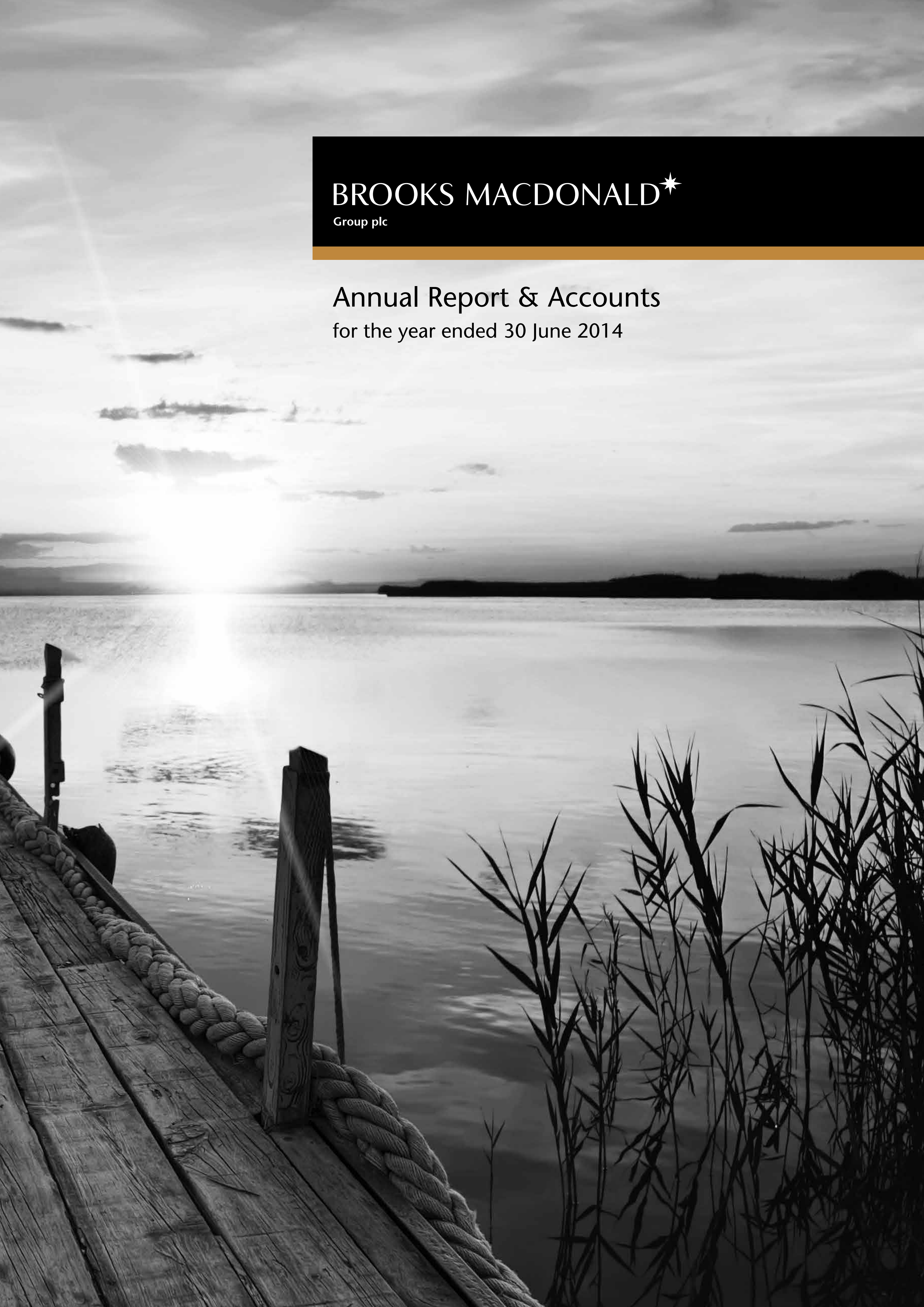
BROOKS MACDONALD

Group plc

Annual Report & Accounts

for the year ended 30 June 2014



Financial highlights

+28%

Discretionary funds under management increased from £5.11 billion to £6.55 billion during the year

