as having a potential material impact on the group are detailed below together with the principal means in which these risks are mitigated.

Financial risks

The group's principal financial risks relate to credit risk, liquidity risk and market risk. The measures and policies for the management of those risks are set out in note 26 to the consolidated financial statements. Further details on capital management processes can be found in note 27.

Board committees report

Risk and Compliance committee (continued)

Non–financial risks

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

Reputational risk

Impact
The group has a growing reputation as a 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 our ability to gain new clients which would lead to a fall in financial income. Such risk could arise from events such as poor investment performance or poor client service or regulatory censure.

Mitigation
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 risk and compliance department which ensures conformity with the regulations of the Financial Services Authority, as well as relevant statutes, in all of our dealings with our clients.

Regulatory risk

Impact
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.

Mitigation
The group monitors compliance with existing regulations and any 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. Staff training is provided to ensure that employees remain up to date with regulatory changes impacting the business.

People risk

Impact
Our business is dependent on client relationships with our staff. Operating in a competitive market there is a risk of loss of existing clients due to poor staff performance or service, a failure to respond to changes in the market place, or the loss of key investment professionals.

Mitigation
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

Impact
A key part of the high quality service delivered to clients is facilitated by a flexible and robust internal IT infrastructure. IT failures could lead to reputational damage and result in loss of clients.

Mitigation
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 regional offices providing back up facilities for our London head office, we have a fully tested disaster recovery plan which would facilitate remote working capabilities.

Board committees report

Risk and Compliance committee (continued)

Operational risk

Impact	Mitigation
Operational risk is the risk that the group suffers a loss of business resulting from inadequate or failed internal processes, people and systems or from the failure of outsourcing partners or external suppliers.	Management continuously monitors and reviews the internal controls in place. Due diligence takes place prior to the commencement of any outsourcing or supply, to maintain a robust procurement process, good contract governance and regular assessment of performance against pre-agreed service levels.

Investment performance risk

Impact	Mitigation
There is a risk that portfolios will not meet their investment objectives which could result in the group suffering loss of business. There is a risk on the suitability of portfolios for clients and on where the responsibility lies between a professional introducing the client and the group company.	Portfolio performance, valuations and risk profiles are monitored by management, allowing issues to be identified and mitigated as they arise. The group has adopted BITA Monitor portfolio risk oversight tools to assist with supervising portfolio management. Agreements are sought with each professional introducer to accept responsibility for suitability for the client.

Remuneration committee

The remuneration committee comprises of Diane Seymour-Williams (Chairman), Colin Harris and Christopher Knight. The committee approves the group's remuneration policy and determines the specific remuneration packages for each executive director and certain senior executives.

Remuneration policy

Brooks Macdonald recognises the importance of its employees to the success of the group and consequently the policy is designed to be market competitive in order to motivate, aid staff retention and recruitment and align employee behaviour with the interests of shareholders. External third party data is used to validate rather than to benchmark the total reward.

The remuneration policy, which applies to directors and employees of the group, is based on the following key principles:

- alignment to effective risk management;
- the need to provide market competitive total compensation;
- differentiation by merit and performance;
- an emphasis on variable, performance driven remuneration including bonus payments funded from retained profits;
- consistency with the FSA Remuneration Code;
- alignment with shareholders' interests through significant and widespread equity ownership; and
- clarity, transparency and fairness of process.

The current remuneration package for an executive director has four main elements: basic salary and benefits, profit related bonus, long term equity based incentives and pension. The total reward is designed to include a balance of fixed and variable pay with a high level of deferral.

The elements of remuneration packages are summarised below on the next page.

Board committees report

Remuneration committee (continued)

Directors' remuneration

	Salary or fee £'000	Profit related bonus - cash £'000	Profit related bonus - deferred shares £'000	Benefits £'000	2012 Total £'000	2011 Total £'000	Phantom* share scheme £'000	2012 Pension contributions £'000	2011 Pension contributions £'000
Chairman									
C J Knight	60	-	-	-	60	50	-	-	-
Executive									
C A J Macdonald	213	269	68	4	554	612	270	32	32
J M Gumpel	158	131	34	3	326	337	270	24	23
N I Holmes	158	160	40	2	360	386	541	24	23
S J Jackson	158	151	38	3	350	378	541	32	23
N H Lawes	158	64	16	2	240	258	541	24	23
A W Shepherd	158	152	38	2	350	382	541	24	23
R H Spencer	158	134	34	3	329	347	270	24	24
S P Wombwell	164	112	28	3	307	150	-	24	10
Non-executive									
C R Harris	38	-	-	-	38	24	-	-	-
S P Wombwell	-	-	-	-	-	15	-	-	-
Diane Seymour – Williams (from 14 September 2011)	28	-	-	-	28	-	-	-	-
Total	**1,451**	**1,173**	**296**	**22**	**2,942**	**2,939**	**2,974**	**208**	**181**

*There were no phantom scheme options exercised or amounts paid during the year ended 30 June 2011.

Basic salary and benefits

Basis salary is determined by the committee and any changes are implemented from 1 July each year or when an individual changes position or responsibility. In deciding appropriate levels the committee considers salaries throughout the group and information on comparable companies provided by advisers to the committee. The views of the chairman and chief executive are taken into consideration when setting the salary of other directors.

All directors received a salary increase of 2% with effect from 1 July 2011 which was below the average increase for all employees. In addition the company provides a range of benefits including private medical, life and permanent health insurance as well as interest free season ticket loans as disclosed in note 29 to the financial statements.

Profit related bonus

Awards to executive directors of profit related bonuses are made from a pool of profits of 15-25% of the group pre-tax profit after the payment of all bonuses to all other staff. The committee determines the size of the pool based on the performance of the group against a number of key performance indicators including the growth in profits, the movement in funds under management, various internal client service metrics and the performance against budget of each of the operating divisions.

Awards to individual directors are determined by the remuneration committee following recommendations by the chief executive taking into account the performance of the director, the results of the business where the director has responsibility (where relevant) and market data where this is available. The remuneration committee has decided that 20% of the bonus awarded will be made in shares deferred for a period of three years under a long term incentive scheme (LTIS). The scheme has performance conditions attached to the deferred award requiring a minimum growth in the diluted earnings per share of the group of 2% per annum above the increase in the Retail Price Index over the three year period.

Board committees report

Remuneration committee (continued)

Phantom share scheme

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 settled scheme based on the increase in the ordinary share price of the group. 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.

In July 2011, in view of the volatility in company's share price, the Board decided to amend the rules of the scheme, in agreement with the members, whereby the share price used in the calculation of the cash payment on the exercise of the option was fixed at £12.35. In addition, subject to still being employed by the company on 15 October 2012, a further payment of 65p would be paid in respect of each option granted.

The amounts shown within the table above for directors' remuneration assumes that all individuals will be eligible for the additional payment of 65p per option.

Equity incentives

Long Term Incentive Scheme and Employee Benefit Trust (EBT)

The group established an EBT on 3 December 2010. The Trust was established to acquire ordinary shares in the company in connection with the deferred share element of the profit share bonus under the LTIS as detailed above. The EBT is also used for other long term awards to members of the board and awards to other senior employees.

The remuneration committee has made additional awards under the LTIS to certain executive directors and other senior employees. The conditional awards are subject to the same performance and other conditions as those applying to the deferred profit related bonus shares.

Details of the awards granted to the directors of the company under the terms of the LTIS during the year ended 30 June 2012, in respect of the deferred element of the profit related bonus for the previous year, together with any additional awards, are as detailed below. The market value of the company's shares at the date the awards were made, 20 October 2011, of £12.24 was based on average cost of market purchases made by the EBT over the preceding two months.

	As at 30 June 2011	Profit related bonus deferred shares for year ended 30 June 2011	Additional awards under terms of LTIS	At 30 June 2012	Earliest exercise date
C A J Macdonald	4,112	-	-	4,112	27.10.2013
C A J Macdonald	-	6,536	-	6,536	20.10.2014
J M Gumpel	1,862	-	-	1,862	27.10.2013
J M Gumpel	-	2,941	-	2,941	20.10.2014
N I Holmes	2,095	-	-	2,095	27.10.2013
N I Holmes	-	3,758	6,128	9,886	20.10.2014
S J Jackson	2,715	-	-	2,715	27.10.2013
S J Jackson	-	3,595	-	3,595	20.10.2014
N H Lawes	1,474	-	-	1,474	27.10.2013
N H Lawes	-	1,634	-	1,634	20.10.2014
A W Shepherd	2,095	-	-	2,095	27.10.2013
A W Shepherd	-	3,676	6,128	9,804	20.10.2014
R H Spencer	2,405	-	-	2,405	27.10.2013
R H Spencer	-	3,105	-	3,105	20.10.2014
S P Wombwell	-	6,945	4,902	11,847	20.10.2014

During the year none of the directors exercised any shares under the LTIS (2011: £nil).

Board committees report

Remuneration committee (continued)

Equity incentives (continued)

Sharesave Scheme

All directors are entitled to take part in the 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 2011 for a new three year fixed term contract and the details of the grants to directors are shown below:

	At 30 June 2011	Awarded in the year	Exercised in the year	At 30 June 2012	Exercise price	Earliest exercise date	Expiry date
C A J Macdonald	985	-	-	985	916p	01.06.14	30.11.14
J M Gumpel	985	-	-	985	916p	01.06.14	30.11.14
N I Holmes	985	-	-	985	916p	01.06.14	30.11.14
S J Jackson	985	-	-	985	916p	01.06.14	30.11.14
N H Lawes	985	-	-	985	916p	01.06.14	30.11.14
A W Shepherd	985	-	-	985	916p	01.06.14	30.11.14
R H Spencer	985	-	-	985	916p	01.06.14	30.11.14
S P Wombwell	985	-	-	985	916p	01.06.14	30.11.14

Given the nature of the scheme over a three year fixed term contract there were no options exercised and there was no gain during the year (2011: £389,000).

Enterprise Management Incentive Scheme

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 under the scheme to directors are shown below:

	At 30 June 2011	Awarded in the year	Exercised in the year	At 30 June 2012	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	15,000	-	-	15,000	155p	01.11.08	01.11.15
	4,500	-	-	4,500	215p	18.10.09	17.10.16
	6,000	-	-	6,000	290.5p	17.10.10	31.10.17
S J Jackson	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	10,000	-	(10,000)	-	215p	18.10.09	17.10.16
	12,500	-	-	12,500	290.5p	17.10.10	31.10.17
R H Spencer	10,000	-	(10,000)	-	155p	01.11.08	01.11.15
	12,500	-	-	12,500	290.5p	17.10.10	31.10.17

Board committees report

Remuneration committee (continued)

Equity incentives (continued)

Enterprise Management Incentive Scheme (continued)

The aggregate gain during the year from the exercise of the above EMI share options was £326,000 (2011: £910,000). The group's share price at the exercise dates ranged from £12.33 to £13.25 (2011: £9.40 to £11.35).

