

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document or as to the action you should take, you are recommended to immediately seek your own personal financial advice from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised pursuant to the Financial Services and Markets Act 2000, who specialises in advising on the acquisition of shares and other securities.

This document is an admission document required by the rules of the Alternative Investment Market of the London Stock Exchange plc (“AiM”) and constitutes a prospectus pursuant to the Public Offers of Securities Regulations 1995 (as amended) (the “POS Regulations”). A copy of this document has been delivered to the Registrar of Companies in England and Wales for registration in accordance with regulation 4(2) of the POS Regulations. Copies of this document will be available free of charge to the public during normal business hours on any day (Saturdays, Sundays and public holidays excepted) at the offices of Macfarlanes, 10 Norwich Street, London, EC4A 1BD from the date of this document until one month from the date of Admission in accordance with Rule 3 of the AiM Rules.

The Directors of the Company, whose names appear on page 6 of this document, accept responsibility for the information contained in this document including individual and collective responsibility for compliance with the AiM Rules. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and there is no other material information the omission of which is likely to affect the import of such information.

Application has been made for the Ordinary Shares issued and to be issued pursuant to the Placing to be admitted to trading on the Alternative Investment Market of the London Stock Exchange. AiM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AiM securities are not admitted to the Official List of the United Kingdom Listing Authority. The rules of AiM are less demanding than those of the Official List. It is emphasised that no application is being made for admission of the Ordinary Shares to the Official List. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. Further, the London Stock Exchange has not itself examined or approved the contents of this document. It is expected that Admission will take place, and dealings in the Ordinary Shares will commence on AiM, on 11 March 2005.

Your attention is drawn in particular to the section entitled “Risk Factors” in Part I of this document.

Brooks Macdonald Group PLC

(Incorporated and registered in England and Wales under the Companies Act 1985 with registered number 4402058)

Placing of 2,959,800 ordinary shares of 1p each at 140p per share

**Admission to trading on
the Alternative Investment Market**

Nominated Adviser and Broker

Collins Stewart Limited

Collins Stewart, which is authorised and regulated by the Financial Services Authority, is acting exclusively for the Company and the Selling Shareholders and no one else in connection with the Placing and the proposed Admission. Collins Stewart will not regard any other person as its customer or be responsible to any other person for providing the protections afforded to customers of Collins Stewart nor for providing advice in relation to the transactions and arrangements detailed in this document. Collins Stewart is not making any representation or warranty, express or implied, as to the contents of this document.

This document does not constitute an offer to buy or to subscribe for, or the solicitation of an offer to buy or subscribe for, Ordinary Shares in any jurisdiction in which such offer or solicitation is unlawful. In particular the Ordinary Shares offered by this document have not been, and will not be, registered under the United States Securities Act of 1933 as amended (the “Securities Act”) or qualified for sale under the laws of any state of the United States or under the applicable laws of any of Canada, Australia, Republic of Ireland or Japan and, subject to certain exceptions, may not be offered or sold in the United States or to, or for the account or benefit of, US persons (as such term is defined in Regulation S under the Securities Act) or to any national, resident or citizen of Canada, Australia, Republic of Ireland or Japan. Neither this document nor any copy of it may be distributed directly or indirectly to any persons with addresses in the United States of America (or any of its territories or possessions), Canada, Australia, Republic of Ireland or Japan, or to any corporation, partnership or other entity created or organised under the laws thereof, or in any other country outside the United Kingdom where such distribution may lead to a breach of any legal or regulatory requirement.

CONTENTS

	<i>Page</i>
Definitions	3
Statistics of New Ordinary Shares and Sale Shares	5
Expected Placing and Admission Timetable	5
Directors and Advisers	6
Part I Risk Factors	7
Part II Information on the Group	9
Introduction	9
Asset Management	9
Financial Consulting	12
Group Strategy	12
Financial Information	13
Details of the Placing	13
Board of Directors	14
FSA Regulation	15
Current Trading and Prospects	15
Risk Factors	15
Lock-in Arrangements	15
Incentive Schemes	15
Issue of Ordinary Shares to employees	16
Dividend Policy	16
The City Code on Takeovers and Mergers	16
Corporate Governance	17
CREST	18
Taxation	18
Venture Capital Trusts	18
Further Information	18
Part III Accountants' Report	19
Part IV Additional information	36

DEFINITIONS

The following definitions apply throughout this document, unless the context requires otherwise:

“Act”	the Companies Act 1985
“Admission”	the admission of the Ordinary Shares, issued and to be issued pursuant to the Placing, to trading on AiM becoming effective in accordance with the AiM Rules
“AiM”	the Alternative Investment Market of the London Stock Exchange
“AiM Rules”	the Rules of AiM
“Asset Management”	Brooks Macdonald Asset Management Limited
“Board”	the Board of Directors of the Company
“Brooks Macdonald” or “Company”	Brooks Macdonald Group PLC
“City Code”	The City Code on Takeovers and Mergers
“Collins Stewart”	Collins Stewart Limited, the Company’s nominated adviser and broker (as defined in the AiM Rules)
“Combined Code”	the principles of good governance and code of best practice prepared by the Committee on Corporate Governance and published in June 1998
“CREST”	the relevant system (as defined in the CREST Regulations) in respect of which CRESTCo Limited is the Operator (as defined in the CREST Regulations) in accordance with which securities may be held and transferred in uncertificated form
“CRESTCo”	CRESTCo Limited
“CREST Regulations”	The Uncertificated Securities Regulations 1995 (SI 1995 No. 3272)
“Directors”	the current directors of the Company, whose names appear on page 6 of this document
“Executive Directors”	the current executive Directors of the Company, being Chris Macdonald, Jonathan Gumpel, Simon Jackson and Richard Spencer
“Financial Consulting”	Brooks Macdonald Financial Consulting Limited
“FSA”	the Financial Services Authority
“Group”	the Company and, where applicable, its subsidiaries, being Asset Management and Financial Consulting
“London Stock Exchange”	London Stock Exchange plc
“New Ordinary Shares”	the 1,250,000 New Ordinary Shares proposed to be issued in the Placing
“Official List”	the Official List of the UK Listing Authority
“Ordinary Shares”	ordinary shares of 1p each in the capital of the Company
“OEICS”	regulated open ended investment companies
“Panel”	the Panel on Takeovers and Mergers
“Participant ID”	the identification code or membership number used in CREST to identify a particular CREST member or other CREST participant
“Placing”	the placing by Collins Stewart of the Placing Shares at the Placing Price pursuant to the Placing Agreement and as described in this document

“Placing Agreement”	the conditional agreement dated 2 March 2005 between the Company, the Directors, the Selling Shareholders and Collins Stewart relating to the Placing and Admission, as described in paragraph 8(a) of Part IV of this document
“Placing Price”	140p per Ordinary Share
“Placing Shares”	the New Ordinary Shares and the Sale Shares
“POS Regulations”	the Public Offers of Securities Regulations 1995, as amended
“Sale Shares”	the 1,709,800 existing Ordinary Shares in aggregate proposed to be sold by the Selling Shareholders pursuant to the Placing
“Selling Shareholders”	the persons proposing to sell the Sale Shares pursuant to the Placing
“Shareholders”	holders of Ordinary Shares
“Share Option Schemes”	the Brooks Macdonald Group Enterprise Management Incentive Scheme and the Brooks Macdonald Group Sharesave Scheme
“SIPP”	self invested personal pension
“UK” or “United Kingdom”	United Kingdom of Great Britain and Northern Ireland
“US” or “United States”	United States of America, its territories and possessions, any state of the United States and the District of Columbia

STATISTICS OF NEW ORDINARY SHARES AND SALE SHARES

Placing Price	140p
Number of Ordinary Shares in issue prior to the Placing†	8,561,000
Number of Sale Shares being sold by Selling Shareholders pursuant to the Placing*	1,709,800
Number of New Ordinary Shares being issued pursuant to the Placing*	1,250,000
Number of Ordinary Shares in issue following the Placing*	9,811,000
Estimated expenses of the Placing payable by the Company*	£675,000
Estimated net proceeds of the Placing receivable by the Company*	£1,075,000
Market capitalisation at the Placing Price*	£13,735,400

(* Assuming the Placing is subscribed in full)

(† This includes 12,000 Ordinary Shares to be issued to certain employees prior to Admission)

EXPECTED PLACING AND ADMISSION TIMETABLE

Trading to commence in the issued ordinary share capital on AiM	11 March 2005
CREST stock accounts credited (as applicable)	11 March 2005
Definitive share certificates despatched (as applicable)	21 March 2005

DIRECTORS AND ADVISERS

Directors	Christopher Knight (<i>Non-Executive Chairman</i>) Chris Macdonald (<i>Chief Executive</i>) Jonathan Gumpel (<i>Executive Director</i>) Simon Jackson (<i>Finance Director</i>) Richard Spencer (<i>Investment Director</i>) Simon Wombwell (<i>Non-Executive Director</i>) all of: 111 Park Street, London W1K 7JL
Company Secretary and Registered Office	Simon Jackson 111 Park Street London W1K 7JL
Nominated Adviser and Broker	Collins Stewart Limited 9th Floor 88 Wood Street London EC2V 7QR
Auditors and Reporting Accountants	Moore Stephens St Paul's House Warwick Lane London EC4P 4BN
Solicitors to the Company	Macfarlanes 10 Norwich Street London EC4A 1BD
Solicitors to the Nominated Adviser	Stephenson Harwood One St. Paul's Churchyard London EC4M 8SH
Principal Bankers	The Royal Bank of Scotland 119/121 Victoria Street London SW1 5LA
Registrars	Capita Registrars The Registry 34 Beckenham Road Beckenham Kent BR3 4TU

PART I

Risk Factors

In addition to the other relevant information set out in this document, the following specific factors should be considered carefully in evaluating whether to make an investment in the Company. If you are in any doubt about the action you should take, you should consult a professional adviser authorised under the Financial Services and Markets Act 2000 who specialises in advising on the acquisition of shares and other securities.

The Directors believe the following risks to be the most significant for potential investors. The risks listed, however, do not necessarily comprise all those associated with an investment in the Company and are not intended to be presented in any assumed order of priority. In particular, the Company's performance may be affected by changes in legal, regulatory and tax requirements in any of the jurisdictions in which it or its subsidiary companies operate or intend to operate as well as overall financial market conditions.

AiM

The Ordinary Shares will be admitted to AiM. An investment in shares quoted on AiM may be less liquid and may carry a higher risk than an investment in shares quoted on the Official List.

Volatility of the value of the shares

Investors should be aware that the value of the Ordinary Shares may be volatile and may go down as well as up and investors may therefore not recover their original investment, especially as the market in Ordinary Shares on AiM may have limited liquidity.

In addition, the price at which investors may dispose of their shares in the Company may be influenced by a number of factors, some of which may pertain to the Company, and others of which are extraneous. Investors may realise less than the original amount invested.

Dependence on key personnel

The success of the Group is dependent upon the performance of its current executive management team. Whilst the Company has entered into contractual arrangements with the aim of securing the services of the existing executive management team, the retention of their services cannot be guaranteed. Accordingly, the loss of any key management of the Group may have a material adverse effect on the future of the Group's business.

Acquisitive growth strategy

The Directors are confident that a number of strategic acquisitions of individuals, whether alone or as a team, will be made by the Group, but such a growth strategy is not without risk. It is possible that the Group will not be able to negotiate suitable terms upon which they would join or that the anticipated number of suitable individuals and teams will not be able to be found.

Requirement for additional capital

The Group may need to conduct further fund raising exercises in the future in order to develop its business and sustain cash resources.

If the Group is unable to conclude further fundraising exercises intended to finance future acquisitions, it might restrict the ability of the Group to expand through acquisition.

Client base

Although the Group has a diversified client base, as described on pages 9 and 12 of this document, its cash flow position, profitability and business will be adversely affected if the Group fails to retain existing clients and/or is not able to obtain new client contracts.

Regulatory consideration

Asset Management and Financial Consulting are subject to regulation by the Financial Services Authority. The Group operates in a market which is subject to rapid regulatory change. There may be a change in government regulation or policies in the financial services industry, which could have a material adverse effect on the Group's activities.

No guarantee as to future performance

There can be no assurance that the Company will be able to achieve the level and rate of growth of funds under management envisaged by the Directors.

Financial markets

Over the past few years, returns on securities have been volatile and the performance of the Group is to a degree linked to the future performance of financial markets.

PART II

Information on the Group

Introduction

Brooks Macdonald is an integrated private client discretionary asset management and financial advisory group. Asset Management provides discretionary portfolio management to private clients, charities, self invested personal pensions and trusts whereas Financial Consulting provides a comprehensive, fee based financial management service across a range of clients.

Formed in 1991 by Chris Macdonald, Richard Spencer, Jonathan Gumpel and Martin Mullany (who, although no longer a member of the Board, is based offshore and acts as a consultant to the Group) the business as at 31 December 2004 had grown to managing approximately £371 million of funds under management. The Directors believe that its success is based on good performance, a high level of personal service and a distinctive portfolio management service. The Group has benefited from stable management, high levels of client retention and low professional staff turnover.

The Directors believe that Brooks Macdonald's flotation on AiM will provide an opportunity to raise the Group's profile, incentivise and retain key staff who were not founders of the Group and help to attract and incentivise new employees, who can themselves assist in the Group's development.

The Group has two operating divisions: Asset Management and Financial Consulting.

Asset Management

Asset Management is an independent asset management business providing discretionary portfolio management for:

- Private clients
- Self Invested Personal Pensions
- Trusts and Charities

As at 1 January 2005, Asset Management had funds under management of approximately £371 million. It accounts for approximately 65 per cent. of Group turnover and represents the core focus area for the development and growth of the Group.

Clients

Asset Management has a diversified client base. As at 1 January 2005, the ten largest portfolios accounted for less than 10 per cent. of funds under management and Asset Management's revenues are not materially dependent upon any one client.

Whilst Asset Management acts for a broad range of clients, it has been successful in attracting high earning professionals, particularly solicitors and accountants, who are looking for sophisticated advice to assist them with creating long term financial security. In this respect the development of SIPPs has been particularly important. Traditionally, professionals who did not have access to defined benefit pension schemes saved for retirement through with profits and unit linked plans provided by large life insurance companies. The recent uncertainty within the pension arena together with the emergence of SIPPs has created an opportunity for Asset Management, which is able to provide a bespoke asset management service for professional clients within a SIPP at a similar cost to traditional life company products.

The changes to the SIPP legislation, which will come into force with effect from 6 April 2006, are expected to enhance the development of SIPPs and provide further opportunities for Asset Management. In particular, high earning professionals will be able to contribute up to £215,000 each year to a SIPP from April 2006 (subject to the new "lifetime allowance" of an individual's total accrued pension fund not being exceeded – currently £1.5 million), compared to the average contribution of around £20,000 each year at present.

Clients are introduced to Asset Management through a variety of sources, in particular from other IFAs, personal recommendation from other clients and professionals and through the Financial Consulting division of the Group. Asset Management has a well-developed network of introducers. Introducers are typically paid a renewal commission which varies according to the total value of funds introduced.

Investment of Client Funds

Since its launch in 1991, Asset Management has offered a fee based portfolio management service.

Clients of Asset Management will have an individually tailored portfolio created for them using both direct investments and collective funds with the aim of providing a bespoke balanced portfolio with no over-dependence on any one market or upon any one manager.

The strategy is intended to provide flexibility, ease of management, reduction of risk and a balanced exposure. No two portfolios are the same, as each portfolio is managed to achieve the client's specific objectives.

Each individual client's portfolio is constructed and managed as follows:

- agreement is reached with the client on risk profile, investment objectives and other considerations, including income requirements;
- an initial allocation is made between major asset classes comprising cash, equities, fixed interest, property and alternative investments; and
- for each asset class, a further allocation is made between geographical region, market sector and finally individual investment.

Assets

Asset Management invests across a wide range of assets including:

- cash deposit;
- fixed interest securities;
- equities;
- unit trusts/OEICS;
- investment trusts;
- hedge funds;
- alternative investments; and
- other collective funds.