+16%

Total dividends per share have increased from 22.5p to 26.0p, including a proposed final dividend of 19.0p per share

+2%

Pre-tax profit for the year was £10.6 million compared to £10.4 million in 2013

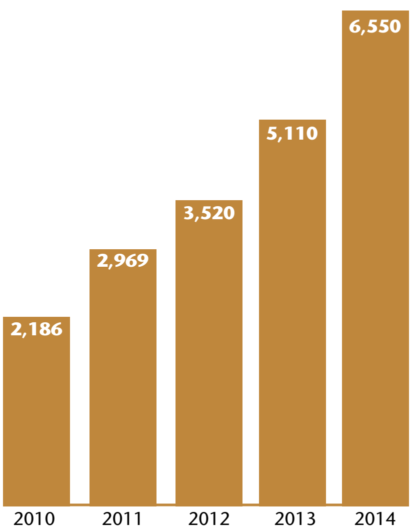
+5%

Basic earnings per share increased from 65.88p to 69.01p

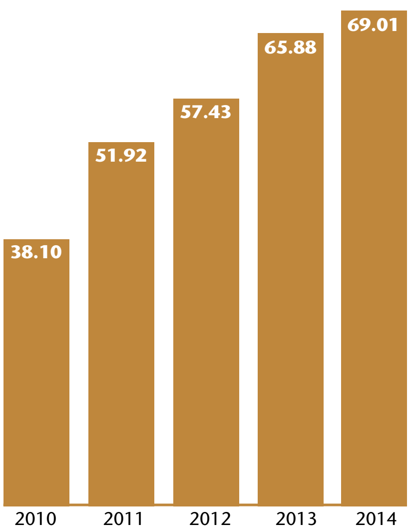
+14%

Post-tax profit for the year attributable to shareholders was £9.1 million compared to £8.0 million in 2013

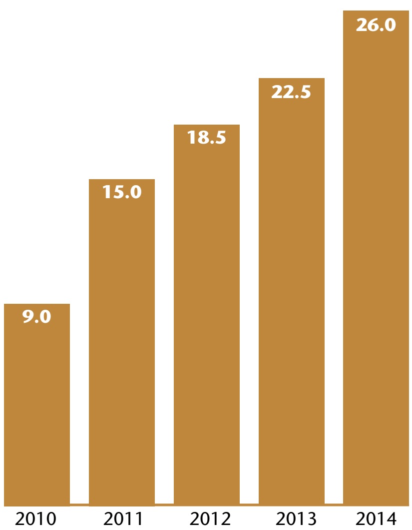
Funds under management (£m)



Earnings per share (p)



Dividend per share (p)



Chairman's statement

Christopher Knight, Chairman

"The strength of our brand and the professionalism of our staff, coupled with the continued investment in the business… enable us to look forward with confidence"

This has been a year of significant change, in which we have made large investments in the Group's future, maintained our profits and grown our discretionary funds under management.

Profit before tax has risen marginally to £10.6m, in line with expectations. Earnings per share have risen to 69.01p.

The board is recommending a final dividend of 19.0p per share which, if approved by shareholders, will result in total dividends for the year of 26.0p. This represents an increase of 16% over the total dividends paid last year of 22.5p per share. The final dividend will be paid on 28 October 2014 to shareholders who are on the register at the close of business on 26 September 2014.

Richard Price joined us as a non-executive director in August. He is a former partner in KPMG and brings us the benefit of his considerable experience and expertise in the financial services industry.

DPZ Capital Limited ('DPZ') became part of the Group in April 2014 and now forms part of Brooks Macdonald International, based in Jersey. This acquisition added £360m of discretionary funds under management and brings further scale and skill sets to our existing offshore offering. After the year end we completed the acquisition of Levitas Investment Management Services Limited ('Levitas'), further expanding our Funds business and also our exposure in the growing field of pensions fund management, largely stemming from the Government's auto enrolment initiative.

