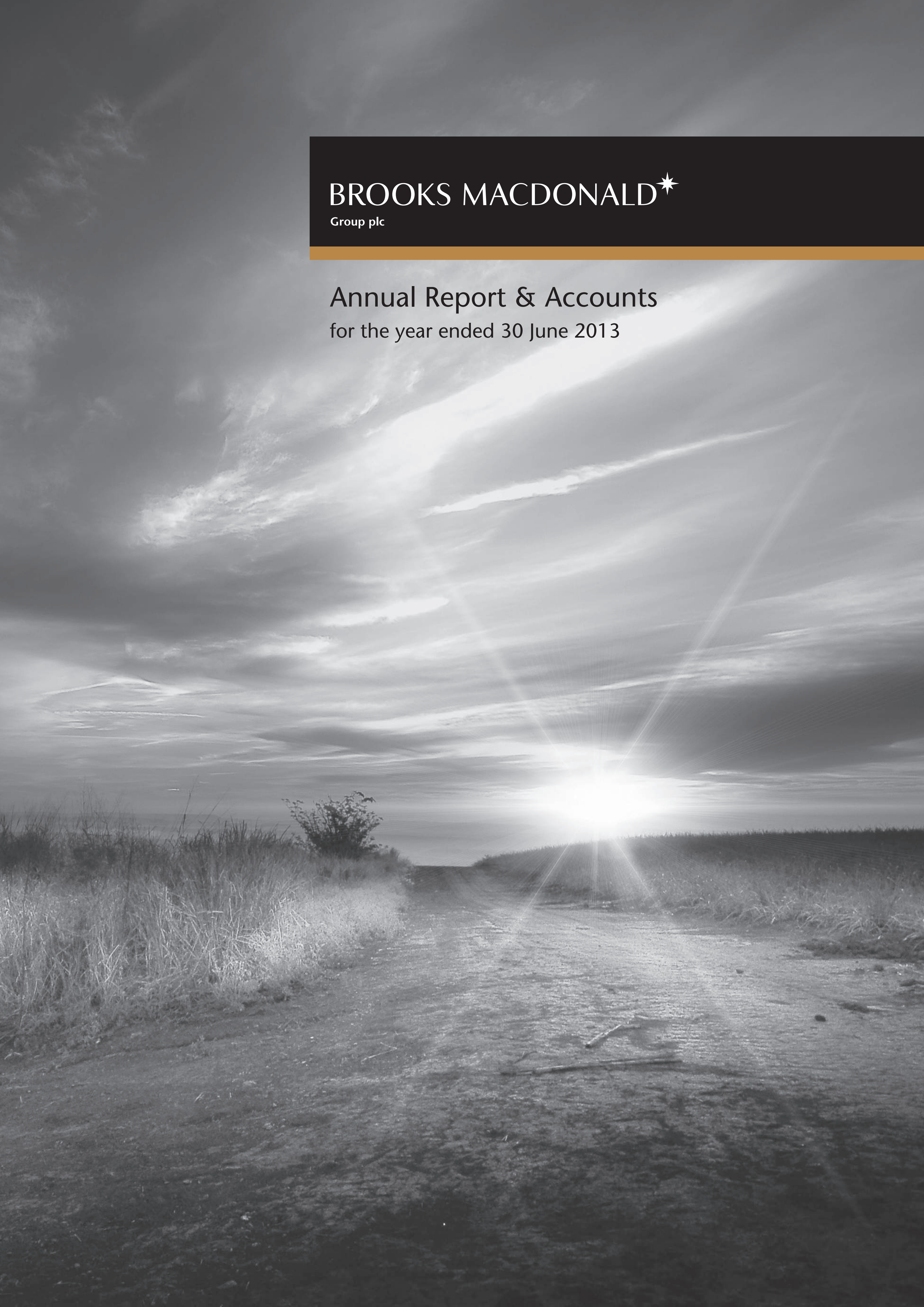
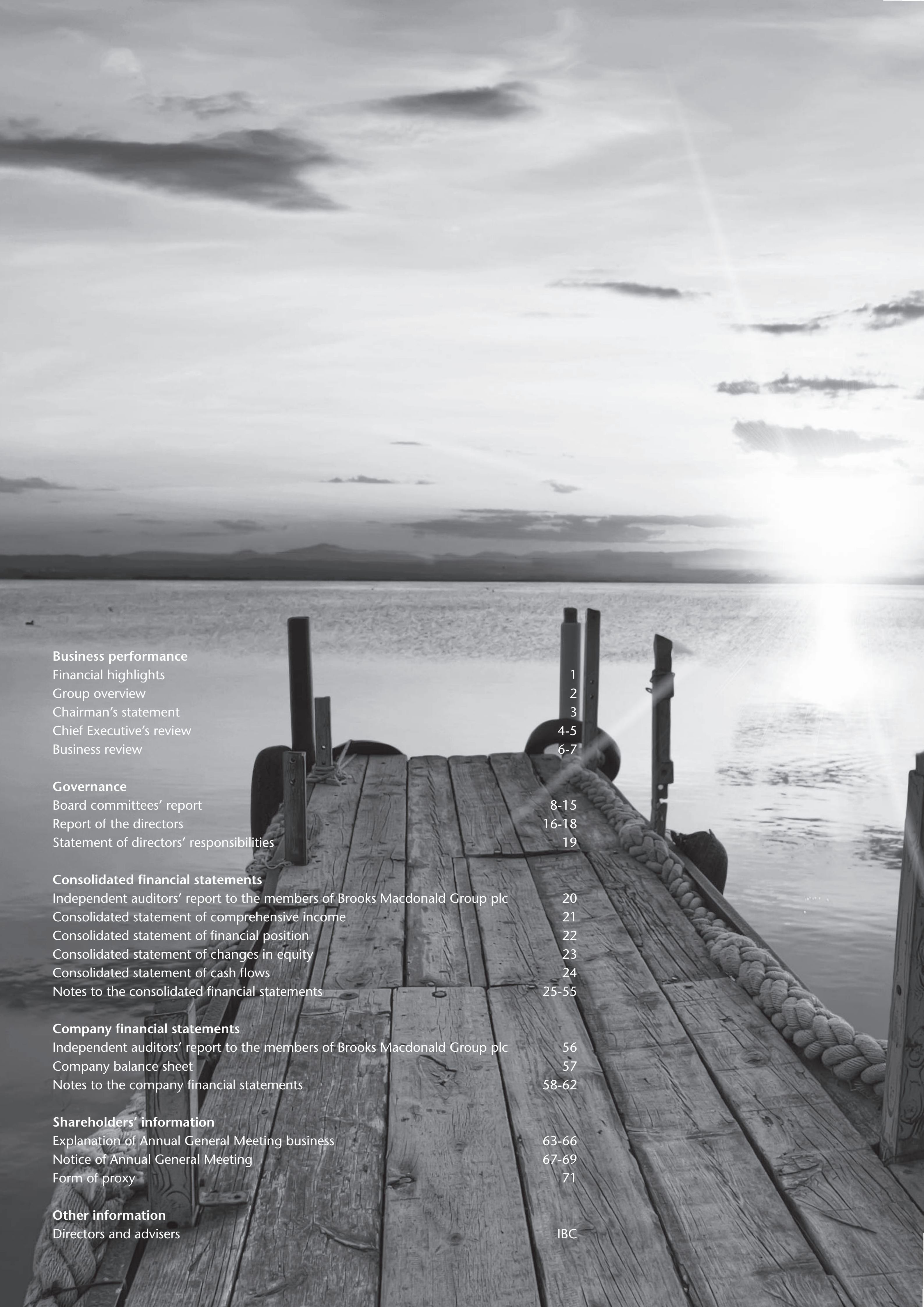
BROOKS MACDONALD
Group plc

Annual Report & Accounts

for the year ended 30 June 2013





Financial highlights

+45%

Discretionary funds under management increased from £3.52 billion to £5.11 billion during the year

+22%

Total dividends per share increased from 18.5p to 22.5p, including a proposed final dividend of 16.0p per share

+34%

Adjusted pre-tax profit† for the year was £11.4 million compared to £8.5 million in 2012

+22%

Pre-tax profit for the year was £10.4 million compared to £8.5 million in 2012

+29%

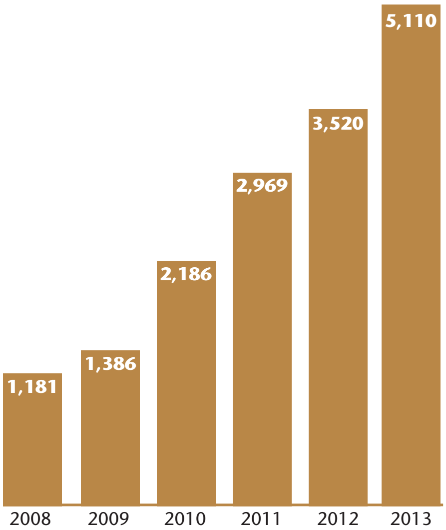
Adjusted basic earnings per share† increased from 57.43p to 74.33p

+15%

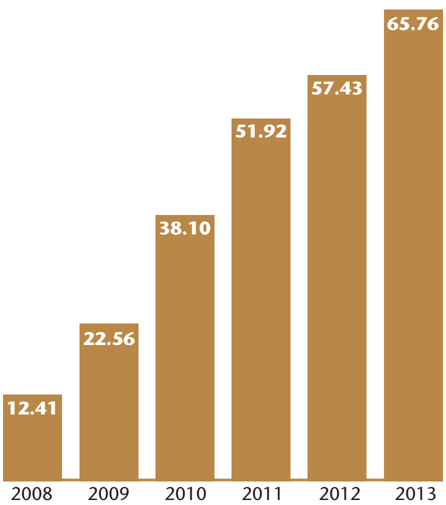
Basic earnings per share increased from 57.43p to 65.76p

† Excludes the transactional costs of acquiring subsidiary companies of £1,047,000 (2012: £nil)

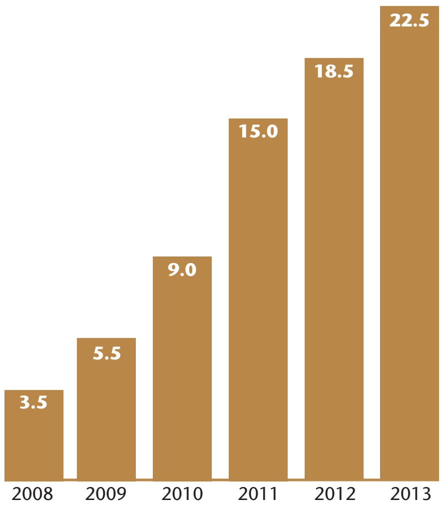
Funds under management (£m)



Earnings per share (p)



Dividend per share (p)



Group overview

Brooks Macdonald Group plc ('the Group') is an AIM listed, integrated wealth management group.

The Group consists of six principal companies:

Brooks Macdonald Asset Management Limited provides a bespoke, fee based, discretionary 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, York and, opening in September, Leamington Spa.

Brooks Macdonald Funds Limited is based in Hale and acts as fund manager to our regulated OEICs as well as managing specialist funds in the property and structured return sectors.

Brooks Macdonald Financial Consulting Limited is a London based financial advisory and employee benefits consultancy providing fee based, independent advice to high net worth individuals, families and businesses.

Brooks Macdonald Asset Management (International) Limited and Brooks Macdonald Retirement Services (International) Limited are based in Jersey and Guernsey and offer discretionary portfolio management, advisory and stockbroking services as well as retirement planning advice. These two companies, previously named Spearpoint Limited and Spearpoint Retirement Services Limited respectively, were acquired during the year, as further detailed in note 9.

Braemar Estates Limited is an estate management company based in Hale that manages property assets on behalf of Brooks Macdonald Funds and other clients.

The Brooks Macdonald Group has developed under stable management since formation in 1991 and now has in excess of 370 staff throughout the UK and Channel Islands. The Group's shares are listed on AIM, with management and staff retaining considerable ownership of the business.

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W1K 7JL

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Fareham Hampshire PO17 5BN

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

Edinburgh
10 Melville Crescent Edinburgh EH3 7LU

Hale
Richmond House Heath Road Hale
Cheshire WA14 2XP

Taunton
Blackbrook Gate Blackbrook Park Avenue
Taunton Somerset TA1 2PX

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

Jersey
Liberation House Castle Street St. Helier
Jersey JE2 3AT

Guernsey
Yorkshire House Le Truchot St. Peter Port
Guernsey GY1 1WD

Leamington Spa
36 Hamilton Terrace Holly Walk
Leamington Spa Warwickshire CV32 4LY

London
John Stow House 18 Bevis Marks London
EC3A 7JB

Chairman's statement

Christopher Knight, Chairman

"We remain focussed on maintaining performance levels for our clients, our staff and our shareholders and are pleased with the significant progress achieved by the Group over the last financial year"

This has been another year of considerable progress for the Group.

Profit before tax has increased by 22% from £8.52m to £10.40m, and earnings per share by 15% from 57.43p to 65.76p. This is after charging £1.0m of costs incurred in the acquisition of Spearpoint, the Channel Islands fund management business now renamed Brooks Macdonald International.

The Board is recommending a final dividend of 16p per share which, if approved by shareholders, will result in total dividends for the year of 22.5p. This represents an increase of 22% over last year's total dividends of 18.5p per share. The final dividend will be paid on 18 October 2013 to shareholders who are on the register at the close of business on 20 September 2013.

Spearpoint became part of the Group in November 2012, our first venture outside the UK, which will be the focus of what we hope will be a significant offshore business. We now have offices in Jersey and Guernsey, with two businesses: Asset Management and Retirement Services. The acquisition was in part funded by a successful share placing with institutional investors raising over £21m, the first fund raising by the Group since our shares were admitted to AIM in 2005.

Our discretionary funds under management had a strong year and as at 30 June 2013 totalled £5.11bn (2012: £3.52bn), a rise of 45% over the 12 month period. Net of the Spearpoint acquisition, this represents an increase of 25.6%, compared to growth of 9.8% in the APCIMS Balanced Index over the same period.

Property assets under administration grew to £1.04bn, an increase of 20% (2012: £865m) and third party assets under administration are now in excess of £140m (2012: £50m). In addition, as a result of the acquisition of Spearpoint, we had advisory funds under management of £348m at the year end.

In addition to these acquisitions the Group has continued to grow organically and invest for the future. The number of professional introducers using our asset managers continues to rise, we have recruited quality new fund managers and consultants and we continue to invest in our trainee programme, investment management process and IT systems.

The last year has been a year of considerable progress but also of change. The introduction of the Retail Distribution Review in January, something that we supported, has led to changes across the whole industry and to continued rises in regulatory costs. Together with a re-pricing of our Managed Portfolio Service (MPS) and with the investments highlighted above, as we indicated in July this year, this will lead to an adverse effect on our margins in the new financial year.

In spite of these changes we remain focussed on maintaining performance levels for our clients, our staff and our shareholders and are pleased with the significant progress achieved by the Group over the last financial year and look forward to the future with confidence.

Christopher Knight
Chairman

10 September 2013

Chief Executive's review

Chris Macdonald, Chief Executive

"This has been a year of considerable expansion for the Group against a backdrop of significant regulatory changes"

"We continue to invest in service and performance development"

Introduction

This has been a year of considerable expansion for the Group against a backdrop of significant regulatory changes and our success over the last year has only been possible with the continued hard work and professionalism of all our staff, together with the support of our professional introducers and shareholders. I would like to thank all parties for their significant contributions to these results.