In addition Asset Management has also recently developed an in-house range of products. For example, it has recently launched "PARS" (a Portfolio of Absolute Returns Strategies) which invests in "funds of funds" hedge funds and is a product targeted specifically to the individual client's needs. Asset Management is also in the process of developing a bespoke property investment product which it is intended will allow individual clients to invest in specific property.

Stock selection

Asset Management has in place a thorough and detailed research process. Central to this process is the investment committee, which comprises the investment director (Richard Spencer) and three experienced fund managers, who meet monthly to consider the current environment for all asset classes. Exposure to certain sectors and investments is determined and the asset allocation for all clients is reviewed. Asset Management also has sector analysts who look out for suitable investments for each asset class and geographical region.

Fees and Minimum Portfolio Size

All clients are typically charged a fee of 1 per cent. per annum on the funds under management they have with Asset Management, although this is occasionally reduced for large portfolios. Out of this fee, Asset Management will pay any commission to introducers.

The minimum size for a client's portfolio is £100,000 or £150,000 for SIPPs.

Staff

Asset Management has eleven fund managers split into three fund management teams.

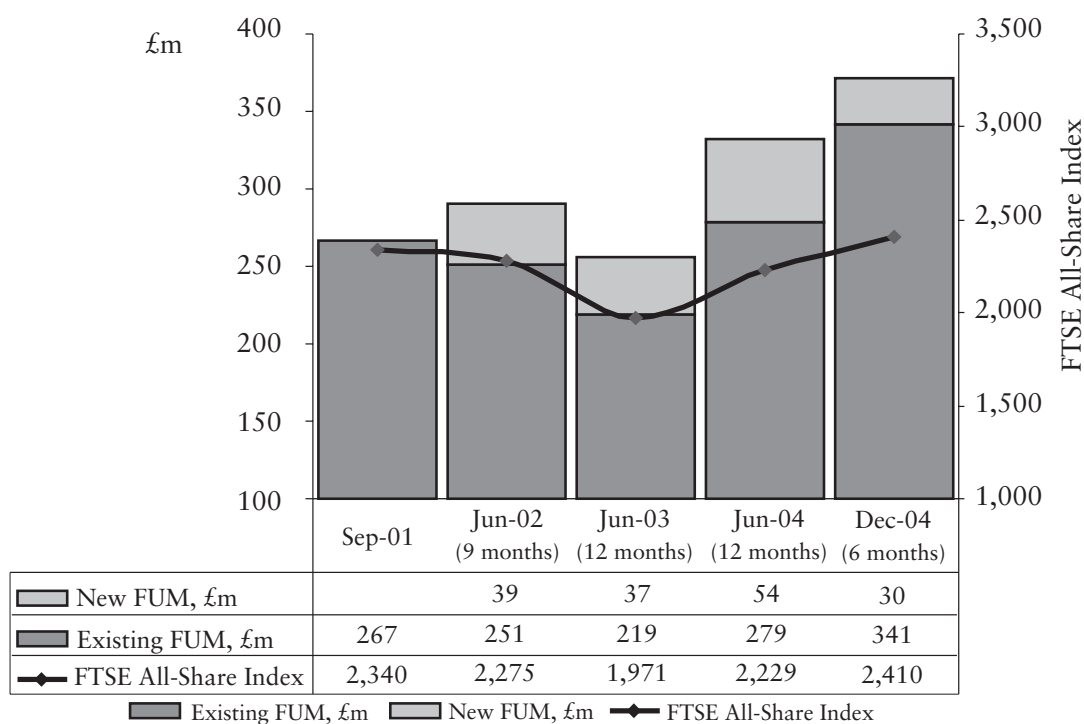
Through its recruitment and training programme, Asset Management has developed a young, well-trained and ambitious group of fund managers. Turnover of professional staff is low and, in the opinion of the Directors, each of the three teams of asset managers has further capacity to take on additional clients without the requirement for any significant recruitment.

In addition the Group has a highly experienced support function, comprising two teams, executive support (to aid the fund managers on a day to day basis) and central resources (who provide investment management technical and administrative support). Recently the Group has also recruited a highly experienced individual as head of intermediary sales.

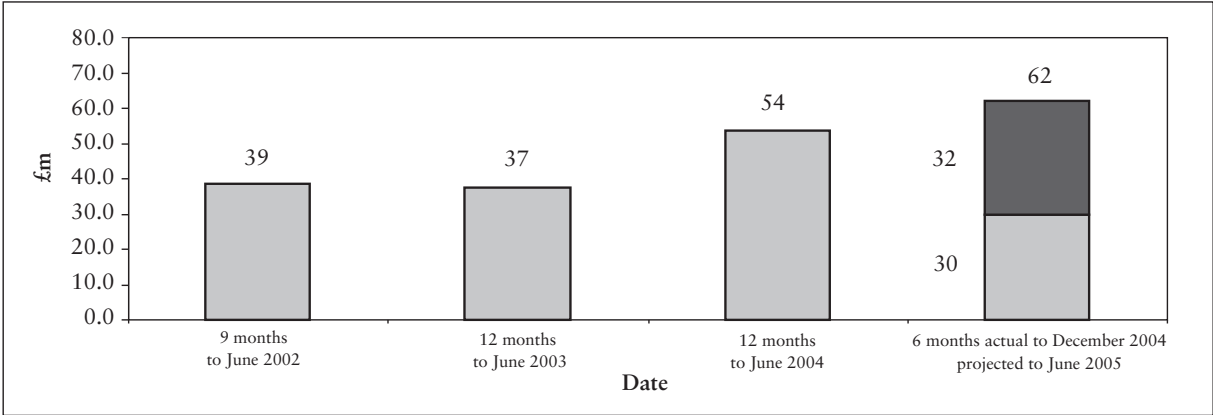
Further information on the key staff of Asset Management can be found on pages 14 and 15 of this document.

Funds under Management

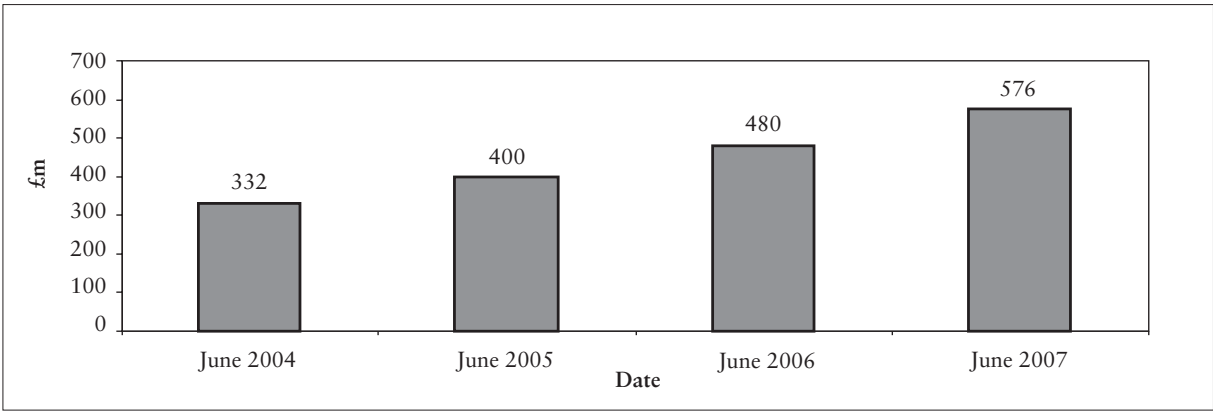
As at 1 January 2005, Asset Management's funds under management amounted to approximately £371 million. Set out below is a table showing Asset Management's new and existing funds under management from 30 September 2001 to 31 December 2004, together with the performance of the FTSE All-Share Index over the same period.



The following table shows the new funds acquired from October 2001 until 31 December 2004, together with an estimate of the further new funds which Asset Management expects to acquire from new and existing clients by 30 June 2005.



The table below shows the funds under management as at 30 June 2004 and the estimated growth for the three year period ending 30 June 2007. This further growth is based on the assumption that funds under management will grow organically by 20 per cent. per annum (including an assumed market growth of 5 per cent. per annum) and assuming no acquisition of additional teams.



Financial Consulting

Financial Consulting, the financial consulting arm of the Group, provides independent financial advice to high net worth individuals, families and business entities on a long-term basis, frequently working in tandem with Asset Management.

The strategy revolves around a high quality general practice together with specialist departments dealing with group business, offshore work, tax planning and mortgage broking. It is intended to continue to grow each of these departments organically.

Each client has a dedicated team to service their requirements. Financial Consulting has won numerous industry awards and commendations for both its quality of advice and service.

As well as being a separate profit centre and growth area in its own right, Financial Consulting can be the basis upon which a client is first introduced to the Group and this can subsequently provide the opportunity to cross sell Asset Management’s services to the client. Financial Consulting represents approximately 35 per cent of the Group’s turnover.

Group Strategy

The Group’s overall strategy is to promote the continued growth of Asset Management into a leading independent private client discretionary asset manager. It is expected that Asset Management’s growth will be achieved through:

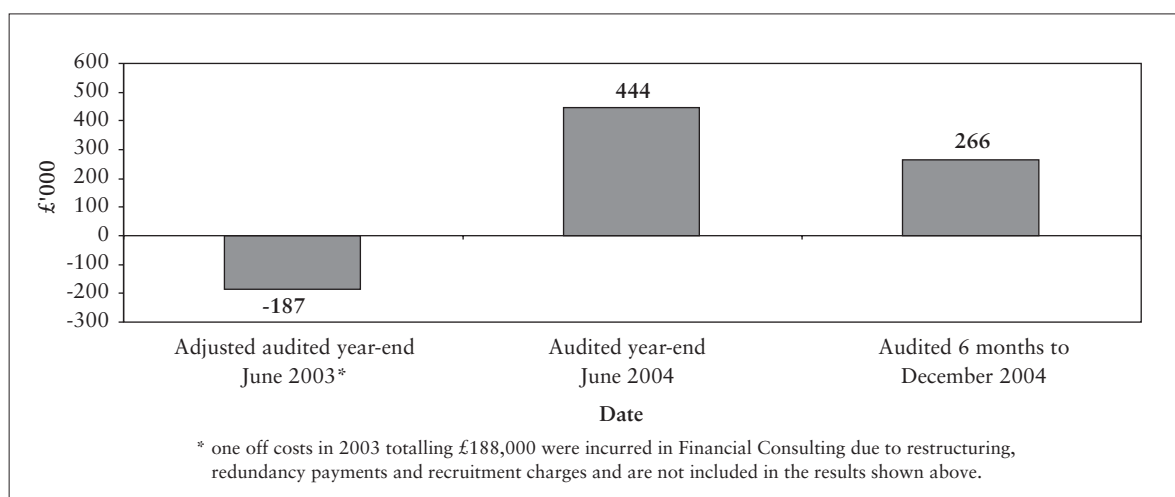
- the continued organic growth of funds under management; and

- the acquisition of funds under management through the recruitment of individuals and teams. (Asset Management is in preliminary discussions with several individuals and teams and the Directors are satisfied that this is a strategy that can be achieved. The Directors believe that the Group's strategy and culture will assist it in attracting such individuals and teams and that, by floating on AiM, this will provide further opportunity to attract and incentivise staff.)

The strategy for Financial Consulting is to continue to develop a profitable fee based consulting practice, looking to grow all areas: general practice, mortgage broking, tax planning, group business and offshore work. It is expected that growth in Financial Consulting will also assist growth in Asset Management.

Financial Information

The table below is a summary of the trading results of the Group before taxation for the two years ended 30 June 2004 and the six months ended 31 December 2004. The information set out below should be read in conjunction with Part III of this document.



Details of the Placing

Collins Stewart has undertaken to use its reasonable endeavours to place with investors:

- up to 1,250,000 New Ordinary Shares, as agent for the Company, at the Placing Price; and
- up to 1,709,800 existing Ordinary Shares, as agent for the Selling Shareholders, at the Placing Price.

The Placing, which is not being underwritten, is conditional upon the admission of the Ordinary Shares to trading on AiM by 11 March 2005, or such later time as Collins Stewart and the Company may agree, but in any event not later than 30 April 2005.

The Selling Shareholders are the founders of the Company and two subsidiary directors, Alistair Butt and Michael Usher, and certain related parties. The Ordinary Shares being sold by them under the Placing represent approximately 20 per cent. of their existing holdings. Each of the Executive Directors and other Selling Shareholders has entered into lock-in arrangements as detailed below under the heading "Lock-in arrangements" in relation to the balance of their shareholdings in the Company, which it is anticipated will represent approximately 63.9 per cent. of the issued share capital of the Company immediately following Admission, assuming the Placing is fully subscribed.

The Placing of the New Ordinary Shares on behalf of the Company is intended to raise approximately £1,750,000 before expenses. The expenses of Admission and the Placing payable by the Company are estimated at approximately £675,000, assuming the Placing is fully subscribed, so that the net proceeds of the Placing of the New Ordinary Shares on behalf of the Company are estimated to be approximately £1,075,000.

The Company intends to use the net proceeds of the Placing of the New Ordinary Shares to provide working capital for the operations of the Group and finance for growth opportunities when they arise.

Proceeds of the Placing should be received by Collins Stewart on or before 11 March 2005. CREST accounts will be credited on the date of Admission and it is anticipated that certificates in respect of the Ordinary Shares will be despatched within 10 business days of such date. Pending receipt by Shareholders of definitive share certificates, the Company's registrars will certify any instruments of transfer against the register.

Board of Directors

The Board comprises four executive directors and two non-executive directors.

Executive Directors

Chris Macdonald, *Chief Executive (43)*, was one of the founding directors of Brooks Macdonald in 1991. He is Managing Director of the Group and is responsible for the day-to-day management of Asset Management and the Group. Chris heads one of the asset management teams and is jointly responsible for UK stock selection for the Group. Chris is also non-executive director of the INVESCO AiM VCT, a director of Moultsford Preparatory Charitable Trust and an Associate of the Institute of Continuing Professional Development. He has spent the whole of his career in the private client investment sector.

Jonathan Gumpel, *Executive Director (38)*, was one of the founding directors of Brooks Macdonald in 1991. Jonathan heads one of the asset management teams and in addition he is responsible for the new business development and marketing of the Group. Jonathan has spent his entire career working in the private client sector. He is a non-executive director of two investment trusts: Close Assets Funds Limited and The Accelerated Return Fund.

Simon Jackson, *Finance Director (45)*, is responsible for the Group's finance function. He is also responsible at the Board level for information technology, compliance, training, personnel and office management. Simon joined Brooks Macdonald in 2000. Simon qualified as a chartered accountant with Macintyre Hudson and has previously worked for two of the operating subsidiaries of Rutland Trust PLC.

Richard Spencer, *Investment Director (41)*, was one of the founding directors of Brooks Macdonald in 1991. Richard heads one of the asset management teams and he is also investment director and responsible for chairing the investment committee. He has worked in private client portfolio management since 1985.

Non-Executive Directors

Christopher Knight, *Non-executive Chairman (58)*, was an investment banker for nearly thirty years, for much of that time with Morgan Grenfell / Deutsche Bank of which he was a managing director until 2001. A chartered accountant, he has been a non-executive director of Brooks Macdonald since 2002 and was recently appointed Chairman of the Group. His other non-executive directorships include Anker plc, Lloyd's Register and Nelson Bakewell Holdings Limited.

Simon Wombwell, *Non-executive Director (43)*, has spent his entire career in the financial services industry, primarily involved in the development, sales and marketing of investment products and has been a non-executive director of Brooks Macdonald since 2002. He joined Newton Fund Managers in 1994 where he performed a number of roles before being appointed Managing Director of Newton Fund Managers in 1998. Following the acquisition of Newton by Mellon Bank he was also appointed head of UK Distribution for Mellon Global Investments. He left Newton Fund Managers and Mellon Global Investments in 2004 and is currently a consultant to Asset TV.

Other key employees

Asset Management

Nick Holmes, *Asset Management Director (Age 34)*, manages a team of four fund managers with Chris Macdonald. Alongside his portfolio management role, Nick reviews UK Equities for Asset Management model portfolios. Nick is also involved in new business operations and is one of a number of individuals responsible for building new relationships with the financial services community.