Our discretionary funds under management grew strongly over the year and as at 30 June 2014 totalled £6.55bn (2013: £5.11bn), a rise of 28%. Net of the DPZ acquisition this represents a rise of over 21%, compared to the WMA Balanced index that grew by 6.2% over the year.

As well as this increase in discretionary funds under management we also saw growth in all parts of the Group. Advisory assets increased to over £450m (2013: £348m), property assets under administration grew to £1.13bn (2013: £1.04bn) and third party assets under administration grew to £200m (2013: £140m).

In addition to the acquisitions mentioned above the Group has continued to grow organically with a combination of strong new business flow and by providing risk adjusted returns for our clients. We expect to continue to invest in the future of the business – in further development of our IT systems and in our investment and wealth management process. The strength of our brand and the professionalism of our staff, coupled with the continued investment in the business to which I have referred, enable us to look forward with confidence.

Christopher Knight
Chairman

16 September 2014

Chief Executive's review

Chris Macdonald, Chief Executive

"In a year of continued change the Group has made good progress particularly in the growth of our discretionary funds under management"

Introduction

After the considerable changes within the industry in recent years, this has been a year where the business has continued to evolve, we have invested in the future and grown funds under management and administration. We have maintained profits and positioned the Group for a return to profit growth despite increased costs. The growth in funds and changes have only been possible with the hard work and dedication of all our staff. In addition we continue to receive considerable support from professional intermediaries both in and outside the UK and I would like to thank them for the confidence they have shown in the Group.

Funds under management

Our discretionary funds under management rose to over £6.5bn, a rise of over £1.4bn over the year. This represents an increase of 28.2% supported by the DPZ acquisition and investment markets. Investment performance across the Group accounted for 6.5% over the year (£330m), DPZ 7.0% (£360m) and net new business 14.7% (£750m).

We have seen growth in each of our investment services. Our Bespoke Portfolio Service ('BPS') is our core private client offering and is offered on and offshore with the principal source of business being referrals from professional advisers. Our Managed Portfolio Service ('MPS') is available either as a portfolio or as a unit and after a period of margin pressure I am pleased to report that pricing appears to have stabilised. This service has principally been marketed onshore but we will, post the DPZ acquisition, be marketing this to professional intermediaries offshore. Clients include private individuals, trusts and charities and both our MPS and BPS offerings are benefiting from the increasing popularity of Self-invested Personal Pensions (SIPPs) and other money purchase pension arrangements.

Our Funds business has grown to £518m in funds under management (2013: £390m) and continues to gain momentum.

We are now also managing over £1.1bn of discretionary assets offshore including the recently acquired DPZ funds. This has grown net of the acquisition by over £180m over the last financial year. In addition we have over £450m of advisory assets, all of which are based offshore.

Braemar Estates, our specialist property manager, continues to grow and now has property assets under management of £1.13bn (2013: £1.04bn).

Our UK Financial Planning income grew by 65% to £3.8m (2013: £2.3m).

Industry background

Eighteen months after the introduction of the Retail Distribution Review ('RDR') in the UK, it is worth commenting on the changes that the wealth management industry has undergone. The legislation was introduced, amongst other things, to improve transparency, the stability of financial institutions and competition for clients. We were and remain supportive of these objectives but RDR has led to significant industry changes. We have had to invest heavily in systems, reissue application forms to all our clients and change the pricing of our MPS proposition. The costs of regulation have risen very significantly but we have embraced these changes and are now positioned to continue to grow the business in the new regulatory environment.

Chief Executive's review

Strategies for growth

We continue to focus on our core strategies for growth: organic, service and performance development and on-going investment in the business.