I am pleased to report that we have seen growth across all of our existing businesses (Asset Management, Financial Consulting, Property Management, Investment Services and Funds) over the course of the financial year.

Funds under management

Our discretionary funds under management went through a significant landmark in the year going through £5bn. As at 30 June 2013 this had risen to £5.11bn, a rise of 45% over the twelve month period supported by rising investment markets and the acquisition of Spearpoint. Stripping out market growth and the acquisition this amounted to organic growth at over 15% over the year. A large proportion of our new business is introduced by professional intermediaries and we remain firmly committed to maintaining this strategy.

We have three principal offerings: our Bespoke Portfolio Service (BPS) for high net worth individuals (whether this be private portfolios, Self Invested Personal Pensions or Trusts); Managed Portfolio Service (MPS), which caters for smaller portfolios on a modular basis; and our funds business, which offers units in a number of funds. The dynamics behind all three services are becoming increasingly different in part due to the Retail Distribution Review (RDR) but also due to significant changes in the distribution landscape. BPS has not changed in that we offer a complete investment management service to high net worth clients including custody of assets. Whilst the popularity of MPS continues, custody and the use of platforms have altered the pricing of the service and to this end we have reacted to the changes in the industry and rebased our fees for this service.

In our funds business we continue to offer highly niche funds or unitised versions of our MPS range of risk rated portfolios, and this continues to gain momentum with £390m (£329m net of the acquisition) under management at the year end, growing from £148m at the end of June 2012.

Strategies for growth

Our expansion has always revolved around organic growth, ongoing investment in the business and both service and performance development.

This past year has been no different in that we completed two acquisitions, the first in July 2012 when we acquired JPAM Limited - a long term introducer - and the second in November 2012 when we acquired Spearpoint. The latter comprised two businesses: Investment Management and Retirement Services. It was a substantial step forward for the Group giving us the opportunity to expand our 'footprint' outside the UK. The first seven months since acquisition have been focused around integrating the business into the wider group. Going forward our collective aim is to grow the business around BPS, advisory services, retirement advice and later this year the

Chief Executive's review

launch of an offshore MPS offering. The acquisition and integration has been successful and has taken a lot of hard work from all parties but I would like to thank the staff of Spearpoint for their considerable endeavours in making this possible.

Our organic growth has been strong across the Group. This growth continues to be supported by professional intermediaries and more recently by a number of institutional investors that have backed our new fund launches. We now have over 540 firms introducing work to the firm from across the UK. This is supported by all our regional offices and is something we wish to repeat offshore through our offices in Jersey and Guernsey. Our largest office remains our headquarters in London but we now have bases in Hampshire, Manchester, Tunbridge Wells, Edinburgh, Hale (where our property management business, Braemar Estates, is based), Taunton, York, Jersey and Guernsey. We will be opening an office in the Midlands (in Leamington Spa) in mid September, thus ensuring that we can support professional intermediaries and clients alike in every region in the UK.

Our staff numbers have increased over the year from 282 to 376. We have recruited at all levels across the Group including senior management (for example Chris March being appointed as CEO of our Estates business), further trainees (in Funds, Asset Management and Financial Consulting) and in central services. Whilst we continue to grow it is imperative we both build for future capacity but also retain the very strong culture of the business.

We continue to invest in service and performance development. This ranges from 'central' infrastructure spending (upgrading of our existing IT to hosting our data in third party data centres and web development), the re-papering of all our clients with the recent developments around suitability of advice and further resources in investment research and monitoring. In the last example I am pleased that we have continued to perform well for our clients providing strong risk-adjusted returns.

The growth of SIPPs continues and this is now further supported by legislative change around auto enrolment. We will be looking to launch a specific auto enrolment service later this year utilising our own funds and this will apply both on and offshore. This is an opportunity we are increasingly excited about.

Our brand development has also continued to gain traction. Over the last three years we have focussed most of our endeavours on the professional intermediary market. We will certainly continue this whilst also focusing on increasing our brand recognition with our underlying clients. I am also pleased that once again we featured in the Sunday Times 100 Best Companies to work for, were awarded five star ratings from Defaqto for both MPS and BPS and were also awarded Private Client Investment Manager of the year (AQC) and the Best Wealth Management Firm UK (Wealth Advisor Awards).

Regulation

On 1 January 2013 RDR came into force. This was a substantial change to the whole of the financial services industry with a focus on transparency of charging, greater consumer clarity and the raising of professional standards and corporate stability. These are changes that we fully support but the costs associated with increased regulation have become and remain substantial. Whilst we feel that these costs have peaked in terms of percentage of turnover, they have not been passed on to clients. This is something that we and, we believe, the whole of the industry will have to consider over the coming years.

Summary and outlook

I will repeat the comments I made in my review in 2012, that the last year was a tough one. Investment markets were supportive but the quantum of change, particularly in the distribution of financial services and regulation, meant that the business had to be highly dynamic. I am pleased that against this backdrop the Group made substantial progress.

For the coming year our outlook for investment returns remains cautiously optimistic. We believe that there will be a more stable background for regulatory change, that there will continue to be margin pressures on non-bespoke services and that there will be numerous opportunities for the Group. Despite the short term margin pressures we have flagged, we are a progressive business and therefore will continue to invest for the future.

I am pleased to report further organic growth in funds under management in the early months of the new financial year. The Board remains confident for the future prospects of the Group.

Chris Macdonald
Chief Executive

10 September 2013

Business review

Group overview

The Group has had a strong year of growth, audited pre-tax profits increasing by 22% in the year to £10.4m and basic earnings per share increasing from 57.43p per share last year to 65.76p for the year ended 30 June 2013.

The Group has no borrowings and at 30 June 2013 its cash balances totalled £18.4m. The detailed movement in group cash balances is shown in the consolidated statement of cash flows.

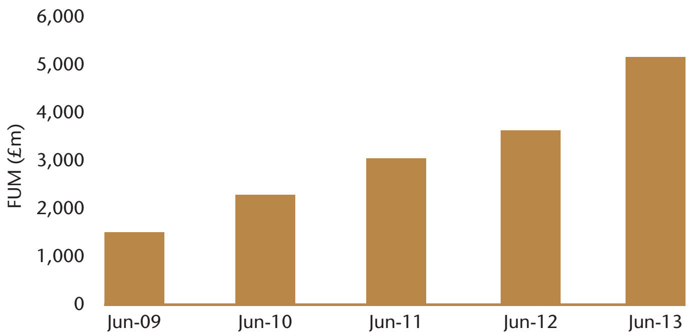
Investment management

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 Spearpoint Limited in November 2012.

		Funds under management (£m)
At 1 July 2012		3,520
Inflows	– net new discretionary business*	574
	– acquired through Spearpoint Limited	650
	– market movement	366
At 30 June 2013		**5,110**
Underlying rate of total net growth		45.17%

*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 45% of funds compares to an increase in the APCIMS Balanced Index of 10% and an increase in the FTSE 100 index of 12% over the same period and represents a continued growth in funds under management (FUM) over the last five years as illustrated 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.

For the first six months of the year, fee income includes the share of fees paid to introducers and their payments are shown within the administrative expenses of the division. Following the introduction of the Retail Distribution Review (RDR) on 1 January 2013 there has been a change in the reporting of the fee income and the corresponding share of the fee due to the third party introducer, if applicable. Under RDR any payment due to the introducer is payable on the instruction of the client from their client bank account and the Group will simply become a facilitator for these payments. They will no longer form part of the administrative costs of the division and there will be a corresponding reduction in fee income.

The impact of RDR on fee income and administrative costs for the division as described above has only impacted on the second half of the financial year ended 30 June 2013 and has not affected arrangements with all introducers. Some introducers have made the decision to retain an 'old book' of business whereby the fee charged by the division continues to include the share of the fee payable to the introducer, with the corresponding payment included within the administrative expenses of the division. The impact of this change to RDR on the results of the division is a reduction of approximately £5.9m of income with a matched reduction in administrative costs.

There has been continued development and investment in our back office functions in order to increase the efficiency and to further enhance the overall service both to our own clients and to those using our third party administration services.

Business review

On 19 November 2012 we completed the acquisition of Spearpoint Limited (now renamed Brooks Macdonald Asset Management (International) Limited (BMI)) together with Spearpoint Retirement Services Limited (now renamed Brooks Macdonald Retirement Services (International) Limited (BMRS)) for an initial consideration of £22.5m (excluding the value of net assets acquired) with an additional projected deferred payment of £4.3m due in November 2014. BMI is a Jersey and Guernsey based integrated wealth management company and in addition to the discretionary funds of £650m shown above, BMI also had advisory funds of £450m and offers execution only and foreign exchange services to its clients.

The acquisition of BMI has added further scale and a significantly enhanced offshore capability for our clients. Further details of the acquisition are disclosed in note 9 to the consolidated financial statements.

Brooks Macdonald Funds and Braemar Estates

It has been a year of considerable growth for Brooks Macdonald Funds with total funds under management increasing significantly from £148m to £390m at 30 June 2013 following a rise of 46% in the previous year to 30 June 2012. This growth was achieved both organically through new investment in the existing seven funds as well as by the acquisition of BMI which added a total £65m in a further five funds through an offshore Dublin OEIC.

Braemar Estates has continued its growth in the property management sector with the value of assets under administration breaking through £1bn during the year to £1.04bn at 30 June 2013, an increase of over 20% in the year.

Financial Consulting

The financial consulting division has had another good year with increased revenue and profits and it particularly benefited from having a business model which required little or no change with the advent of RDR from 1 January 2013. The division continues to deliver both fee based financial planning to high net worth individuals and employee benefits consultancy to small and medium sized employers throughout the UK.

The division is starting to work with BMRS in Jersey and Guernsey, which was acquired in conjunction with BMI as described earlier and it is also benefitting from the expansion in the existing group office network, with the provision of employee benefits being a particular growth area due to the requirements of auto enrolment for all UK employers.

Board committees' report

The principal board committees are the 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 two of the non-executive directors 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 2013. 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 regulatory financial reporting.

The Committee reviews the audit control memorandum and the audit engagement letters and has discussions with the auditor without 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 and we endeavour to ensure that all identified risks are owned by specific committees who in turn report to the Risk and Compliance Committee.

The members of the Risk and Compliance Committee are the non-executive directors Colin Harris (Chairman), Christopher Knight and Diane Seymour-Williams. The meetings of the Committee are also attended by Christopher Macdonald, Simon Jackson, Simon Wombwell, Nick Holmes, Nicholas Lawes, Andrew Banks (Head of Risk and Compliance), Meera Varsani, who was appointed during the year as Group Risk Manager, and other senior members of the Risk and Compliance department.

During the year ended 30 June 2013 the Committee met on six occasions. Its principal 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 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 and the measures and policies for the management of those risks are set out in note 28 to the consolidated financial statements. Further details on capital management processes can be found in note 29.

Board committees' report

Risk and Compliance Committee (continued)

Non–financial risks

The significant non-financial risks faced by the 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 on the 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, 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 Conduct 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.

People risk

Impact

Our business is dependent on client relationships with our staff. As the Group operates in a competitive market, there is a risk of loss of existing clients due to poor performance or service, a failure to respond to changes in the marketplace, 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. The Learning & Development team, as part of Human Resources, 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.

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
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.

Mitigation
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
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 where the suitability responsibility lies between a professional introducing the client and the group company.

Mitigation
Portfolio performance, valuations and risk profiles are monitored by management, allowing issues to be identified and mitigated as they arise. The Group has in place BITA Monitor portfolio risk oversight tools to assist with supervising portfolio management. The Group is in the process of a re-papering exercise, writing to all clients in order to agree the suitability of the individual portfolios.

Remuneration Committee

The Remuneration Committee comprises Diane Seymour-Williams (Chairman), Christopher Knight and Colin Harris. The Committee 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 remuneration 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 to bonus payments funded from retained profits;
- consistency with the FCA 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 overleaf.

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	Total 2013 £'000	Total 2012 £'000	Phantom Share Scheme 2013 £'000	Phantom Share Scheme 2012 £'000	Pension contributions 2013 £'000	Pension contributions 2012 £'000
Chairman										
C J Knight	60	-	-	-	60	60	-	-	-	-
Executives										
C A J Macdonald	247	266	64	4	581	554	-	270	-	32
N I Holmes	162	148	37	2	349	360	-	541	24	24
S J Jackson	162	148	37	3	350	350	-	541	24	32
A W Shepherd	162	129	56	2	349	350	-	541	24	24
R H Spencer	183	128	32	3	346	329	-	270	-	24
S P Wombwell	189	148	37	3	377	301	-	-	-	24
J M Gumpel*	56	39	10	1	106	326	-	270	-	24
N H Lawes*	49	22	5	1	77	240	-	541	7	24
Non-executives										
C R Harris	38	-	-	-	38	38	-	-	-	-
D Seymour-Williams	35	-	-	-	35	28	-	-	-	-
Total	**1,343**	**1,028**	**278**	**19**	**2,668**	**2,936**	**-**	**2,974**	**79**	**208**

*Resigned 19 October 2012

Basic salary and benefits

Basic 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.

There were no salary increases for the executive directors with effect from 1 July 2013 against an overall average increase for all employees of 3.6%. The non-executive directors' salaries were reviewed and increased on average by 13.5% with the approval of the Board to reflect their additional responsibilities and commitments as the Group grows. In addition, the Group 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 31 to the consolidated 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. The total payment to executive directors, including the amounts deferred into shares and the total payments to directors who only served for part of the financial year, represented 12.4% (2012: 14.7%) of Group pre-tax profit.

Board committees’ report

Remuneration Committee (continued)

Profit related bonus (continued)

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). In addition, directors may choose to defer a further amount of any bonus awarded, up to a maximum of 20%, making 40% in total, into shares under the 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 (RPI) over the three year period.

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 was a cash settled scheme based on the increase in the ordinary share price of the Company. The award could be exercised if there was compound annual growth of at least 20% in earnings per share of the Company over a three year performance period from 1 July 2008 to 30 June 2011 and the amount was payable in October 2011.

In July 2011 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 would be fixed at £13.00 with an initial payment of £12.35 in October 2011 and a further payment of 65p in October 2012 in respect of each option granted.

The comparative amounts shown within the table on page 11 for directors’ remuneration for the year ended 30 June 2012 represent the total amount which was paid in both instalments.

Equity incentives

Long Term Incentive Scheme (LTIS) 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 other long term 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 2013, in respect of the deferred element of the profit related bonus for the previous year together with any additional awards, are detailed below. The market value of the Company’s shares at the date the awards were made, 25 October 2012, was £12.70.

Board committees' report

Remuneration Committee (continued)

Equity incentives (continued)

	At 30 June 2012	Profit related bonus - deferred shares 2013	Additional awards under terms of LTIS 2013	At 30 June 2013*	Earliest exercise date
C A J Macdonald	4,112	-	-	4,112	27.10.13
	6,536	-	-	6,536	20.10.14
	-	5,354	-	5,354	25.10.15
N I Holmes	2,095	-	-	2,095	27.10.13
	9,886	-	-	9,886	20.10.14
	-	3,149	1,575	4,724	25.10.15
S J Jackson	2,715	-	-	2,715	27.10.13
	3,596	-	-	3,595	20.10.14
	-	2,992	1,575	4,567	25.10.15
A W Shepherd	2,095	-	-	2,095	27.10.13
	9,804	-	-	9,804	20.10.14
	-	2,992	1,575	4,567	25.10.15
R H Spencer	2,405	-	-	2,405	27.10.13
	3,105	-	-	3,105	20.10.14
	-	2,677	-	2,677	25.10.15
S P Wombwell	11,847	-	-	11,847	20.10.14
	-	2,205	1,575	3,780	25.10.15
J M Gumpel*	1,862	-	-	1,862	27.10.13
	2,941	-	-	2,941	20.10.14
N H Lawes*	1,474	-	-	1,474	27.10.13
	1,634	-	-	1,634	20.10.14

*Or at date of resignation

During the year none of the directors exercised any shares under the LTIS (2012: none). The LTIS options have a £nil exercise price and no expiry date.