A W Shepherd held no EMI share options at either the beginning or the end of the year.

C R Harris, C J Knight, D Seymour-Williams 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.

Under the rules of the scheme, C R Harris, C J Knight and D Seymour-Williams were not eligible to participate in the Sharesave Scheme and therefore held no shares 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 1199 pence. Details of the share option schemes are provided in note 22 to the financial statements. The market price at the end of the year was 1150 pence and the highest and lowest price during the year was 1370 pence and 921 pence respectively.

Dilution

Not more than 15% of the issued ordinary share capital of Brooks Macdonald Group plc ('the company' (adjusted for bonus and rights issues) will be issued for all EMI and share incentive schemes operated by the company in any ten year rolling period. The company satisfies the various equity-based schemes it operates using a combination of market purchased, newly issued and treasury shares.

Pension arrangements

Following a satisfactory completion of a probationary period all employees are offered the opportunity to become members of a group defined contribution plan established with Legal & General. In the case of certain directors and senior employees the group contributes to their personal pension arrangements.

Service contracts for executive directors

The company has service contracts with its executive directors with a notice period of 12 months and it is company policy that such contracts should not normally contain periods of more than 12 months.

External appointments

Executive directors are encouraged to take on external appointments as non-executive directors but are discouraged from taking more than one position given the time commitment. Prior approval of any new appointment is required by the Board with any fees in excess of £10,000 per annum paid to the company.

Advisers to the remuneration committee

During the year the remuneration committee has employed PricewaterhouseCoopers LLP to assist with the implications of the FSA Remuneration Code and both McLagan and ComPeer Limited to provide industry specific comparative information regarding compensation and pay packages.

Non executive directors

Non-executive directors do not have contracts of employment. The executive directors are responsible for determining the fees of the non-executive directors who do not receive pension or other benefits from the group and do not participate in any group incentive schemes.

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 2012.

Principal activities and business review

A review of the group's and company's activities and future developments, which fulfils the requirements of the business review, including the financial performance during the period, key performance indicators and a description of the principal risks and uncertainties facing the group is set out within the group overview, the chairman's statement, the chief executive's review, the business review and the board committees report on pages 2 to 14 which form part of this report of the directors.

A description of the group's financial risk management objectives and policies and its exposure to price, credit, liquidity and interest rate risk is contained in note 26 to the consolidated financial statements on pages 47 to 48 which are also incorporated into this report of the directors by reference.

Results and dividends

The profit before taxation for the year was £8,520,000 (2011: £7,289,000) and the profit for the year after taxation was £6,256,000 (2011: £5,443,000).

The company paid a final dividend and an interim dividend during the year of 10p (2011: 6p) and 6p (2011: 5p) respectively amounting in total to £1,724,000 (2011: £1,161,000).

The directors recommend a final dividend of 12.5p per share (2011: 10p). This results in total dividends of 18.5p (2010: 15p) per ordinary share for the year. These dividends amount to £2,007,000 (2011: £1,609,000).

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 2012	At 30 June 2011*
C J Knight	71,585	71,585
C A J Macdonald	808,103	958,103
J M Gumpel	640,174	745,174
N I Holmes	47,624	42,226
S J Jackson	55,657	55,657
N H Lawes	37,057	37,057
A W Shepherd	49,261	46,057
R H Spencer	758,853	888,853
C R Harris	4,944	3,293
S P Wombwell	88,204	88,204
D Seymour-Williams (appointed 14 September 2011)	4,000	-

*or date of appointment if later

Details of share options held by the directors at the beginning and the end of the period can be found within the report on directors' remuneration on pages 10 to 14.

Retirement and re-appointment of directors

Nicholas Holmes, Nicholas Lawes, Andrew Shepherd and Simon Wombwell will retire by rotation at the Annual General Meeting and being eligible will offer themselves for re-election.

Directors' Indemnities

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

Report of the directors

Employment policies

Employees are encouraged to identify and become involved with the financial performance of the group and are rewarded by involvement in profit sharing arrangements. Employees also have the opportunity to participate in the group's share incentive plans.

The group considers that communication with our employees is very important and vital for the success of the group. The employees are informed on important issues by electronic mail and seminars.

The group considers that regular training is extremely important. This is achieved by in house and external courses and the training team provide a number of continuing professional development activities. All staff are encouraged to report to their line managers their specific training needs.

The group operates a graduate training scheme in respect of its trainee investment fund managers and financial planning consultants.

In connection with the Retail Distribution Review, training and learning activities have been put in place in readiness for its commencement on 1 January 2013.

The group is an equal opportunities employer. All job applicants and employees are treated fairly and on a merit basis, regardless of their race, gender, marital status, age, disability, religious belief or sexual orientation. Applications from disabled persons are always considered and where employees become disabled efforts are made to continue their employment within the group by giving training and the supply of equipment if necessary so that they are able to continue their role.

All staff have the option to have interest free annual season ticket loans. To retain the group's employees and to improve staff morale, the group ensures the need for employees to have an appropriate work/ life balance. Long service employees are entitled to additional annual leave dependent on their length of service.

Employees who have been with group for more than one year are encouraged to join the group's pension scheme.

Substantial shareholdings

Substantial interests in the company's shares as at 3 September 2012 have been advised to the company as follows:

	Number	Percentage holding
Liontrust Asset Management	1,091,968	9.99%
Artemis Investment Management Limited	1,046,141	9.57%
C A J Macdonald	808,103	7.39%
R H Spencer	758,853	6.94%
Hargreave Hale & Co	691,268	6.32%
Kames Capital	658,740	6.03%
J M Gumpel	640,174	5.86%
Invesco Asset Management (UK)	331,912	3.04%

Political and charitable donations

No contributions were made for political purposes during the period (2011: £nil).

The group made contribution of £15,000 (2011: £13,000) to the Brooks Macdonald Foundation, which is administered by the Charities Aid Foundation (CAF). Staff are encouraged to donate to charity in a tax efficient manner through the Give As You Earn (GAYE) payroll giving scheme.

The objective of the Foundation is to make charitable donations and review community activities, as suggested by employees, and to support employees' 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 39 days (2011: 28 days).

Events since the end of the year

Details of events after the statement of financial position date are set out in note 30 to the financial statements on page 50.

Report of the directors

Statement of Directors' responsibilities

The directors are responsible for preparing the Annual 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 prepared the group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, and the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and the company and of the profit or loss of the group and company for that period. 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 IFRSs as adopted by the European Union and applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the group and parent company financial statements respectively;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company 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 the group 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 group's website. The work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' statement pursuant to the Disclosure and Transparency Rules

Each of the directors, whose names and functions are listed on the inside back cover, confirm that, to the best of each person's knowledge and belief:

- the financial statements, prepared in accordance with IFRSs as adopted by the EU and applicable UK Accounting Standards, give a true and fair view of the assets, liabilities, financial position and profit of the group and company; and
- the directors' report contained in the annual report includes a fair review of the development and performance of the business and the position of the company and group, together with a description of the principal risks and uncertainties that they face.

Independent auditors

PricewaterhouseCoopers LLP have expressed their willingness to continue in office as auditor and a resolution to re-appoint them will be proposed at the forthcoming Annual General Meeting.

Each of the persons who are directors at the time when this report is approved confirms 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) the director has taken all the steps that he/she ought to have taken as a director in order to be aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Annual General Meeting

The 2012 Annual General Meeting will be held on 19 October 2012 at 111 Park Street, Mayfair, London W1K 7JL. The notice of the meeting is attached on pages 58 onwards together with details of the resolutions proposed and explanatory notes.

Signed on behalf of the Board by:

S J Jackson
Director

12 September 2012

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 2012 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Cash Flows, the 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.

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 17, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the 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 Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 2012 and of its profit and cash flows 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 Report of the Directors 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 matters where the Companies Act 2006 requires us 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 2012.

Marcus Hine (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

12 September 2012

Consolidated income statement

for the year ended 30 June 2012

	Note	2012 £'000	2011 £'000
Revenue	3	53,288	52,178
Administrative expenses		(44,886)	(44,950)
Operating profit	4	8,402	7,228
Finance income	6	166	148
Finance cost	6	(48)	(87)
Profit before taxation		8,520	7,289
Taxation	7	(2,264)	(1,846)
Profit for the year attributable to owners of the parent		**6,256**	**5,443**
Earnings per share			
Basic	23	57.94p	51.92p
Diluted	23	57.08p	50.51p
Consolidated Statement of Comprehensive Income for the year ended 30 June 2012			
Profit for the year attributable to owners of the parent		6,256	5,443
Revaluation of available for sale investments	7&12	27	45
Total comprehensive income for the year, net of tax attributable to owners of the parent		**6,283**	**5,488**

The accompanying notes from pages 23 to 50 form an integral part of the consolidated financial statements.

Consolidated statement of financial position

as at 30 June 2012

	Note	2012 £'000	2011 £'000
Assets			
Non-current assets			
Intangible assets	10	10,432	6,023
Property, plant and equipment	11	2,367	1,892
Available for sale financial assets	12	1,657	1,561
Deferred tax assets	13	-	1,495
Total non-current assets		**14,456**	**10,971**
Current assets			
Trade and other receivables	14	12,780	9,861
Cash and cash equivalents	15	13,489	16,808
Total current assets		**26,269**	**26,669**
Total assets		**40,725**	**37,640**
Liabilities			
Non-current liabilities	**17**	**(1,402)**	**(628)**
Current liabilities			
Trade and other payables		(13,845)	(16,899)
Current tax liabilities		(79)	(25)
Provisions	18	(1,689)	(1,037)
Total current liabilities	16	(15,613)	(17,961)
Net assets		**23,710**	**19,051**
Financed by:			
Equity			
Share capital	20	109	108
Share premium account	20	4,423	4,125
Other reserves	21	2,988	2,563
Retained earnings		16,190	12,255
Total equity		**23,710**	**19,051**

Approved and authorised for issue by the board of directors on 12 September 2012 and signed on its behalf by:

C A J Macdonald
Chief Executive

S J Jackson
Finance Director

Company registered number 4402058.

The accompanying notes from pages 23 to 50 form an integral part of the consolidated financial statements.