Our organic growth revolves around working with professional intermediaries, principally financial advisers, trust companies, and private client legal and accountancy practices. This remains a critical area for growth for the business and I am pleased to report that we now work with more than 670 professional intermediary firms covering Asset Management on and offshore, Funds and Financial Consulting. Over the last year we have also expanded our reach with professional intermediaries offshore and this will remain an area of focus during 2014 and beyond.

In addition we continue to grow our brand, recruit high quality staff and invest in our trainee programme. We have in the last year made several senior appointments including our Head of Investment Services (David Lewis-Irlam) and Head of Group Governance (Simon Broomfield) and seven new trainee appointments as well as six trainees qualifying. We now have over 80 investment managers, 30 consultants and 17 trainees.

Organic growth has been geographically well spread. With the opening of our office in Leamington Spa last year (and openings in York and Taunton in recent years) we now have a much stronger regional footprint across the UK. This allows us to provide a strong local service as well as providing a nationwide service where needed by larger firms of professional intermediaries. Linked to this is where we work closely with a number of strategic partners and I am pleased that we now have 15 (2013: 12) Strategic Alliances (which refer significant amounts of business into our discretionary offering).

We continually look to improve our service offering and performance development. Over the last year we have entered into a new partnership (North Row Capital LLP) and as result launched the IFSL North Row Liquid Property Fund; we have enabled our AIM investment service to be distributed via professional intermediaries; we are launching our offshore MPS proposition; we continue to invest in risk monitoring tools for investment portfolios and to expand our research capabilities. Investment performance for our clients remains strong, particularly for low, low-to-medium and medium risk client mandates, in which the vast majority of our clients sit. We also believe the opportunity for SIPPs and the management of pension funds to be another opportunity for the Group and this remains an area of focus onshore.

We made two acquisitions during the year. We completed the acquisition of DPZ in April and its integration into Brooks Macdonald International ('BMI') continues apace. As well as adding scale to our international presence DPZ bring specific MPS and fixed interest skill sets. I would like to take this opportunity to thank the teams in BMI and DPZ for all their hard work in making this happen.

At the end of July (post the year end) we completed the acquisition of Levitas pursuant to the purchase of the option in December 2013. Levitas has two risk-rated funds specifically designed for the employee benefits market. At the time of completion Levitas funds totalled £89.4m and this dovetails with our belief in the significant opportunity around auto enrolment and the growth of personal pension provision.

We have continued to be recognised externally with a series of awards over the last year and as a people business I was delighted that we were again recognised as being in the Sunday Times Top 100 Medium Sized Companies to Work For. I am pleased to report that the Group has been identified as the only discretionary fund manager to achieve the highest level of Defaqto (an independent, financial research company in the UK) Star and Diamond Rating in all four categories of discretionary management (MPS, Bespoke, Funds and Platforms).

Summary and outlook

The amount of change in the financial services industry has not slowed down and we have been quick to adapt where necessary. This has required investment of both capital and a huge amount of hard work for all members of staff. In a year of continued change the Group has made good progress particularly in the growth of our discretionary funds under management.

Markets have been supportive, particularly in the first half of the calendar year and our outlook for investment returns remains cautiously optimistic, balancing economic recovery and the end of quantitative easing against the potential rise in UK interest rates. We will continue to invest in systems development and remain optimistic for new business flows. After a year of flat profits we expect to return to profit growth. New business has started the year well and the Board remains confident for the future of the Group.

Chris Macdonald
Chief Executive

16 September 2014

Strategic report

Principal activities

The Group is an integrated wealth management group offering a range of fee-based bespoke advice and services principally to private high-net-worth individuals, charities and trusts. The Group offers the services through six principal companies and operates out of ten UK based offices giving broad geographic coverage and two offshore offices in Jersey and Guernsey.