Sharesave Scheme

All directors are entitled to take part in the HMRC-approved Brooks Macdonald Group Sharesave Scheme on the same terms as all other employees. Option grants were made on 1 June 2011 and 1 June 2013 for new three year fixed-term contracts and the details of the grants to directors are shown below:

	At 30 June 2012	Awarded in the year	Exercised in the year	At 30 June 2013*	Exercise price	Earliest exercise date	Expiry date
C A J Macdonald	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
A W Shepherd	-	767	-	767	1,172p	01.06.16	30.11.16
R H Spencer	985	-	-	985	916p	01.06.14	30.11.14
S P Wombwell	985	-	-	985	916p	01.06.14	30.11.14
J M Gumpel*	985	-	-	985	916p	01.06.14	30.11.14
N H Lawes*	985	-	-	985	916p	01.06.14	30.11.14

*Or at date of resignation

Given the nature of the scheme as a three year fixed-term contract, there were no options exercised and there were no realised gains during the year (2012: £nil).

Board committees' report

Remuneration Committee (continued)

Equity incentives (continued)

Enterprise Management Incentive Scheme (EMI)
The Brooks Macdonald Group EMI Scheme 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 RPI 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 2012	Awarded in the year	Exercised in the year	At 30 June 2013*	Exercise price	Earliest exercise date	Expiry date
C A J Macdonald	17,500	-	(17,500)	-	290.5p	17.10.10	31.10.17
N I Holmes	15,000	-	-	15,000	155.5p	01.11.08	01.11.15
	4,500	-	-	4,500	215.0p	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	215.0p	18.10.09	17.10.16
	12,500	-	-	12,500	290.5p	17.10.10	31.10.17
R H Spencer	12,500	-	(12,500)	-	290.5p	17.10.10	31.10.17
J M Gumpel*	10,000	-	-	10,000	155.5p	01.11.08	01.11.15
	12,500	-	-	12,500	290.5p	17.10.10	31.10.17
N H Lawes*	12,500	-	-	12,500	290.5p	17.10.10	31.10.17

*Or at date of resignation

The aggregate gain during the year from the exercise of the above EMI share options was £301,000 (2012: £326,000). The Company's share price at the exercise date was £12.905 (2012: range of £12.33 to £13.25).

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

C R Harris, C J Knight, S P Wombwell and D Seymour-Williams held no EMI share options or Phantom Share Scheme 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 options 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 £13.27 (2012: £11.99). Details of the share option schemes are provided in note 19 and note 24 to the consolidated financial statements. The market price at the end of the year was £14.35 (2012: £11.50) and the highest and lowest price during the year was £14.96 (2012: £13.65) and £11.35 (2012: £9.28) respectively.

Company Share Option Plan (CSOP)
Following discussions regarding remuneration structures and incentives schemes for senior employees and directors the Company has decided to set up a CSOP, subject to approval from HMRC and by shareholders at the forthcoming Annual General Meeting.

Board committees' report

Remuneration Committee (continued)

Equity incentives (continued)

Company Share Option Plan (CSOP) (continued)
The proposed scheme is a discretionary scheme whereby employees or directors are granted an option to purchase the Company's shares in the future at a price set on the date of the grant. The maximum award under the terms of the scheme is a total market value of £30,000. There will be performance conditions attaching to the scheme similar to those in place for the EMI Scheme whereby there must be an increase in the diluted earnings per share of the Company of 2% more than the increase in the RPI over the three years starting with the financial year in which the option is granted.

Subject to both of the above approvals for the scheme the following grants have been made to the directors as detailed below. The number of shares and the option price will be determined based on the share price at the award date which will be in October 2013.

	At 30 June 2012	Awarded in the year	Exercised in the year	At 30 June 2013
N I Holmes	-	30,000	-	30,000
S J Jackson	-	30,000	-	30,000
A W Shepherd	-	30,000	-	30,000
S P Wombwell	-	30,000	-	30,000
Total	-	120,000	-	120,000

Dilution
Not more than 15% of the issued ordinary share capital of 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 other 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 have employed professional advisers to assist with the implications of the FCA Remuneration Code and to provide industry specific comparative information regarding compensation and pay packages.

Non-executive directors
Non-executive directors do not have contracts of employment but as with other directors are now required to stand for re-election. 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 of the Group for the year ended 30 June 2013.

Principal activities and business review

A review of the Group's activities and future developments, including the financial performance during the year, key performance indicators and a description of the principal risks and uncertainties facing the group, is included within the group overview, the Chairman's statement, the Chief Executive's review, the business review and the board committees' report, which form part of the report of the directors.

Results and dividends

The profit before taxation for the year ended 30 June 2013 was £10,398,000 (2012: £8,520,000) and the profit after taxation was £8,030,000 (2012: £6,256,000).

The Company paid an interim dividend during the year of 6.5p (2012: 6.0p). The directors recommend a final dividend of 16.0p per share (2012: 12.5p). This results in total dividends for the year of 22.5p (2012: 18.5p) per ordinary share. These dividends amount to a total distribution to shareholders of £2,938,000 (2012: £2,007,000).

Directors and their interests

Those who served as directors of the Company at any time 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:

	At 30 June 2013* Number of shares	At 30 June 2012 Number of shares
Chairman		
C J Knight	71,585	71,585
Executives		
C A J Macdonald	827,889	808,103
N I Holmes	40,510	47,624
S J Jackson	56,799	55,657
A W Shepherd	51,165	49,261
R H Spencer	773,353	758,853
S P Wombwell	88,204	88,204
J M Gumpel*	640,174	640,174
N H Lawes*	37,057	37,057
Non-executives		
C R Harris	6,086	4,944
D Seymour-Williams	5,000	4,000

* Or at date of resignation

Details of share options held by the directors at the beginning and the end of the year can be found within the Remuneration Committee report on pages 10 to 15.

Retirement and re-appointment of directors

Christopher Knight, Christopher Macdonald and Colin Harris will retire by rotation at the Annual General Meeting and are eligible to nominate themselves for re-election.

Directors' indemnities

The Company has made qualifying third party indemnity provisions for the benefit of its directors 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 indeed vital for the success of the Group. Employees are informed of important issues by electronic mail and seminars.

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

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

The group is an equal opportunities employer. All job applicants and employees are treated fairly and on merit, 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 providing training and the supply of equipment if necessary so that they are able to continue their role.

All staff have the option to take an interest-free annual season ticket loan. To retain the Group's employees and to improve staff morale, the Group recognises the need for employees to have an appropriate work-life balance. Long-serving employees are entitled to additional annual leave dependent on their length of service.

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

Substantial shareholdings

As at 31 August 2013, the Company had received notification of substantial interests in its shares of 3% or more as follows:

	Number of shares	Percentage holding
Liontrust Asset Management	2,017,447	15.11%
Artemis Investment Management	1,257,331	9.42%
C A J Macdonald	827,889	6.20%
Hargreave Hale	784,942	5.88%
Standard Life Investments	780,640	5.85%
R H Spencer	773,353	5.79%
Kames Capital	683,030	5.12%
J M Gumpel	642,460	4.81%
Spearpoint Holdings	428,227	3.21%
Invesco Asset Management	412,414	3.09%

Political and charitable donations

No contributions were made for political purposes during the year (2012: £nil).

During the year, the group made contributions of £20,000 (2012: £15,000) 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 support community activities, as suggested by employees, as well as to support employees' participation in a wide range of activities involving both local and international charities.

Payment policy

The Group does not apply a specific payment code. The payment of suppliers' invoices is made in accordance with the terms agreed with individual 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, trade payables for the Group represented, on average, 37 days (2012: 39 days) of credit based on the Group's annual purchases.

Report of the directors

Events since the end of the year
Details of events after the reporting date are set out in note 32 to the consolidated financial statements.

Independent auditors
The Audit Committee has recommended to the Board of Directors that the incumbent auditor, PricewaterhouseCoopers LLP, be reappointed. PricewaterhouseCoopers LLP have expressed their willingness to continue in office as auditor and a resolution to reappoint them as auditor will be proposed at the forthcoming Annual General Meeting.

Each of the directors in office at the date of signing this report confirms that, so far as they are aware, there is no relevant audit information of which the Company's auditor is unaware. Each director has taken all reasonable steps that he or she ought to have taken as a director in order to make him or herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Annual General Meeting
The 2013 Annual General Meeting will be held on 17 October 2013 at 111 Park Street, London, W1K 7JL. The notice of the meeting is on pages 63 to 69 with details of the resolutions proposed and explanatory notes.

On behalf of the Board of Directors,

S J Jackson
Finance Director

10 September 2013

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 Company and Group 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; and
- 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. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent auditor's report

to the members of Brooks Macdonald Group plc

We have audited the group financial statements of Brooks Macdonald Group plc for the year ended 30 June 2013 which comprise the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of changes in equity, the consolidated statement of cash flows 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 19, 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 & 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 group financial statements:

- give a true and fair view of the state of the Group's affairs as at 30 June 2013 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 2013.

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

London

10 September 2013

Consolidated statement of comprehensive income

for the year ended 30 June 2013

	Note	2013 £'000	2012 £'000
Revenue	4	63,159	53,288
Administrative expenses		(52,661)	(44,886)
Operating profit	**5**	**10,498**	**8,402**
Analysed as:			
Operating profit before exceptional items		11,545	8,402
Costs of acquiring subsidiary companies	5	(1,047)	-
Operating profit after exceptional items		**10,498**	**8,402**
Finance income	7	179	166
Finance cost	7	(279)	(48)
Profit before tax		**10,398**	**8,520**
Analysed as:			
Profit before tax and exceptional items		11,445	8,520
Costs of acquiring subsidiary companies	5	(1,047)	-
Profit before tax		**10,398**	**8,520**
Taxation	8	(2,368)	(2,264)
Profit for the year attributable to owners of the parent		**8,030**	**6,256**
Other comprehensive income:			
Revaluation of available for sale financial assets	13	(9)	27
Total comprehensive income for the year net of tax attributable to owners of the parent		**8,021**	**6,283**
Earnings per share*			
Basic	25	65.76p	57.43p
Diluted	25	65.16p	56.58p

* Comparative amounts have been restated to reflect the impact of new shares issued

The accompanying notes on pages 25 to 55 form an integral part of the consolidated financial statements.

Consolidated statement of financial position

as at 30 June 2013

	Note	2013 £'000	2012 £'000
Assets			
Non-current assets			
Intangible assets	11	44,624	10,432
Property, plant and equipment	12	2,421	2,367
Available for sale financial assets	13	1,582	1,657
Deferred tax assets	14	858	668
Total non-current assets		**49,485**	**15,124**
Current assets			
Trade and other receivables	15	17,773	12,780
Cash and cash equivalents	16	18,440	13,489
Total current assets		**36,213**	**26,269**
Total assets		**85,698**	**41,393**
Liabilities			
Non-current liabilities			
Deferred consideration	17	(5,804)	(959)
Deferred tax liabilities	14	(4,498)	(693)
Other non-current liabilities	18	(125)	(418)
Total non-current liabilities		**(10,427)**	**(2,070)**
Current liabilities			
Trade and other payables	19	(13,779)	(13,845)
Current tax liabilities		(1,149)	(79)
Provisions	20	(2,783)	(1,689)
Total current liabilities		**(17,711)**	**(15,613)**
Net assets		**57,560**	**23,710**
Equity			
Share capital	22	133	109
Share premium account	22	31,868	4,423
Other reserves	23	3,952	2,988
Retained earnings	23	21,607	16,190
Total equity		**57,560**	**23,710**

The consolidated financial statements were approved by the Board of Directors and authorised for issue on 10 September 2013, signed on their behalf by:

C A J Macdonald
Chief Executive

S J Jackson
Finance Director

Company Registration Number 4402058.

The accompanying notes on pages 25 to 55 form an integral part of the consolidated financial statements.

Consolidated statement of changes in equity

for the year ended 30 June 2013

	Share capital £'000	Share premium account £'000	Other reserves £'000	Retained earnings £'000	Total £'000
Balance at 1 July 2011	108	4,125	2,563	12,255	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	-	-	27	6,256	6,283
Transactions with owners					
Issue of ordinary shares	1	298	-	-	299
Share-based payments	-	-	702	-	702
Share-based payments transfer	-	-	(188)	188	-
Purchase of own shares by employee benefit trust	-	-	-	(785)	(785)
Deferred tax on share options	-	-	(116)	-	(116)
Dividends paid (note 10)	-	-	-	(1,724)	(1,724)
Total transactions with owners	**1**	**298**	**398**	**(2,321)**	**(1,624)**
Balance at 30 June 2012	**109**	**4,423**	**2,988**	**16,190**	**23,710**
Comprehensive income					
Profit for the year	-	-	-	8,030	8,030
Other comprehensive income:					
Revaluation of available for sale financial asset	-	-	(9)	-	(9)
Total comprehensive income	-	-	**(9)**	**8,030**	**8,021**
Transactions with owners					
Issue of ordinary shares	24	27,445	-	-	27,469
Share-based payments	-	-	1,111	-	1,111
Share-based payments transfer	-	-	(350)	350	-
Purchase of own shares by employee benefit trust	-	-	-	(779)	(779)
Deferred tax on share options	-	-	212	-	212
Dividends paid (note 10)	-	-	-	(2,184)	(2,184)
Total transactions with owners	**24**	**27,445**	**973**	**(2,613)**	**25,829**
Balance at 30 June 2013	**133**	**31,868**	**3,952**	**21,607**	**57,560**

The accompanying notes on pages 25 to 55 form an integral part of the consolidated financial statements.

Consolidated statement of cash flows

for the year ended 30 June 2013

	Note	2013 £'000	2012 £'000
Cash flows from operating activities			
Cash generated from operations	21	9,518	3,571
Taxation paid		(1,661)	(1,460)
Net cash generated from operating activities		**7,857**	**2,111**
Cash flows from investing activities			
Purchase of property, plant and equipment		(863)	(1,215)
Purchase of intangible assets		(617)	(2,113)
Purchase of available for sale financial assets		-	(63)
Acquisition of subsidiary companies, net of cash acquired	9	(20,757)	-
Interest received		179	166
Proceeds of sale of property, plant and equipment		-	6
Proceeds of sale of intangible assets		32	-
Proceeds of sale of available for sale financial assets		63	-
Net cash used in investing activities		**(21,963)**	**(3,219)**
Cash flows from financing activities			
Proceeds of issue of shares		22,020	298
Purchase of own shares by employee benefit trust		(779)	(785)
Dividends paid to shareholders		(2,184)	(1,724)
Net cash generated from / (used in) financing activities		**19,057**	**(2,211)**
Net increase / (decrease) in cash and cash equivalents		**4,951**	**(3,319)**
Cash and cash equivalents at beginning of year		13,489	16,808
Cash and cash equivalents at end of year	**16**	**18,440**	**13,489**

The accompanying notes on pages 25 to 55 form an integral part of the consolidated financial statements.