Consolidated statement of cash flows

for the year ended 30 June 2012

	Note	2012 £'000	2011 £'000
Cash inflow from operating activities			
Cash generated from operations	19	3,571	10,764
Interest paid		-	(52)
Taxation paid		(1,460)	(2,492)
Net cash generated from operating activities		**2,111**	**8,220**
Cash flow from investing activities			
Purchase of property, plant and equipment		(1,215)	(484)
Purchase of intangible assets		(2,113)	(402)
Sale of held to maturity investment		-	9
Acquisition of subsidiary company, net of cash acquired	19	-	(2,871)
Purchase of available for sale asset		(63)	(1,500)
Disposal of available for sale asset		-	194
Proceeds of sale of plant, property and equipment		6	
Proceeds of sale of land and buildings		-	60
Proceeds of sale of investment property		-	612
Interest received		166	148
Proceeds of sale of acquired relationships		-	401
Net cash used in investing activities		**(3,219)**	**(3,833)**
Cash flows from financing activities			
Proceeds of issue of shares		298	721
Purchase of own shares by employee benefit trust		(785)	(981)
Repayment of borrowings		-	(533)
Dividend paid to shareholders		(1,724)	(1,161)
Net cash used in financing activities		**(2,211)**	**(1,954)**
Net (decrease)/increase in cash and cash equivalents		(3,319)	2,433
Cash and cash equivalents at start of year		16,808	14,375
Cash and cash equivalents at end of year	**15**	**13,489**	**16,808**

The accompanying notes from pages 23 to 50 form an integral part of the consolidated financial statements.

Consolidated statement of changes in equity

for the year ended 30 June 2012

	Share capital	Share premium account	Share option reserve	Merger reserve	Available for sale reserve	Treasury Shares	Retained earnings	Total
Note	20	20	21	21	12	20		
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance as at 1 July 2010	102	2,012	1,599	192	-	-	8,505	12,410
Comprehensive income								
Profit for the year	-	-	-	-	-	-	5,443	5,443
Other comprehensive income								
Revaluation of available for sale financial asset	-	-	-	-	45	-	-	45
Total comprehensive income for the year	-	-	-	-	45	-	5,443	5,488
Transactions with owners								
Share based payments transfer	-	-	(448)	-	-	-	448	-
Issue of shares for cash	6	2,113	-	-	-	-	-	2,119
Share based payments	-	-	311	-	-		-	311
Share based payments taxation	-	-	864	-	-	-	-	864
Purchase of own shares by employee benefit trust	-	-	-	-	-	(980)	-	(980)
Dividends paid	-	-	-	-	-	-	(1,161)	(1,161)
Balance as at 30 June 2011	**108**	**4,125**	**2,326**	**192**	**45**	**(980)**	**13,235**	**19,051**
Comprehensive income								
Profit for the year	-	-	-	-	-	-	6,256	6,256
Other comprehensive income								
Revaluation of available for sale financial asset	-	-	-	-	27	-	-	27
Total comprehensive income for the year	-	-		-	**27**	-	**6,256**	**6,283**
Transactions with owners								
Share based payments transfer	-	-	(188)	-	-	-	188	-
Issue of shares for cash	1	298	-	-	-	-	-	299
Share based payments	-	-	702	-	-	-	-	702
Purchase of own shares by employee benefit trust	-	-	-	-	-	(785)	-	(785)
Share based payments taxation	-	-	(116)	-	-	-	-	(116)
Dividends paid	-	-	-	-	-	-	(1,724)	(1,724)
Balance as at 30 June 2012	**109**	**4,423**	**2,724**	**192**	**72**	**(1,765)**	**17,955**	**23,710**

The accompanying notes from pages 23 to 50 form an integral part of the consolidated financial statements.

Notes to the consolidated financial statements

General information

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

The general accounting policies applied in the preparation of these financial statements are set out below. These policies have been applied consistently to all the years presented unless otherwise stated.

1. Principal accounting policies

(a) Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union, IFRIC interpretations, and the Companies Act 2006 applicable to companies reporting under IFRS. The consolidated financial statements have been prepared under the historical convention, as modified by the revaluation of available-for-sale financial assets.

The directors have, at the time of approving the financial statements, a reasonable expectation that the company and the group have adequate resources to continue in operational existence in the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

Prior-year restatement

Prior year other comprehensive income has been restated to exclude £448,000 relating to the vesting of share based payments which is now shown only in the statement of changes in equity. This restatement has no impact on either profit after tax or shareholders' funds.

(b) Changes in accounting policies

(1) New and amended standards adopted by the group
There are no IFRSs or IFIC Interpretations that are effective for the first time for the financial year beginning on or after 1 July 2011 that would be expected to have a material impact on the group.

(2) New Standards and interpretations not yet adopted
A number of new standards and amendments to standards and interpretations are effective for annual periods on or after 1 July 2012, and have not been applied in preparing these consolidated financial statements. None of these are expected to have a significant effect on the consolidated 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 intangible assets, business combinations, provisions and the estimation of the fair value of share based payments.

The estimation of the 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 and areas involving estimation uncertainty are set out below.

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 note 22. The charge to the income statement in respect of share based payments is calculated using assumptions over the number of eligible employees leaving the group and the number of employees satisfying the relevant performance conditions.

Notes to the consolidated financial statements

1. Principal accounting policies - continued

(c) Critical accounting estimates and judgements - continued

Intangibles and business combinations

The group has acquired client relationships and new teams of fund managers as described in note 10 and in assessing the fair value of those assets the group has estimated the finite life based on the experience of existing client relationships. Acquired client relationship contracts and contracts acquired with fund managers are amortised over between five and thirty years on a straight line basis. Impairment reviews are performed where there is an indication of impairment.

Where the purchase price of intangible assets or other businesses includes deferred consideration, the fair value is calculated based on management's best estimate and discounted to present value using the group's cost of capital.

Goodwill is recognised as an asset and is reviewed for impairment at least annually or when other occasions or changes in circumstances indicate that it might be impaired. This is done by calculating the recoverable amount of the cash generating unit and comparing this to the carry value of the goodwill. Key assumptions are disclosed on pages 35 and 36 and any impairment is recognised in the income statement and is not subsequently reversed.

Provisions

Provisions are recognised when the directors determine that the recognition criteria under IAS37 is met. These are based on the best estimate of the fair value of the liability discounted to present value. The main provisions in the financial statements relate to deferred consideration and amounts in respect of potential settlement of client complaints. These are assessed on a case by case basis.

(d) Business combinations

Basis of consolidation

The group's financial statements comprise a consolidation of the financial statements 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. Identifiable assets and liabilities assumed on acquisition are brought on to the balance sheet at their fair value at the date of acquisition.

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 is recognised in accordance with IAS 39 either in the income statement or as a change to other comprehensive income.

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.

Notes to the consolidated financial statements

1. Principal accounting policies - continued

(d) Business combinations - continued

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.

Impairment
Goodwill and other intangible assets with indefinite life are tested for impairment annually, and when there is an indication of impairment. 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. Fees are recognised when the fee amount can be estimated reliably and it is probable that the fee will be receivable.

Financial consulting fees are charged to clients using 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.

Where amounts are due conditional on the successful completion of fund raising for investment vehicles revenue is recognised where in the opinion of the directors, there is a reasonable certainty that sufficient funds have been raised to enable the successful operation of that investment vehicle. Amounts due on an annual basis for the management of third party investment vehicles are recognised on a time apportioned basis over the period they are earned.

The group earns a performance fee, carried interest receivable, on funds it manages on behalf of its investors. Carried interest receivable is recognised where, at the balance sheet date, the performance criteria have been met based on the valuations of funds. Carried interest that has been earned, but where the amounts are not yet due for payment, is discounted to its present value. They are included in the current liabilities on the balance sheet.

Interest is recognised on an accruals basis.

(f) Cash and cash equivalents

Cash comprises cash in hand and deposits held at call with banks. 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

Equity schemes
The group provides equity share-based 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 and this cost is recognised in the income statement over the service period, with a corresponding credit to equity.

Notes to the consolidated financial statements

1. Principal accounting policies - continued

(g) Share based payments - continued

Cash settled share based schemes

The group provides cash settled share based transactions in respect of services received from certain employees. 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. The cost of the employee services received in respect of this scheme is recognised in the income statement over the period that services are provided.

The fair value of the options granted for both equity and cash settled schemes 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 income statement charge is calculated based on this fair value and a best estimate of the number of options expected to vest.

(h) Segmental reporting

The group determine and presents operating segments based on the information that is provided internally to the group board which is the group's chief operating decision maker.

(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. Costs include the original purchase cost of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

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	4 to 6.67 years
Equipment	5 years
Leasehold improvements	over the term of the lease
Long leasehold property	50 years

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.

Notes to the consolidated financial statements

1. Principal accounting policies - continued

(k) Intangible assets

The amortisation of intangible assets is charged to administrative expenses in the income statement on a straight line basis over their estimated useful lives (five to thirty years). These are reviewed each year and an assessment of the recoverable amount of the assets is performed where there is an indication of impairment.

Acquired client relationship contracts
Client relationships 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.

Contracts acquired with fund managers
Payments made to acquire contracts with fund managers are stated at cost and amortised on a straight line basis over five years.

Computer software
Software costs are amortised over their estimated useful lives of four years straight line basis.

(l) Financial assets

The group classifies financial assets in the following categories; available for sale, held to maturity and as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at the initial recognition.

Loans and receivables
Loans and receivables are non-derivative assets with fixed or determinable payments that are not quoted in an active market. They included in current assets except for maturities greater than 12 months after the end of the reporting period. These are classified as non- current assets. The group's loans and receivables comprise "trade and other receivables".

Available for sale
Available for sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period. Available for sale financial assets are initially recognised at cost and subsequently carried at fair value and their value is based on the current bid prices of the asset as quoted in active markets.

Where trading of shares is suspended, the financial asset is valued by the directors using primary valuation techniques such as underlying net asset value, earnings multiples, recent transactions and discounted cash flow techniques.

Held-to-maturity investments
Held-to-maturity financial assets are non-derivative financial assets with fixed or determinate payments and fixed maturities that the group's management has the positive intention and ability to hold to maturity. If the group were to sell other than an insignificant amount of held-to maturity financial assets, the whole category would be tainted and reclassified as available for sale. Held to maturity assets investments are measured at amortised cost.

(m) Provisions

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

Notes to the consolidated financial statements

1. Principal accounting policies - continued

(m) Provisions - continued

Client compensation
Complaints are assessed on a case by case basis and provisions for compensation are made where judged necessary.

Deferred consideration
Deferred consideration is provided for based on the fair value of the consideration discounted to present value using the relevant cost of capital.

(n) Foreign currency translation

The functional and presentation currency is pound sterling. Foreign currency transactions are translated using the exchange rate prevailing at the transaction date. At the balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at the balance sheet date. Foreign exchange gains and losses resulting from settlement of such transactions and from the translation of period end monetary assets and liabilities are recognised in the income statement.

(o) Retirement benefit costs

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

(p) Taxation

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

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

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

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes and liabilities relate to income taxes levied by the same taxation authority on either authority on either the taxable entity or different taxable entities where there is an intention to settle on a net basis.