Company	Location	Services	Clients
Brooks Macdonald Asset Management Limited ('BMAM')	London, Hampshire, Manchester, Tunbridge Wells, Edinburgh, Taunton, York and Leamington Spa	Discretionary investment management, custody, nominee and dealing	Private individuals, charities and trusts
Brooks Macdonald Asset Management (International) Limited ('BMI')	Jersey and Guernsey	Discretionary investment management, custody, nominee, dealing, advisory and stockbroking	Private individuals, charities and trusts
Brooks Macdonald Financial Consulting Limited ('BMFC')	London and York	Independent financial advice, personal tax and mortgage services	Private individuals and families
		Employee benefits consultancy	Businesses and their employees
Brooks Macdonald Funds Limited ('BMF')	Hale and London	Manager to a range of regulated OEICs and specialist property and structured return funds	Private individuals, charities and trusts
Braemar Estates (Residential) Limited	Hale	Estate and block property management	Institutions, property fund managers and private individuals
Brooks Macdonald Retirement Services (International) Limited ('BMRSI')	Jersey and Guernsey	Independent financial advice	Private individuals, families, trusts and businesses

Results and cash position

The Group has seen continued revenue growth in the year with an increase of 9% to £69.13m (2013: £63.16m), despite pressure on pricing in some parts of the Group. The Group is also in a period of significant IT investment in order to enhance the services we offer clients and to realise operational efficiencies across the business as a whole. In line with the increasing regulatory requirements of the financial services industry generally we are also investing further in our corporate governance, risk and compliance departments. Statutory pre-tax profits for the year increased marginally to £10.6m (2013: £10.4m) and basic earnings per share increased by 5% to 69.01p (2013: 65.88p).

Cash flow from operating activities as detailed in note 23 increased 4% to £13.7m (2013: £13.2m) and, subject to approval by shareholders at the Annual General Meeting, a final dividend of 19.0p per share will be paid on 28 October 2014 to shareholders on the register at 26 September. This makes total dividends for the year of 26.0p (2013: 22.5p), which is an increase of 16%.

The Group had no borrowings at 30 June 2014 (2013: £nil) and, in a year of considerable investment as detailed in the consolidated statement of cash flows on page 24, closing cash balances were maintained at £18.1m (2013: £18.4m). As disclosed in note 22 there are amounts due within one year of £8.3m in respect of the deferred consideration on the acquisitions of DPZ Capital Limited, JPAM Limited and Brooks Macdonald International. On 31 July 2014 the company exercised its option to acquire Levitas (see note 34) and made the initial payment of £0.7m under the terms of the agreement.

Strategic report

Strategy and outlook

A key part of the strategy for the Group remains to grow the business both organically and through strategic investments to supplement and complement existing parts of the Group. The Group has made the recent acquisition of DPZ Capital Limited (see note 9), a wealth management business based in Jersey and, on 31 July 2014, exercised an option to acquire 100% of the share capital of Levitas Investment Management Services Limited (see note 34). The Group also made an investment in North Row Capital LLP during the year (see note 14), which manages a fund providing investors with liquid exposure to the global real estate market. Each of these transactions has enhanced the range of services and strengthened the offering of the Group.

There has been continued development and investment in the IT systems across the Group together with an increasing cost in relation to our regulatory and compliance responsibilities. These specific cost areas, together with other investments in staff and general infrastructure, have resulted in a year of static profits for the Group, but whilst we will continue to invest in our systems development we expect to return to profits growth next year.

BMAM, BMI and BMF - discretionary investment management

The investment management service principally provides discretionary investment management to private investors, charities and trusts. Despite considerable changes within the industry we have continued to grow funds under management ('FUM') which is one of the main key performance indicators ('KPIs') of the Group. In April 2014 we made the acquisition of DPZ Capital Limited (see note 9) in Jersey, but we have additionally grown FUM organically (including net new business and investment growth) by over £1bn during the year. The detailed movement in FUM over the year is shown below.