Notes to the consolidated financial statements

1. General information

Brooks Macdonald Group plc ('the Company') is the parent company of a group of companies ('the Group'), which offers a range of investment management services and related professional advice to private high net worth individuals, charities, and trusts. The Group also provides financial planning as well as offshore fund management and administration services and acts as fund manager to regulated OEICs, providing specialist funds in the property and structured return sectors and managing property assets on behalf of these funds and other clients.

The Company is a public limited company, incorporated and domiciled in the United Kingdom under the Companies Act 2006 and listed on AIM. The address of its Registered Office is 111 Park Street, Mayfair, London, W1K 7JL.

2. Principal accounting policies

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

(a) Basis of preparation

The Group's 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 financial statements have been prepared on the historical cost basis, except for the revaluation of available for sale financial assets such that they are measured at their fair value.

At the time of approving the financial statements, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

(b) 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 all entities controlled by the Company, deemed to exist where 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 intercompany transactions and balances between group companies are eliminated on consolidation.

(c) Changes in accounting policies

The Group's accounting policies applied to these financial statements are consistent with those disclosed within the financial statements for the year ended 30 June 2012, except as described below.

New standards, amendments and interpretations affecting the reported results of the Group
In the current year no new standards, amendments or interpretations adopted by the Group have had a material effect on the amounts reported in these financial statements.

New standards, amendments and interpretations not affecting the reported results of the Group
The following standards, amendments and interpretations have been adopted in the current period. Their adoption has not had a significant impact on the amounts reported in these financial statements but may impact the accounting for future transactions and arrangements:

Amendment to IAS 1 'Financial statement presentation regarding other comprehensive income' (effective for annual periods beginning on or after 1 July 2012).

Notes to the consolidated financial statements

2. Principal accounting policies (continued)

(c) Changes in accounting policies (continued)

New standards, amendments and interpretations not yet effective
A number of new standards, amendments and interpretations have been issued, which are effective for annual and interim periods beginning after 1 July 2012 and have therefore not been applied in preparing these financial statements:

Standard, Amendment or Interpretation	Effective date
Amendment to IFRS 1 'First-time Adoption of IFRS'	1 January 2013
Amendment to IFRS 7 'Financial Instruments: Disclosures'	1 January 2013
Amendment to IAS 19 'Employee Benefits'	1 January 2013
IFRS 10 'Consolidated Financial Statements'	1 January 2014
IFRS 11 'Joint Arrangements'	1 January 2014
IFRS 12 'Disclosures of Interests in Other Entities'	1 January 2014
IFRS 13 'Fair Value Measurement'	1 January 2013
IAS 27 (revised 2011) 'Separate Financial Statements'	1 January 2014
IAS 28 (revised 2011) 'Associates and Joint Ventures'	1 January 2014
Amendment to IAS 32 'Financial instruments: Presentation'	1 January 2014
IFRS 9 'Financial Instruments: Classification and Measurement'	1 January 2015

These changes are currently being assessed but none are expected to have a significant impact on the Group's future financial statements.

(d) Critical accounting estimates and judgements

The preparation of financial information requires the use of assumptions, estimates and judgements about future conditions. Use of currently 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, deferred consideration, the estimation of the fair value of share-based payments and client compensation provisions.

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

Further information about key assumptions and sources of estimation uncertainty are set out below.

Intangible assets
The Group has acquired client relationships and new teams of fund managers as described in note 9 and note 11 and in assessing the fair value of those assets the Group has estimated their finite life based on information about existing client relationships. Contracts acquired with fund managers and acquired client relationship contracts are amortised on a straight line basis over 5 to 20 years.

Goodwill recognised as part of a business combination is reviewed annually for impairment, or when a change in circumstances indicates that it might be impaired. The recoverable amounts of cash generating units are determined based on value in use calculations, which require the use of estimates (note 11).

Notes to the consolidated financial statements

2. Principal accounting policies (continued)

(d) Critical accounting estimates and judgements (continued)

Deferred consideration

As described in note 17, the Group has a deferred consideration balance in respect of the acquisition of client relationship contracts from Clarke Willmott LLP in October 2011, the acquisition of JPAM Limited in July 2012 and the acquisition of Brooks Macdonald Asset Management (International) Limited and Brooks Macdonald Retirement Services (International) Limited in November 2012. Deferred consideration is recognised at its fair value, being an estimate of the amount that will ultimately be payable in future periods. This has been calculated allowing for estimated growth in the acquired funds, discounted by the cost of capital. The Group considers that potential changes to these assumptions would not result in a material change in the fair value of the deferred consideration.

Share-based payments

The Group operates various share-based payment schemes in respect of services received from certain employees. Estimating the fair value of these share-based payments requires the Group to apply an appropriate valuation model and determine the inputs to that model (notes 19 and 24). The charge to the consolidated statement of comprehensive income in respect of share-based payments is calculated using assumptions about the number of eligible employees that will leave the Group and the number of employees that will satisfy the relevant performance conditions. These estimates are reviewed regularly.

Provisions

In the ordinary course of business, the Group may receive complaints from clients in relation to the services provided. Complaints are assessed on a case-by-case basis and provisions are made where it is judged to be likely that compensation will be paid.

(e) Exceptional items

Exceptional items are disclosed and described separately in the financial statements where it is necessary to do so to provide further understanding of the underlying financial performance of the Group. These include material items of income or expense that are shown separately due to the significance of their nature or amount.

(f) Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured at 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 are charged to the consolidated statement of comprehensive income in the year of acquisition.

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 at the acquisition date. If the business combination is achieved in stages, the fair value of the Group's previously held equity interest is re-measured at the acquisition date and the difference is credited or charged to the consolidated statement of comprehensive income. Identifiable assets and liabilities assumed on acquisition are recognised in the consolidated statement of financial position at their fair value at the date of acquisition.

Any contingent consideration to be paid by the Group to the vendor is recognised at its fair value at the acquisition date. Subsequent changes to the fair value of contingent consideration are recognised in accordance with IAS 39 in the consolidated statement of comprehensive income.

Goodwill is initially measured at cost, being the excess of the consideration transferred over the acquired company's net identifiable assets acquired and liabilities assumed. If the consideration is lower than the fair value of the net assets acquired, the difference is recognised as a gain on a bargain purchase in the consolidated statement of comprehensive income.

Notes to the consolidated financial statements

2. Principal accounting policies (continued)

(f) Business combinations (continued)

Impairment
Goodwill and other intangible assets with an indefinite life are tested annually for impairment. For the purposes of impairment testing, goodwill acquired in a business combination is 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. The carrying amount of each cash generating unit is compared to its recoverable amount, which is determined using a discounted future cash flow model.

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.

(g) Fees, commissions and interest

Portfolio management and other advisory and custody services are billed in arrears but are recognised over the period the service is provided. Fees are calculated on the basis of a percentage of the value of the portfolio over the period. Dealing charges are levied at the time a deal is placed for a client. Fees are only recognised when the fee amount can be estimated reliably and it is probable that the fee will be receivable. Amounts are shown net of rebates paid to significant investors.

Financial consulting fees are charged to clients using an hourly 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 in which they are earned.

Where amounts due are conditional on the successful completion of fund raising for investment vehicles, revenue is recognised where, in the opinion of the directors, there is 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.

Interest receivable is recognised on an accruals basis.

(h) Cash and cash equivalents

Cash comprises of cash in hand and call deposits held with banks. Cash equivalents comprise of short-term, highly liquid investments, with a maturity of less than three months from the date of acquisition.

(i) Share-based payments

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

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

Cash settled schemes
The Group engages in cash settled share-based payment transactions in respect of services received from certain employees. On the grant date, the liability is measured at its fair value. The liability is subsequently re-measured at the end of each reporting period and on the date of settlement, with any changes in fair value recognised in the consolidated statement of comprehensive income. The cost of the services received from the employee in respect of this scheme is recognised in the consolidated statement of comprehensive income with a corresponding credit to accruals.

Notes to the consolidated financial statements

2. Principal accounting policies (continued)

(j) Segmental reporting

The Group determines and presents operating segments based on the information that is provided internally to the Group Board of Directors, which is the Group's chief operating decision maker.

(k) Fiduciary activities

The Group commonly acts as trustee 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 Conduct Authority. Such monies and the corresponding liability to clients are not included within the consolidated statement of financial position as the Group is not beneficially entitled thereto.

(l) Property, plant and equipment

All property, plant and equipment is included in the consolidated statement of financial position at historical cost less accumulated depreciation and impairment. Costs include the original purchase cost of the asset and the costs attributable to bringing the asset into a working condition for its intended use.

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

Fixtures and fittings	3 to 6.67 years
Equipment	5 years
Leasehold improvements	over the term of the lease
Motor vehicles	4 years

The assets' residual values and useful economic lives are reviewed, and adjusted if appropriate, at the end of each reporting period. Gains and losses arising on disposal are determined by comparing the proceeds with the carrying amount. These are included in the consolidated statement of comprehensive income.

(m) Intangible assets

Amortisation of intangible assets is charged to administrative expenses in the consolidated statement of comprehensive income on a straight line basis over the estimated useful lives of the assets (4 to 15 years).

Acquired client relationship contracts and contracts acquired with fund managers
Intangible assets are recognised where client relationship contracts are either separately acquired or acquired with investment managers. These are initially recognised at cost and are subsequently amortised on a straight line basis over their estimated useful economic life. Separately acquired client relationship contracts are amortised over 15 years and those acquired with investment managers over 5 years. Both types of intangible asset are reviewed annually to determine whether an indicator of impairment exists.

Computer software
Computer software costs are amortised on a straight line basis over an estimated useful life of four years.

Notes to the consolidated financial statements

2. Principal accounting policies (continued)

(m) Intangible assets (continued)

Goodwill

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

(n) Financial assets

The Group classifies financial assets in the following categories: available for sale; held to maturity; and loans and receivables. The classification is determined by management on initial recognition of the financial asset, which depends on the purpose for which it was acquired.

Loans and receivables

Loans and receivables are non-derivative assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets except where they have maturities of more than 12 months after the end of the reporting period, in which case they are classified as non-current assets. The Group's loans and receivables are recognised within 'trade and other receivables'.

Available for sale

Available for sale financial assets are non-derivatives that are either specifically designated in this category or are 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 fair value and are subsequently revalued based on the current bid prices of the asset as quoted in active markets.

Held-to-maturity

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 anything 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 financial assets are measured at amortised cost.

(o) Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, where it is probable that it will result in an outflow of economic benefits and 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 discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

Client compensation

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

Notes to the consolidated financial statements

2. Principal accounting policies (continued)

(p) Foreign currency translation

The Group's functional and presentational currency is the Pound Sterling. Foreign currency transactions are translated using the exchange rate prevailing at the transaction date. At the reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the prevailing rates on that 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 consolidated statement of comprehensive income.

(q) Retirement benefit costs

Contributions in respect of the Group's defined contribution pension scheme are charged to the consolidated statement of comprehensive income as they fall due.

(r) Taxation

Tax on the profit 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 reporting 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's 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 tax rates (and laws) that have been enacted or substantially enacted at the reporting date.

Deferred 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.

(s) Trade receivables

Trade receivables are initially recognised and subsequently measured at the original invoice amount less an allowance for any amounts that are expected to be uncollectable. Doubtful debts are provided for when the collection of the full amount is no longer probable, whilst bad debts are immediately written off when identified.

(t) Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. These are classified as current liabilities if payment is due within 12 months or less (or in the normal operating cycle of the business if longer). Otherwise, they are presented as non-current liabilities in the consolidated statement of financial position.

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

(u) Operating lease payments

Rent payments due under operating leases are charged to the consolidated statement of comprehensive income on a straight line basis over the term of the lease. Where leases include lease incentives such as rent-free periods, the benefit of these incentives is recognised over the lease term as a reduction in the rental expense.

Notes to the consolidated financial statements

2. Principal accounting policies (continued)

(v) 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 consolidated statement of financial position at fair value when the Group becomes a party to the contractual provisions of the instrument.

(w) Carried interest receivable

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 reporting date, the performance criteria have been met based on the valuations of the funds. Carried interest that has been earned, but is not yet due for payment, is discounted to its present value. This is included within current liabilities in the consolidated statement of financial position.

(x) Employee Benefit Trust (EBT)

The Company provides finance to an EBT to purchase the Company's shares on the open market in order to meet its obligation to provide shares when an employee exercises certain options or awards made under the Group's share-based payment schemes. The administration and finance costs connected with the EBT are charged to the consolidated statement of comprehensive income. 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.

(y) 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 parent company purchases the Company's equity share capital (treasury shares) the consideration paid, including any directly incremental costs (ie 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 within equity attributable to the Company's equity holders.

(z) Dividend distribution

The dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividend is approved by the Company's shareholders.

3. Segmental information

For management purposes the Group's activities are organised into three operating divisions: investment management (including the results of Brooks Macdonald (International) Limited, financial planning (including the results of Brooks Macdonald Retirement Services (International) Limited) and fund and property management. The Group's other activity, offering nominee and custody services to clients, is included within investment management. These divisions are the basis on which the Group reports its primary segmental information.

Notes to the consolidated financial statements

3. Segmental information (continued)

Revenues and expenses are allocated to the business segment that originated the transaction. Revenues and expenses that are not directly originated by a particular 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 of Directors.

Year ended 30 June 2013	Investment management £'000	Financial planning £'000	Fund and property management £'000	Total £'000
Total segment revenues	55,598	4,242	4,636	64,476
Inter segment revenues	-	(1,317)	-	(1,317)
External revenues	55,598	2,925	4,636	63,159
Segment result	14,764	332	(482)	14,614
Unallocated items				(4,216)
Profit before tax				10,398
Taxation				(2,368)
Profit for the year				**8,030**

Year ended 30 June 2012	Investment management £'000	Financial planning £'000	Fund and property management £'000	Total £'000
Total segment revenues	47,922	2,955	3,236	54,113
Inter segment revenues	-	(825)	-	(825)
External revenues	47,922	2,130	3,236	53,288
Segment 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**

(a) Geographic analysis

The Group's operations are located in the United Kingdom and the Channel Islands. The following table presents underlying operating income analysed by the geographical location of the Group entity providing the service.

	2013 £'000	2012 £'000
United Kingdom	56,533	53,288
Channel Islands	6,626	-
Total operating income	**63,159**	**53,288**

(b) Major clients

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

Notes to the consolidated financial statements

4. Revenue

	2013 £'000	2012 £'000
Fee income	59,431	48,479
Financial services commission	3,728	4,809
Total revenue	**63,159**	**53,288**

5. Operating profit

Operating profit is stated after charging:

	2013 £'000	2012 £'000
Staff costs (note 6)	26,907	20,477
Acquisition costs (see below)	1,047	-
Auditors' remuneration (see below)	282	206
Financial Services Compensation Scheme levy (see below)	359	235
Depreciation (note 12)	863	734
Amortisation (note 11)	1,865	530

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

	2013 £'000	2012 £'000
Fees payable to the Company's auditor for the audit of the consolidated group and parent company financial statements	44	32
Fees payable to the Company's auditor and its associates for other services:		
– Audit of the Company's subsidiaries pursuant to legislation	150	88
– Audit-related assurance services	22	23
– Tax advisory services	6	12
– Other assurance services	60	-
– Other advisory services	-	51
Total auditors' remuneration	**282**	**206**

Acquisition costs

Administrative costs for the year ended 30 June 2013 include £1,047,000 of directly attributable acquisition costs in 2013, comprised of £30,000 in respect of the acquisition of JPAM Limited and £1,017,000 in respect of the acquisition of Brooks Macdonald Asset Management (International) Limited and Brooks Macdonald Retirement Services (International) Limited (note 9) (2012: £nil).