Michael Usher, *Asset Management Corporate Development Director (Age 41)*, is responsible for the development and improvement of portfolio management client services. He also acts as an investment manager, co-leads a team of managers with Jonathan Gumpel and takes responsibility for investment selections in the US and Commercial Property sectors. Michael joined the company in 1992 and has won a number of Investment Manager of the Year awards. Michael is also a chartered surveyor.

Financial Consulting

Tim Martineau, *Joint Managing Director – Financial Consulting (Age 43)*, heads a consulting team and has been a financial adviser to high net worth clients for sixteen years. He specialises in advising individuals and privately owned businesses on a broad range of financial areas including pensions, taxation, investment work and protection. He has won several industry awards.

Nicholas Lawes, *Joint Managing Director – Financial Consulting (Age 42)*, heads a consulting team and has twenty years experience developing strategies for high net worth individuals. Nicholas also runs the “family office” part of the business.

Alistair Butt, *Director – Financial Consulting (Age 41)*, joined the company in 1991 having worked with the founder directors for a number of years. His areas of expertise include pension transfers, executive pension arrangements, income planning in retirement and tax planning.

FSA Regulation

Asset Management and Financial Consultancy are both authorised and regulated by the Financial Services Authority. Asset Management is a category A2 member and therefore must maintain “own funds” at a level of €125,000. As an A2 category company, Asset Management also has an expenditure base requirement calculated as $1\frac{1}{2} \times$ relevant annual expenditure.

Financial Consulting is a category B3 member and therefore must currently maintain “own funds” at a level of £10,000 or above.

Current Trading and Prospects

The current trading of the Company is line with budget. Over the last 12 months both Asset Management and Financial Consulting have continued to attract new business as well as maintaining their record of high client retention.

The outlook for the Group remains positive with continued opportunities in the SIPP and private client markets supported by favourable investment conditions.

Risk Factors

Certain risk factors in relation to the Group and its business are brought to your attention in Part I of this document.

Lock-in Arrangements

Each of the Executive Directors and other Selling Shareholders have entered into lock-in arrangements with the Company and Collins Stewart as part of the Placing Agreement. Under these arrangements, subject to certain exceptions, they have undertaken not to dispose of any Ordinary Shares (and to use their reasonable endeavours to procure that none of their related parties dispose of any Ordinary Shares) until such date as the Company announces its preliminary results for the year ending 30 June 2006 and have also agreed to an orderly market provision for the 6 months following the end of the lock-in arrangements.

Incentive Schemes

As described previously, one purpose of Admission is to enable the Group to attract and incentivise new staff and to retain and incentivise key staff who were not founders of the Group. The Company has therefore adopted the Share Option Schemes to operate in the period up to and following Admission. The limits on shareholder dilution and the grant of options on and after Admission under the Share Option Schemes comply with current institutional guidelines.

It is intended to grant options under the Brooks Macdonald Group Enterprise Management Incentive Scheme over a total of 192,000 Ordinary Shares (representing approximately 2 per cent. of the issued ordinary share capital of the Company on Admission) to 26 employees, including Simon Jackson (as detailed in paragraph 3 of Part IV of this document), before the date of Admission at the Placing Price. It is intended that these options should be subject to performance conditions which will require the Company's earnings per share to grow by at least 2 per cent. per annum above the increase in the retail prices index over a three-year period.

Further details of the Share Option Schemes are set out in paragraph 7 of Part IV of this document.

Issue of Ordinary Shares to employees

The Directors have also adopted a scheme to permit the issue of up to 300 Ordinary Shares per employee to certain existing and new employees of the Group, where all basic rate tax related costs would be borne by the Group. The scheme is not available to the Directors. It is proposed to issue up to 12,000 Ordinary Shares in total to certain employees of the Group between the date of this document and Admission, with any further share issues under the scheme (up to a maximum of 25,000 Ordinary Shares for the scheme as a whole) being reserved for new employees.

Dividend Policy

It is the Board's intention that the bulk of the Group's earnings should be retained for the development of the business. Within the framework of this policy and subject to the Group's performance, the board would expect to recommend an annual dividend, for payment in or around November each year.

The City Code on Takeovers and Mergers

The City Code provides that persons acting in concert comprise persons who, pursuant to an agreement or understanding (whether formal or informal), actively co-operate, through the acquisition by any of them of shares in a company, to obtain or consolidate "control" of that company. "Control" for these purposes means a holding, or aggregate holdings, of shares carrying 30 per cent. or more of the voting rights of a company, irrespective of whether the holding or holdings gives de facto control.

The Executive Directors, Alistair Butt, Martin Mullany, Millie Lawrence and Jamiro Properties Inc. and their respective close relatives and related trusts are deemed to be acting in concert for the purposes of the City Code in relation to the Company and constitute the "Concert Party" for these purposes.

The holdings of Ordinary Shares of the members of the Concert Party (i) as at the date of this document and (ii) as at Admission (assuming that the Placing of both the New Ordinary Shares and the Sale Shares is fully taken up) are set out below.

<i>Name of Director</i>	<i>Number of Ordinary Shares (at the date of this document)</i>	<i>Percentage of issued share capital (at the date of this document)</i>	<i>Number of Ordinary Shares held immediately following Admission</i>	<i>Percentage of enlarged issued share capital on Admission</i>
Christopher Macdonald*†	1,467,000	17.1%	1,156,346	11.8%
Richard Spencer*†	1,405,000	16.4%	1,108,096	11.3%
Jonathan Gumpel†	1,165,200	13.6%	921,017	9.4%
Martin Mullany*†	1,391,200	16.3%	1,096,745	11.2%
Alistair Butt*†	834,800	9.8%	659,837	6.7%
Simon Jackson	25,000	0.3%	25,000	0.3%
Millie Lawrence	864,000	10.1%	678,381	6.9%
Jamiro Properties Inc.	840,000	9.8%	659,537	6.7%
Total	7,992,200	93.4%	6,304,959	64.3%

* Includes holding of wife

† Includes shares held in a pension fund

Note: The table above does not include any options over shares which may be granted.

Rule 9 of the City Code stipulates, *inter alia*, that a person or group of persons acting in concert owning shares carrying (i) less than 30 per cent., or (ii) 30 per cent. or more but not more than 50 per cent. of the voting rights of a public company, will incur a mandatory bid obligation and will be required to make a general offer to shareholders to acquire the balance of the equity share capital of that company if, in the case of (i) above, they acquire further shares resulting in them holding voting rights of 30 per cent. or more or, in the case of (ii) above, they acquire any further shares carrying voting rights. Any such general offer to shareholders pursuant to Rule 9 of the City Code, must be in cash, or be accompanied by a cash alternative, at not less than the highest price paid by any member of the concert party during the offer period and within 12 months prior to the commencement of the offer period.

Where a person or group of persons acting in concert holds more than 50 per cent. of the voting rights in a company no obligation would normally arise to make a general offer under Rule 9 of the City Code if the person or concert party increases its aggregate shareholding.

At Admission, assuming that the Placing of both the New Ordinary Shares and the Sale Shares is fully taken up, the Concert Party's aggregate shareholding will be approximately 64.3 per cent. of the total issued Ordinary Shares. **Prospective investors should note that as the Concert Party will hold in excess of 50 per cent. of the issued Ordinary Shares at Admission they will be free to acquire further shares in the Company without incurring a mandatory bid obligation under Rule 9 of the City Code.** However, the Panel may regard, *inter alia*, an acquisition of Ordinary Shares by an individual member of the Concert Party (together with his close relatives and related trusts) that (i) increases his individual holding to 30 per cent. or more or (ii) if such holding is already greater than 30 per cent. but no more than 50 per cent., any acquisition that increases his individual holding, as giving rise to an obligation to make an offer under Rule 9 of the City Code, as described above.

In addition, it is proposed to grant options over 40,000 Ordinary Shares to Simon Jackson prior to Admission under the Company's Enterprise Management Incentive Scheme (as described above under the heading "Incentive Schemes" and in further detail in paragraph 7 of Part IV of this document). The Remuneration Committee is also considering the grant of further options to the Executive Directors under the Enterprise Management Incentive Scheme in the twelve month period following Admission of up to 196,220 Ordinary Shares. Should all of these options be exercised in full, the total holdings of Ordinary Shares of the members of the Concert Party would be 6,541,179 Ordinary Shares, which would represent approximately 65.1 per cent. of the issued share capital of the Company as at Admission (assuming the Placing is fully taken up) as enlarged by the exercise of such options. Options under the Enterprise Management Incentive Scheme may normally only be exercised, subject to satisfaction of any performance conditions, in the period between the third and tenth anniversary of their grant. **The Panel has confirmed that no mandatory bid obligation under Rule 9 of the City Code would be triggered by virtue of any allotment and issue of further Ordinary Shares to the Executive Directors pursuant to the exercise of any such options granted to them.**

Corporate Governance

The Directors recognise the value of the Combined Code and will take appropriate measures to ensure that the Company complies, as soon as practicable and so far as possible given the Group's size and nature of business, with the Combined Code.

The Board has established an audit committee and a remuneration committee. Both have formally delegated duties and responsibilities.

The audit committee consists of Christopher Knight (Chairman) and Simon Wombwell, although the Finance Director and Chief Executive will normally also attend as invitees. It will meet at least twice a year and will be responsible for ensuring that the financial performance of the Group is properly reported on and monitored, including reviews of the annual and interim accounts, results announcements, internal control systems and procedures and accounting policies.

The remuneration committee consists of Simon Wombwell (Chairman) and Christopher Knight, although the Finance Director and Chief Executive will normally also attend as invitees. It will review the performance of the Executive Directors, consider and approve all Board and senior executive appointments, remuneration and benefits including share options. The Board will review the level of fees paid to Non-executive Directors.

CREST

CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by a certificate and transferred otherwise than by a written instrument in accordance with the Uncertificated Securities Regulations 2001. The Articles of Association of the Company permit the holding of Ordinary Shares under the CREST system. All the Ordinary Shares will be in registered form and no temporary documents of title will be issued.

The Company has applied for the Ordinary Shares to be admitted to CREST and it is expected that the Ordinary Shares will be so admitted and accordingly enabled for settlement in CREST on the date of Admission. It is expected that Admission will become effective and dealings in Ordinary Shares will commence on 11 March 2005. Accordingly, settlement of transactions in Ordinary Shares following Admission may take place within the CREST system if any Shareholder so wishes.

CREST is a voluntary system and holders of Ordinary Shares who wish to receive and retain share certificates will be able to do so.

Taxation

Information regarding United Kingdom taxation with regard to potential Shareholders is set out in paragraph 11 of Part IV of the document. If you are in any doubt as to your tax position, you should contact your professional adviser immediately.

Venture Capital Trusts

The Inland Revenue has confirmed that the Company will be a qualifying company for the purpose of investment by venture capital trusts, following Admission.

Further Information

Your attention is drawn to the financial information on the Group in Part III of this document and the additional information set out in Part IV of this document.

PART III
Accountants' Report

MOORE STEPHENS
CHARTERED ACCOUNTANTS

St Paul's House
Warwick Lane
London
EC4P 4BN

The Directors
Brooks Macdonald Group PLC
111 Park Street
London W1K 7JL

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

2 March 2005

Dear Sirs

BROOKS MACDONALD GROUP PLC

We report in connection with the AiM admission document issued by Brooks Macdonald Group PLC ("the Company") dated 2 March 2005 ("the Admission Document"). On 17 February 2005, Brooks Macdonald Group Limited converted from a private limited company to a public limited company, re-registering at Companies House as Brooks Macdonald Group PLC.

In accordance with our instructions, we report on the consolidated financial information set out below relating to the Company and its wholly owned subsidiary undertakings, Brooks Macdonald Asset Management Limited and Brooks Macdonald Financial Consulting Limited, collectively referred to as "the Group". This financial information has been prepared for inclusion in the Admission Document.

Basis of preparation

The consolidated financial information is based on the audited financial statements of members of the Group, after making such adjustments as we considered necessary. It should be noted that consolidated financial statements were not prepared for the nine months ended 30 June 2002 or the year ended 30 June 2003.

The financial statements of the Company and the financial statements of Brooks Macdonald Asset Management Limited and Brooks Macdonald Financial Consulting Limited, for the nine months ended 30 June 2002, the years ended 30 June 2003 and 30 June 2004 and the six months ended 31 December 2004 ("the Financial Statements") have been independently audited by Moore Stephens, who have issued unqualified reports thereon. We have reviewed the Financial Statements, which have been prepared in accordance with the Companies Act 1985 (as amended). The consolidated financial information does not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985 (as amended).

No financial statements for the Group have been prepared or presented to the members of the Company for any period since 31 December 2004 and no dividend has been paid or declared in respect of the period since that date.

Basis of consolidation

On 28 January 2004, Brooks Macdonald Group Limited acquired 100 per cent. of the issued ordinary share capital of Brooks Macdonald Financial Consulting Limited by means of a share for share exchange as part of a group reorganisation. The Group has adopted merger accounting to account for the group reconstruction effected by the acquisition by the Company of the interest in Brooks Macdonald Financial Consulting Limited and its then subsidiary company, Brooks Macdonald Asset Management Limited. The financial information is therefore presented as if Brooks Macdonald Financial Consulting Limited and Brooks Macdonald Asset Management Limited had been owned and controlled by the Company throughout the period. Comparative figures are stated on the same basis.

Responsibility

The directors of the Company are responsible for the contents of the Admission Document in which this report is included.

It is our responsibility to compile the financial information set out below from the financial statements, to form an opinion on the financial information, and to report our opinion to you.

Basis of Opinion

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards issued by the Auditing Practices Board. Our work included an assessment of evidence relevant to accounts and disclosures in the financial information. The evidence included that recorded by the auditors who audited the financial statements underlying the financial information and that obtained by us during the course of our review. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial statements underlying the financial information and whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement, whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the financial information gives, for the purposes of the Admission Document, a true and fair view of the state of affairs of the Group as at 30 June 2002, 30 June 2003, 30 June 2004 and 31 December 2004 and of the results and recognised gains and losses and cash flows of the Group for the periods then ended.

Consent

We consent to the inclusion in the Admission Document of this report and accept responsibility for this report for the purposes of paragraph 45(1)(b)(iii) of Schedule 1 to the Public Offers of Securities Regulations 1995.

Consolidated profit and loss accounts

		<i>9 months ended 30 June 2002 £'000</i>	<i>Year ended 30 June 2003 £'000</i>	<i>Year ended 30 June 2004 £'000</i>	<i>6 months ended 31 December 2004 £'000</i>
Turnover	2	3,114	3,799	4,887	2,719
Administrative costs		<u>(3,280)</u>	<u>(4,363)</u>	<u>(4,690)</u>	<u>(2,580)</u>
		(166)	(564)	197	139
Other operating income	3,4	<u>49</u>	<u>160</u>	<u>160</u>	<u>79</u>
Operating profit/(loss)		(117)	(404)	357	218
Profit/(loss) on sale of investments		4	(7)	—	—
Interest receivable	5	<u>13</u>	<u>36</u>	<u>87</u>	<u>48</u>
Profit/(loss) on ordinary activities before taxation		(100)	(375)	444	266
Taxation	6	<u>(15)</u>	<u>37</u>	<u>(99)</u>	<u>(85)</u>
Profit/(loss) on ordinary activities after taxation		(115)	(338)	345	181
Dividends	7	<u>—</u>	<u>—</u>	<u>(55)</u>	<u>—</u>
Retained profit/(loss)		(115)	(338)	290	181
Earnings per share	22	<u>£(2.87)</u>	<u>£(8.42)</u>	<u>£8.46</u>	<u>£4.23</u>

The Group has no recognised gains or losses other than the profit or loss for the periods shown above.