(q) Trade receivables

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

(r) Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Notes to the consolidated financial statements

1. Principal accounting policies - continued

(s) Operating lease payments

Rents due under operating leases are charged to the 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) Financial instruments

The group classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement. Financial instruments are recognised on the balance sheet at fair value when the group becomes a party to the contractual provisions of the instrument.

(u) Employee Benefit Trust (EBT)

The company provides finance to an EBT to purchase the company's shares on the open market to meet its obligation to provide shares when an employee exercises certain options or awards. The administration and finance costs connected with the trust are charged to the income statement as they are incurred. The cost of the shares held by the EBT is deducted from equity. A transfer is made between other reserves and retained earnings over the vesting periods of the related share options or awards to reflect the ultimate proceeds receivable from employees on exercise. The Trustees have waived their rights to receive dividends on the shares.

The EBT is considered to be a Special Purpose Entity (SPE) where the substance of the relationship between the group and the SPE indicates that the SPE is controlled by the group - in substance, the activities of the trust are being conducted on behalf of the group according to its specific business needs in order to obtain benefits from its operation. On this basis, the assets held by the trust are consolidated into the group's financial statements.

(v) Share capital

Ordinary share capital is classified as equity.

Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax from the proceeds.

Where the group company purchases the company's equity share capital (treasury shares) the consideration paid, including any directly incremental costs (net of income taxes) is deducted from equity attributable to the company's equity holders until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects is included in the equity attributable to the company's equity.

(w) Dividend distribution

Dividend distribution to the company's shareholders is recognised as a liability in the group's financial statements in the period in which the dividends are approved by the company's shareholders.

Notes to the consolidated financial statements

2. Segmental information

For management purposes the group's activities are organised into three operating divisions: investment management, financial planning, and with the acquisition of Braemar Group Limited on 6 July 2010, niche fund and property management. The group's other activity, offering nominee and custody services to clients, has been included in 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. Sales between segments are carried out at arm's length. 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.

In accordance with IFRS 8 'Operating Segments', disclosures are required to reflect the information which the board uses internally for evaluating the performance of its operating segments and allocating resources to those segments. The information presented in this note follows the presentation for internal reporting to the group board.

Year ended 30 June 2012	Investment management £ '000	Financial planning £ '000	Funds & Estates £ '000	Total £ '000
Total revenues	50,387	2,955	3,236	56,578
Intercompany revenues	(2,465)	(825)	-	(3,290)
External revenues	47,922	2,130	3,236	53,288
Segmental result	10,255	67	(1,057)	9,265
Unallocated items				(745)
Profit before tax				8,520
Taxation				(2,264)
Profit for the year				**6,256**

Year ended 30 June 2011	Investment management £ '000	Financial planning £ '000	Funds & Estates £ '000	Total £ '000
Total revenues	49,021	2,843	3,123	54,987
Intercompany revenues	(1,971)	(838)	-	(2,809)
External revenues	47,050	2,005	3,123	52,178
Segmental result	9,744	29	(637)	9,136
Unallocated items				(1,847)
Profit before tax				7,289
Taxation				(1,846)
Profit for the year				**5,443**

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

Major Clients
The group is not reliant on any one client or group of connected clients for the generation of its revenues.

Notes to the consolidated financial statements

3. Revenue

	2012 £'000	2011 £'000
Fee income	48,479	48,527
Financial services commission	4,809	3,651
	53,288	**52,178**

4. Operating profit

	2012 £'000	2011 £'000
This is stated after charging/(crediting):		
Staff costs (see note 5)	20,477	21,697
Auditors' remuneration (see below)	206	147
Depreciation	734	708
Financial Services Compensation Scheme Levy (see below)	235	545
Amortisation	530	331
Profit on foreign exchange	-	(2)

A more detailed analysis of auditors' remuneration is provided below:

	2012 £'000	2011 £'000
Fees payable to PricewatehouseCoopers LLP and its associates:		
– Group audit fee	32	30
Fees payable to PricewatehouseCoopers LLP and its associates for other services:		
– The audit of the company's subsidiaries pursuant to legislation	88	85
– Other services pursuant to legislation	11	10
– Other services relating to taxation	12	8
– Services relating to remuneration	14	-
– All other services	49	14
	206	147

Financial Services Compensation Scheme levies

In respect of the 2011/2012 levy year the group paid a levy to the Financial Services Compensation Scheme of £235,000.

In respect of the year ended 30 June 2011, the Financial Services Compensation Scheme billed an additional levy of £545,000 in respect of the 2010/2011 levy year.

An estimated accrual for this was recognised in the 2011 accounts. The bill was settled during the 2012 financial year and the excess amount over the original estimate was charged to the current year income statement.

The 2012 accounts also include an accrual for the 2012/13 annual levy based on 2011 eligible income.

The directors are not currently aware of any additional levies relating to the 2011/12 financial year and thus no further provisions have been made.

Notes to the consolidated financial statements

5. Employee information

(a) Staff costs

	2012 £'000	2011 £'000
Wages and salaries	16,648	15,145
Social security costs	1,866	1,441
Pension costs	570	578
Share based payments	1,393	4,533
	20,477	21,697

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

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

	2012	2011
Professional staff	99	90
Support staff	185	145
	284	235

(c) Directors' emoluments

Key management personnel are considered to comprise only the company directors.

	2012 £'000	2011 £'000
Salaries	2,794	2,832
Non executive directors' fees	126	89
Benefits in kind	22	18
	2,942	2,939
Pension contributions- defined contribution retirement scheme	208	181
	3,150	3,120
Amounts receivable under the phantom share scheme and other long term incentive plans	2,974	-
Gains on the exercise of EMI and Sharesave share options	326	1,299
Highest paid director		
Remuneration and benefits in kind	554	612
Pension contribution to defined contribution retirement scheme	32	32
	586	644
Gain on the exercise of EMI and Sharesave share options	108	56
Amounts receivable under the phantom share scheme and other long term incentive plans	270	-

Retirement benefits are accruing to eight directors (2011: eight) under a defined contribution retirement scheme.

Notes to the consolidated financial statements

6. Finance income

	2012 £'000	2011 £'000
Bank interest	163	148
Other interest-tax repayment supplement	3	-
	166	148

Finance expense	2012 £'000	2011 £'000
Bank interest	-	50
Other interest-deferred consideration	48	37
	48	87

7. Taxation

	2012 £'000	2011 £'000
The tax charge on the profit on ordinary activities for the period was as follows:		
UK corporation tax @ 25.5% (2011: 27.5%)	1,866	2,141
Under provision in prior years	6	33
Total current tax	1,872	2,174
Total deferred tax	392	(328)
Income tax expense	2,264	1,846

The tax on the group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follow:

	2012 £'000	2011 £'000
Factors affecting the charge for the year		
Profit on ordinary activities before tax	8,520	7,289
Profit on ordinary activities multiplied by the standard rate of tax in the UK of 25.5% (2011: 27.5%)	2,173	2,005
Tax effect of :		
Disallowable expenses	102	52
Non-taxable income	(116)	(238)
Under provision in prior years	6	33
Effect of change in corporation tax rate	99	(6)
Tax charge	2,264	1,846

Notes to the consolidated financial statements

7. Taxation – continued

The deferred taxation charge of £392,000 (2011: credit £328,000) represents a charge of £415,000 (2011: credit £227,000) arising out of the share option reserve at the balance sheet date and a credit of £23,000 (2011: credit £101,000) relating to accelerated capital allowances.

From 1 April 2012, the Finance Act 2012 reduced the rate of corporation tax from 26% to 24% with effect from 1 April 2012. As a result the effective rate of corporation tax applicable to the company during the year ended 30 June 2012 was 25.5% (2011:27.5%).

In addition to the changes in rates of corporation tax disclosed above a number of further changes to the UK Corporation tax system were announced in March 2011 proposing that the main rate of UK Corporation tax rate be reduced to 23%. At 30 June 2012 only an element of this reduction, taking the UK rate to 24%, had been substantively enacted. Consequently the tax rate used in the determining the deferred tax assets and liabilities is 24% (2011:26%).

The tax charge relating to the components of comprehensive income is as follows:

	2012 £'000	2011 £'000
Revaluation of available for sale investments	33	61
Tax charge	(6)	(16)
Comprehensive income	**27**	**45**

8. Business combinations

Prior period

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. The price of 2.25p for each share was determined by the directors using the discounted cash flows of the future income of BG and the fair value of the assets and liabilities of BG. 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. Acquisition costs of £400,000 have been expensed in the income statement.

The total consideration of £4,118,780 of was satisfied by cash of £3,033,000 in respect of 123,869,000 ordinary shares and outstanding share options in BG and by the issue of 140,000 new shares in Brooks Macdonald Group plc, with a value of £1,086,000, to the management of BG in exchange for their aggregate holding of 48,257,000 ordinary shares. The fair value of the 140,000 ordinary shares issued as part of the consideration for Braemar Group plc was based on the published market price of £7.764 per share, being the volume weighted average price of Brooks Macdonald Group plc shares over the five dealing days prior to the announcement date, 8 June 2010.

At the date of the acquisition the assets and liabilities acquired were detailed in note 8 of the 2011 Annual Report and Accounts.

There have been no business combinations during the current period.

Notes to the consolidated financial statements

9. Dividends

	2012 £'000	2011 £'000
Paid final dividend of 10p (2011: 6p)	1,082	631
Paid interim dividend of 6p (2011: 5p)	642	530
	1,724	1,161
Proposed final dividend of 12.5p (2011: 10p)	1,365	1,079

The final dividend is payable on 24 October 2012 to shareholders on the register at the close of business on 21 September 2012 subject to approval by the shareholders at the Annual General Meeting.

10. Intangible assets

	Goodwill £'000	Software £'000	Acquired client relationship contracts £'000	Contracts acquired with fund managers £'000	Total £'000
Cost					
At 1 July 2011	3,550	87	2,056	1,850	7,543
Additions	-	5	4,811	123	4,939
Disposals	-	(2)	-	-	(2)
At 30 June 2012	**3,550**	**90**	**6,867**	**1,973**	**12,480**
Accumulated amortisation					
At 1 July 2011	-	23	229	1,268	1,520
Charge for the year	-	25	307	198	530
Disposals	-	(2)	-	-	(2)
At 30 June 2012	**-**	**46**	**536**	**1,466**	**2,048**
Net book value					
At 30 June 2011	3,550	64	1,827	582	6,023
At 30 June 2012	**3,550**	**44**	**6,331**	**507**	**10,432**

Notes to the consolidated financial statements

10. Intangible assets – contined

	Goodwill £'000	Software £'000	Acquired client relationship contracts £'000	Contracts acquired with fund managers £'000	Total £'000
Cost					
At 1 July 2010	-	-	1,585	1,496	3,081
Additions	3,592	87	830	354	4,863
Disposals	(42)	-	(359)	-	(401)
At 30 June 2011	**3,550**	**87**	**2,056**	**1,850**	**7,543**
Accumulated amortisation					
At 1 July 2010	-	-	88	1,101	1,189
Charge for the year	-	23	141	167	331
At 30 June 2011	**-**	**23**	**229**	**1,268**	**1,520**
Net book value					
At 30 June 2010	-	-	1,497	395	1,892
At 30 June 2011	**3,550**	**64**	**1,827**	**582**	**6,023**

Goodwill relates to the Braemar operating segment which is treated as one cash generating unit (CGU).