Financial Services Compensation Scheme levies

Administrative costs for the year ended 30 June 2013 include a charge of £359,000 for the Financial Services Compensation Scheme ('FSCS') levy (2012: £235,000). During the year, the Group received invoices totalling £119,000 in respect of additional levies on previous scheme years. An amount of £240,000 has also been provided for the estimated levy by the FSCS for the 2013/14 scheme year.

Notes to the consolidated financial statements

6. Employee information

(a) Staff costs

	2013 £'000	2012 £'000
Wages and salaries	21,920	16,648
Social security costs	2,738	1,866
Other pension costs	625	570
Share-based payments	1,624	1,393
Total staff costs	**26,907**	**20,477**

Pension costs relate entirely to a defined contribution scheme.

(b) Number of employees

The average monthly number of employees during the year, including directors, was as follows:

	2013	2012
Professional staff	156	99
Administrative staff	207	185
Total staff	**363**	**284**

(c) Directors' emoluments

Key management personnel comprise solely of the Group Board of Directors.

	2013 £'000	2012 £'000
Salaries	2,238	2,794
Non-executive directors' fees	133	126
Benefits in kind	19	22
	2,390	2,942
Pension contributions	79	208
Amounts receivable under long term incentive schemes	278	2,974
Gains on exercise of share options	301	326
Total directors' remuneration	**3,048**	**6,450**
Highest paid director		
Remuneration and benefits in kind	517	486
Pension contributions	-	32
Amounts receivable under long term incentive schemes	64	68
Gains on exercise of share options	176	378
Total remuneration	**757**	**964**

Retirement benefits are accruing to 6 directors (2012: 8) under a defined contribution pension scheme.

Notes to the consolidated financial statements

7. Finance income and finance costs

Finance income	2013 £'000	2012 £'000
Bank interest on deposits	177	163
Tax repayment supplement	2	3
Total finance income	**179**	**166**

Finance costs	2013 £'000	2012 £'000
Finance cost of deferred consideration	279	48
Total finance costs	**279**	**48**

8. Taxation

The tax charge on profit on ordinary activities for the year is as follows:

	2013 £'000	2012 £'000
UK Corporation Tax at 23.75% (2012: 25.50%)	2,618	1,866
Under provision in prior years	424	6
Total current tax	3,042	1,872
Deferred tax (credit) / charge	(674)	392
Income tax expense	**2,368**	**2,264**

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

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the time apportioned tax rate applicable to profits of the consolidated entities in the UK as follows:

	2013 £'000	2012 £'000
Profit on ordinary activities before tax	10,398	8,520
Profit on ordinary activities multiplied by the standard rate of tax in the UK of 23.75% (2012: 25.50%)	2,469	2,173
Tax effect of:		
– Lower tax rates in other countries in which the Group operates	(398)	-
– Disallowable expenses	189	102
– Non-taxable income	(260)	(116)
– Tax losses utilised on which no deferred tax is provided	(55)	-
– Change in rate of Corporation Tax	(1)	99
– Under provision in prior years	424	6
Tax charge for the year	**2,368**	**2,264**

Notes to the consolidated financial statements

8. Taxation (continued)

The deferred tax credit of £674,000 (2012: charge of £392,000) represents a credit of £286,000 (2012: £414,000 charge) arising from the share option reserve at the balance sheet date, a credit of £10,000 (2012: £22,000) relating to accelerated capital allowances and a credit of £377,000 (2012: £nil) arising from the amortisation of acquired client relationship contracts.

On 1 April 2013, the standard rate of Corporation Tax in the UK was reduced from 24% to 23%. As a result the effective rate of Corporation Tax applied to the taxable profit for the year ended 30 June 2013 is 23.75% (2012: 25.50%).

In addition to the change in the rate of UK Corporation Tax disclosed above, a number of further changes to the UK Corporation Tax system were announced in the March 2013 budget, proposing that the main rate of UK Corporation Tax rate be reduced to 21%. The rate will further reduce to 20% and will become unified with the small companies rate from 1 April 2015. At 30 June 2013 only part of this reduction, taking the rate to 23%, had been substantively enacted. Deferred tax assets and liabilities are calculated at the rate that is expected to be in force when the temporary differences unwind, but limited to the extent that such rates have been substantively enacted. Consequently the tax rate used to determine the deferred tax assets and liabilities is 23% (2012: 24%).

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

	2013 £'000	2012 £'000
Revaluation of available for sale investments	(12)	33
Tax charge / (credit) on revaluation of available for sale investments	3	(6)
Total other comprehensive income	**(9)**	**27**

9. Business combinations

On 1 July 2012, the Group acquired the entire share capital of JPAM Limited ('JPAM'). JGHP Limited, a subsidiary company of JPAM, has a portfolio of client relationships and offers financial advice to high net worth individuals. The company is a long standing professional introducer of private clients and their portfolios to the Group. The acquisition bought out the Group's continuing obligations to JPAM in advance of the retirement of the principal.

The total consideration of £5,240,000 was satisfied by cash on acquisition of £3,005,000 and contingent deferred consideration for the balance of £2,235,000, due in three annual instalments and based on the value of the discretionary funds under management retained at each instalment date. The fair value of the liability has been re-measured at the period end assuming that the value of the discretionary funds retained follows a similar growth pattern to that experienced by the rest of the Group. A range of final outcomes cannot be estimated as the future value of the funds under management is dependent on several unpredictable variables including client retention and market movements.

Directly attributable acquisition costs of £30,000 were incurred in the acquisition, which have been charged to the consolidated statement of comprehensive income.

The fair value of the assets acquired are the gross contractual amounts and all are considered to be fully recoverable. The fair value of the identifiable assets and liabilities acquired, at the date of acquisition, are detailed in (a) below.

On 19 November 2012, the Group acquired the entire share capital of Brooks Macdonald Asset Management (International) Limited (BMI) (formerly Spearpoint Limited) and Brooks Macdonald Retirement Services (International) Limited (BMRS) (formerly Spearpoint Retirement Services Limited), incorporated in Guernsey and Jersey respectively. BMI is an integrated wealth management business based in the Channel Islands with discretionary and advisory funds and assets under management of £1.1 billion. BMRS offers retirement planning services to clients. The acquisition also added scale to the Group, as well as offshore capability and access to the expanding international pensions market.

Notes to the consolidated financial statements

9. Business combinations (continued)

The total consideration of £33,669,000 was satisfied by cash of £21,478,000, the issue of 418,627 new shares in Brooks Macdonald Group plc with a value of £5,450,000 and a contingent deferred balance of £6,741,000, payable in two instalments in March 2013 and November 2014 and based on the future value of the discretionary funds under management acquired. The fair value of the liability has been re-measured at the period end assuming that the value of the discretionary funds retained follows a similar growth pattern to that experienced by the rest of the Group. A range of final outcomes cannot be estimated as the future value of the funds under management is dependent on several unpredictable variables including client retention and market movements.

Directly attributable acquisition costs of £1,017,000 were incurred in the acquisition, which have been charged to the consolidated statement of comprehensive income.

Goodwill of £17,208,000 was recognised on acquisition in respect of expected synergies from combining the operations of BMI and BMRS with those of the Group, as well as intangible assets that do not qualify for separate recognition and the experience of the investment management and pensions staff employed by the companies.

The fair value of the assets acquired are the gross contractual amounts and all are considered to be fully recoverable. The fair value of the identifiable assets and liabilities acquired, at the date of acquisition, are detailed in (a) below.

(a) Net assets acquired through business combinations

	JPAM £'000	BMI and BMRS £'000
Property, plant and equipment	-	54
Trade and other receivables	159	4,190
Cash and cash equivalents	694	3,032
Other current assets	-	735
Trade and other payables	-	(1,088)
Other current liabilities	(143)	-
Total net assets recognised by acquired companies	**710**	**6,923**
Fair value adjustments:		
– Client relationship contracts	5,881	12,156
– Software	-	227
– Deferred tax liability on client relationship contracts and software	(1,351)	(2,845)
Net identifiable assets	**5,240**	**16,461**
Goodwill	-	17,208
Total purchase consideration	**5,240**	**33,669**

Notes to the consolidated financial statements

9. Business combinations (continued)

(b) Impact on reported results from date of acquisition

	Revenues from external customers £'000	Profit for the year £'000
JPAM Limited	798	438
Spearpoint entities:		
– Brooks Macdonald Asset Management (International) Limited	6,017	1,660
– Brooks Macdonald Retirement Services (International) Limited	609	109
Total Spearpoint entities	6,626	1,769
Total impact of business combinations	**7,424**	**2,207**

Had JPAM, BMI and BMRS been consolidated from 1 July 2012, the consolidated statement of comprehensive income would show pro-forma revenue of £67,462,000 and post-tax profit for the year of £9,363,000.

(c) Net cash outflow resulting from business combinations

	JPAM £'000	BMI and BMRS £'000	Total £'000
Total purchase consideration (note 9a)	5,240	33,669	38,909
Less:			
– Shares issued as consideration	-	(5,450)	(5,450)
– Deferred cash consideration	(2,235)	(6,741)	(8,976)
Cash paid to acquire subsidiaries	3,005	21,478	24,483
Less: cash held by subsidiaries acquired	(694)	(3,032)	(3,726)
Cash paid to acquire subsidiaries net of cash acquired	**2,311**	**18,446**	**20,757**

10. Dividends

Amounts recognised as distributions to equity holders of the Company in the year:

	2013 £'000	2012 £'000
Final dividend paid for the year ended 30 June 2012 of 12.5p (2011: 10.0p) per share	1,348	1,082
Interim dividend paid for the year ended 30 June 2013 of 6.5p (2012: 6.0p) per share	836	642
Total dividends	**2,184**	**1,724**
Final dividend proposed for the year ended 30 June 2013 of 16.0p (2012: 12.5p) per share	2,102	1,365

The interim dividend of 6.5p (2012: 6.0p) per share was paid on 18 April 2013.

A final dividend for the year ended 30 June 2013 of 16.0p (2012: 12.5p) per share was declared by the Board of Directors on 10 September 2013 and is subject to approval by the shareholders at the Company's Annual General Meeting. It will be paid on 18 October 2013 to shareholders who are on the register at the close of business on 20 September 2013. In accordance with IAS 10, this dividend has not been included as a liability in these financial statements.

11. Intangible assets

	Goodwill £'000	Computer 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**
Additions	-	16	-	601	617
Additions on acquisition of subsidiaries at fair value	17,208	227	18,037	-	35,472
Disposals	-	-	(32)	-	(32)
At 30 June 2013	**20,758**	**333**	**24,872**	**2,574**	**48,537**
Accumulated amortisation					
1 July 2011	-	23	229	1,268	1,520
Amortisation charge	-	25	307	198	530
Disposals	-	(2)	-	-	(2)
At 30 June 2012	-	**46**	**536**	**1,466**	**2,048**
Amortisation charge	-	113	1,477	275	1,865
At 30 June 2013	-	**159**	**2,013**	**1,741**	**3,913**
Net book value					
At 1 July 2011	3,550	64	1,827	582	6,023
At 30 June 2012	3,550	44	6,331	507	10,432
At 30 June 2013	**20,758**	**174**	**22,859**	**833**	**44,624**

(a) Goodwill

Goodwill acquired in a business combination is allocated at acquisition to the cash generating units (CGUs) that are expected to benefit from that business combination. The carrying amount of goodwill at 30 June 2013 comprises £3,550,000 in respect of the Braemar Group Limited ('Braemar') CGU and £17,208,000 in respect of the Brooks Macdonald Asset Management (International) Limited and Brooks Macdonald Retirement Services (International) Limited (collectively 'Brooks Macdonald International') CGU.

Goodwill is reviewed annually for impairment and its recoverability has been assessed at 30 June 2013 by comparing the carrying amount of the CGUs to their expected recoverable amount, estimated on a value-in-use basis. The value-in-use of each CGU has been calculated using pre-tax discounted cash flow projections based on the most recent budgets approved by the Board, covering a period of up to five years. Cash flows are then extrapolated beyond the forecast period using an expected long-term growth rate.

The key underlying assumptions of the value-in-use calculations are the discount rate, short-term growth in funds under management and the long-term growth rate. A pre-tax discount rate of 10% has been used, based on the Group's assessment of risk-free rates of interest and specific risks relating to the Braemar and Brooks Macdonald International businesses. The 2% long-term growth rate is considered prudent in the context of the comparative long-term average growth rate for the funds, real estate and investment management industries in which the CGUs operate.

While it is possible that one of the key assumptions in the calculation could change, no reasonably forseeable change would result in an impairment of goodwill given the margin by which the estimated recoverable amount exceeds the carrying amount of the CGUs.

11. Intangible assets (continued)

(b) Computer software

Software costs are amortised over an estimated useful life of four years on a straight line basis.

(c) Acquired client relationship contracts

This asset represents the fair value of future benefits accruing to the Group from acquired client relationship contracts. The amortisation of client relationships is charged to the consolidated statement of comprehensive income on a straight line basis over their estimated useful lives (15 to 20 years).

During the year, the Group acquired client relationship contracts totalling £18,037,000 (2012: £4,811,000), as part of business combinations (note 9), which were recognised as separately identifiable intangible assets in the consolidated statement of financial position. This included contracts with a fair value of £5,881,000 related to the acquisition of JPAM Limited and £12,156,000 related to the acquisition of Brooks Macdonald Asset Management (International) Limited.

(d) Contracts acquired with fund managers

This asset represents the fair value of future benefits accruing to the Group from contracts acquired with fund managers. Payments made to acquire such contracts are stated at cost and amortised on a straight line basis over an estimated useful life of 5 years.

12. Property, plant and equipment

	Motor vehicles £'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**
Additions	35	151	677	863
Additions on acquisition of subsidiaries	-	54	-	54
Disposals	-	-	-	-
At 30 June 2013	**35**	**1,622**	**4,748**	**6,405**
Accumulated depreciation				
At 1 July 2011	-	295	2,152	2,447
Depreciation charge	-	154	580	734
Disposals	-	(15)	(45)	(60)
At 30 June 2012	-	**434**	**2,687**	**3,121**
Depreciation charge	4	234	625	863
Disposals	-	-	-	-
At 30 June 2013	**4**	**668**	**3,312**	**3,984**
Net book value				
At 1 July 2011	-	401	1,491	1,892
At 30 June 2012	-	983	1,384	2,367
At 30 June 2013	**31**	**954**	**1,436**	**2,421**

Notes to the consolidated financial statements

13. Available for sale financial assets

The Group holds an investment of 1,426,793.64 B shares in Braemar Group PCC Limited Student Accommodation Cell. The fund is managed by Brooks Macdonald Funds Limited, a subsidiary of the Group. Trading is currently suspended on this fund, however the fund manager continues to publish a price based on the fair value of the underlying assets of the fund. At 30 June 2013, the fair value of the investment was £1,582,000 (2012: £1,594,000), the loss of £12,000 (2012: gain of £33,000) being recognised in other comprehensive income in the consolidated statement of comprehensive income.

There were no additions during the year (2012: £63,000). A £50,000 investment in UK Farming plc was de-recognised as the entity is now considered to be controlled by the Group and its assets and liabilities have been consolidated accordingly. The Group disposed of further investments of £13,000 (2012: £nil).

	2013 £'000	2012 £'000
At beginning of year	1,657	1,561
Additions	-	63
Disposals	(13)	-
De-recognised on consolidation of former investment	(50)	-
(Loss) / gain from changes in fair value	(12)	33
At end of year	**1,582**	**1,657**

14. 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 the Group's deferred assets and deferred tax liabilities is shown below.