Consolidated balance sheets

		<i>As at</i> <i>30 June</i> 2002 £'000	<i>As at</i> <i>30 June</i> 2003 £'000	<i>As at</i> <i>30 June</i> 2004 £'000	<i>As at</i> <i>31 December</i> 2004 £'000
	<i>Note</i>				
Fixed assets:					
Tangible fixed assets	8	182	125	101	99
Current assets					
Debtors	10	1,251	1,036	949	965
Investments	11	11	14	12	18
Cash at bank and in hand		375	216	1,120	1,277
		<u>1,637</u>	<u>1,266</u>	<u>2,081</u>	<u>2,260</u>
Creditors: amounts falling due within one year	12	(918)	(899)	(1,068)	(1,068)
Net current assets		<u>719</u>	<u>367</u>	<u>1,013</u>	<u>1,192</u>
Total assets less current liabilities		901	492	1,114	1,291
Creditors: amounts falling due after more than one year	13	(151)	(79)	(39)	(35)
Provisions for liabilities and charges	14	(29)	(30)	(130)	(110)
Net Assets		<u><u>721</u></u>	<u><u>383</u></u>	<u><u>945</u></u>	<u><u>1,146</u></u>
Capital and reserves					
Called up share capital	16	40	40	43	43
Share premium account	16	—	—	269	289
Merger reserve	17	192	192	192	192
Profit and loss account	18	489	151	441	622
Equity shareholders' funds	19	<u><u>721</u></u>	<u><u>383</u></u>	<u><u>945</u></u>	<u><u>1,146</u></u>

Company balance sheets

		<i>As at</i> <i>30 June</i> 2002 £'000	<i>As at</i> <i>30 June</i> 2003 £'000	<i>As at</i> <i>30 June</i> 2004 £'000	<i>As at</i> <i>31 December</i> 2004 £'000
	<i>Note</i>				
Fixed assets:					
Investments	9	—	—	4,238	4,238
Current assets					
Debtors	10	—	—	219	1
Cash at bank and in hand		—	—	—	10
		<u>—</u>	<u>—</u>	<u>219</u>	<u>11</u>
Creditors: amounts falling due within one year	12	—	—	(4,141)	(3,917)
Net current assets		<u>—</u>	<u>—</u>	<u>(3,922)</u>	<u>(3,906)</u>
Total assets less current liabilities		<u><u>—</u></u>	<u><u>—</u></u>	<u><u>316</u></u>	<u><u>332</u></u>
Capital and reserves					
Called up share capital	16	—	—	43	43
Share premium account	16	—	—	269	289
Profit and loss account	18	—	—	4	—
Equity shareholders' funds	19	<u><u>—</u></u>	<u><u>—</u></u>	<u><u>316</u></u>	<u><u>332</u></u>

Consolidated cash flow statements

		<i>9 months ended 30 June 2002 £'000</i>	<i>Year ended 30 June 2003 £'000</i>	<i>Year ended 30 June 2004 £'000</i>	<i>6 months ended 31 December 2004 £'000</i>
	<i>Note</i>				
Net cash inflow/(outflow) from operating activities	15	(252)	(127)	590	178
Returns on investments and servicing of finance:					
Investment income received		1	1	—	—
Interest received		12	35	87	49
Net cash inflow from returns on investments and servicing of finance		<u>13</u>	<u>36</u>	<u>87</u>	<u>49</u>
Taxation					
Corporation tax (paid)/refunded		—	(55)	3	2
Capital expenditure and financial investments:					
Purchase of plant and equipment		(60)	(11)	(39)	(27)
Purchase of investments		(8)	(14)	(12)	(6)
Loans to third parties		(8)	—	—	—
Sale of investments		19	12	—	—
Net cash outflow from capital expenditure and financial investments		<u>(57)</u>	<u>(13)</u>	<u>(51)</u>	<u>(33)</u>
Equity dividends paid					
Dividends paid on “A” ordinary shares		(24)	—	—	(56)
Dividends paid on “B” ordinary shares		(1)	—	—	—
Net cash outflow from payment of equity dividends		<u>(25)</u>	<u>—</u>	<u>—</u>	<u>(56)</u>
		<u>(321)</u>	<u>(159)</u>	<u>(629)</u>	<u>140</u>
Financing:					
Shares issued		30	—	204	20
Increase/(decrease) in cash in the period		<u>(291)</u>	<u>(159)</u>	<u>833</u>	<u>160</u>
Reconciliation of net cash flow to movement in net funds					
Movement in net funds in period		(291)	(159)	833	160
Non cash movement		—	—	68	—
Net funds at beginning of period		666	375	216	1,117
Net funds at end of period	20	<u>375</u>	<u>216</u>	<u>1,117</u>	<u>1,277</u>

Notes to the financial information

1. Accounting policies

1.1 *Accounting conventions*

The financial information is prepared under the historical cost convention and in accordance with applicable accounting standards.

1.2 *Turnover*

Financial services commissions are recognised from the point when the policy arranged is placed on risk by the issuer. Fees for other services are recognised when earned.

1.3 *Depreciation of tangible assets*

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

Fixtures and Fittings	– 15 per cent. per annum
Equipment	– 20 per cent. per annum

1.4 *Deferred taxation*

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

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

1.5 *Pension costs*

Contributions in respect of the Company's defined contribution pension scheme are charged to the profit and loss account for the period in which they fall due.

1.6 *Operating lease*

Rents due under operating lease are charged to the profit and loss account as they fall due. The Group benefited from a rent-free period under the terms of the current property lease. In accordance with UITF 28 "Operating Lease Incentives", the benefit is being allocated over the shorter of the lease term and the date of the market valuation as 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.

1.7 *Foreign exchange*

Transactions denominated in a foreign currency are recorded at the exchange rates at the date of the transaction. Monetary assets and liabilities denominated in a foreign currency at the period end are reported at the rate of exchange prevailing at the period end.

Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit and loss account. Non monetary assets and liabilities are reported at the historical rate of exchange.

1.8 *Consolidation*

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

The Group has used merger accounting to account for the group reconstruction effected by the acquisition by the Company of the interest in Brooks Macdonald Financial Consulting Limited and its then subsidiary company, Brooks Macdonald Asset Management Limited. The financial information is therefore presented as if Brooks Macdonald Financial Consulting Limited and Brooks Macdonald Asset Management Limited had been owned and controlled by the Company throughout the period. Comparative figures are stated on the same basis.

2. Turnover

Turnover represents the amounts earned for services provided net of value added tax and commissions earned from financial services activities.

	<i>9 months ended 30 June 2002 £'000</i>	<i>Year ended 30 June 2003 £'000</i>	<i>Year ended 30 June 2004 £'000</i>	<i>6 months ended 31 December 2004 £'000</i>
Financial services commissions	765	1,778	902	380
Fee income	<u>2,349</u>	<u>2,021</u>	<u>3,985</u>	<u>2,339</u>
	<u><u>3,114</u></u>	<u><u>3,799</u></u>	<u><u>4,887</u></u>	<u><u>2,719</u></u>

3. Operating profit or loss

	<i>9 months ended 30 June 2002 £'000</i>	<i>Year ended 30 June 2003 £'000</i>	<i>Year ended 30 June 2004 £'000</i>	<i>6 months ended 31 December 2004 £'000</i>
The operating profit or loss is stated after charging/(crediting):				
Rent receivable	(49)	(160)	(160)	(79)
Staff costs (note 4)	1,483	2,461	2,491	1,422
Auditor's fees	20	36	30	17
Depreciation	60	68	64	29
Operating leases	248	258	330	165
Losses on foreign exchange	3	8	8	6
Amounts written off investments	<u>6</u>	<u>1</u>	<u>—</u>	<u>—</u>

4. Employee information

4.1 Staff costs

	<i>9 months ended 30 June 2002 £'000</i>	<i>Year ended 30 June 2003 £'000</i>	<i>Year ended 30 June 2004 £'000</i>	<i>6 months ended 31 December 2004 £'000</i>
Wages and salaries	1,251	2,144	2,162	1,244
Social security costs	193	241	251	133
Pension costs	<u>39</u>	<u>76</u>	<u>78</u>	<u>45</u>
	<u><u>1,483</u></u>	<u><u>2,461</u></u>	<u><u>2,491</u></u>	<u><u>1,422</u></u>

The pension costs are in respect of a defined contribution scheme.

4.2 Average monthly number of employees

The average monthly number of employees during each period was made up as follows:

	<i>9 months ended 30 June 2002 No.</i>	<i>Year ended 30 June 2003 No.</i>	<i>Year ended 30 June 2004 No.</i>	<i>6 months ended 31 December 2004 No.</i>
Office management	30	30	27	29
Sales executives	<u>22</u>	<u>22</u>	<u>19</u>	<u>20</u>
	<u><u>52</u></u>	<u><u>52</u></u>	<u><u>46</u></u>	<u><u>49</u></u>

4.3 Directors' emoluments

	<i>9 months ended 30 June 2002 £'000</i>	<i>Year ended 30 June 2003 £'000</i>	<i>Year ended 30 June 2004 £'000</i>	<i>6 months ended 31 December 2004 £'000</i>
Fees and salaries	516	646	491	345
Non executive directors' fees	—	14	18	8
Pension contributions – defined contribution scheme	21	32	23	15
Benefits in kind	4	8	9	4
	<u>541</u>	<u>700</u>	<u>541</u>	<u>372</u>
Highest paid director				
Remuneration and benefits in kind	110	145	164	69
Pension contributions to money purchase scheme	5	6	6	4
	<u>115</u>	<u>151</u>	<u>170</u>	<u>73</u>

Included within fees and salaries for the 6 months ended 31 December 2004 is a provision for bonuses payable in respect of the year to 30 June 2005 of £94,500.

As at 31 December 2004 and 30 June 2004 retirement benefits were accruing to six directors under a money purchase pension scheme. As at 30 June 2003 and 30 June 2002, such benefits were accruing to five directors.

5. Interest received

	<i>9 months ended 30 June 2002 £'000</i>	<i>Year ended 30 June 2003 £'000</i>	<i>Year ended 30 June 2004 £'000</i>	<i>6 months ended 31 December 2004 £'000</i>
Bank interest	13	27	81	45
Other interest	—	9	6	3
	<u>13</u>	<u>36</u>	<u>87</u>	<u>48</u>

6. Taxation

The tax charge on the profit on ordinary activities for each period was as follows:

	<i>9 months ended 30 June 2002 £'000</i>	<i>Year ended 30 June 2003 £'000</i>	<i>Year ended 30 June 2004 £'000</i>	<i>6 months ended 31 December 2004 £'000</i>
UK corporation tax @ 30 per cent.	—	—	95	87
Taxation (over)/under provided in previous years:	15	(25)	4	(2)
Deferred taxation	—	(12)	—	—
	<u>15</u>	<u>(37)</u>	<u>99</u>	<u>85</u>

The Company is a close company within the terms of Section 282 of the Taxes Act 1970.

The factors affecting the tax charge for each period were as follows:

	<i>9 months ended 30 June 2002 £'000</i>	<i>Year ended 30 June 2003 £'000</i>	<i>Year ended 30 June 2004 £'000</i>	<i>6 months ended 31 December 2004 £'000</i>
Profit/(loss) on ordinary activities before taxation	(100)	(375)	444	266
Profit/(loss) on ordinary activities multiplied by the standard rate of tax in the UK of 30 per cent.	(30)	(112)	133	80
Adjustments to trade	10	40	19	(38)
Excess of capital allowances over depreciation	(4)	(3)	(6)	(5)
Marginal relief	—	—	(23)	(2)
Losses (utilised)/carried forward	24	75	(28)	52
	<u>—</u>	<u>—</u>	<u>95</u>	<u>87</u>

7. Dividends

	<i>9 months ended 30 June 2002 £'000</i>	<i>Year ended 30 June 2003 £'000</i>	<i>Year ended 30 June 2004 £'000</i>	<i>6 months ended 31 December 2004 £'000</i>
Dividends on Ordinary Shares	<u>—</u>	<u>—</u>	<u>55</u>	<u>—</u>

8. Tangible Fixed Assets

Group

	<i>Fixtures and fittings £'000</i>	<i>Office furniture & equipment £'000</i>	<i>Total £'000</i>
Cost:			
At 30 September 2001	49	452	501
Additions	8	52	60
At 30 June 2002	57	504	561
Additions	—	11	11
At 30 June 2003	57	515	572
Additions	6	34	40
At 30 June 2004	63	549	612
Additions	6	21	27
At 31 December 2004	69	570	639
At 30 September 2001	33	286	319
Charge for the period	4	56	60
At 30 June 2002	37	342	379
Charge for the year	5	63	68
At 30 June 2003	42	405	447
Charge for the year	5	59	64
At 30 June 2004	47	464	511
Charge for the period	3	26	29
At 31 December 2004	50	490	540
Net book values:			
At 30 September 2001	16	166	182
At 30 June 2002	20	162	182
At 30 June 2003	15	110	125
At 30 June 2004	16	85	101
At 31 December 2004	19	80	99

9. Investments

Company

	<i>As at 30 June 2002 £'000</i>	<i>As at 30 June 2003 £'000</i>	<i>As at 30 June 2004 £'000</i>	<i>As at 31 December 2004 £'000</i>
Subsidiary undertakings	—	—	4,238	4,238

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

Details of the subsidiary undertakings of the Group as at 31 December 2004, all of which are included in the consolidated financial information, are given below:

<i>Company</i>	<i>Type of share</i>	<i>Interest</i>	<i>Nature of business</i>	<i>Aggregate Reserves</i> £'000	<i>Profit/(loss) for 6 months to 31 December 2004</i> £'000
Brooks Macdonald Financial Consulting Limited	Ordinary £0.05	100%	Investment management	3,961	(87)
Brooks Macdonald Asset Management Limited	Ordinary £1	100%	Investment management	1,091	272

10. Debtors

Group	<i>As at 30 June 2002</i> £'000	<i>As at 30 June 2003</i> £'000	<i>As at 30 June 2004</i> £'000	<i>As at 31 December 2004</i> £'000
Trade debtors	414	268	198	276
Corporation tax	—	7	—	—
Other debtors	497	404	321	291
Prepayments and accrued income	340	357	430	398
	<u>1,251</u>	<u>1,036</u>	<u>949</u>	<u>965</u>

Included within other debtors is a loan of £77,872 (30 June 2004: £83,007, 30 June 2003: £90,907, 30 June 2002: £98,405) to one of the shareholders. Interest is charged on the loan at 1 per cent. per annum above the base rate of The Royal Bank of Scotland plc. The loan is repayable on demand.

Included within other debtors is £151,770 (30 June 2004: £168,630, 30 June 2003: £202,355, 30 June 2002: £236,075) which relates to payments made to key fee earners in return for an alternative commission structure. £118,050 (30 June 2004: £134,910, 30 June 2003: £168,635) of this relates to more than one year.

Included within other debtors is a loan of £22,770 (30 June 2004: £28,770, 30 June 2003: £nil, 30 June 2002: £nil) to one of the directors of Brooks Macdonald Financial Consulting Limited. No interest is being charged on this loan. The maximum balance outstanding during the 6 months ended 31 December 2004 was £28,770.

Company	<i>As at 30 June 2002</i> £'000	<i>As at 30 June 2003</i> £'000	<i>As at 30 June 2004</i> £'000	<i>As at 31 December 2004</i> £'000
Amounts owed by Group undertakings	—	—	219	—
Other debtors	—	—	—	1
	<u>—</u>	<u>—</u>	<u>219</u>	<u>1</u>

11. Current asset investments

Group	<i>As at 30 June 2002</i> £'000	<i>As at 30 June 2003</i> £'000	<i>As at 30 June 2004</i> £'000	<i>As at 31 December 2004</i> £'000
Current asset investments	<u>11</u>	<u>14</u>	<u>12</u>	<u>18</u>

The investments comprise investments listed on the London Stock Exchange. The current asset investments are written down to their market value.

12. Creditors: amounts falling due within one year

Group

	<i>As at</i> <i>30 June</i> 2002 £'000	<i>As at</i> <i>30 June</i> 2003 £'000	<i>As at</i> <i>30 June</i> 2004 £'000	<i>As at</i> <i>31 December</i> 2004 £'000
Bank overdraft	—	—	3	—
Trade creditors	140	219	194	189
Corporation tax	73	—	95	183
Other taxes and social security costs	212	233	179	299
Dividends payable	6	6	62	6
Other creditors	259	233	127	216
Accruals	228	208	408	175
	<u>918</u>	<u>899</u>	<u>1,068</u>	<u>1,068</u>

Company

	<i>As at</i> <i>30 June</i> 2002 £'000	<i>As at</i> <i>30 June</i> 2003 £'000	<i>As at</i> <i>30 June</i> 2004 £'000	<i>As at</i> <i>31 December</i> 2004 £'000
Trade creditors	—	—	—	5
Dividends payable	—	—	55	—
Other creditors	—	—	—	6
Amounts due to related parties	—	—	4,086	3,906
	<u>—</u>	<u>—</u>	<u>4,141</u>	<u>3,917</u>

Included within amounts due to related parties is a loan of £3,761,500 which is interest free and repayable on demand, due to one of the subsidiary companies.