The recoverable amount of Braemar has been determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period with nil net growth in cash flows assumed for years 4 and 5. From 2018 cash flows are extrapolated using the estimated long-term growth rate stated below.

The key assumptions used for the value-in-use calculation are the discount rate, short-term growth in funds under management and the long term growth rate. The discount rate used of 10% is pre-tax and reflects specific risks relating to Braemar business. It has been calculated based on a risk free rate of 3%.

The long term growth rate of 1% does not exceed the long-term average growth rate for the real estate business in which the CGU operates.

Management has determined budgeted growth in funds under management for all of the product types and share classes. These have been based on past performance and expectations of market development and investor sentiment specific to those products.

The total monthly fund raising across all of the funds has been assumed to be at a monthly average of between £5.8m and £12.1m for the three years to June 2015. New product launches are assumed to generate incremental funds in the first year only of some £100m. No further new product launches are assumed beyond this period as currently no further new products have yet been identified.

All income from the funds business is assumed to grow at 1% for each of the final two years of the five-year forecast, which is significantly below both long-term forecasts for inflation and the long-term growth rate in the fund management industry.

The outcome of the calculation gives headroom of £2.1m above the carrying value of goodwill.

A reduction in the growth assumptions of 16% of the total monthly fund raising across all funds would lead to an impairment. An increase in the discount rate to 14% would also create an impairment.

Notes to the consolidated financial statements

11. Property, plant and equipment

	Land and buildings £'000	Vehicles and machinery £'000	Fixtures and fittings £'000	Equipment and leasehold improvements £'000	Total £'000
Cost					
At 1 July 2011	-	-	696	3,643	4,339
Additions	-	-	736	479	1,215
Disposals	-	-	(15)	(51)	(66)
At 30 June 2012	**-**	**-**	**1,417**	**4,071**	**5,488**
Accumulated depreciation					
At 1 July 2010	-	-	295	2,152	2,447
Charge for the year	-	-	154	580	734
Disposals	-	-	(15)	(45)	(60)
At 30 June 2012	**-**	**-**	**434**	**2,687**	**3,121**
Net book value					
At 30 June 2011	-	-	401	1,491	1,892
At 30 June 2012	**-**	**-**	**983**	**1,384**	**2,367**

	Land and buildings £'000	Vehicles and machinery £'000	Fixtures and fittings £'000	Equipment and leasehold improvements £'000	Total £'000
Cost					
At 1 July 2010	-	-	612	3,198	3,810
Additions on acquisition of subsidiary at fair value	86	3	11	34	134
Additions	-	-	73	411	484
Disposals	(86)	(3)	-	-	(89)
At 30 June 2011	**-**	**-**	**696**	**3,643**	**4,339**
Accumulated depreciation					
At 1 July 2010	-	-	197	1,571	1,768
Charge for the year	27	1	98	581	707
Disposals	(27)	(1)	-	-	(28)
At 30 June 2011	**-**	**-**	**295**	**2,152**	**2,447**
Net book value					
At 30 June 2010	-	-	415	1,627	2,042
At 30 June 2011	**-**	**-**	**401**	**1,491**	**1,892**

Notes to the consolidated financial statements

12. Available for sale financial assets

	2012 £'000	2011 £'000
At 1 July 2011	1,561	194
Disposals (note a)	-	(194)
Additions (note b)	63	1,500
Gain from changes in fair value	33	61
At 30 June 2012	**1,657**	**1,561**

This balance relates primarily to a £1.5m investment in Braemar PCC Limited.

(a) Disposals prior year

During 2011, the group acquired 100% of the issued share capital of Braemar Group plc as detailed in note 8 to the financial statements and its results have been consolidated from the date of acquisition. The brought forward available for sale investment in Braemar Group plc shares is therefore shown as a disposal in the prior year. There was no movement in the share price from the date of acquisition to the date of disposal.

(b) Additions

Additions of £62,500 represent interest in the share capital of UK Farming plc of £50,000, and the interest in the shares of GRIF plc of £12,500 (2011: £1,500,000 purchase of units in Braemar PCC Limited Student Accommodation Cell – B Shares).

The market value of the investments at 30 June 2012 was £1,657,000 (2011: £1,561,000). The investments are held at fair value based on quoted prices. Trading is currently suspended on Braemar PCC Limited Student Accommodation Cell, however the Manager continues to publish a price based on the value of the underlying assets in the fund. The directors do not consider that a discount is required to these prices.

13. Deferred income tax

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

An analysis of deferred tax liabilities and deferred tax assets is as follows:

	2012 £'000	2011 £'000
Deferred tax assets		
Deferred tax assets to be recovered after more than 12 months	260	242
Deferred tax assets to be recovered within 12 months	408	1,313
	668	1,555
Deferred tax liabilities		
Deferred tax liability to be recovered after more than 12 months	(672)	(16)
Deferred tax liability to be recovered within 12 months	(21)	(44)
	(693)	(60)
Deferred tax(liabilities)/assets	**(25)**	**1,495**

Notes to the consolidated financial statements

13. Deferred income tax – continued

The gross movement on the deferred income tax account is as follows:

	2012 £'000	2011 £'000
At 1 July 2011	1,495	1,181
Income statement (charge)/ credit (note 7)	(392)	328
Tax charge relating to components of other comprehensive income	(6)	(16)
Tax (charged)/credited to equity	(473)	2
Intangible asset amortisation	(649)	-
At 30 June 2012	**(25)**	**1,495**

The movement on the deferred tax income tax assets and liabilities during the year is as follows:

Deferred tax assets

	Share based payments £'000	Total £'000
At 1 July 2010	1,326	1,326
Credited to the Income statement	227	227
Credited directly to equity	2	2
At 30 June 2011	1,555	1,555
At 1 July 2011	1,555	1,555
Charge to the income statement	(414)	(414)
Charged to equity	(473)	(473)
At 30 June 2012	668	668

Deferred tax liabilities

	Accelerated tax depreciation £'000	Fair value gains £'000	Intangible asset amortisation £'000	Total £'000
At 1 July 2010	145	-	-	145
Credit to the income statement	(101)	-	-	(101)
Charge to the comprehensive income	-	16	-	16
At 30 June 2011	**44**	**16**	**-**	**60**
At 1 July 2011	44	16	-	60
On acquisition of subsidiaries	-	-	649	649
Credit to the income statement	(22)	-	-	(22)
Charged to comprehensive income	-	6	-	6
At 30 June 2012	**22**	**22**	**649**	**693**

Notes to the consolidated financial statements

14. Trade and other receivables

	2012 £'000	2011 £'000
Trade receivables	1,719	1,080
Other receivables	1,123	415
Prepayments and accrued income	9,938	8,366
	12,780	9,861

15. Cash and cash equivalents

	2012 £'000	2011 £'000
Cash at bank	13,470	16,800
Cash held in employee benefit trust	19	8
	13,489	16,808

Cash and cash equivalents are distributed across a range of financial institutions with high credit ratings in accordance with the group's treasury policy. Cash at bank comprises current accounts and immediately accessible deposit accounts.

16. Current liabilities

	2012 £'000	2011 £'000
Trade payables	2,699	1,790
Corporation tax liabilities	79	25
Other taxes and social security	1,333	1,291
Other payables	308	1,046
Accruals and deferred income	9,505	12,772
Provisions (note 18)	1,689	1,037
At 30 June 2012	**15,613**	**17,961**

Included in accruals and deferred income is an accrual of £985,000 (2011: £5,040,000) in respect of the phantom share option scheme granted in October 2008 and October 2009. In respect of the phantom schemes granted in April 2011, October 2010 and July 2010, the amounts accrued have been included in non-current liabilities. The schemes are cash settled plans and payments are made to participants in respect of awards in the form of cash made payable by the subsidiary undertakings. The phantom scheme is awarded at no cost to the participants. The amount that is ultimately payable 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 award will be vested after three years to the extent that the performance conditions are satisfied. These awards will be forfeited in total if the performance fails to meet the minimum criteria at the discretion of the board. 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 model, details of which are given in note 22.

The total charge for all phantom schemes in the year was £651,000 (2011: £4,222,000).

Phantom Schemes	2012 Number of options	2012 Weighted average base price £	2011 Number of options	2011 Weighted average base price £
At 1 July 2011	595,603	3.235	516,500	2.401
Granted in the year	-	-	167,103	8.129
Forfeited in the year	-	-	(88,000)	7.631
Exercised in the year	(462,500)	2.185	-	-
At 30 June 2012	**133,103**	**6.875**	**595,603**	**3.235**

Notes to the consolidated financial statements

17. Other non-current liabilities

	2012 £'000	2011 £'000
At 1 July 2011		
Deferred income tax liabilities (note 13)	25	-
At 30 June	**25**	**-**
At 1 July 2011	626	1,445
Phantom share save scheme	244	567
Transfer phantom share save scheme to current liabilities	(452)	(1,386)
At 30 June 2012	**418**	**626**
Other payables	-	2
Deferred consideration on acquisition of acquired client relationships	959	-
At 30 June 2012	**959**	**2**
Total other non-current liabilities at 30 June 2012	**1,402**	**628**

18. Provisions

Client compensation provision	2012 £'000	2011 £'000
At 1 July 2011	**243**	**377**
Charged to income statement	182	245
Unused amount credited to income statement	-	(230)
Net charge to income statement	182	15
Paid during the year	(86)	(149)
At 30 June 2012	**339**	**243**
Deferred contingent consideration		
At 1 July 2011	**794**	**-**
Transfer from non-current liabilities	-	757
Deferred consideration on acquisition of acquired client relationships	1,267	-
Interest charge	-	37
Amount paid	(711)	-
At 30 June 2012	**1,350**	**794**
Total provisions at 30 June 2012	**1,689**	**1,037**

Notes to the consolidated financial statements

18. Provisions – continued

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 (2011: eight months) from the date of notification of the complaint.

Deferred contingent consideration accrued at 30 June 2011 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 of £711,000 was paid on 23 September 2011 based on the value of the funds acquired after 24 months from the date of acquisition.

On 31 October 2011, Brooks Macdonald Asset Management Limited acquired the client relationship contracts of Clark Willmott LLP based in Taunton Somerset for an initial consideration of £1,985,000.