	2013 £'000	2012 £'000
Deferred tax assets		
Deferred tax assets to be recovered after more than 12 months	234	260
Deferred tax assets to be recovered within 12 months	624	408
Total deferred tax assets	**858**	**668**
Deferred tax liabilities		
Deferred tax liabilities to be recovered after more than 12 months	(4,468)	(672)
Deferred tax liabilities to be recovered within 12 months	(30)	(21)
Total deferred tax liabilities	**(4,498)**	**(693)**

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

	2013 £'000	2012 £'000
At 1 July	(25)	1,495
Credit / (charge) to the consolidated statement of comprehensive income (note 8)	674	(392)
Credit / (charge) recognised in other comprehensive income	3	(6)
Charge recognised in equity	(97)	(473)
Additions on acquisition of subsidiaries	(4,195)	(649)
At 30 June	**(3,640)**	**(25)**

Notes to the consolidated financial statements

14. Deferred income tax (continued)

The change in deferred income tax assets and liabilities during the year is as follows:

Deferred tax assets	Share-based payments £'000
At 1 July 2011	1,555
Charge to the consolidated statement of comprehensive income	(414)
Charge to equity	(473)
At 30 June 2012	668
Credit to the consolidated statement of comprehensive income	287
Charge to equity	(97)
At 30 June 2013	**858**

Deferred tax liabilities	Accelerated capital allowances £'000	Available for sale financial assets £'000	Intangible asset amortisation £'000	Total £'000
At 1 July 2011	44	16	-	60
Additions on acquisition of subsidiaries	-	-	649	649
Credit to the consolidated statement of comprehensive income	(22)	-	-	(22)
Charge to other comprehensive income	-	6	-	6
At 30 June 2012	22	22	649	693
Additions on acquisition of subsidiaries	-	-	4,195	4,195
Credit to the consolidated statement of comprehensive income	(10)	-	(377)	(387)
Charge to other comprehensive income	-	(3)	-	(3)
At 30 June 2013	**12**	**19**	**4,467**	**4,498**

15. Trade and other receivables

	2013 £'000	2012 £'000
Trade receivables	5,158	1,719
Other receivables	766	1,123
Prepayments and accrued income	11,849	9,938
Total trade and other receivables	**17,773**	**12,780**

16. Cash and cash equivalents

	2013 £'000	2012 £'000
Cash at bank	18,420	13,470
Cash held in Employee Benefit Trust	20	19
Total cash and cash equivalents	**18,440**	**13,489**

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.

Notes to the consolidated financial statements

17. Deferred consideration

Deferred consideration, which is also included within provisions in current liabilities to the extent that it is due to be paid within one year of the reporting date (note 20), relates to the directors' best estimate of amounts payable in the future in respect of certain client relationships and subsidiary undertakings that were acquired by the Group. Deferred consideration is measured at its fair value based on the discounted expected future cash flows. The movements in the deferred consideration balance during the year were as follows:

	2013 £'000	2012 £'000
At 1 July	2,309	794
Added on acquisitions during the year	8,976	2,177
Interest accrued	279	49
Payments made during the year	(3,637)	(711)
At 30 June	**7,927**	**2,309**
Analysed as:		
Amounts falling due within one year	2,123	1,350
Amounts falling due after more than one year	5,804	959
Total deferred consideration	**7,927**	**2,309**

Deferred consideration of £8,976,000 (2012: £2,177,000) was recognised during the year (note 9), £6,741,000 on the acquisition of BMI and BMRS and £2,235,000 on the acquisition of JPAM (2012: £2,177,000 on the acquisition of the client relationship contracts of Clarke Willmott LLP). Payments of £3,637,000 (2012: £711,000) were made during the year, representing £2,396,000 to the vendors of BMI and BMRS and £1,241,000 to Clarke Willmott LLP.

Amounts falling due after more than one year from the reporting date are presented in non-current liabilities as shown below:

	2013 £'000	2012 £'000
At 1 July	959	-
Added on acquisitions during the year	5,597	910
Interest accrued	207	49
Transfer to current liabilities	(959)	-
At 30 June	**5,804**	**959**

The amount payable in respect of acquisitions during the period of £5,597,000 (2012: £910,000) comprises deferred consideration of £4,345,000 relating to the acquisition of BMI and BMRS and £1,252,000 relating to the acquisition of JPAM (note 9). An amount of £959,000, representing the deferred consideration payable in respect of the acquired client relationships of Clarke Willmott LLP, was transferred to provisions within current liabilities (2012: £nil).

18. Other non-current liabilities

Other non-current liabilities relate to employer's National Insurance contributions arising from share option awards under the LTIS scheme. An additional liability of £90,000 (2012: 244,000) was recognised during the year in respect of existing awards, granted in previous years, that are expected to vest in the future. During the year, an amount of £383,000 (2012: £452,000) was transferred to current liabilities, reflecting awards that will vest within the next 12 months.

Notes to the consolidated financial statements

19. Trade and other payables

	2013 £'000	2012 £'000
Trade payables	2,631	2,699
Other taxes and social security	1,394	1,333
Other payables	2,621	308
Accruals and deferred income	7,133	9,505
Total trade and other payables	**13,779**	**13,845**

Included within accruals and deferred income is an accrual of £837,000 (2012: £985,000) in respect of the Phantom Share Schemes granted in October 2008 and October 2009 and employer's National Insurance contributions arising from share option awards under the LTIS (note 24b). The schemes are cash settled and payments are made to participants in respect of their awards by the Group's subsidiary undertakings. The options are awarded at no cost to the participants. The amount that is ultimately payable to participants of the scheme is equal to the increase in market value of the Company's ordinary shares over a three year vesting period. The award will vest after three years to the extent that the performance conditions are satisfied and will be forfeited in total if performance fails to meet the minimum criteria.

The options have been valued using a Black Scholes model based on the market price of the Company's shares at the grant date (note 24). The total charge to the consolidated statement of comprehensive income for the year for all Phantom Share Schemes and employer's National Insurance contributions arising from share option awards under the LTIS (note 24b) was £423,000 (2012: £1,325,000). The number of Phantom Share Options outstanding at 30 June 2013 was as follows:

	2013 Number of options	2013 Weighted average base price (£)	2012 Number of options	2012 Weighted average base price (£)
At 1 July	133,103	6.875	595,603	3.235
Forfeited in the year	(45,000)	7.750	-	-
Exercised in the year	(51,000)	4.255	(462,500)	2.185
At 30 June	**37,103**	**9.415**	**133,103**	**6.875**

20. Provisions

	Client compensation £'000	Deferred consideration £'000	FSCS levy £'000	Total £'000
At 1 July 2011	243	794	-	1,037
Charge to the consolidated statement of comprehensive income	182	-	140	322
Added on acquisitions during the year	-	1,267	-	1,267
Utilised during the year	(86)	(711)	(140)	(937)
At 30 June 2012	339	1,350	-	1,689
Charge to the consolidated statement of comprehensive income	246	-	240	486
Added on acquisitions during the year	-	3,379	-	3,379
Interest accrued	-	72	-	72
Transfer from non-current liabilities	-	959	-	959
Utilised during the year	(165)	(3,637)	-	(3,802)
At 30 June 2013	**420**	**2,123**	**240**	**2,783**

Notes to the consolidated financial statements

20. Provisions (continued)

(a) Client compensation

Client compensation provisions relate to the potential liability arising from client complaints against the Group. 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 (2012: eight months) from the date of notification of the complaint.

(b) Deferred consideration

Deferred consideration has been included within provisions as a current liability to the extent that it is due to be paid within one year of the reporting date (note 17).

Deferred consideration payable within one year of £3,379,000 (2012: £1,267,000) was recognised during the year, comprising of £2,396,000 relating to the acquisition of BMI and BMRS and £983,000 relating to the acquisition of JPAM. An amount of £959,000 (2012: £nil) was transferred from non-current liabilities, representing the final tranche of deferred consideration payable to Clarke Willmott LLP in November 2013 in respect of client relationships acquired in October 2011. Provisions of £3,802,000 (2012: £711,000) were utilised during the year on payment of £1,241,000 to Clarke Willmott LLP and £2,396,000 to the vendors of Brooks Macdonald Asset Management (International) Limited and Brooks Macdonald Retirement Services (International) Limited.

(c) FSCS levy

Following confirmation by the FSCS in April 2013 of its proposed 2013/14 industry levy, the Group has made a provision of £240,000 (2012: £nil) for its estimated share. The 2012/13 annual levy was billed in June 2012, hence this was included as a trade payable rather than a provision in the 2012 financial statements.

21. Reconciliation of operating profit to net cash inflow from operating activities

	2013 £'000	2012 £'000
Operating profit	10,498	8,402
Adjustments for:		
Depreciation of property, plant and equipment	863	734
Amortisation of intangible assets	1,865	530
Decrease / (increase) in receivables	91	(2,920)
Decrease in payables	(1,301)	(4,319)
(Decrease) / increase in provisions	(2,284)	652
Decrease in non-current liabilities	(1,325)	(210)
Share-based payments	1,111	702
Net cash inflow from operating activities	**9,518**	**3,571**

In the year ended 30 June 2013, the Group obtained control of JPAM, BMI and BMRS (note 9). The net cash outflow resulting from these business combinations is presented in note 9(c).

Notes to the consolidated financial statements

22. Share capital and share premium account

The movements in share capital and share premium during the year were as follows:

	Number of shares	Exercise price p	Share capital £'000	Share premium account £'000	Total £'000
At 1 July 2011	10,788,167		108	4,125	4,233
Shares issued:					
– on exercise of options	75,900	240.0	1	146	147
– to Sharesave Scheme	63,429	155.0 - 290.5	-	152	152
At 30 June 2012	**10,927,496**		**109**	**4,423**	**4,532**
Shares issued:					
– on placing	2,288,193	1,150.0 - 1,301.9	23	26,927	26,950
– on exercise of options	73,100	140.0 - 290.5	1	327	328
– to Sharesave Scheme	59,185	240.0 - 578.0	-	191	191
At 30 June 2013	**13,347,974**		**133**	**31,868**	**32,001**

The total number of ordinary shares, issued and fully paid at 30 June 2013 was 13,347,974 (2012: 10,927,496) with a par value of 1p per share.

On 19 November 2012, the Company issued 1,869,566 ordinary shares by way of a placing for cash consideration which raised £21,500,000 and an additional 418,627 ordinary shares with a market value of £5,450,000 as consideration to the vendors of Brooks Macdonald Asset Management (International) Limited and Brooks Macdonald Retirement Services (International) Limited.

Shares issued to Sharesave Scheme members are shown as £nil (2012: £nil) due to rounding.

Employee Benefit Trust

The Group established an Employee Benefit Trust (EBT) on 3 December 2010 to acquire ordinary shares in the Company to satisfy awards under the Group's Long Term Incentive Scheme (LTIS) and other share-based payment schemes (note 24). At 30 June 2013, the EBT held 212,172 (2012: 151,139) 1p ordinary shares in the Company, acquired for a total consideration of £2,544,000 (2012: £1,765,000). The market value of these shares was £3,044,668 (2012: £1,738,000). They are presented as treasury shares in the consolidated financial statements and their cost has been deducted from retained earnings within shareholders' equity.

23. Other reserves and retained earnings

Other reserves are comprised of the following balances:

	2013 £'000	2012 £'000
Share option reserve	3,697	2,724
Merger reserve	192	192
Available for sale reserve	63	72
Total other reserves	**3,952**	**2,988**

Notes to the consolidated financial statements

23. Other reserves and retained earnings (continued)

The movements in other reserves during the year were as follows:

	2013 £'000	2012 £'000
Share option reserve		
At beginning of the year	2,724	2,326
Share-based payments	1,111	702
Transfer to retained earnings	(350)	(188)
Deferred tax on share-based payments	212	(116)
At end of the year	**3,697**	**2,724**
Merger reserve		
At beginning of the year	192	192
At end of the year	**192**	**192**
Available for sale reserve		
At beginning of the year	72	45
Revaluation of available for sale financial assets	(9)	27
At end of the year	**63**	**72**

The movements in retained earnings during the year were as follows:

	2013 £'000	2012 £'000
At beginning of the year	16,190	12,225
Profit for the financial year	8,030	6,256
Purchase of own shares by Employee Benefit Trust	(779)	(785)
Transfer from share option reserve	350	188
Dividends paid	(2,184)	(1,724)
At end of the year	**21,607**	**16,190**

24. Equity settled share-based payments

All share options granted to employees under the Group's equity settled share-based payment schemes are valued using a Black Scholes model, based on the market price of the Company's shares at the grant date and volatility ranging from 15% to 50% on an historic price, covering the period to the end of the contractual life. Volatility has been estimated on the basis of the Company's historical share prices subsequent to flotation. The risk-free annual rate of interest is deemed to be the yield on a gilt edged security with a maturity term of ten years, ranging from 0.34% to 2.00%.

For options granted during the year, the Black Scholes model was based on the market price of the Company's shares at each respective grant date and volatility of 50% with no dividend yield, an expected vesting period of three years and a risk-free annual rate of interest of 0.34%. The fair value of the cash settled Phantom Share Options has been calculated using the same assumptions, but it is re-calculated on a quarterly basis.

The share options issued under the various equity settled share-based payment schemes have been valued at prices ranging from £nil to £11.62 per share. The charge to the consolidated statement of comprehensive income for the year in respect of these was £1,111,000 (2012: £702,000). The weighted average remaining contractual life of all equity settled share-based payment schemes at 30 June 2013 was 2.61 years (2012: 3.18 years). The weighted average share price of all options exercised during the year was £13.75 (2012: £12.05). The total charge to the consolidated statement of comprehensive income for the year for all share-based payment schemes was £1,624,000 (2012: £1,393,000).

Notes to the consolidated financial statements

24. Equity settled share-based payments (continued)

The exercise price and fair value of share options granted during the year was as follows:

	Exercise price p	Fair value p
Long Term Incentive Scheme	nil	1,270
Employee Sharesave Scheme	1,172	607

No options were granted under the EMI Scheme during the year.

(a) Enterprise Management Incentive (EMI) Scheme

Under the approved EMI 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 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.

	2013 Number of options	2013 Weighted average exercise price £	2012 Number of options	2012 Weighted average exercise price £
At 1 July	182,657	3.00	258,557	2.69
Forfeited in the year	(10,804)	7.75	-	-
Exercised in the year	(73,100)	2.61	(75,900)	1.94
At 30 June	**98,753**	**2.77**	**182,657**	**3.00**

The number of share options outstanding at the reporting date was as follows:

Scheme year (grant date)	Exercise price (p)	Vesting period	2013 Number of options	2012 Number of options
2005	140.0	2008 - 2015	-	6,000
2005	155.5	2008 - 2015	25,000	31,000
2006	215.0	2009 - 2016	23,500	29,350
2007	290.5	2010 - 2017	42,150	97,400
2010	775.0	2013 - 2020	8,103	18,907
All years			**98,753**	**182,657**

(b) Long Term Incentive Scheme (LTIS)

The Company has made annual awards under the LTIS to executive directors and other senior executives. The conditional awards, which vest three years after the grant date, are subject to the satisfaction of specified performance criteria, measured over a three year performance period. All such conditional awards are made at the discretion of the Remuneration Committee.