13. Creditors: amounts falling after more than one year

Group

	<i>As at</i> <i>ended</i> <i>30 June</i> 2002 £'000	<i>As at</i> <i>30 June</i> 2003 £'000	<i>As at</i> <i>30 June</i> 2004 £'000	<i>As at</i> <i>31 December</i> 2004 £'000
Other creditors	<u>151</u>	<u>79</u>	<u>39</u>	<u>35</u>

14. Provisions for liabilities and charges

Group

	<i>As at</i> <i>30 June</i> 2002 £'000	<i>As at</i> <i>30 June</i> 2003 £'000	<i>As at</i> <i>30 June</i> 2004 £'000	<i>As at</i> <i>31 December</i> 2004 £'000
Provisions for liabilities and charges comprise:				
Client compensation payments	17	30	130	110
Deferred taxation	12	—	—	—
	<u>29</u>	<u>30</u>	<u>130</u>	<u>110</u>

Provisions for client compensation payments relate to the potential liability resulting from known client complaints against the Group. This represents the directors' estimate of the maximum possible liability to the Group.

The deferred tax provision is in respect of advance capital allowances, for which a full provision has been made.

There is a deferred tax asset of £42,164 (30 June 2004: £14,857, 30 June 2003: £75,477) arising at 31 December 2004. The recoverability of a deferred tax asset created through accumulated tax losses is dependent on future profits being earned. Due to the uncertainty over recoverability, the deferred tax asset has not been recognised in the financial statements.

	<i>As at</i> 30 June 2002 £'000	<i>As at</i> 30 June 2003 £'000	<i>As at</i> 30 June 2004 £'000	<i>As at</i> 31 December 2004 £'000
The movement on deferred tax comprises:				
Beginning of period	12	12	—	—
Released to profit and loss in respect of:				
Capital allowances	—	(11)	—	—
Availability of losses	—	(1)	—	—
	<u>12</u>	<u>—</u>	<u>—</u>	<u>—</u>

15. Reconciliation of operating profit/(loss) and net cash inflow/(outflow) from operating activities

	<i>9 months</i> <i>ended</i> 30 June 2002 £'000	<i>Year</i> <i>ended</i> 30 June 2003 £'000	<i>Year</i> <i>ended</i> 30 June 2004 £'000	<i>6 months</i> <i>ended</i> 31 December 2004 £'000
Operating profit/(loss)	(117)	(404)	357	218
Depreciation	60	68	64	29
Decrease/(increase) in debtors	(382)	222	79	(17)
(Decrease)/increase in creditors	164	(15)	(24)	(32)
(Decrease)/increase in provisions	17	1	100	(20)
Decrease/(increase) in value of investments	6	1	14	—
Net cash inflow/(outflow) from operating activities	<u>(252)</u>	<u>(127)</u>	<u>590</u>	<u>178</u>

16. Share capital

Group and Company

	<i>As at</i> 30 June 2002 <i>Number</i>	<i>As at</i> 30 June 2003 <i>Number</i>	<i>As at</i> 30 June 2004 <i>Number</i>	<i>As at</i> 31 December 2004 <i>Number</i>
Authorised – Ordinary shares	50,000	50,000	—	—
Authorised – “A” Ordinary £1 Shares	—	—	40,000	40,000
Authorised – “B” Ordinary £1 Shares	—	—	10,000	10,000
Authorised	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Authorised	<u>50</u>	<u>50</u>	<u>50</u>	<u>50</u>

	<i>As at</i> 30 June 2002 Number	<i>As at</i> 30 June 2003 Number	<i>As at</i> 30 June 2004 Number	<i>As at</i> 31 December 2004 Number
Allotted, called up and fully paid – Ordinary £1 Shares	1	1	—	—
Allotted, called up, and fully paid – “A” Ordinary £1 Shares	—	—	38,400	38,400
Allotted, called up, and fully paid – “B” Ordinary £1 Shares	—	—	4,185	4,345
Allotted, called up, and fully paid	<u>1</u>	<u>1</u>	<u>42,585</u>	<u>42,745</u>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Allotted, called up, and fully paid	<u>—</u>	<u>—</u>	<u>43</u>	<u>43</u>
Share premium account	<u>—</u>	<u>—</u>	<u>269</u>	<u>289</u>

On 28 January 2004, the company converted 40,000 of its Ordinary Shares into 40,000 ordinary “A” Shares of £1 each. The remaining 10,000 unissued Ordinary Shares of £1 each were converted into 10,000 “B” Ordinary Shares of £1 each.

The “A” Ordinary Shares and the “B” Ordinary Shares are separate classes of shares and rank *pari passu* in all respects. Save that the holders of the “B” Ordinary Shares, while being entitled to receive notice of and attend all general or other meetings of the Company, are not entitled to vote at any such meeting.

In the year ended 30 June 2004, the following shares were issued:

- 38,400 Ordinary “A” Shares of £1 each at par – no premium arising
- 1,725 Ordinary “B” Shares of £1 each at par – no premium arising
- 712 Ordinary “B” Shares of £1 each at £75 each – share premium of £52,688 arising
- 1,748 Ordinary “B” Shares of £1 each at £125 each – share premium of £216,752 arising

In the 6 months ended 31 December 2004, the following shares were issued:

- 160 Ordinary “B” Shares of £1 each at £125 each – premium of £19,840 arising

The allotted, called up and fully paid share capital for the periods ended 30 June 2002 and 30 June 2003 above represents the issued share capital of Brooks Macdonald Group Limited. This is different to the issued share capital noted on the consolidated balance sheet due to the use of merger accounting.

17. Merger reserve

	<i>As at</i> 30 June 2002 £'000	<i>As at</i> 30 June 2003 £'000	<i>As at</i> 30 June 2004 £'000	<i>As at</i> 31 December 2004 £'000
Merger reserve	<u>192</u>	<u>192</u>	<u>192</u>	<u>192</u>

In accordance with The Companies Act, the difference between the nominal value of the shares issued and acquired in the group reconstruction has been treated as a merger reserve.

Brooks Macdonald Group Limited acquired the entire share capital of Brooks Macdonald Financial Consulting Limited on 28 January 2004 as a result of a share for share exchange.

Brooks Macdonald Group Limited paid £4,000,000 for the entire share capital of Brooks Macdonald Asset Management Limited.

All companies within the Group operate using the same accounting policies.

18. Profit and loss account

Group

	<i>As at</i> <i>30 June</i> 2002 £'000	<i>As at</i> <i>30 June</i> 2003 £'000	<i>As at</i> <i>30 June</i> 2004 £'000	<i>As at</i> <i>31 December</i> 2004 £'000
Balance as at beginning of period	604	489	151	441
Retained profit for the period	(115)	(338)	290	181
Balance as at end of period	<u>489</u>	<u>151</u>	<u>441</u>	<u>622</u>

Company

	<i>As at</i> <i>30 June</i> 2002 £'000	<i>As at</i> <i>30 June</i> 2003 £'000	<i>As at</i> <i>30 June</i> 2004 £'000	<i>As at</i> <i>31 December</i> 2004 £'000
Balance as at beginning of period	—	—	—	4
Retained profit for the period	—	—	4	(4)
Balance at the end of period	<u>—</u>	<u>—</u>	<u>4</u>	<u>—</u>

19. Reconciliation of movements in shareholders' funds

Group

	<i>As at</i> <i>30 June</i> 2002 £'000	<i>As at</i> <i>30 June</i> 2003 £'000	<i>As at</i> <i>30 June</i> 2004 £'000	<i>As at</i> <i>31 December</i> 2004 £'000
Profit/(loss) for the period	(115)	(338)	345	181
Dividends	—	—	(55)	—
	<u>(115)</u>	<u>(338)</u>	<u>290</u>	<u>181</u>
New share capital subscribed	30	—	3	—
Share premium increase	—	—	269	20
Net addition to shareholders' funds	(85)	(338)	562	201
Opening shareholders' funds	806	721	383	945
Closing shareholders' funds	<u>721</u>	<u>383</u>	<u>945</u>	<u>1,146</u>

Company

	<i>As at</i> <i>30 June</i> 2002 £'000	<i>As at</i> <i>30 June</i> 2003 £'000	<i>As at</i> <i>30 June</i> 2004 £'000	<i>As at</i> <i>31 December</i> 2004 £'000
Profit/(loss) for the period	—	—	59	(4)
Dividends	—	—	(55)	—
	<u>—</u>	<u>—</u>	<u>4</u>	<u>(4)</u>
New share capital subscribed	—	—	—	—
Share premium increase	—	—	312	20
Net addition to shareholders' funds	—	—	316	16
Opening shareholders' funds	—	—	—	316
Closing shareholders' funds	<u>—</u>	<u>—</u>	<u>316</u>	<u>332</u>

20. Reconciliation in movements in net funds

	<i>As at</i> 30 June 2002 £'000	<i>As at</i> 30 June 2003 £'000	<i>As at</i> 30 June 2004 £'000	<i>As at</i> 31 December 2004 £'000
Increase in cash during the period	(291)	(159)	833	160
Change in net funds	(291)	(159)	833	160
Non cash movement	—	—	68	—
Funds at start of period	666	375	216	1,117
Net funds at end of period	<u>375</u>	<u>216</u>	<u>1,117</u>	<u>1,277</u>
Represented by:				
Cash at bank	375	216	1,120	1,277
Overdraft	—	—	(3)	—
	<u>375</u>	<u>216</u>	<u>1,117</u>	<u>1,277</u>

The non-cash movement occurred as a result of the share for share exchange which took place as part of the group restructuring during 2004.

21. Lease commitments

The Company has a short-term lease expiring on 5 June 2015. The annual rental due on the lease is £330,000. The last rent review was due on 25 December 2004 and the Company is awaiting formal confirmation of the outcome. The directors of the Company are of the opinion that the annual rental will not be increased. The Group is responsible for the insurance, maintenance and repairs of the premises.

22. Earnings per share

The calculation of basic and diluted earnings per share is based on the earnings after tax of £(115,000), £(338,000), £345,000 and £181,000 for the periods ended 30 June 2002, 30 June 2003, 30 June 2004 and 31 December 2004 respectively, divided by a weighted average number of Ordinary Shares, calculated using merger accounting principles, in each year.

	<i>9 months</i> <i>ended</i> 30 June 2002 £'000	<i>Year</i> <i>ended</i> 30 June 2003 £'000	<i>Year</i> <i>ended</i> 30 June 2004 £'000	<i>6 months</i> <i>ended</i> 31 December 2004 £'000
Earnings per share – basic and diluted	<u>£(2.87)</u>	<u>£(8.42)</u>	<u>£8.46</u>	<u>£4.23</u>
Weighted average number of Ordinary Shares	<u>40,125</u>	<u>40,125</u>	<u>40,799</u>	<u>42,745</u>

23. Post balance sheet events

On 11 February 2005, Brooks Macdonald Group Limited undertook a capital reorganisation and on 17 February 2005 converted from a private limited company to a public limited company, re-registering at Companies House as Brooks Macdonald Group PLC.

As part of the capital reorganisation, undertaken to enable the Company to convert to a PLC, each of the 38,400 “A” Ordinary £1 Shares and 4,345 “B” Ordinary £1 Shares were converted into a new class of Ordinary £1 Shares on a 1 for 1 basis, creating 42,745 Ordinary £1 Shares. Each of the resulting Ordinary £1 Shares were then subdivided into 100 Ordinary Shares of 1 pence each, creating 4,274,500 Ordinary 1 pence Shares. The authorised share capital of the Company was increased from £50,000 to £200,000 by the creation of an additional 15,000,000 Ordinary 1 pence

Shares and a bonus issue of 4,274,500 Ordinary 1 pence Shares on a 1 for 1 basis was made from the share premium account of the Company, creating an issued share capital of £85,490, comprising 8,549,000 Ordinary 1 pence Shares. The share premium account of the Company was reduced from £269,440 to £226,695.

As at 31 December 2004, a director of Brooks Macdonald Financial Consulting Limited was a debtor of the Group. On 8 February 2005, this debt was repaid in full by the relevant director.

Yours faithfully

Moore Stephens

PART IV

Additional Information

1. The Company

- (a) The Company was incorporated on 22 March 2002 in England and Wales under the Act with registered number 4402058 as a private company limited by shares with the name Brooks Macdonald Group Limited.
- (b) On 17 February 2005, the Company was re-registered in England and Wales as a public company limited by shares and changed its name to Brooks Macdonald Group PLC.
- (c) The Company is the member of a group of which it is the holding company. Its wholly owned subsidiaries are Brooks Macdonald Asset Management Limited (registered number 3417519) and Brooks Macdonald Financial Consulting Limited (registered number 2621847).
- (d) The registered office and the principal place of business of the Company is 111 Park Street, London W1K 7JL.
- (e) The liability of the members of the Company is limited. The principal legislation under which the Company operates is the Act and the regulations made thereunder.

2. Share Capital

- (a) The Company was incorporated with an authorised share capital of £50,000 divided into 50,000 ordinary shares of £1 each, one of which was issued at par to the subscriber to the Memorandum of Association of the Company.
- (b) On 28 January 2004, by special resolution of the Company, the one existing issued ordinary share of £1 and 39,999 of the authorised but unissued ordinary shares of £1 each were re-designated as 40,000 "A" ordinary shares of £1 each and 10,000 authorised but unissued ordinary shares of £1 each were re-designated as 10,000 "B" ordinary shares of £1 each.
- (c) On 28 January 2004, 38,399 A ordinary shares of £1 each and 1,725 B ordinary shares of £1 each were allotted and issued to the shareholders in Brooks Macdonald Financial Consulting Limited in exchange for their shares in Brooks Macdonald Financial Consulting Limited.
- (d) Between 28 January 2004 and the date of this document, there have been the following further issues of shares:
 - (i) on 2 February 2004, 2,300 B ordinary shares of £1 each were allotted and issued at an aggregate price of £287,500;
 - (ii) on 5 April 2004, 160 B ordinary shares of £1 each were allotted and issued at an aggregate price of £20,000; and
 - (iii) on 6 July 2004, 160 B ordinary shares of £1 each were allotted and issued at an aggregate price of £20,000.
- (e) On 11 February 2005, a written resolution was passed which made the following changes to the authorised and issued share capital of the Company:
 - (i) each of the existing issued and unissued A ordinary shares of £1 each and B ordinary shares of £1 each was converted into and reclassified as one ordinary share of £1 each;
 - (ii) each of the resulting issued and unissued ordinary shares of £1 each was sub-divided into 100 Ordinary Shares of 1p each;
 - (iii) the authorised share capital was increased from £50,000 to £200,000 by the creation of an additional 15,000,000 Ordinary Shares; and

- (iv) the sum of £42,745 standing to the credit of the share premium account of the Company was applied on 11 February 2005 to make a bonus issue of 4,274,500 Ordinary Shares to existing Shareholders on such date on the basis of one new Ordinary Share for every Ordinary Share then held.
- (f) The authorised and issued share capital of the Company (i) as at the date of this document and (ii) following completion of the Placing (assuming maximum take-up under the Placing and the proposed issue of 12,000 Ordinary Shares in total to certain employees prior to Admission as referred to in Part II of this document) is set out below:

	<i>Authorised</i>		<i>Issued and fully paid</i>	
	<i>£</i>	<i>Number</i>	<i>£</i>	<i>Number</i>
(i) Ordinary Shares	200,000	20,000,000	85,490	8,549,000
(ii) Ordinary Shares	200,000	20,000,000	98,110	9,811,000

- (g) Pursuant to the written resolution passed on 11 February 2005:
- (i) the Directors were given authority to allot up to £42,800 in nominal amount of relevant securities (i.e. up to 4,280,000 Ordinary Shares), including the New Ordinary Shares proposed to be allotted and issued in connection with the Placing. Assuming the Placing of the New Ordinary Shares is fully subscribed, the remaining authority following the Placing will be up to 3,030,000 Ordinary Shares, amounting to approximately 30.9 per cent. of the enlarged issued share capital of the Company following the Placing;
- (ii) the Directors were empowered to allot up to £15,800 in nominal amount of equity securities (i.e. up to 1,580,000 Ordinary Shares) for cash as if Section 89(1) of the Act (which confer rights of pre-emption in respect of the allotment of equity securities (as defined in Section 94(2) of the Act) which are, or are to be, paid up in cash) did not apply. This includes the New Ordinary Shares proposed to be allotted and issued in connection with the Placing. Assuming the Placing of the New Ordinary Shares is fully subscribed, the remaining authority following the Placing will be up to 330,000 Ordinary Shares, amounting to approximately 3.4 per cent. of the enlarged issued share capital of the Company following the Placing.