An additional amount will be payable in two tranches at 12 months and 24 months after the date of completion date. The total consideration will be based on a maximum of 3.25% of the total discretionary funds under management acquired, split across the respective payment dates with the total consideration subject to a maximum of £6,000,000. Management's current best estimate of the total consideration is £4,162,000. The deferred consideration has been fair valued based on discounted cashflows.

19. Notes to cash flows

	2012 £'000	2011 £'000
Operating profit before taxation	8,402	7,228
Depreciation	734	680
Amortisation of intangible assets	530	331
Profit on disposal of assets	-	(42)
Increase in receivables	(2,920)	(5,194)
(Decrease)/increase in payables	(4,319)	8,409
Increase in provisions	652	623
Decrease in non-current liabilities	(210)	(1,582)
Share based payments	702	311
Cash generated from operations	3,571	10,764

In the year ended 30 June 2011, the group obtained control of Braemar Group Limited, as detailed in note 8. The fair values of the assets acquired and liabilities assumed were as follows:

	£'000
Intangibles	4,461
Non current assets	751
Cash and cash equivalents	162
Other current assets	873
Current liabilities	(2,128)
Total purchase price paid	4,119
Less: issue of shares	(1,086)
Cash paid	3,033
Less: cash of subsidiary acquired	(162)
Cash paid to obtain control net of cash acquired	2,871

Notes to the consolidated financial statements

20. Share capital

	Issued and allotted 2012 £'000	Issued and allotted 2011 £'000
10,927,496 (2011: 10,788,167) ordinary shares of 1p each, fully paid	109	108

From 1 October 2009, the Companies Act 2006 abolished the requirement for a company to have an authorised share capital. Shareholders wishing to restrict the number of shares that can be issued by a company need to address this issue in the company's articles.

The movements in the share capital were as follows:

	Number of shares £'000	Exercise price p	Share capital £'000	Share premium £'000	Total £'000
At 1 July 2010	10,245,171		102	2,012	2,114
On acquisition of subsidiary (note 8)	139,851	776.4	1	1,084	1,085
Issue of shares to repay subsidiary's loan notes	40,205	776.4	1	312	313
Shares issued on exercise of options	188,950	140-290.5	2	341	343
to Save as you Earn scheme	173,990	196-240	2	376	378
At 30 June 2011	**10,788,167**		**108**	**4,125**	**4,233**
– on exercise of options	75,900	240	1	146	147
– to Save as you Earn scheme	63,429	155-290.5	-	152	152
At 30 June 2012	**10,927,496**		**109**	**4,423**	**4,532**

The Save as you earn share capital amount is nil due to rounding.

Employee Benefit Trust
Brooks Macdonald Group plc established an Employee Benefit Trust (EBT) on 3 December 2010. The Trust was established to acquire ordinary shares in the company in connection with the Long Term Incentive Scheme (LTIS), as detailed below, and for other long term awards to employees. At the balance sheet date, the EBT has acquired 151,139 1p ordinary shares in Brooks Macdonald for a total consideration of £1,765,000 (2011: number of shares 86,904 for a consideration of £980,000, market value £1,130,000). At the balance sheet date the market value of the shares was £1,738,000. The shares are held as Treasury shares and the cost of these shares has been deducted from retained earnings within shareholders' equity.

21. Other reserves

	2012 £'000	2011 £'000
Share option reserve	2,724	2,326
Merger reserve	192	192
Available for sale reserve	72	45
	2,988	2,563

Notes to the consolidated financial statements

22. Equity settled share based payments

Enterprise Management Incentive Scheme

Under the approved share option scheme, certain employees hold options to subscribe for shares in the company at prices ranging from 140p to 775p. Options are conditional on the employee completing a three year's service (the vesting period) and are exercisable three years from the grant date. The options have a contractual option term of seven years from the date they become exercisable. The group has no legal or constructive obligation to repurchase or settle the options in cash.

Enterprise Management Incentive Scheme	2012 Number of options	2012 Weighted average exercise price £	2011 Number of options	2011 Weighted average exercise price £
At 1 July 2011	258,557	2.69	428,600	2.165
Granted in the year	-	-	27,010	7.75
Forfeited in the year	-	-	(8,103)	7.75
Exercised in the year	(75,900)	1.94	(188,950)	2.00
At 30 June 2012	**182,657**	**3.00**	**258,557**	**2.69**

Employee Sharesave Scheme

Under the scheme, employees can contribute up to £250 a month to acquire shares at the end of the three years savings period. At the end of the savings period, employees can elect to acquire shares or receive their savings, including interest, in cash.

Employee Sharesave Scheme	2012 Number of options	2012 Weighted average exercise price £	2011 Number of options	2011 Weighted average exercise price £
At 1 July 2011	196,171	5.78	318,317	2.85
Granted in the year	54,231	10.54	67,121	9.16
Forfeited in the year	(6,407)	7.73	(15,277)	2.99
Exercised in the year	(63,429)	2.40	(173,990)	1.97
At 30 June 2012	**180,566**	**8.33**	**196,171**	**5.78**

Long Term Incentive Scheme (LTIS) and Employee Benefit Trust

The company has made annual rewards based on certain criteria made under the LTIS to executive directors and senior executives. The conditional awards, which vest three years after grant, are subject to the satisfaction of specified performance criteria, measured over three year performance period. All conditional awards are at the discretion of the remuneration committee.

Brooks Macdonald Group plc established an EBT on 3 December 2010. The Trust was established to acquire ordinary shares in the company with the LTIS, as detailed above, and for other long term awards to employees. The table below shows the number of shares held in trust that have not yet vested unconditionally and the associated reduction in shareholders' funds.

Employee Benefit Trust	Number of shares held
At 1 July 2011	37,959
Purchased in the year	113,180
At 30 June 2012	**151,139**

The options granted under the Employee Sharesave Scheme, the EMI Scheme and the Phantom Scheme (note 16&17) were valued on the basis of market prices at the time the options were granted and were calculated using the Black Scholes model with a volatility ranging between 15% and 49%, on an historic price, covering the period to the end of the contractual life. 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 between 3 and 10 years.

Notes to the consolidated financial statements

22. Equity settled share based payments – continued

The options were valued at prices from £1.40 to £10.54 per share. The charge for the period was £702,000 (2011: £311,000). The weighted average remaining contractual life of the equity settled scheme for share options at the end of the year was 3.18 years (2011: 3.87 years). The weighted average share price at the date of exercise for options exercised during the period was £12.05. The total charge for the equity based schemes and phantom schemes was £1,393,000 (2011: £4,533,000).

Share options granted during the year, were as follows:

	Exercise price in pence	Fair value of option in pence
Enterprise management incentive scheme		
Granted in the year	-	-
Employee sharesave scheme		
Granted in the year	1,054	494
Long term incentive scheme		
Granted in the year	-	1,224

No options were granted under the Enterprise management incentive scheme during the year.

In respect of those equity options granted during the year, the Black Scholes model was used to calculate the fair value of the options. The assumptions used were the market price of the share price at the grant date, a volatility of 50%, no dividend yield, an expected option life of three years and an annual risk-free interest rate ranging from 0.34% to 2%.

The phantom scheme option pricing models use the same assumptions in calculating the fair value but are re-calculated on a quarterly basis.

An analysis of the number of share options outstanding is as follows:

			Number of shares	
Year of grant	Exercise price (p)	Exercise period	2012	2011
Enterprise management incentive scheme				
2005	140	2008-2015	6,000	6,000
2005	155.5	2008-2015	31,000	72,000
2006	215	2009-2016	29,350	53,250
2007	290.5	2010-2017	97,400	108,400
2010	775	2013-2020	18,907	18,907
At 30 June 2012			**182,657**	**258,557**
Employee sharesave scheme				
2009	240	2012	4,269	67,698
2010	578	2013	58,526	61,352
2011	916	2014	63,813	67,121
2012	1054	2015	53,958	-
At 30 June 2012			**180,566**	**196,171**

	2012 Exercise price (p)	2012 Exercise period	2011 Number of options	2011 Number of options
Long Term incentive Scheme				
At 1 July 2011	0	October 2013	37,959	-
Granted in the year	0	October 2014	94,005	37,959
Forfeited in year	0	October 2013	(3,621)	-
At 30 June 2012			**128,343**	**37,939**

Notes to the consolidated financial statements

23. Earnings per share

Earnings used to calculate earnings per share presented in the financial statements were:

	2012 £'000	2011 £'000
Profit attributable to owners of the company	6,256	5,443

Basic earnings per share have been calculated by dividing earnings by the weighted average number of shares in issue throughout the year ended 30 June 2012 (year to 30 June 2011).

Diluted earnings per share is the basic earnings per share, adjusted for the effect of contingently issuable shares under the sharesave scheme, enterprise management incentive scheme and employee benefit trust (collectively "share options") weighted for the relevant periods.

	2012 Number	2011 Number
Weighted average number of shares-basic	10,797,333	10,482,942
Effect of share options	162,633	292,899
Diluted ordinary shares	10,959,966	10,775,841
Basic earnings per share	57.94p	51.92p
Diluted earnings per share	57.08p	50.51p

24. Lease commitments

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2012 £'000	2011 £'000
Within one year	813	776
In the second year to fifth year inclusive	1,720	2,282

The lease payments relate to the rental of office premises.

25. Client money and funds under management

	2012 £'000	2011 £'000
Clients' bank accounts	479,000	303,000
Clients' funds under management	3,520,000	2,969,000

The group holds client money and assets on behalf of clients in accordance with the client money rules of the Financial Services Authority and other regulatory bodies. Such money and the corresponding liabilities to clients are not shown on the face of the balance sheet as the group is not beneficially entitled thereto.

Notes to the consolidated financial statements

26. Financial risk management

The group has identified the risks arising from its activities and has established policies and procedures as part of a formal structure for managing risk, including established risk lines, reporting lines, mandates and other control procedures. The structure is reviewed regularly. The group does not use derivative financial instruments for risk management purposes.

(a) Liquidity risk

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

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

The table below presents the cash flows payable by the group under non-derivative financial liabilities together with cash and balances at bank on demand.