	2013 Number of options	2012 Number of options
At 1 July	128,343	37,959
Granted in the year	78,954	94,005
Forfeited in the year	(1,684)	(3,621)
At 30 June	**205,613**	**128,343**

Notes to the consolidated financial statements

24. Equity settled share-based payments (continued)

The number of share options outstanding at the reporting date was as follows:

Scheme year (grant date)	Exercise price (p)	Vesting period	2013 Number of options	2012 Number of options
2010	nil	2013	33,848	34,338
2011	nil	2014	92,811	94,005
2012	nil	2015	78,954	-
All years			**205,613**	**128,343**

(c) Employee Benefit Trust (EBT)

Brooks Macdonald Group plc established an Employee Benefit Trust ('the Trust') on three December 2010. The Trust was established to acquire ordinary shares in the Company to satisfy rights to purchase shares on the exercise of options awarded under the LTIS. All finance costs and administration expenses connected with the Trust are charged to consolidated statement of comprehensive income as they accrue. The Trust has waived its rights to dividends. The following table shows the number of shares held by the Trust that have not yet vested unconditionally.

	2013 Number of shares	2012 Number of shares
At 1 July	151,139	37,959
Acquired in the year	61,033	113,180
At 30 June	**212,172**	**151,139**

(d) Employee Sharesave Scheme

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

	2013 Number of options	2013 Weighted average exercise price £	2012 Number of options	2012 Weighted average exercise price £
At 1 July	180,566	8.33	196,171	5.78
Granted in the year	39,489	11.72	54,231	10.54
Forfeited in the year	(13,547)	9.54	(6,407)	7.73
Exercised in the year	(59,185)	5.54	(63,429)	2.40
At 30 June	**147,323**	**10.23**	**180,566**	**8.33**

The number of share options outstanding at 30 June 2013 was as follows:

Scheme year (grant date)	Exercise price (p)	Vesting period	2013 Number of options	2012 Number of options
2009	240.0	2012	-	4,269
2010	578.0	2013	2,040	58,526
2011	916.0	2014	58,536	63,813
2012	1,054.0	2015	48,332	53,958
2013	1,172.0	2016	38,415	-
All years			**147,323**	**180,566**

Notes to the consolidated financial statements

25. Earnings per share

The directors believe that adjusted earnings per share provide a truer reflection of the Group's performance for the period. Adjusted earnings per share are shown below and are calculated based on 'adjusted earnings', representing earnings before the costs of acquiring subsidiary companies during the period (note 5).

	2013 £'000	2012 £'000
Profit for the year	8,030	6,256
Costs of acquiring subsidiary companies	1,047	-
Adjusted earnings attributable to ordinary shareholders	**9,077**	**6,256**

The weighted average number of shares in issue during the year was as follows:

	2013 Number of shares	2012* Number of shares
Weighted average number of shares in issue during the year	12,210,418	10,893,468
Dilutive shares issuable on exercise of share options	111,793	162,633
Diluted weighted average number of shares in issue during the year	12,322,211	11,056,101

Basic and diluted earnings per share based on both reported and adjusted earnings are shown in the table below:

	2013 p	2012* p
Based on reported earnings:		
Basic earnings per share	65.76	57.43
Diluted earnings per share	65.16	56.58
Based on adjusted earnings:		
Basic earnings per share	74.33	57.43
Diluted earnings per share	73.66	56.58

* The comparative weighted average number of shares in issue and therefore basic and diluted earnings per share have been restated for the effect of shares issued at a discount to their market value as part of the Spearpoint acquisition.

26. Lease commitments

The Group leases various office premises under non-cancellable operating lease arrangements. The future aggregate minimum lease payments under these leases are as follows:

	2013 £'000	2012 £'000
Within one year	1,162	813
Second to fifth years inclusive	2,240	1,720
After five years	38	-

Notes to the consolidated financial statements

27. Client funds under management

The Group holds client money and assets on behalf of clients in accordance with the client money rules of the Financial Conduct Authority. Such money and the corresponding liabilities to clients are not shown in the consolidated statement of financial position as the Group is not beneficially entitled thereto. The total market value of client money and assets held is shown below:

	2013 £'000	2012 £'000
Client money bank accounts	595,365	479,000
Client assets under management	4,514,635	3,041,000
Total client funds under management	**5,110,000**	**3,520,000**

28. Financial risk management

The Group has identified the financial risks arising from its activities and has established policies and procedures as part of a formal structure for managing risk, including establishing 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 shows the cash inflows and outflows from the Group under non-derivative financial assets and liabilities, together with cash and bank balances available on demand.

At 30 June 2013	On demand £'000	Not more than three months £'000	After three months but not more than one year £'000	After one year but less than five years £'000	Total £'000
Cash flows from financial assets					
Available for sale financial assets	-	-	-	1,582	1,582
Cash and balances at bank	18,440	-	-	-	18,440
Trade receivables	-	5,159	-	-	5,159
Other receivables	-	-	107	-	107
	18,440	**5,159**	**107**	**1,582**	**25,288**
Cash flows from financial liabilities					
Trade payables	-	2,631	-	-	2,631
Other financial liabilities	-	10,609	1,928	5,929	18,466
	-	**13,240**	**1,928**	**5,929**	**21,097**
Net liquidity gap	**18,440**	**(8,081)**	**(1,821)**	**(4,347)**	**4,191**

Notes to the consolidated financial statements

28. Financial risk management (continued)

(a) Liquidity risk (continued)

At 30 June 2012	On demand £'000	Not more than three months £'000	After three months but not more than one year £'000	After one year but less than five years £'000	Total £'000
Cash flows 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 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**

(b) Market risk

Interest rate risk
The Group may elect to invest surplus cash balances in short-term cash deposits with maturity dates not exceeding three months. Consequently, the Group has a limited exposure to interest rate risk due to fluctuations in the prevailing level of market interest rates.

A 1% fall in the average monthly interest rate receivable on the Group's cash and cash equivalents would have the impact of reducing interest receivable and therefore profit before taxation by £184,000 (2012: £135,000). An increase of 1% would have an equal and opposite effect.

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

Price risk
Price risk is the risk that the fair value of the future cash flows from financial instruments will fluctuate due to changes in market prices (other than those arising from interest rate risk or currency risk). The Group is exposed to price risk through its holdings of equity securities that are measured at fair value in the consolidated statement of financial position (note 13). A 1% fall in the value of these equity securities would have the impact of reducing other comprehensive income by £12,000. An increase of 1% would have an equal and opposite effect.

Notes to the consolidated financial statements

28. Financial risk management (continued)

(c) Credit risk

The Group may elect to invest surplus cash balances in highly liquid money market instruments with maturity dates not exceeding three months. The difference between the fair value and the net book value of these instruments is not material. To reduce the risk of a counterparty default, the Group deposits the rest of its funds in approved, high quality banks. At 30 June 2013 there was no significant concentration of credit risk in any particular counterparty (2012: none).

Assets exposed to credit risk recognised on the consolidated statement of financial position total £18,440,000 (2012: £13,489,000), being the Group's total cash and cash equivalents.

Trade receivables with a carrying amount of £5,159,000 (2012: £1,719,000) are neither past due nor impaired. Trade receivables have no external credit rating as they relate to individual clients, although the value of investments held in each individual client's portfolio is always in excess of the total value of the receivable. All trade receivables fall due within three months (2012: all).

29. Capital management

Capital is defined as the total of share capital, share premium, retained earnings and other reserves of the Company. Total capital at 30 June 2013 was £57,560,000 (2012: £23,710,000). 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 Financial Conduct Authority, 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 Group's 2013 ICAAP was approved in May 2013. There have been no capital requirement breaches during the year. Brooks Macdonald Group plc's Pillar III disclosure is presented on our website at www.brooksmacdonald.com.

30. Guarantees and contingent liabilities

The Company has an agreement with the Royal Bank of Scotland plc to guarantee settlement for trading with CREST stock on behalf of clients. The Group holds client assets to fund such trading activity.

Additional levies by the Financial Services Compensation Scheme may give rise to further obligations based on the Group's income in the current or previous years. Nevertheless, the ultimate cost to the Group of these levies remains uncertain and is dependent upon future claims resulting from institutional failures.

Notes to the consolidated financial statements

31. Related party transactions

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

Director	Loan balance 2013 £'000	Loan balance 2012 £'000	Maximum amount 2013 £'000	Maximum amount 2012 £'000
N I Holmes	1	1	2	2
S J Jackson	5	4	10	8

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

	Amounts owed by related parties 2013 £'000	Amounts owed by related parties 2012 £'000	Amounts owed to related parties 2013 £'000	Amounts owed to related parties 2012 £'000
Braemar Group Limited	2,150	2,150	-	-
Brooks Macdonald Financial Consulting Limited	955	1,579	-	-
Brooks Macdonald Asset Management Limited	-	-	17,018	14,391
Brooks Macdonald Nominees Limited	-	-	2,727	1,869

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

The Group manages a number of collective investment funds that are considered related parties. Available for sale financial assets include (note 13) an investment of 1,426,793.64 B shares in Braemar PCC Limited Student Accommodation Cell. This transaction was conducted on an arms length basis at market value.

32. Events since the end of the year

No material events have occurred between the reporting date and the date of signing the Annual Report & Accounts.

Independent auditor's report

to the members of Brooks Macdonald Group plc

We have audited the parent company financial statements of Brooks Macdonald Group plc for the year ended 30 June 2013 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 19, 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 & 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 2013;
- 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 2013.

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

London

10 September 2013

Company balance sheet

as at 30 June 2013

	Note	2013 £'000	2013 £'000	2012 £'000	2012 £'000
Fixed assets					
Investments	36		46,631		11,863
Current assets					
Debtors	37	7,127		7,739	
Cash at bank and in hand		10,274		7,893	
Total current assets		17,401		15,632	
Creditors: amounts falling due within one year	38	(25,290)		(21,723)	
Net current liabilities			(7,889)		(6,091)
Total assets less current liabilities			**38,742**		**5,772**
Creditors: amounts falling due after more than one year	39		(4,482)		-
Net assets			**34,260**		**5,772**
Financed by:					
Capital and reserves					
Called up share capital	40		133		109
Share premium account	40		31,868		4,423
Share option reserve	41		3,023		1,912
Revaluation reserve	41		63		94
Profit and loss account	41		(827)		(766)
Total shareholders' funds	42		**34,260**		**5,772**

The Company financial statements were approved by the Board of Directors and authorised for issue on 10 September 2013, signed on their behalf by:

C A J Macdonald
Chief Executive

S J Jackson
Finance Director

Company Registration Number: 4402058

The accompanying notes from pages 58 to 62 form an integral part of the Company financial statements.

Notes to the company financial statements

33. Principal accounting policies

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

(a) Basis of preparation
The Company's financial statements are prepared in accordance with in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. The financial statements have been prepared on the historical cost basis, except for the revaluation of investments such that they are measured at their fair value.

At the time of approving the financial statements, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

(b) Investments in subsidiary companies
Investments in subsidiaries are recognised 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 charge to the Profit and Loss Account is recognised on a straight line basis over the period in which the related services are provided, based on the number of shares that are expected to vest.

(d) Operating lease payments
Rent payments due under operating leases are charged to the 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 its current property lease. In accordance with UITF 28 Operating Leases Incentives, the benefit is allocated over the shorter of the lease term and the date of the market rent 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 pension scheme are charged to the Profit and Loss Account as they fall due.

(f) Employee Benefit Trust (EBT)
Where the Company holds its own equity shares through an EBT these shares are shown as a reduction in shareholders' 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. 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) Other investments
Other listed investments are re-valued each reporting period to their fair value according to the most recently available market information.

34. 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 year ended 30 June 2013 of £2,902,000 (2012: £1,654,000). Auditors' remuneration is disclosed in note 5 of the consolidated financial statements. The average monthly number of employees during the year was 9 (2012: 11). Directors' emoluments are set out in note 6 of the consolidated financial statements.

35. Dividends

Details of the Company's dividends paid and proposed, subject to approval at the Annual General Meeting, are set out in note 10 of the consolidated financial statements.

Notes to the company financial statements

36. Investments

Net book value	Group undertakings £'000	Listed investments £'000	Total £'000
At 1 July 2011	9,567	1,561	11,128
Additions:			
– Share options	702	-	702
Revaluation	-	33	33
At 30 June 2012	**10,269**	**1,594**	**11,863**
Additions:			
– Share options	1,111	-	1,111
– Acquisition of subsidiary	33,669	-	33,669
Revaluation	-	(12)	(12)
At 30 June 2013	**45,049**	**1,582**	**46,631**

Listed investments represent the Company's holding of 1,426,793.64 B shares in Braemar Group PCC Limited Student Accommodation Cell. The fund is managed by Brooks Macdonald Funds Limited, a subsidiary of the Company. Trading is currently suspended on this fund, however the fund manager continues to publish a price based on the fair value of the underlying assets of the fund. At 30 June 2013, the investment was re-valued to its fair value of £1,582,000 (2012: £1,594,000), representing a loss during the year of £12,000 (2012: gain of £33,000).

Investments in group undertakings are recorded at cost, which is the fair value of the consideration paid to acquire the Company's subsidiaries. Additions to group undertakings of £1,111,000 (2012: £702,000) represent the cost of share options issued during the year in accordance with FRS20. Additions on acquisition of subsidiaries of £33,669,000 (2012: £nil) represent the cost of the Company's investment in Brooks Macdonald Asset Management (International) Limited and Brooks Macdonald Retirement Services (International) Limited. Details of the Company's subsidiary undertakings as at 30 June 2013, all of which were wholly owned and included in the consolidated financial statements, are shown below:

Company	Type of share and par value	Country of incorporation	Nature of business
Braemar Group Limited	Ordinary 1p	UK	Investment management
Brooks Macdonald Asset Management Limited	Ordinary £1	UK	Investment management
Brooks Macdonald Asset Management (International) Limited	Ordinary £1	Channel Islands	Investment management
Brooks Macdonald Asset Management (Tunbridge Wells) Limited	Ordinary £1	UK	Non-trading
Brooks Macdonald Financial Consulting Limited	Ordinary 5p	UK	Financial consulting
Brooks Macdonald Investment Services Limited	Ordinary £1	UK	Dormant
Brooks Macdonald Nominees Limited	Ordinary £1	UK	Nominee services
Brooks Macdonald Retirement Services (International) Limited	Ordinary £1	Channel Islands	Retirement planning
Brooks Macdonald Tax Services Limited	Ordinary £1	UK	Dormant
JPAM Limited	Ordinary £1	UK	Non-trading

Notes to the company financial statements

37. Debtors

	2013 £'000	2012 £'000
Amounts owed by subsidiary undertakings	7,105	7,729
Other debtors	22	10
Total debtors	**7,127**	**7,739**

Amounts owed by subsidiary companies are unsecured, interest free and, with the exception of the subordinated loan to Braemar Group Limited, are repayable on demand.

38. Creditors: amounts falling due within one year

	2013 £'000	2012 £'000
Trade creditors	30	8
Amounts owed to subsidiary undertakings	23,747	20,260
Deferred tax	19	-
Accruals	1,374	1,455
Other creditors	120	-
Total creditors due within one year	**25,290**	**21,723**

Amounts owed to subsidiary companies are unsecured, interest free and are repayable on demand.

39. Creditors: amounts falling due after more than one year

The creditors balance of £4,482,000, falling due after more than one year, relates to the directors' best estimate of the deferred consideration payable in respect of the client relationships and subsidiary undertakings that were acquired by the Company. Deferred consideration is measured at its fair value based on the discounted expected future cash flows.