The authorities and powers referred to in sub-paragraphs (i) and (ii) above expire on the earlier of 15 months from the date of the written resolution and the conclusion of the next Annual General Meeting of the Company.

- (h) The provisions of section 89(1) of the Act (which confer rights of pre-emption in respect of the allotment of equity securities (as defined in section 94(2) of the Act) which are, or are to be, paid up in cash) apply to the allotment of unissued Ordinary Shares to the extent that such rights are not disapplied as described in paragraph (g) above.
- (i) Save as set out in paragraphs 3 and 7 of this Part IV below, no share or loan capital of the Company is under option or has been agreed, conditionally or unconditionally, to be put under option.
- (j) Other than as set out above, no share or loan capital of the Company has been issued or agreed to be issued or is now proposed to be issued, for cash or any other consideration, and save as disclosed in this document no commissions, discounts, brokerages or other special terms have been granted by the Company in connection with the issue of any such capital.

3. Directors' and other interests

- (a) The interests of the Directors, their immediate families and as far as they are aware, having made due and careful enquiries, of persons connected with them (within the meaning of section 346 of the Act) in the share capital of the Company as at the date of this document and at Admission, all of which are beneficial, unless otherwise stated: (i) which have been notified to the Company pursuant to section 324 or 328 of the Act, or (ii) which are required to be entered in the register maintained under section 325 of the Act, or (iii) which are interests of a connected person of a Director which would, if that connected person were a Director, be required to be disclosed under (i) and (ii) above and the existence of which is known to that Director, are set out below:

<i>Name of Director</i>	<i>Number of Ordinary Shares (at the date of this document)</i>	<i>Percentage of issued share capital</i>	<i>Number of Ordinary Shares to be sold pursuant to the Placing</i>	<i>Number of Ordinary Shares to be held immediately following Admission*</i>	<i>Percentage of Enlarged Issued Share Capital*</i>
Christopher Macdonald	1,467,000**	17.1%	310,654	1,156,346	11.8%
Richard Spencer	1,405,000***	16.4%	296,904	1,108,096	11.3%
Jonathan Gumpel	1,165,200****	13.6%	244,183	921,017	9.4%
Simon Wombwell	32,000	0.4%	NIL	32,000	0.3%
Simon Jackson	25,000	0.3%	NIL	25,000	0.3%
Christopher Knight	16,000	0.2%	NIL	16,000	0.2%

* assuming the Placing is fully subscribed.

** includes 149,600 Ordinary Shares registered in wife's name and 21,000 Ordinary Shares held by a pension trust

*** includes 140,000 Ordinary Shares registered in wife's name and 23,000 Ordinary Shares held by a pension trust

**** includes 28,600 Ordinary Shares held by a pension trust

- (b) On 1 March 2005, Simon Jackson was granted an option over 40,000 Ordinary Shares under the Company's EMI Scheme at an exercise price of 140p and with an exercise period from 1 March 2008 to 28 February 2015.
- (c) Save as disclosed in paragraphs 3(a) and (b) above, none of the Directors (or persons connected with them) has any interest in the share capital of the Company.
- (d) In addition to their directorships in the Company, the Directors have held the following directorships and/or been a partner in the following partnerships within the five years prior to the publication of this document:

<i>Name of Director</i>	<i>Directorships/Partnerships</i>
Christopher Macdonald	Brooks Macdonald Financial Consulting Limited* Brooks Macdonald Asset Management Limited* Moulsford Preparatory School Trust Limited* Invesco Perpetual AiM VCT Plc* Invesco Convertible Trust Plc** Close FTSE 100 Trust Plc**
Jonathan Gumpel	Brooks Macdonald Financial Consulting Limited* Brooks Macdonald Asset Management Limited* Close Assets Funds Limited (non-executive)* Accelerated Return Fund (non-executive)*
Simon Jackson	Brooks Macdonald Financial Consulting Limited* Brooks Macdonald Asset Management Limited*
Richard Spencer	Brooks Macdonald Financial Consulting Limited* Brooks Macdonald Asset Management Limited*
Christopher Knight	Anker Plc* Nelson Bakewell Holdings Limited* Protexon Limited* Lloyds Register* Lloyd's Register of Shipping Trust Corporation Limited* UK Pacific Investment Management Limited* Pinnacle Regeneration Group Plc* The Girls' Education Company Limited* Albanian Youth Action Limited**

* current directorship

** previous directorship

<i>Name of Director</i>	<i>Directorships/Partnerships</i>
Simon Wombwell	Newton Fund Managers Limited** Newton Investment Management Limited** Newton Retail Nominees Limited** Mellon Fund Managers Limited** Mellon Global Investments Limited** Mellon Global Investments (Holdings) Limited** Royal Bank of Scotland Portfolio Management Limited** Royal Bank of Scotland Unit Trust Management Limited**

* current directorship

** previous directorship

- (f) No Director:
- (i) has any unspent convictions in relation to indictable offences; or
 - (ii) has been bankrupt or the subject of an individual voluntary arrangement, or has had a receiver appointed to any asset of such director; or
 - (iii) has been a director of any company which, while he was a director or within 12 months after he ceased to be a director, had a receiver appointed or went into compulsory liquidation, creditors voluntary liquidation, administration or company voluntary arrangement, or made any composition or arrangement with its creditors generally or with any class of its creditors; or
 - (iv) has been a partner of any partnership which, while he was a partner or within 12 months after he ceased to be a partner, went into compulsory liquidation, administration or partnership voluntary arrangement, or had a receiver appointed to any partnership asset; or
 - (v) has had any public criticism by any statutory or regulatory authorities (including recognised professional bodies); or
 - (vi) has been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company.
- (g) Save as disclosed in paragraph 3 (a) above, and as set out below, the Directors are not aware of any person, directly or indirectly, jointly or severally, who exercises or could exercise control over the Company or who is interested in 3 per cent. or more of the issued share capital of the Company as at the date of the publication of this document and immediately following completion of the Placing:

<i>Name of Shareholder</i>	<i>Number of Ordinary Shares (at the date of this document)</i>	<i>Percentage of issued share capital</i>	<i>Number of Ordinary Shares to be sold pursuant to the Placing</i>	<i>Number of Ordinary Shares to be held immediately following Admission*</i>	<i>Percentage of Enlarged Issued Share Capital*</i>
Martin Mullany**	991,200	11.6%	208,533	782,667	8.0%
Millie Lawrence	864,000	10.1%	185,619	678,381	6.9%
Jamiro Properties Inc.	840,000	9.8%	180,463	659,537	6.7%
Alistair Butt***	834,800	9.8%	174,963	659,837	6.7%
Eloise Eaton	400,000	4.7%	85,922	314,078	3.2%

* assuming the Placing is fully subscribed.

** includes 20,600 Ordinary Shares held by a pension trust.

*** includes 14,400 Ordinary Shares registered in wife's name and 20,400 Ordinary Shares held by a pension trust.

N.B. Martin Mullany and Eloise Eaton are married to each other.

- (h) No loans made or guarantees granted or provided by any member of the Group to or for the benefit of any Director are outstanding.

- (i) Save as set out in this Part IV, no Director is or has been interested in any transaction which is or was unusual in its nature or conditions or significant to the business of the Group and which was effected by the Company or any of its subsidiaries and remains in any respect outstanding or unperformed.

4. Directors' Service Agreements and Letters of Appointment

- (a) The following are particulars of the Directors' service agreements or letters of appointment with the Company:

- (i) *The Executive Directors:*

Chris Macdonald

Chris Macdonald is employed by the Company as Chief Executive of the Group on 12 months' notice either way. His service agreement provides that the Company may elect to terminate his employment immediately and make a payment in lieu of the applicable period of notice. The service agreement contains restrictive covenants in favour of the Company and its subsidiaries for the period of 6 months following termination of employment (less any period of gardening leave).

Mr Macdonald is entitled to £135,000 basic remuneration per annum, subject to review. He is also entitled to bonuses as determined by the Remuneration Committee. In addition, he is also entitled to participate in the Company schemes for private health insurance and permanent health insurance. The Company will contribute an amount equal to that set by the Remuneration Committee to a personal pension scheme (subject to Inland Revenue limits).

Jonathan Gumpel

Jonathan Gumpel is employed by the Company as an executive Director on 12 months' notice either way. His service agreement provides that the Company may elect to terminate his employment immediately and make a payment in lieu of the applicable period of notice. The service agreement contains restrictive covenants in favour of the Company and its subsidiaries for the period of 6 months following termination of employment (less any period of gardening leave).

Mr Gumpel is entitled to £115,000 basic remuneration per annum, subject to review. He is also entitled to bonuses as determined by the Remuneration Committee. In addition, he is also entitled to participate in the Company schemes for private health insurance and permanent health insurance. The Company will contribute an amount equal to that set by the Remuneration Committee to a personal pension scheme (subject to Inland Revenue limits).

Simon Jackson

Simon Jackson is employed by the Company as Finance Director of the Group on 12 months' notice either way. His service agreement provides that the Company may elect to terminate his employment immediately and make a payment in lieu of the applicable period of notice. The service agreement contains restrictive covenants in favour of the Company and its subsidiaries for the period of 6 months following termination of employment (less any period of gardening leave).

Mr Jackson is entitled to £105,000 basic remuneration per annum, subject to review. He is also entitled to bonuses as determined by the Remuneration Committee. In addition, he is also entitled to participate in the Company schemes for private health insurance and permanent health insurance. The Company will contribute an amount equal to that set by the Remuneration Committee to a personal pension scheme (subject to Inland Revenue limits).

On a change of control of the Company or following a sale of 75 per cent. of the Company's assets, Simon Jackson is entitled (in the six month period immediately thereafter) to resign from the Company with immediate effect and receive 12 months' salary. In such circumstances his restrictive covenants would cease to apply.

The Remuneration Committee has resolved that the Company shall pay Simon Jackson a bonus of £40,000 following Admission.

Richard Spencer

Richard Spencer is employed by the Company as an executive Director on 12 months' notice either way. His service agreement provides that the Company may elect to terminate his employment immediately and make a payment in lieu of the applicable period of notice. The service agreement contains restrictive covenants in favour of the Company and its subsidiaries for the period of 6 months following termination of employment (less any period of gardening leave).

Mr Spencer is entitled to £115,000 basic remuneration per annum, subject to review. He is also entitled to bonuses as determined by the Remuneration Committee. In addition, he is also entitled to participate in the Company schemes for private health insurance and permanent health insurance. The Company will contribute an amount equal to that set by the Remuneration Committee to a personal pension scheme (subject to Inland Revenue limits).

(ii) *The Non-Executive Directors:*

The terms of appointment of the Non-Executive Directors listed below are recorded by letters exchanged with each of them. Under the terms of their letters of appointment, the non-executive directors' fees and notice periods are as follows:

- Christopher Knight – £20,000 / 3 months' notice
- Simon Wombwell – £15,000 / 3 months' notice

- (b) Save as set out in paragraph 4 (a) above, there are no service agreements or letters of appointment in existence between any of the Directors and the Company or any of its subsidiaries which cannot be determined by the employing company without payment of compensation (other than statutory compensation) within one year.
- (c) The aggregate remuneration payable and benefits in kind granted to the Directors was £541,000 for the financial year ended 30 June 2004 and is estimated to be £630,000 for the current financial year ending 30 June 2005 under the arrangements in force at the date of this document.

5. Memorandum of Association

The Memorandum of association of the Company provides that the Company's principal object is to be a holding company.

6. Articles of Association

A summary of the provisions of the Articles of Association of the Company concerning certain of the rights attaching to the Ordinary Shares, is set out below.

(a) *Redemption*

The Company may (subject to certain limitations) issue redeemable shares or purchase its own shares (including any redeemable shares).

(b) *Variations of share rights*

- (i) Subject to the provisions of the Act, the rights attached to any class of shares may be modified, abrogated or varied in such manner (if any) as may be provided by those rights, or with the consent in writing of the holders of three-fourths of the issued shares of that class or with the sanction of an extraordinary resolution passed at a general meeting of the holders of the shares of that class.
- (ii) The rights attached to any class of shares shall not (unless otherwise provided) be deemed to be varied by an issue of shares which do not rank in priority to such class of shares or by the purchase or redemption by the Company of any of its shares.

(c) *Share certificates*

- (i) Every member shall be entitled to one certificate for all the shares registered in his name, or a separate certificate for each class of shares so registered.

- (ii) These certificates shall be issued free of charge, and new certificates shall also be issued without payment to replace any certificate which is defaced, worn out, lost or destroyed.
- (d) *Uncertificated Shares*
- The Directors may (subject to certain restrictions) arrange for any class of share to become a participating security for the purposes of the Uncertificated Securities Regulations 1995. Shares of that class may then be issued by the Company in uncertificated form.
- (e) *Transfers of shares*
- (i) All transfers of shares in certificated form must be in writing in the usual form or any other form permitted by the Stock Transfer Act 1963 or approved by the Directors. The instrument of transfer must be signed by or on behalf of the transferor and, if the shares being transferred are not fully paid, by or on behalf of the transferee.
 - (ii) Subject to the Statutes (as defined in the Articles) and the Articles, members may transfer uncertificated shares by means of the relevant system (as defined in the Articles).
- (f) *Registration of transfers of shares*
- (i) Subject to the Statutes, the Directors may in their absolute discretion and without assigning any reason therefor refuse to register any transfer of a share which is not a fully paid share (provided that such refusal does not prevent dealings in that class of shares taking place on an open and proper basis) and may also refuse to register any transfer of a certificated share unless the duly stamped instrument of transfer, together with such additional evidence of title as the Directors shall reasonably require, is deposited at the Company's offices or such other place as the Directors shall direct.
 - (ii) The Directors may refuse to register a transfer of uncertificated shares in any circumstances permitted by the Uncertificated Securities Regulations 1995.
 - (iii) No more than four persons may be registered as joint holders of any share.
 - (iv) If the Directors refuse to register a transfer of shares they are required to send a notice of such refusal to the transferee within two months of the transfer being received by the Company.
 - (v) The Directors may close the register of transfers for up to thirty days in any year. No fee may be charged for the registration of transfers or other documents or instructions relating to or affecting the title to any shares.
- (g) *Voting*
- (i) A poll may be directed by the Chairman or demanded by, *inter alia*, at least three members present in person or by proxy and entitled to vote or one or more members representing not less than one-tenth of the total voting rights of all members having the right to vote at such meeting.
 - (ii) In all other cases, votes shall be taken on a show of hands and, subject to disenfranchisement in the event of (a) non-payment of calls or other money due and payable in respect of such shares or (b) non-compliance with a statutory notice requiring disclosure as to beneficial ownership and to any special terms as to voting upon which any shares may for the time being be held, every member present in person or (in the case of a corporate member) by representative shall have one vote.
 - (iii) If a vote is taken by poll, every member present in person or by proxy shall have one vote for every share held by him.
 - (iv) In the case of an equality of votes, the Chairman shall have a casting vote in addition to any other vote he may have.
 - (v) Any corporation which is a member may authorise a person to act as its representative at meetings and to exercise any powers that the corporation would exercise if it were an individual member.