30 June 2012	On demand £'000	Not more than 3 months £'000	After 3 months but not more than 1 year £'000	After 1 year but less than 5 years £'000	Total £'000
Cash flows arising from financial assets					
Available for sale financial assets	-	-	-	1,657	1,657
Cash and balances at bank	13,470	-	-	-	13,470
Trade receivables	-	1,719	-	-	1,719
Other receivables	-	-	115	-	115
	13,470	**1,719**	**115**	**1,657**	**16,961**
Cash flows arising from financial liabilities					
Trade payables	-	2,699	-	-	2,699
Other financial liabilities	-	9,869	2,231	1,376	13,476
	-	**12,568**	**2,231**	**1,376**	**16,175**
Net liquidity gap	**13,470**	**(10,849)**	**(2,116)**	**281**	**786**

30 June 2011	On demand £'000	Not more than 3 months £'000	After 3 months but not more than 1 year £'000	After 1 year but less than 5 years £'000	Total £'000
Cash flows arising from financial assets					
Available for sale financial assets	-	-	-	1,561	1,561
Cash and balances at bank	16,800	-	-	-	16,800
Trade receivables	-	1,080	-	-	1,080
Other receivables	-	-	121	-	121
	16,800	**1,080**	**121**	**1,561**	**19,562**
Cash flows arising from financial liabilities					
Trade payables	-	1,790	-	-	1,790
Other financial liabilities	-	14,612	243	626	15,481
	-	**16,402**	**243**	**626**	**17,271**
Net liquidity gap	**16,800**	**(15,322)**	**(122)**	**935**	**2,291**

Notes to the consolidated financial statements

26. Financial risk management – continued

(b) Market risk

Interest rate risk

The group's cash and short term deposits mature in the short term, no longer than three months. As a result the group is subject to limited exposure to fair value interest rate risk due to fluctuations at prevailing levels of market interest rates. Excess cash and cash equivalents of the group are invested in short-term cash deposits with the term of maturity no longer than three months.

A 1% fall in the average monthly interest rate obtained by the group's cash and cash equivalents would reduce interest receivable and profit before taxation by £135,000 (2011:£168,000). An increase of 1% would have an equal but opposite effect.

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 12), particularly given the fact that trading is suspended in one of the funds in which the group invests.

(c) Credit risk

The group may invest 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.

Credit risk relating to on balance sheet exposures:

	2012 £'000	2011 £'000
Cash and balances at bank	13,470	16,800

Trade receivables are analysed below.

	2012 £'000	2011 £'000
Carrying amount	1,719	1,080
Neither past due nor impaired	1,719	1,080

No external credit ratings are acquired with regard to the trade receivable as amount held in respect of clients investments by the group is in excess of the total value of the receivables.

Ageing analysis of trade receivables

	2012 £'000	2011 £'000
Up to 3 months	1,719	1,080

Notes to the consolidated financial statements

27. Capital management

Capital is defined as the total of share capital, share premium, retained earnings and other reserves. Total capital at 30 June 2012 was £23,710,000 (2011: £19,051,000). 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 safeguard 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 2012 ICAAP was approved in March 2012. There have been no capital requirement breaches during the course of the year. Brooks Macdonald Group plc's Pillar III disclosure is presented on our website at www.brooksmacdonald.com.

28. Guarantees and contingent liabilities

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

29. Related party transactions

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	2012 £ '000 Loan balance	2011 £ '000 Loan balance	2012 £ '000 Maximum amount	2011 £ '000 Maximum amount
J M Gumpel	4	4	5	5
N I Holmes	1	1	2	2
S J Jackson	4	4	8	8
N H Lawes	-	nil	-	4

Transactions between the company and its subsidiaries, which are related parties, have been eliminated on consolidation. The captions in the primary statements of the company include the amounts attributable to subsidiaries. These amounts have been disclosed in aggregate in the relevant financial statements and in detail in the following table:

	Amounts owed by related parties 2012 £ '000	Amounts owed by related parties 2011 £ '000	Amounts owed to related parties 2012 £ '000	Amounts owed to related parties 2011 £ '000
Braemar Group Limited-subordinated loan interest free	2,150	1,400	-	-
Brooks Macdonald Financial Consulting Limited	1,579	-	-	1,850
Brooks Macdonald Asset Management Limited	-	-	14,391	14,215
Brooks Macdonald Nominees Limited	-	-	1,869	1,192

All of the above, with the exception of the loan to Braemar Group Limited, are interest free and repayable on demand.

The group manages a number of collective investment funds which are considered to be related parties. The available for sale asset (note 12) is an investment of 1,440,230.43 shares in Braemar PCC Limited Student accommodation cell. This transaction was at market value and on an arm's length basis.

Notes to the consolidated financial statements

30. Events since the end of the year

On 1 July 2012, the group acquired the entire share capital of JPAM Limited for a total consideration of £5,334,000. JPAM Limited is a long standing professional introducer of private clients and their portfolios to the group.

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

The initial consideration of £3,005,000 was paid in August 2012 with a contingent deferred balance of £2,329,000 based on the value of the client relationships and will be paid in three further annual instalments. The estimate of the additional payments has been made allowing for a growth in the value of the funds less than an allowance for withdrawals.

The net present value of the contingent deferred balance of £2,134,000 was calculated applying a cost of capital of 5%. The charge in respect of the year ending 30 June 2013 will be made to the consolidated income statement and shown as an interest expense.

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 initial estimate of the assets and liabilities acquired are detailed below:

	Carrying amounts £'000
Cash and cash equivalents	694
Trade receivables	192
Other current assets	-
Trade and other payables	(176)
Net identifiable assets	710
Intangible assets-client relationships	4,624
	5,334

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.

Independent auditor's report on the company's financial statements

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 2012 which comprise the 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).

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 17, 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 and express an opinion on 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 Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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. In addition, we read all the financial and non-financial information in the Annual Report and Accounts to identify material inconsistencies with the audited financial statements.

If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the parent company financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2012;
- 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 matter prescribed by the Companies Act 2006

In our opinion the information given in the Report of the Directors for the financial year for which the parent company financial statements are prepared is consistent with the parent company financial statements.

Matters on which we are required to report by exception

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

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

Other matter

We have reported separately on the group financial statements of Brooks Macdonald Group plc for the year ended 30 June 2012.

Marcus Hine (Senior Statutory Auditor) for and on behalf of
PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors

London

12 September 2012

Company balance sheet

as at 30 June 2012

	Note	2012 £'000	2012 £'000	2011 £'000	2011 £'000
Fixed assets					
Investments	33		11,863		11,128
Current assets					
Debtors	34	7,739		3,570	
Cash at bank and in hand		7,893		12,313	
		15,632		**15,883**	
Creditors: amounts falling due within one year	**35**	**(21,723)**		**(21,418)**	
Net current liabilities			**(6,091)**		**(5,535)**
Total assets less liabilities			**5,772**		**5,593**
Financed by:					
Capital and reserves					
Called up share capital	36		109		108
Share premium account	37		4,423		4,125
Share option reserve	37		1,912		1,210
Other reserves	37		94		61
Profit and loss account	37		(766)		89
Total Shareholders' funds	**38**		**5,772**		**5,593**

Approved and authorised for issue by the board of directors on 12 September 2012 and signed on its behalf by:

C A J Macdonald
Chief Executive

S J Jackson
Finance Director

The accompanying notes from pages 53 to 57 form an integral part of the company financial statements.

Notes to the company financial statements

(a) Basis of accounting

These financial statements are prepared on the going concern basis, under the historical cost convention as modified by the revaluation of listed investments and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. The principal accounting policies of the company which have been applied consistently throughout the year are set out below:

(b) Investments in subsidiary companies

Investments in subsidiaries are carried at cost less provisions for impairment.

(c) 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 grant date and the cost is expensed on a straight line basis over the period for which related services are provided based on the number of shares that are expected to eventually vest.

(d) Operating lease payments

Rents due under operating leases are charged to profit and loss account on a straight line basis over the term of the lease. The company 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 profit and loss account and accrued as a liability in the balance sheet.

(e) 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.

(f) Employee benefit trust

Where the company holds its own equity shares through an Employee Benefit Trust these shares are shown as a reduction in equity. Any consideration paid or received for the purchase or sale of these shares is shown as a reduction in the reconciliation of movements in shareholders' funds and no gain or loss is recognised in the profit and loss account or the statement of total recognised gains or losses on the purchase, sale, issue or cancellation of these shares.

(g) Treasury shares

The company's own equity instruments that are reacquired (treasury shares) are deducted from equity. No gain or loss is recognised in profit or loss on the purchase, issue or cancellation of the company's own equity instruments.

(h) Other Investments

Other investments are listed investments. They are held as AFS investments, stated at market value, movements in their market value are recorded in the AFS reserve.

Where trading of shares is suspended, the financial asset is valued by the directors using primary valuation techniques such as underlying net asset value, earnings multiples, recent transactions and discounted cash flow techniques.

(i) Currency

The functional and presentation currency is pound sterling.

Notes to the company financial statements

31. Profit for the year

As permitted by Section 408 of the Companies Act 2006 the company has elected not to present its own profit and loss account for the financial year. Brooks Macdonald Group plc reported profit after tax for the financial year ended 30 June 2012 of £1,654,000 (2011: profit £1,692,000). Auditors' remuneration for audit and other services to the company are set out in note 4.The average monthly number of employees during the year was eleven (2011: ten). Directors' emoluments are set out in note 5 of the group accounts.

32. Dividends

Details of the company's dividends paid and proposed for approval at the Annual General Meeting are set out in note 9 of the group accounts.

33. Investments

	2012 £'000	2011 £'000
Group undertakings		
Valuation at 1 July 2011	9,567	5,137
Additions	702	4,430
Valuation at 30 June 2012	**10,269**	**9,567**
Listed investments		
Valuation at 1 July 2011	1,561	194
Additions	-	1,500
Disposals	-	(194)
Revaluation	33	61
Valuation at 30 June 2012	**1,594**	**1,561**
Total fixed assets	**11,863**	**11,128**

Investments in group undertakings are recorded at cost, which is the fair value of the consideration paid.

The additions to group undertakings represent the cost of share options in accordance with FRS20.

The addition to listed investment in the year ended 30 June 2011 represents the purchase of shares 1,440,230.43 shares in Braemar PCC Limited Student Accommodation Cell – B Shares).

The directors believe the carrying value of investments is supported by their net asset values, or values in use.

Details of the subsidiary undertakings of the company as at 30 June 2012 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 Tax Services Limited	Ordinary £1	UK	Dormant
Brooks Macdonald Financial Consulting Limited	Ordinary 5p	UK	Financial consulting
Brooks Macdonald Asset Management Limited	Ordinary £1	UK	Investment management
Brooks Macdonald Nominees Limited	Ordinary £1	UK	Nominee Services
Brooks Macdonald Asset Management (Tunbridge Wells) Limited	Ordinary £1	UK	Investment management
Braemar Group Limited (formerly Braemar Group plc)	Ordinary 1p	UK	Investment management

Notes to the company financial statements

34. Current assets

	2012 £'000	2011 £'000
Amounts owed by subsidiary undertakings	7,729	3,550
Other debtors	10	20
	7,739	**3,570**

Amounts owed by subsidiary entities are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

35. Creditors: amounts falling due within one year

	2012 £'000	2011 £'000
Trade creditors	8	94
Amounts owed to subsidiary undertakings	20,260	19,406
Other creditors	-	5
Accruals	1,455	1,913
	21,723	**21,418**

Amounts due to subsidiary entities are unsecured, interest free, and are repayable on demand.