40. Called up share capital and share premium account

The movements in share capital and share premium during the year were as follows:

	Number of shares	Share capital £ '000	Share premium account £ '000	Total £'000
At 1 July 2011	10,788,167	108	4,125	4,233
Shares issued	139,329	1	298	299
At 30 June 2012	**10,927,496**	**109**	**4,423**	**4,532**
Shares issued	2,420,478	24	27,445	27,469
At 30 June 2013	**13,347,974**	**133**	**31,868**	**32,001**

The total number of ordinary shares, issued and fully paid at 30 June 2013 was 13,347,974 (2012: 10,927,496) with a par value of 1p per share. Excluding 212,172 (2012: 151,139) treasury shares held by the EBT, the Company had 13,135,802 (2012: 10,776,357) ordinary 1p shares in issue as at 30 June 2013.

Notes to the company financial statements

40. Called up share capital and share premium account (continued)

Long Term Incentive Scheme (LTIS)

The Group established an Employee Benefit Trust (EBT) on 3 December 2010 to acquire ordinary shares in the Company to satisfy awards under the Group's LTIS and other share-based payment schemes (note 24). At 30 June 2013, the EBT held 212,172 (2012: 151,139) 1p ordinary shares in the Company, acquired for a total consideration of £2,544,000 (2012: £1,765,000). The market value of these shares was £3,044,668 (2012: £1,738,000). They are presented as treasury shares in the consolidated financial statements and their cost has been deducted from retained earnings within shareholders' equity.

The Company has made annual awards under the LTIS to executive directors and other senior executives. The conditional awards, which vest three years after the grant date, are subject to the satisfaction of specified performance criteria, measured over a three year performance period. All such conditional awards are made at the discretion of the remuneration committee.

41. Reserves

	2013 £'000	2012 £'000
Share option reserve		
At beginning of the year	1,912	1,210
Share-based payments	1,111	702
At end of the year	**3,023**	**1,912**
Revaluation reserve		
At beginning of the year	94	61
Revaluation of available for sale investments	(9)	33
Deferred tax on revaluation	(22)	-
At end of the year	**63**	**94**
Profit and loss account		
At beginning of the year	(766)	89
Profit for the financial year	2,902	1,654
Dividends paid	(2,184)	(1,724)
Purchase of own shares	(779)	(785)
At end of the year	**(827)**	**(766)**

Notes to the company financial statements

42. Reconciliation of movements in total shareholders' funds

	2013 £'000	2012 £'000
Profit for the financial year	2,902	1,654
Revaluation of investments	(31)	33
Total recognised gains and losses for the financial year	**2,871**	**1,687**
Dividends paid	(2,184)	(1,724)
Share-based payments	1,111	702
Issue of new shares	27,469	299
Purchase of own shares by EBT	(779)	(785)
Net additions to shareholders' funds	**28,488**	**179**
Opening shareholders' funds	5,772	5,593
Closing shareholders' funds	**34,260**	**5,772**

43. Lease commitments

The Company leases office premises under non-cancellable operating lease arrangements. The future aggregate minimum lease payments under these leases are as follows:

	2013 £'000	2012 £'000
Within one year	908	734
Second to fifth years inclusive	1,626	1,464
After five years	38	-

44. Related party transactions

The Company has applied the exemption available under FRS 8 in electing not to disclose transactions and balances with its wholly owned subsidiary companies. Details of related party transactions with directors are detailed in note 31 of the consolidated financial statements.

Explanation of Annual General Meeting business

Enclosed with this document is a notice convening the Annual General Meeting of the Company for 17 October 2013. This explanatory note gives further information on resolutions numbered 2 to 10 set out in the notice of Annual General Meeting.

Resolution 2 – To declare a final dividend

The directors recommend a final dividend of 16 pence per ordinary share. Subject to approval by shareholders, the final dividend will be paid on 18 October 2013 to shareholders on the register on 20 September 2013.

Resolutions 3 to 5 – 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. Christopher Macdonald, Christopher Knight and Colin Harris 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 Board 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.

Christopher Macdonald (52) is the Chief Executive of the Group. He is a qualified investment manager and was a founding director of the Company in 1991. Chris has worked in investment management and financial services since the start of his career in 1982 and has won several investment management awards.

Chris is also the non-executive director of the Invesco AiM VCT and an associate of the Institute of Continuing Professional Development.

Christopher Knight (67) has been a non-executive director of Brooks Macdonald Group since 2002; he was appointed Chairman in 2005.

A chartered accountant, Chris was an investment banker for nearly 30 years, for much of that time with Morgan Grenfell and, following its takeover, with Deutsche Bank. He has extensive corporate finance experience gained during his banking career in London, New York and Hong Kong.

He is a non-executive director of Intertek Group plc and of Powerflute Oyj.

Colin Harris (60) became a non-executive director of the Group in 2010. Now retired from full time employment, Colin's career culminated in a number of senior management roles at Newton Investment Management which included Chief Executive and Deputy Chairman.

He is a qualified solicitor and before joining Newton was the senior legal counsel at international insurance brokers Alexander & Alexander Inc (now part of Aon).

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 6 – 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 7 – 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 2012, will expire at the end of this year's Annual General Meeting.

Resolution 7 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 £44,490 (ie up to 4,449,000 ordinary shares) representing approximately 33% of the ordinary shares in issue on 10 September 2013. 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.

Resolution 8 – 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.

Explanation of Annual General Meeting business

The existing disapplication of these statutory pre-emption rights, which was granted at the Annual General Meeting held in 2012, will expire at the end of this year's Annual General Meeting. Accordingly, Resolution 8 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 £13,340 (ie up to 1,334,000 ordinary shares) representing approximately 10% of the ordinary shares in issue on 10 September 2013.

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 9 – Company's authority to purchase its own shares

Resolution 9 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 1,334,000 ordinary shares. The existing authority to make market purchases of ordinary shares, which was granted at the Annual General Meeting held in 2012, 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 10 September 2013. The minimum price that may be paid is the nominal value of an ordinary share (ie 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 15 months after the passing of this resolution or, if sooner, at the end of next year's Annual General Meeting.

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

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

Resolution 10 – Adoption of the Brooks Macdonald Group Company Share Option Plan

The Company is seeking approval for the establishment of the Brooks Macdonald Group Company Share Option Plan (the 'CSOP'). The CSOP, which is intended to be approved by HM Revenue & Customs, is designed to help the Company incentivise and retain key employees in a way that is tax efficient and aligned with shareholders' interests while being sensitive to the current economic and market environment. A summary of the main features of the CSOP is set out in the Appendix to this document.

Explanation of Annual General Meeting business

Appendix

Summary of the principal terms of the Brooks Macdonald Group Company Share Option Plan (the 'CSOP')

Operation

The Remuneration Committee of the Board of Directors of the Company (the 'Committee') will supervise the operation of the CSOP.

Eligibility

The Company or the Trustee of the Company's Employee Benefit Trust (the 'Grantor') may grant options over ordinary shares in the capital of the Company ('Options') to employees and directors of the Company and its subsidiaries.

Options

Options may normally only be granted within the period of 42 days after the CSOP receives formal approval from HMRC or the announcement of the Company's results for any period. Options may also be granted within 21 days after the falling away of any restrictions which prevented grants being made during such 42 day period. Options may be granted at other times in exceptional circumstances. It is intended that the first awards will be made shortly following the adoption of the CSOP.

The exercise price at which each share subject to the Option may be acquired will be set at the date of grant and will not be less than the market value of the share at that time.

An Option cannot be granted more than ten years after the CSOP receives formal approval from HMRC.

No payment is required for the grant of an Option.

Options will vest, and become exercisable, on or shortly after the third anniversary of the date of grant subject normally to continued employment and the satisfaction of performance conditions (as further described below).

Satisfaction of awards

It is envisaged that ordinary shares required under the CSOP will generally be purchased in the market by the Company's employee benefit trust, funded by the Company. However the Company may satisfy awards by issuing shares or transferring shares out of treasury, subject to the following dilution limits:

(i) The number of ordinary shares required to be issued to satisfy the Options granted under the CSOP or any of the Company's other employee share schemes in any rolling ten year period shall not exceed 15% of the Company's issued share capital from time to time.

(ii) The number of ordinary shares required to be issued to satisfy the Options granted under the CSOP or any of the Company's other discretionary employee share schemes in any rolling ten year period shall not exceed 10% of the Company's issued share capital from time to time.

For the purpose of these limits, shares transferred from treasury shall be included until such time as the guidelines published by the ABI permit such shares to be excluded.

A participant may at any time hold Options over ordinary shares with a total market value, as at the date of grant, of no more than £30,000 (or the relevant statutory limit at the time of grant).

Performance conditions

Any performance condition will be set by the Grantor at the time the Options are granted. Options granted to directors of the Company will be subject to performance conditions. However, the Grantor shall have discretion to grant Options without performance conditions to employees who are not directors.

If events have occurred which cause the Grantor to consider that a performance condition in respect of an Option has become unfair or impractical, it may in its discretion amend waive or relax such condition so that it would represent an equivalent achievement to when it was originally imposed or last amended or relaxed, as the case may be.

The performance condition in respect of the first Options to be granted under the CSOP is that there must be an increase in the diluted earnings per share of the Company of 2% per annum more than the increase in the Retail Prices Index over the three financial years starting with the financial year in which the Option is granted.

Termination of employment

Options held by participants who cease to be employed by a member of the Company's group in circumstances in which they are "good leavers" will vest and be exercisable for a period of six months (or 12 months in the case of death) from cessation of employment, provided the performance condition (if any) has been satisfied (as measured over the shortened period). In such a circumstance, there will be a pro-rata reduction in the size of the Option corresponding to the proportion of the vesting period which has elapsed (unless the Committee determines that it would be inappropriate to apply a pro-rata reduction).

Explanation of Annual General Meeting business

Appendix

A "good leaver" is a person who ceases to be an employee of a member of the Company's group by reason of injury, disability or redundancy (within the meaning of the Employment Rights Act 1996), retirement, the employing company ceasing to be a member of the Company's group or the employing business being transferred outside the Company's group.

Corporate events

In the event of a takeover, scheme of arrangement or winding up of the Company (other than in respect of an internal corporate reorganisation) all Options will vest early subject to:

(i) the extent that the performance condition (if any) has been satisfied at that time (measured over the shortened period); and

(ii) the pro-rating of the Options to reflect the reduced period of time between their grant and vesting (although the Committee can decide not to pro-rate an Option if it regards it as inappropriate to do so in the particular circumstances).

In the event of an internal corporate reorganisation, Options will be replaced by equivalent new options over shares in the new holding company and the new options will continue to vest in accordance with the rules of the CSOP.

Variation

On any variation of the share capital of the Company, the number and nominal value of any ordinary shares comprised in an Option may be varied in such manner as the Committee may in its absolute discretion determine to be fair and reasonable.

Rights attaching to shares

Any ordinary shares issued or transferred when an Option is exercised will rank equally with the ordinary shares then in issue (except for rights arising by reference to an earlier record date).

Assignment

Options granted under the CSOP shall not be transferable or assignable.

Amendment

The Committee may amend the CSOP in any way it thinks fit save that:

(i) the provisions relating to:

- (a) the persons to whom Options can be granted;
- (b) the limitations on the number of shares subject to Options;
- (c) the maximum entitlement for any one participant; and
- (d) adjustments to be made in the event of a variation in the share capital of the Company;

cannot be altered to the advantage of a participant without the prior approval of shareholders in general meeting (save for minor amendments to benefit the administration of the CSOP, to take account of any change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for participants, the Company or its subsidiaries); and

(ii) no amendment shall be made which would alter adversely any of the existing rights of a participant unless the amendment is made either with the consent of the participant or required by law.

General

Benefits under the CSOP will not be pensionable.

Notice of Annual General Meeting

Company Registration number: 4402058

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 Thursday 17 October 2013 at 9.30 am. 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 2013.

2 To declare a final dividend of 16 pence per ordinary share for the year ended 30 June 2013.

3 To re-elect Christopher Macdonald as a director.

4 To re-elect Christopher Knight as a director.

5 To re-elect Colin Harris as a director.

6 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:

7 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 £44,490, for a period expiring (unless previously revoked, varied or renewed) on the date which is 15 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:

8 That, subject to the passing of resolution 7 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 7, as if section 561 of the Act did not apply to such allotment, provided that this power shall expire on the date which is 15 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:

8.1 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

8.2 otherwise than pursuant to paragraph 8.1 up to an aggregate nominal amount of £13,340; 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 7" 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:

9 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:

9.1 the maximum number of ordinary shares hereby authorised to be purchased is 1,334,000;

9.2 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);

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

9.4 this authority (unless previously revoked, varied or renewed) shall expire on the date which is 15 months after the passing of this resolution or, if sooner, the end of the next Annual General Meeting of the Company, except in relation to the purchase of ordinary shares the contract for which was concluded before such date and which will or may be executed wholly or partly after such date.

Adoption of the Brooks Macdonald Group Company Share Option Plan
To resolve as an ordinary resolution:

10 That the Brooks Macdonald Group Company Share Option Plan (the 'CSOP'), a copy of the draft rules of which is produced to the meeting initialled by the Chairman for the purposes of identification and the principal terms of which are summarised in the Appendix, be adopted, that such rules be and are hereby approved in the form of the draft subject to any amendments which may be required in order to obtain the approval of HM Revenue & Customs and that the directors be and are hereby authorised to do all acts and things which they may consider necessary or expedient for implementing, giving effect to and operating the CSOP.

By order of the Board

Simon Jackson
Company Secretary

10 September 2013

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, 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, 34 Beckenham Road, Kent BR3 4TU no later than 9.30 am. on Tuesday 15 October 2013. It should be accompanied by the power of attorney or other authority (if any) under which it is signed or a notarially certified (or certified by a solicitor with a current practising certificate) copy of such power or authority.

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

Record date

5 To be entitled to attend and vote at the Annual General Meeting (and for the purpose of the determination by the Company of the votes they may cast), members must be registered in the Register of Members of the Company at 6:00 pm on Tuesday 15 October 2013 (or, in the event of any adjournment, at 6:00 pm on the day 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 17 October 2013 at 9.30am

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 17 October 2013 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

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 2013			
Resolution 2: To declare a final dividend of 16 pence per ordinary share			
Resolution 3: To re-elect Christopher Macdonald as a director			
Resolution 4: To re-elect Christopher Knight as a director			
Resolution 5: To re-elect Colin Harris as a director			
Resolution 6: 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 7: Ordinary resolution to give the directors authority to allot shares			
Resolution 8: Special resolution to give the directors power to disapply pre-emption rights in relation to the allotment of shares			
Resolution 9: Special resolution to give the Company a general authority to purchase its own shares			
Resolution 10: Ordinary resolution to approve the adoption of a Company Share Option Plan			

Signature: Date: / /2013

(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, 34 Beckenham Road, Kent BR3 4TU no later than 9.30am on Tuesday 15 October 2013.

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 6.00pm on Tuesday 15 October 2013 are entitled to attend and vote at the Annual General Meeting to be held at 9.30am on 17 October 2013.

Directors and advisers

Directors

C J Knight	Chairman
C A J Macdonald	Chief Executive
C R Harris	Non-executive Director
N I Holmes	
S J Jackson	Finance Director
D Seymour-Williams	Non-executive Director
A W Shepherd	
R H Spencer	
S P Wombwell	

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
Liberation House Castle Street St. Helier Jersey JE2 3AT
Yorkshire House Le Truchot St. Peter Port Guernsey GY1 1WD
36 Hamilton Terrace Holly Walk Leamington Spa Warwickshire CV32 4LY
John Stow House 18 Bevis Marks London EC3A 7JB

Company Secretary
S J Jackson

Registered Office
111 Park Street Mayfair London W1K 7JL

Company Registration Number
4402058

Independent Auditors
PricewaterhouseCoopers LLP
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