- (vi) Any person may be appointed to act as proxy and need not be a member. The instrument appointing a proxy must be deposited not less than 48 hours before the time of the meeting in question.
- (h) *Directors*
- (i) Unless and until the Company in general meeting shall otherwise determine, the number of Directors shall not be less than two nor more than twelve.
 - (ii) The aggregate fees of the Directors for their services in the office of director shall not exceed £150,000 per annum but the Directors may be paid such further sums by way of additional fees as may from time to time be determined by the Company in general meeting. The Directors are entitled to be paid all reasonable expenses incurred in attending meetings of the Directors or general meetings or otherwise in connection with the business of the Company.
 - (iii) Any Director who is appointed to any executive office or who serves on any committee or who otherwise performs services which, in the opinion of the Directors, are outside the scope of the ordinary duties of a Director may be paid, in addition to any remuneration to which he may be entitled (as referred to above) such remuneration (whether by way of salary, percentage of profits or otherwise) as the Directors may determine.
- (i) *Disqualification of Directors*
- The circumstances in which a Director shall be disqualified from office include, *inter alia*, if he becomes bankrupt or insolvent, is convicted of an indictable offence or resigns his office in writing.
- (j) *Rotation of Directors*
- (i) At each AGM of the Company, one third (or the number nearest to one third) of the Directors shall retire from office by rotation together with any additional Directors whose resignation is required in order to ensure that each Director offers himself for re-election at least every three years. The Directors to retire in each year shall be those who have been longest in office since their last election.
 - (ii) The Company may from time to time by ordinary resolution appoint any person to be a Director of the Company, provided the maximum number of twelve is not exceeded. The Directors may also from time to time appoint any person to be a Director of the Company, provided the maximum number of twelve is not exceeded, but any Director so appointed shall hold office only until the next AGM when he shall retire, but shall be eligible for re-election, and any Director who retires under this provision shall not be taken into account in determining the number of Directors who are to retire by rotation at that meeting.
- (k) *Proceedings of Directors*
- Subject to certain exceptions, if a Director has a personal interest in any matter, otherwise than by virtue of his interest in any securities in the Company, he shall not count in the quorum and may not vote on that matter.
- (l) *Borrowing Powers*
- (i) Subject as provided below, the Directors may exercise all the powers of the Company to borrow or raise money and to mortgage or charge all or any part of its undertaking, property and uncalled capital and, subject to section 80 of the Act, to issue debentures and other securities whether outright or as security (principal or collateral) for any debt, liability or obligation of the Company or any third party.

- (ii) The Directors shall restrict the borrowings of the Company and exercise all voting and other rights or powers of control exercisable by the Company in relation to its subsidiaries for the time being (“the subsidiaries”) so as to ensure (but as regards the subsidiaries only in so far as by the exercise of such rights or powers of control the Directors can ensure) that the aggregate amount for the time being remaining outstanding in respect of money borrowed (as such expression is defined in the Articles) or secured by the Company and its subsidiaries (exclusive of intra-group borrowings) shall not without the previous sanction of the Company in general meeting exceed an amount equal to 2.5 times the aggregate of:
 - the amount paid up or credited as paid upon the share capital of the Company; and
 - the amounts standing to the credit of the reserves of the Company and the subsidiaries after certain adjustments as more particularly set out in the Articles.
- (m) *Dividends*
 - (i) Subject to the Statutes and to any special rights attached to any shares issued by the Company in the future, the Shareholders are entitled *pari passu* amongst themselves, but in the proportion to the amounts paid up on the shares held by them, to share in the whole of the profits of the Company paid out as dividends.
 - (ii) The Directors shall decide whether or not a dividend shall be paid to members and in accordance with Statutes may only recommend payment of a dividend if there are profits available for distribution. They shall propose the amount of dividend they consider appropriate in general meeting, and the members shall then declare a dividend of that amount or less. The Directors may also pay interim dividends to the members.
 - (iii) There is no fixed date on which an entitlement to a dividend arises.
 - (iv) A general meeting declaring a dividend may, if the Directors so recommend, direct that such dividend shall be satisfied in whole or in part by the distribution of assets.
- (n) *Winding up*
 - (i) On a winding up of the Company, the assets remaining after payment of the debts and liabilities of the Company and the costs of liquidation shall be applied in repaying to members the amounts paid up on their shares and the balance (if any) shall be distributed amongst such members in proportion to the numbers of shares held by them, subject to the rights of the holders of any shares issued on special conditions.
 - (ii) If authorised by an extraordinary resolution of the Company, assets may be divided among the members in specie or be vested in trustees for the benefit of such members, but so that no member shall be compelled to accept any shares on which there is any liability.

7. Share Option Schemes

Sub-paragraphs (a) and (b) below summarise the principal terms of the Share Option Schemes.

(a) *The Brooks Macdonald Group Enterprise Management Incentive Scheme (“the EMI Scheme”)*

(a) *Operation*

The EMI Scheme is to be operated by the Remuneration Committee (“the Committee”) of the Board. If an employee benefit trust is established by the Company, the EMI Scheme may also be operated by the Trustee of that trust (after considering recommendations from the Committee). The Committee will grant options to subscribe for Ordinary Shares and the Trustee may grant options to purchase Ordinary Shares.

In this summary the term “Grantor” is used to describe the body which grants the options which could be either the Committee or the Trustee depending on the circumstances.

(b) *Tax Status*

Options granted under the EMI Scheme are intended to be qualifying options for the purposes of the Enterprise Management Incentive legislation in Schedule 5 to the Income Tax (Earnings and Pensions) Act 2003 (“the Act”). The maximum aggregate market value of the Ordinary Shares which may be made subject to a qualifying option granted to any individual is £100,000. Options granted in excess of this limit would, in respect of the excess, not be qualifying options under the EMI Scheme but they would be valid as long as they were within the other limits imposed under the EMI Scheme.

(c) *Grant of options*

(i) *Eligibility*

Participation in the EMI Scheme is limited to “eligible employees” selected by the Grantor. To qualify as an eligible employee, the employee must spend at least 25 hours a week working for the Company or a qualifying subsidiary. If their hours are shorter than this, they must spend at least 75 per cent. of their working time working as an employee for the Company or a qualifying subsidiary. Employees who are within 6 months of retirement will not be eligible to be granted an option under the EMI Scheme.

(ii) *When options may be granted*

Initially options may be granted by the Grantor during a period commencing on, and ending 42 days after, the adoption date of the EMI Scheme. After this initial grant period options may be granted within the period of 42 days after the announcement of the Company’s results for any period or any change in the applicable tax legislation. Where the Grantor is prevented from granting options due to restrictions imposed by legislation or by some other authority, options may be granted within 21 days after the lifting of such restrictions. Options may also be granted outside these periods in circumstances which the Grantor considers exceptional.

No options may be granted more than 10 years after the Company adopts the EMI Scheme.

(iii) *Option exercise price*

The price at which optionholders may acquire Ordinary Shares on the exercise of their Options will be determined by the Grantor at the time of grant and on or after Admission must be not be less than the higher of: (a) the nominal value of an Ordinary Share; and (b) the market value of an Ordinary Share. This market value will need to be agreed with the Inland Revenue unless the Company is listed on the London Stock Exchange in which case it will be the middle market quotation of an Ordinary Share as derived from the Official List for the dealing day immediately preceding the date of grant. Options granted prior to Admission will have an exercise price equal to the Placing Price, as long as that is higher than the nominal value of an Ordinary Share;

No payment is required from the grantee for the grant of an option.

(iv) *Individual limits*

At any one time, the qualifying Options which any optionholder may hold under the EMI Scheme must be limited to Ordinary Shares with a market value (calculated at the date of grant of each option) that does not exceed £100,000. Options granted under Inland Revenue approved company share option plans also count towards this limit.

Prior to the grant of an Option, the Committee may determine (and notify the Grantor of) any maximum limit on the aggregate amount payable by the optionholder on the exercise of any option granted to the optionholder during any financial year of the Company such amount to be determined taking account of market practice.

It is intended that this amount should normally be an amount equal to the optionholder's annual salary but the Committee may determine that it should be a higher amount, e.g. where recruitment or retention of a key employee makes it desirable.

(d) *EMI Scheme limits*

The number of issued Ordinary Shares over which options may be granted under the EMI Scheme will be limited as follows:

(i) *All employee share schemes*

The aggregate number of Ordinary Shares which may be issued pursuant to options granted in the ten year period prior to a proposed date of grant under the EMI Scheme and any other employee share scheme approved by the Company in general meeting may not exceed 10 per cent. of the issued ordinary share capital of the Company at the proposed date of grant.

(ii) *Executive share option schemes*

The aggregate number of Ordinary Shares which may be issued pursuant to options granted in the ten year period prior to a proposed date of grant under the EMI Scheme and any other executive-style share option scheme approved by the Company in general meeting may not exceed 5 per cent. of the issued ordinary share capital of the Company at the proposed date of grant.

The limits set out in (i) and (ii) above do not apply to any options granted before the date of Admission nor to any options granted by the Trustee unless the Trustee has subscribed for Ordinary Shares after the date of Admission in order to satisfy the relevant option.

(iii) *Qualifying Options*

The total market value of all options which qualify as Enterprise Management Incentive options under the Act which may exist at any one time cannot exceed £3 million. This limit is derived from Schedule 5 to the Act and will vary in line with any amendments made to the Act. An option may validly be granted under the EMI Scheme in excess of that limit, but will not be a qualifying option to the extent that the limit is exceeded.

(e) *Performance conditions*

Options granted under the EMI Scheme may be subject to performance conditions set by the Grantor. The performance condition which the Committee proposes should be imposed on the initial grant of options is that the growth in the Company's earnings per share should beat the growth in the Retail Prices Index by 2 per cent. per annum over a three year period. There will be a single three year period, the base point of which will be the earnings per share for the financial year prior to the date of grant. If the target has not been achieved by the end of that period the option will lapse.

The Grantor has power to vary any performance condition after the option has been granted if, because of a change in circumstances, it considers the condition to have become unfair or impractical.

(f) *Exercise of options*

An option will normally be exercisable between three and ten years from the date of grant. If an optionholder ceases to be an employee or director of a group company, any outstanding option granted to him under the EMI Scheme will lapse subject to the limited exercise periods referred to below.

If an optionholder ceases to be an employee or director of a group company by reason of: death; injury or disability; redundancy; retirement at or after 60; his employing company leaving the Group; or his employment being transferred out of the Group, his option will be exercisable within a limited period, subject to satisfaction of the performance conditions. If for some other reason an optionholder ceases to be an employee or director of a company participating in the EMI Scheme, the Grantor will retain a discretion to allow that optionholder to exercise his options within a limited period.

Options will also be exercisable within a limited period in the event of a takeover of the Company; its reconstruction or amalgamation with another company by virtue of a compromise or arrangement sanctioned by the court (a “Section 425 Scheme”); or the voluntary winding up of the Company subject to satisfaction of the performance conditions and to prorating if the exercise is before the end of the normal performance measurement period. Alternatively the optionholder may be allowed to roll over his Options to become options over the acquiring company’s shares.

(g) *Variation of share capital*

In the event of any increase or variation in the share capital of the Company (whether by way of capitalisation, rights issue, sub-division or consolidation of the Ordinary Shares), the exercise price under each subsisting option and/or the number and nominal value of Ordinary Shares comprised in the option may be adjusted by the Committee in such manner as it decides is fair and reasonable. Adjustment to options granted by the Trustee must be approved by the Trustee.

(h) *Rights attaching to shares*

Any Ordinary Shares allotted pursuant to the exercise of an option will rank equally in all respects with the other Ordinary Shares in issue on the date of allotment.

(i) *Amendments to the EMI Scheme*

The Committee may amend the EMI Scheme in any way it thinks fit save that no amendment may be made which would adversely affect the subsisting rights of optionholders, without the consent of the optionholder whose rights would be adversely affected by the amendment, unless it is required by law.

Certain provisions of the EMI Scheme dealing with eligibility and the basis for determining an optionholder’s entitlements under the EMI Scheme cannot be altered to the advantage of optionholders without the prior sanction of the Company in general meeting, except in the case of minor amendments to benefit the administration of the EMI Scheme to take account of any change to legislation, or to obtain favourable tax, exchange control, or regulatory treatment for optionholders or any Group company. The rules of the EMI Scheme cannot be altered to increase the limits without the prior approval of the Company in general meeting.

The EMI Scheme may be amended to allow it to be operated outside the United Kingdom taking account of overseas legal, taxation and securities laws.

(j) *General*

The Company will at all times keep available sufficient authorised and unissued Ordinary Shares or Treasury Shares to satisfy the exercise of all options granted under the EMI Scheme taking into account arrangements for such options to be satisfied with issued shares.

An option will be personal to the optionholder and may not be assigned, charged, transferred or otherwise disposed of except as provided under the rules of the EMI Scheme.

No optionholder will be entitled, on the termination of their employment with a member of the Group, to any compensation for the loss of any rights under the EMI Scheme.

Benefits under the EMI Scheme will not be pensionable.

(k) *Initial grant of options*

It is intended to grant options under the EMI Scheme over a total of 192,000 Ordinary Shares (representing approximately 2 per cent. of the issued ordinary share capital of the Company on Admission) to 26 employees, including Simon Jackson, before the date of Admission at the Placing Price.

(b) *The Brooks Macdonald Group Sharesave Scheme (“the Sharesave Scheme”)*

(a) *Operation*

The Sharesave Scheme is to be operated by the Board. If an employee benefit trust is established by the Company, the Sharesave Scheme may also be operated by the Trustee of that trust (after considering recommendations from the Board). The Board will grant options to subscribe for Ordinary Shares and the Trustee may grant options to purchase Ordinary Shares.

In this summary the term “Grantor” is used to describe the body which grants the options which could be either the Board or the Trustee depending on the circumstances.

(b) *Inland Revenue approval*

The Sharesave Scheme has been designed to qualify for approval by the Inland Revenue under the Act. Inland Revenue approval will be obtained prior to the grant of any options under the Sharesave Scheme.

(c) *Eligibility*

All employees who have worked for a company in the Group for a continuous period of time (not exceeding 5 years) determined by the Grantor are eligible to participate in the Sharesave Scheme. The Grantor has a discretion to invite employees who do not satisfy these conditions to participate in any grant of options. No director or employee may participate in the Sharesave Scheme if he has a material interest in the Company (being an interest in 25 per cent. or more of the Company’s share capital, if the Company is a close company).

(d) *Option Exercise Price*

The exercise price of an option is determined by the Grantor prior to invitations being sent to all eligible employees. The exercise price must not be less than the nominal value of an Ordinary Share (if it is an option to subscribe for Ordinary Shares) or 80 per cent. of the market value of an Ordinary Share. This market value will need to be agreed with the Inland Revenue unless the Company is listed on the London Stock Exchange in which case it will be the middle market quotation of an ordinary share on the London Stock Exchange on the last dealing day preceding the issue of invitations under the Sharesave Scheme. The percentage varies in line with changes in the applicable legislation.

(e) *Issue of invitations and grant of options*

The Grantor may issue invitations during the period of 42 days following the obtaining of Inland Revenue approval of the Sharesave Scheme. Thereafter invitations may be issued within 42 days after the announcement of the results of the Company for any period or any change in the applicable tax legislation. In exceptional circumstances the Grantor may issue invitations outside these periods.

On receipt of an invitation participants may apply for the grant of an option by entering into a savings contract to save a monthly amount which may not be less than the minimum specified in the savings contract (currently £5) and may not exceed £250. The Grantor may fix a higher minimum than £5 per month, but it may not make that minimum higher than £10 per month. The limit of £250 per month may increase in line with changes in the applicable legislation. Applications must be received within a specified period and if the Grantor receives applications for options over more shares than are available, applications may be scaled down. On receipt of the applications (after scaling down, if applicable) options are granted to participants by the Grantor.

(f) *Sharesave Scheme Limits*

The aggregate number of Ordinary Shares which may be issued pursuant to options granted in the ten year period prior to a proposed date of grant under the Sharesave Scheme and any other employee share scheme approved by the Company in general meeting may not exceed 10 per cent. of the issued ordinary share capital of the Company at the proposed date of grant.

The limit set out in this paragraph does not apply to any options granted before the date of Admission nor to any options granted by the Trustee unless the Trustee has subscribed for Ordinary Shares after the date of Admission in order to satisfy the relevant option.

(g) *Exercise of options*

Options may be exercised in the six month period following the maturity date of the related savings contract which may be the third, fifth or the seventh anniversary of the commencement of the contract.