36. Share capital

	No of 1p ordinary shares	£ '000
At 1 July 2010	10,245,171	102
Shares issued	542,996	6
At 30 June 2011	**10,788,167**	**108**
At 1 July 2011	10,788,167	108
Shares issued	139,329	1
At 30 June 2012	**10,927,496**	**109**

	No of 1p ordinary shares
Shares issued at 30 June 2011	10,788,167
Treasury shares	(86,904)
Shares issued at 30 June 2011 excluding treasury shares	10,701,263
Shares issued at 30 June 2012	10,927,496
Treasury shares	(151,139)
Shares issued at 30 June 2012 excluding treasury shares	10,776,357

Notes to the company financial statements

36. Share capital – continued

Long Term Incentive Scheme

Brooks Macdonald Group plc established an Employee Benefit Trust (EBT) on 3 December 2010. The Trust was established to acquire ordinary shares in the company in connection with the Long Term Incentive Scheme (LTIS), as detailed below, and for other long term awards to employees. The EBT has acquired to 30 June 2012, 151,139 1p ordinary shares in Brooks Macdonald for a consideration of £1,765,000. At the balance sheet date the market value of the shares was £1,738,000. The shares are held as Treasury shares, the cost of these shares has been deducted from retained earnings within shareholders equity.

The company has made annual rewards based on certain criteria made under the LTIS to executive directors and senior executives. The conditional awards, which vest three years after grant, are subject to the satisfaction of specified performance criteria, measured over three year performance period. All conditional awards are at the discretion of the remuneration committee.

37. Reserves

	2012 £'000	2011 £'000
Profit and loss account		
At 1 July 2011/2010	89	537
Retained profit for the financial year	1,654	1,692
Dividends paid	(1,724)	(1,160)
Treasury and own shares	(785)	(980)
At 30 June 2012/2011	**(766)**	**89**

	Other reserves £'000	Other reserves £'000
Available for sale revaluation reserve		
At 1 July 2011	61	-
Revaluation to investment	33	61
At 30 June 2012	**94**	**61**

	Share premium £'000	Share option reserve £'000
At 1 July 2011	4,125	1,210
Shares issued	298	-
Share based payments	-	702
At 30 June 2012	**4,423**	**1,912**

Notes to the company financial statements

38. Reconciliation of movements in shareholders' funds

	2012 £'000	2011 £'000
Opening shareholders' funds	5,593	3,551
Profit for the financial year	1,654	1,692
Dividends paid	(1,724)	(1,161)
Share based payments	702	311
Share capital issued	299	2,119
Treasury and own shares	(785)	(980)
Revaluation of investment	33	61
Net addition to shareholders funds	179	2,042
Closing shareholders' funds	**5,772**	**5,593**

39. Lease commitments

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

	2012 £'000	2011 £'000
Within one year	734	699
In the second year to fifth year inclusive	1,464	2,198

40. Related party transactions

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

Explanation of AGM business

Enclosed with this document is a notice convening the annual general meeting of the company for 19 October 2012. This explanatory note gives further information on resolutions numbered 2 to 10 set out in the notice of AGM.

Resolution 2 – To declare a final dividend

The directors recommend a final dividend of 12.5 pence per ordinary share. Subject to approval by shareholders, the final dividend will be paid on 24 October 2012 to shareholders on the register on 21 September 2012.

Resolutions 3 to 6 – To re-elect certain of the directors

The company's articles of association state that one third of the 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. Nicholas Lawes, Nicholas Holmes, Andrew Shepherd 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 Lawes (49) joined Brooks Macdonald Financial Consulting in 2003 and was appointed Managing Director in 2004. He has 20 years' experience developing wealth management strategies for high net worth individuals and families. He advises on a broad range of financial matters, including sophisticated tax planning, pensions and retirement and inheritance tax mitigation.

His longstanding relationships with members of the legal, accountancy and banking professions enable him to work closely with other advisers in the management of their mutual clients' financial affairs.

Nicholas has responsibility for the financial consulting business of the group board; he is a non-executive director of William Reed Holdings Ltd.

Nicholas Holmes (41) is joint managing director of Brooks Macdonald Asset Management (BMAM) and is responsible for the day-to-day management. He is a member of the Group board and chairs the Asset Management board.

Nick was the first trainee fund manager in the company when he joined in 1996 and has a total of 13 years investment management experience.

Andrew Shepherd (39) joined Brooks Macdonald Asset Management (BMAM) in 2002 as an investment manager. Since then he has been promoted to the role of investment director and then to joint managing director. He is responsible for the day-to-day management of BMAM and sits on both this board and that of the Brooks Macdonald Group.

Simon Wombwell (51) has spent his entire career in the financial services industry, primarily involved in the development, sales and marketing of investment products and was a non-executive director of the Brooks Macdonald Group from 2002 until he was appointed as an executive director in a full time capacity in February 2011. He is a member of the Group board and is CEO of Brooks Macdonald Funds which was launched in July 2011.

The service contracts of each director standing for re-election may be terminated by the Company on less than 12 months' notice. A copy of each service contract is available for inspection at the registered office of the Company and will be available for inspection at the annual general meeting.

Resolution 7 – To appoint PricewaterhouseCoopers LLP as auditors

This Resolution proposes that PricewaterhouseCoopers LLP should be appointed as the company's auditors and authorises the directors to determine their remuneration.

Resolution 8 – 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 2011, will expire at the end of this year's annual general meeting.

Resolution 8 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 £36,439 representing approximately 33% of the ordinary shares in issue on 21 September 2012 . 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.

Explanation of AGM business

Resolution 9 – 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 2011, will expire at the end of this year's annual general meeting. Accordingly, resolution 9 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 £10,931 representing approximately 10% of the ordinary shares in issue on 21 September 2012.

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 10 – Company's authority to purchase its own shares

Resolution 10 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 2011, 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 21 September 2012. The minimum price that may be paid is the nominal value of an ordinary share (i.e. 1 pence), and the maximum price shall not exceed 5% above the average of the middle market quotations for an ordinary share for the five business days before each purchase is made (exclusive of expenses).

The authority conferred by this resolution will expire on the date which falls fifteen months after the passing of this resolution or, if sooner, at the end of next year's annual general meeting.

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

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

Notice of Annual General Meeting

Notice is given that the annual general meeting of Brooks Macdonald Group plc (the "Company") will be held at 111 Park Street, London W1K 7JL on Friday 19 October 2012 at 9.30am 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 2012.

2 To declare a final dividend of 12.5 pence per ordinary share for the year ended 30 June 2012.

3 To re-elect Nicholas Lawes as a director.

4 To re-elect Nicholas Holmes as a director.

5 To re-elect Andrew Shepherd as a director.

6 To re-elect Simon Wombwell as a director.

7 To appoint PricewaterhouseCoopers 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:

8 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 £36,439, 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, before such expiry, 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:

9 That, subject to the passing of resolution 8 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 8, 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:

9.1 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

9.2 otherwise than pursuant to paragraph 9.1 up to an aggregate nominal amount of £10,931;

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 8" 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.

Notice of Annual General Meeting

Company's authority to purchase its own shares

To resolve as a special resolution:

10 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:

10.1 the maximum number of ordinary shares hereby authorised to be purchased is 1,000,000;

10.2 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);

10.3 the minimum price which may be paid for each ordinary share shall be £0.01; and

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

By order of the Board

Simon Jackson
Secretary

Dated: 21 September 2012

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

Notice of Annual General Meeting

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 9.30am on Wednesday 17 October 2012. 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 6.00pm on Wednesday 17 October 2012 (or, in the event of any adjournment, 48 hours before the time of the adjourned meeting). Changes to the register of members after the relevant deadline will be disregarded in determining the right of any person to attend and vote at the meeting.

Corporate representatives

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

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; and
- the letter of appointment of each non-executive director.

Form of Proxy

ANNUAL GENERAL MEETING 19 OCTOBER 2012 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 2012 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 2).

The above proxy is appointed to exercise the rights attached to [all] OR Number shares (see notes 1 and 2) of the ordinary shares held by me.

FOLD

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).

Ordinary Business	FOR	AGAINST	VOTE WITHHELD
Resolution 1: To receive and consider the Annual Report and Accounts for the year ended 30 June 2012			
Resolution 2: To declare a final dividend of 12.5 pence per ordinary share			
Resolution 3: To re-elect Nicholas Lawes as a director			
Resolution 4: To re-elect Nicholas Holmes as a director			
Resolution 5: To re-elect Andrew Shepherd as a director			
Resolution 6: To re-elect Simon Wombwell as a director			
Resolution 7: To appoint PricewaterhouseCoopers LLP as the Company's auditors and to authorise the directors to determine their remuneration			
Special Business	**FOR**	**AGAINST**	**VOTE WITHHELD**
Resolution 8: Ordinary resolution to give the directors authority to allot shares			
Resolution 9: Special resolution to give the directors power to disapply pre-emption rights in relation to the allotment of shares			
Resolution 10: Special resolution to give the Company a general authority to purchase its own shares			

Signature: Date: / /2012

(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 9.30am on Wednesday 17 October 2012.

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 41 of the Uncertificated Securities Regulations Act only those shareholders entered on the register of members at 6.00 pm on Wednesday 17 October 2012 are entitled to attend and vote at the Annual Meeting to be held at 9.30am on 19 October 2012.

Directors and advisers

Directors

C J Knight	Chairman
C A J Macdonald	Chief Executive
J M Gumpel	
N I Holmes	
S J Jackson	Finance Director
N H Lawes	
A W Shepherd	
R H Spencer	
S P Wombwell	
C R Harris	Non-executive director
D Seymour-Williams (appointed 14 September 2011)	Non-executive director

Company Secretary
S J Jackson

Offices
110 and 111 Park Street Mayfair London W1K 7JL
The Long Barn Dean Estate Wickham Road Fareham Hampshire PO17 5BN
1 Marsden Street Manchester M2 1HW
2 Mount Ephraim Road Tunbridge Wells Kent TN1 1EE
10 Melville Crescent Edinburgh EH3 7LU
Richmond House Heath Road Hale Cheshire WA14 2XP
Blackbrook Gate Blackbrook Park Avenue Taunton Somerset TA1 2PX
Howard House 3 St Mary's Court Blossom Street York YO24 1AH

Registered Office
111 Park Street Mayfair London W1K 7JL

Registered Number
4402058

Independent Auditors
PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors
7 More London Riverside London SE1 2RT

Solicitors
Macfarlanes LLP
20 Cursitor Street London EC4A 1LT

Public Relations
MHP Communications Limited
60 Great Portland Street, London W1W 7RT

Principal Bankers
The Royal Bank of Scotland plc
40 Islington High Street London N1 8JX

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

Nominated adviser and broker
Canaccord Genuity Limited
9th Floor 88 Wood Street London EC2V 7QR


www.brooksmacdonald.com