If the optionholder ceases employment or to hold office by reason of injury, disability, redundancy, retirement at age 60 or such other age at which he is bound to retire, because his employing company ceases to be a member of the Group or because the business by which he is employed is transferred out of the Group, his options may be exercised within six months of cessation. Any option not exercised within that six month period will lapse.

If an optionholder dies before the option becomes exercisable, his option may be exercised within twelve months of his death by his personal representatives. If he dies after his option becomes exercisable the option may be exercised within twelve months after the bonus date under his savings contract by his personal representatives. Any option not exercised within that twelve month period will lapse.

If an optionholder ceases employment more than three years after the date of the grant, the option may be exercised within six months of cessation. Any option not exercised within that six month period will lapse.

An optionholder may (but need not) exercise his option on reaching age 60, even if he does not retire then.

If the optionholder ceases employment in other circumstances then the option will lapse.

Options are also exercisable within limited periods if the Company is taken over or is wound up or if there is a scheme of reconstruction. Alternatively the optionholder may be allowed to roll over his Options to become options over the acquiring company's shares.

(h) *Variation of share capital*

On a variation of the Company's share capital by way of capitalisation or rights issue, sub-division, consolidation or a reduction, the exercise price and the number of shares comprised in an option can be varied at the discretion of the Board subject to prior Inland Revenue approval. Adjustments to options granted by the Trustee must be approved by the Trustee.

(i) *Amendments to the Sharesave Scheme*

The Board will have power to administer, interpret and amend the Sharesave Scheme.

Certain provisions of the Sharesave Scheme dealing with eligibility and the basis for determining an optionholder's entitlements under the Sharesave Scheme cannot be altered to the advantage of optionholders without the prior sanction of the Company in general meeting, except in the case of minor amendments to benefit the administration of the Sharesave Scheme to take account of any change to legislation, or to obtain favourable tax, exchange control, or regulatory treatment for optionholders or any Group company. The rules of the Sharesave scheme cannot be altered to increase the limits without prior approval of the Company in general meeting.

The prior approval of the Inland Revenue will also be required to the amendment of key features of the Sharesave Scheme.

The Sharesave Scheme may be amended to allow it to be operated outside the United Kingdom taking account of overseas legal, taxation and securities laws.

(j) *General*

Ordinary Shares allotted on the exercise of options rank *pari passu* with ordinary shares in issue at the date of allotment.

The Company must have sufficient available unissued Ordinary Shares or Treasury Shares to meet the exercise of options, taking into account any arrangements for such options to be satisfied with issued shares.

Options may not be transferred or charged and if an optionholder attempts to do so his options will lapse immediately.

If an optionholder ceases employment he will not be entitled to compensation for the loss of his options.

Benefits under the Sharesave Scheme will not be pensionable.

This is a summary of the main features of the Share Option Schemes but does not form part of them and should not be taken as affecting their interpretation.

8. Material contracts

The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by the Company since its incorporation and are, or may be, material, and there are no other contracts entered into by the Company which include an obligation or entitlement which is material to the Company at the date of this document.

- (a) A Placing Agreement dated 2 March 2005 between the Company, the Directors, the Selling Shareholders and Collins Stewart under which Collins Stewart has conditionally agreed (i) to provide advice and services to the Company in connection with Admission and (ii) as agent for the Company in relation to the New Ordinary Shares and as agent for the Selling Shareholders in relation to the Sale Shares, to use its reasonable endeavours to procure places at the Placing Price for up to 1,250,000 New Ordinary Shares and up to 1,709,800 Sale Shares. In consideration for its services Collins Stewart will, conditional upon Admission, (i) be paid an advisory fee of £200,000 by the Company and (ii) be paid by the Company and the Selling Shareholders (in proportion to the number of Ordinary Shares placed on behalf of each of them) a commission equal to 4 per cent. of the aggregate proceeds for all Ordinary Shares which are actually placed pursuant to the Placing (excluding any Ordinary Shares which are placed with existing clients of Asset Management).

Collins Stewart will also have the benefit of certain warranties and an indemnity from the Company and the Executive Directors. The Executive Directors and the other Selling Shareholders have also agreed not to dispose of their Ordinary Shares (and to use all reasonable endeavours to procure that their connected persons will not dispose of their Ordinary Shares) (other than pursuant to the Placing) prior to the preliminary announcement of the results of the Company for its financial year ending 30 June 2006, except in certain limited circumstances, and to give an orderly market undertaking for the 6 months following the end of the lock-in arrangements. These lock-in arrangements do not apply to the 113,600 Ordinary Shares in total which are held on behalf of certain of the Executive Directors and other Selling Shareholders through a pension scheme.

- (b) A Nominated Adviser Agreement dated 2 March 2005 between the Company, the Executive Directors and Collins Stewart under which Collins Stewart has agreed, *inter alia*, to act as the Company's nominated adviser as required by the AiM Rules. Collins Stewart has agreed to provide such advice and guidance to the Company to ensure compliance by the Company on an on-going basis with the AiM Rules as the Directors may reasonably request from time to time.

Collins Stewart will receive an annual fee of £15,000 (plus VAT) for its services, payable half-yearly in advance. The Company has also given certain undertakings and indemnities to Collins Stewart in connection with its appointment as Nominated Adviser. This agreement is terminable by either Collins Stewart or the Company on one month's notice.

- (c) A Nominated Broker Agreement dated 2 March 2005 between the Company, the Executive Directors and Collins Stewart under which Collins Stewart has agreed to act as the Company's broker on an on-going basis.

Collins Stewart will receive an annual fee of £15,000 (plus VAT) for its services, payable half-yearly in advance. The Company has also given certain undertakings and indemnities to Collins Stewart in connection with its appointment as broker. This agreement is terminable by Collins Stewart or the Company on one month's notice.

9. Working Capital

The Directors are of the opinion that, having made due and careful enquiry, the working capital available to the Group will be sufficient for its present requirements, that is for at least the next twelve months from the date of Admission.

10. Litigation

There are no legal or arbitration proceedings, active, pending or threatened against, or being brought by, the Company or any of its subsidiaries which are having or may have a significant effect on the Group's financial position.

11. Taxation

The following summary is only intended as a general guide to certain aspects of United Kingdom tax law and what is understood to be Inland Revenue practice applicable at the date of this document. It is addressed to potential Shareholders who are resident or ordinarily resident in the United Kingdom holding Ordinary Shares as an investment and who are the beneficial owners of such Ordinary Shares, and not to special classes of potential Shareholders such as insurance companies and dealers in securities. Its applicability will depend upon the particular circumstances of prospective Shareholders.

Potential Shareholders who are in any doubt as to their tax position or who may be subject to tax in a jurisdiction other than the United Kingdom should consult an appropriate professional adviser.

(a) *Taxation of dividends*

Under current United Kingdom taxation legislation the Company is not required to withhold tax from dividend payments.

(i) *Individual Shareholders*

Individual Shareholders who are resident in the United Kingdom for tax purposes and who receive dividends paid by the Company, will be entitled to a tax credit. The amount of the tax credit is currently one ninth of the cash dividend or 10 per cent. of the aggregate of the cash dividend and the associated tax credit.

Such individual Shareholders will be liable to income tax on an amount of income equal to the aggregate of the dividend and the associated tax credit. This amount of income is treated as the top slice of an individual's income and, depending upon the individual's circumstances, the individual will be subject to income tax at the Schedule F ordinary rate (currently 10 per cent.) to the extent that such income is below the then threshold for higher rate tax or the Schedule F upper rate (currently 32.5 per cent.) to the extent that such income is above the threshold. The tax credit will be offset against the individual's total income tax liability. As a result, an individual Shareholder who, after taking into account such dividend income, is subject to United Kingdom income tax only at the starting or the basic rate will have no further liability to income tax. Higher rate taxpayers will have an additional tax liability of an amount equal to 22.5 per cent. of the aggregate of the cash dividend and the associated tax credit (which is equal to 25 per cent. of the cash dividend received).

United Kingdom resident Shareholders whose income tax liability is less than the tax credit are not entitled to claim a repayment of all or part of the tax credit associated with dividends paid by the Company. The amount of the tax credit in respect of a dividend paid which constitutes income of a pension fund, life assurance company or charity will not be repaid.

(ii) *Corporate Shareholders*

United Kingdom resident corporate Shareholders will not generally be liable to United Kingdom corporation tax on any dividends received from the Company. Such Shareholders will not be able to claim payment of the tax credit attaching to any such dividend.

(iii) *Non-United Kingdom resident Shareholders*

Shareholders who are not resident in the United Kingdom or who are subject to tax in a jurisdiction outside the United Kingdom should consult their own tax advisers concerning their liability to tax on dividends received from the Company.

(b) *Chargeable gains*

A disposal of Ordinary Shares by a Shareholder resident or ordinarily resident for tax purposes in the United Kingdom or by a Shareholder who carries on a trade, profession or vocation in the United Kingdom through a branch or agency (or, in the case of a non-resident company, a permanent establishment) and who has used, held or acquired the Ordinary Shares for the purposes of such trade, profession or vocation or such branch or agency or permanent establishment may, depending on the Shareholder's circumstances, and subject to any available exemptions or reliefs, give rise to a chargeable gain or an allowable loss for the purposes of United Kingdom tax on chargeable gains. Special rules apply to individuals at a time when they are temporarily not resident or ordinarily resident in the United Kingdom.

Individuals, personal representatives and trustees may be entitled to taper relief, which will serve to reduce the chargeable gain. Companies are not entitled to taper relief, but are due indexation allowance, which may also reduce the chargeable gain.

A United Kingdom resident Shareholder who holds Ordinary Shares in a PEP or ISA will be exempt from capital gains tax on gains accruing to him on a disposal or deemed disposal of those Ordinary Shares.

(c) *Stamp duty and stamp duty reserve tax ("SDRT")*

The following statements are intended as a general guide to the position under current United Kingdom tax law and Inland Revenue practice. They do not apply to certain categories of persons such as market makers, dealers, brokers, intermediaries and persons (or nominees for persons) who issue depositary receipts or operate clearance services to whom special rules apply.

(i) *Issue of Ordinary Shares*

The allotment and issue of Ordinary Shares by the Company pursuant to the Placing will not give rise to a charge to stamp duty or SDRT.

(ii) *Transfer of Ordinary Shares within CREST*

Agreements to transfer Ordinary Shares within CREST (where there is a change in the beneficial ownership of Ordinary Shares) will attract SDRT normally at the rate of 0.5 per cent. of the amount or value of the consideration paid. In the case of an unconditional agreement to transfer such Ordinary Shares within CREST, the charge to SDRT arises on the date of the agreement. In the case of a conditional agreement, the charge to SDRT arises on the date the agreement becomes unconditional.

There is no additional stamp duty or SDRT liability where Ordinary Shares are taken out of CREST (otherwise than pursuant to a transfer on sale), and there is no additional stamp duty or SDRT liability if Ordinary Shares are deposited in CREST for conversion into uncertificated form (otherwise than pursuant to a transfer on sale or in contemplation of such sale).

(iii) *Transfer of Ordinary Shares outside CREST*

Transfers of Ordinary Shares outside CREST will be liable to ad valorem stamp duty normally at the rate of 0.5 per cent. of the amount or value of the consideration. A charge to SDRT, normally at the rate of 0.5 per cent. of the consideration, arises, in the case of an unconditional agreement to transfer shares outside CREST, on the date of the agreement, and in the case of a conditional agreement, the date the agreement becomes unconditional. The SDRT is payable on the seventh day of the month following the month in which the charge arises. However, where an instrument of transfer is executed and duly stamped before the expiry of a period of six years beginning with the date of that agreement (or, if the agreement is conditional, the date on which the condition is satisfied), the SDRT charge is cancelled to the extent that the SDRT has not been paid and, if any of the SDRT has been paid, a claim may be made for its repayment, generally with interest.

Stamp duty and SDRT are normally the liability of the purchaser. Liability to stamp duty or SDRT will be rounded up to the nearest multiple of £5.

(iv) *Sale of Sale Shares by Selling Shareholders*

The sale of the Sale Shares by the Selling Shareholders as part of the Placing will give rise to a liability to stamp duty and/or SDRT as explained above. Under the terms of the Placing Agreement, the Selling Shareholders (as defined therein) have agreed to meet the liability to stamp duty of original purchasers of the Sale Shares (as defined therein) which will arise on such initial sale to the extent that such liability does not exceed 0.5 per cent. of the consideration. The Selling Shareholders will alternatively meet any liability to SDRT of the original purchasers arising in respect of the initial transfer of the Sale Shares by the Selling Shareholders within the CREST system to the extent that such liability does not exceed 0.5 per cent. of the consideration.

(v) *Employee Shareholders*

Special rules apply to Shareholders who are also employees of the Company or a connected company. These rules are complex, and broadly can have the effect of taxing a gain on disposal of Ordinary Shares as income, rather than under the (generally more favourable) capital gains tax regime.

(vi) *Inheritance Tax*

A gift of Ordinary Shares on the death of a Shareholder or during his lifetime may give rise to a liability to UK inheritance tax. For these purposes, a transfer of assets at less than market value may be treated as a gift.

12. Premises

The Group's principal establishment (which is leasehold and is used as offices) is as follows:

<i>Property</i>	<i>Tenure</i>	<i>Lease expiry date</i>	<i>Annual Rent*</i>	<i>Approx square footage</i>
111/113 Park Street, London W1K 7JL	Leasehold	5 June 2015 (with tenant break right at 28 September 2011 on 6 months' notice)	£330,000	10,718

* The December 2004 rent review has not yet been implemented by landlord.

13. General

- (a) There are no patents or other intellectual property rights, licences or particular contracts which are of fundamental importance to the Company's business.
- (b) The Ordinary Shares may be issued in certificated form or uncertificated form and settled through CREST. Temporary documents of title will not be issued.

- (c) The Placing Price of 140 pence per Ordinary Share represents a premium of 139 pence over the nominal value of each Ordinary Share. No Ordinary Shares available under the Placing are being underwritten.
- (d) The estimated expenses of Admission and effecting the Placing which are payable by the Company are approximately £675,000, including the estimated placing commission payable to Collins Stewart by the Company as referred to in paragraph 8(a) above and including any irrecoverable VAT to be paid by the Company. Accordingly, assuming that the Placing proceeds for the New Ordinary Shares (before expenses) are £1.75 million, the net proceeds of the Placing of the New Ordinary Shares will be approximately £1.075 million. The net proceeds will be used for the Group's ongoing working capital purposes.
- (e) Except for fees payable to the professional advisers whose names are set out in the section headed "Directors and Advisers", payments to trade suppliers, and except as set out below, no person has received any fees, securities in the Company or other benefit to a value of £10,000 or more, whether directly or indirectly, from the Company within the 12 months preceding the application for Admission, or has entered into any contractual arrangement to receive from the Company, directly or indirectly, any such fees, securities or other benefit on or after Admission.
- (f) Save as disclosed in this document, there has been no material change in the financial or trading position of the Company since 31 December 2004, the date to which its most recent audited accounts have been drawn up.
- (g) Moore Stephens have given and have not withdrawn their written consent to the issue of this document with the inclusion of their Report as set out in Part III of this document and the references to such Report and to their name in the form and context in which they appear.
- (h) Collins Stewart has given and not withdrawn its written consent to the issue of this document and the references to itself in the form and context in which they appear.

14. Documents available for inspection

Copies of the following documents will be available for inspection during normal business hours on any weekday (Saturdays and public holidays excepted) at the offices of Macfarlanes, 10 Norwich Street, London EC4A 1BD, for a period of one month from the date of this document:

- (a) the Memorandum and Articles of Association of the Company;
- (b) the Accountants' Report set out in Part III of this document;
- (c) the service agreements and letters of appointment referred to in paragraph 4(a) of this Part IV;
- (d) the rules of the Share Option Schemes referred to in paragraph 7 of this Part IV;
- (e) the material contracts referred to in paragraph 8 of this Part IV; and
- (f) the consent letters referred to in paragraphs 13(g) and (h) of this Part IV.

Availability of the Admission Document

Copies of this document are available for collection free of charge from the offices of Macfarlanes, 10 Norwich Street, London, EC4A 1BD, during normal business hours on any weekday (Saturdays and public holidays excepted) from the date of this document until one month from the date of Admission.

2 March 2005.