BMAM, BMI and BMF	Funds under management (£m)
At 1 July 2013	5,110
Inflows – net new discretionary business*	750
– acquired through DPZ Capital Limited	360
– investment growth	330
At 30 June 2014	**6,550**

Organic growth net of markets	14.7%
Total net growth	28.2%

* Includes clients leaving and capital or income withdrawals of larger than £50,000 for Bespoke Portfolio Service and larger than £20,000 for Managed Portfolio Service

It has been another year of considerable growth for Brooks Macdonald Funds, as part of the increase in the table shown above, with total FUM increasing significantly to £518m (2013: £390m) at 30 June 2014, an increase of 33%. This growth was achieved both organically through the net new investment in the existing seven funds, as well as by the investment in North Row Capital LLP, which manages the IFSL North Row Liquid Property Fund that was launched in February 2014 and has contributed £16m to the year end total of FUM.

A large proportion of the new organic business comes from professional intermediaries with whom we have worked over a number of years. As well as introducing discretionary management funds they also introduce to other parts of the Group and are another KPI. The number of introducing firms has increased to 670 (2013: 544) at 30 June 2014.

BMFC and BMRSI

BMFC, the UK based financial consulting business, had a strong year of growth with revenue increasing by 65% in the year to 30 June 2014 to £3.81m (2013: £2.32m). The business delivers both fee-based financial planning to high-net-worth individuals and employee benefits consultancy to small and medium sized employers throughout the UK. It saw growth across both areas with revenue starting to flow from "auto enrolment" advice resulting from the Pensions Act 2008. BMFC is in a period of investment with additional staff and systems to enable it to take opportunities presented by auto enrolment and the cost of this investment resulted in a loss for the year.

Strategic report

BMRSI had a year of consolidation and is now starting to look at international pension opportunities in a number of jurisdictions and is repositioning the service in Jersey and Guernsey.

Braemar Estates

Braemar Estates has continued its growth in the property management sector winning further mandates and the value of assets under administration as at 30 June 2014 was £1.13bn (2013: £1.04bn), an increase of 9% in the year.

Corporate governance

The principal board committees are the Audit, Remuneration and Risk and Compliance committees, all of which have specific terms of reference which are periodically reviewed and approved by the Board. These terms of reference are available on the Group website.

Audit Committee

The members of the Audit Committee are three of the non-executive directors: Christopher Knight, Colin Harris and, since his appointment on 1 August, Richard Price. On 8 September 2014 Richard Price was appointed Chairman of the committee in succession to Christopher Knight. The board is satisfied that all members of the committee have recent and relevant financial experience.

The committee met five times during the year ended 30 June 2014. As well as being responsible for reviewing the external audit arrangements with regard to compensation, scope and period of office, the committee also considers the accounting policies of the Group and the significant issues and judgements in connection with regulatory financial reporting.

The committee reviews the audit control memorandum and the audit engagement letters and has discussions with the auditor without management present.

Risk and Compliance Committee

The Group's risk management framework is embedded throughout the organisation. Individual business units adhere to documented business processes, which are monitored by the Group's compliance and risk functions. Monitoring output is reported to business managers and identified risks are reported to business-level risk committees. Each risk committee is responsible for reviewing identified risks and implementing procedure reviews and mitigating action as necessary. Business-level risk committees report up to the Risk and Compliance Committee.

The membership of the Risk and Compliance Committee is made up of the Group's four non-executive directors and is chaired by Colin Harris. As necessary, the committee meetings are also attended by senior business managers and relevant key staff including the Chief Executive, Finance Director, other members of the Group Board, heads of various business units and the head of departments for compliance, risk and group governance.

During the year ended 30 June 2014 the committee met on seven occasions. Its principal responsibilities include overseeing the current risk exposures of the Group, reviewing the risk assessment processes, assessing material breaches of risk limits and the adequacy of proposed remedial action and reviewing client complaints.

The Group has made some changes to its governance and risk management functions. The Risk and Compliance department has been divided into two separate departments, which together with the Legal department, reports to a new Head of Group Governance. These changes allow the Compliance, Risk and Legal departments to operate independently of and provide an effective check on each other whilst ensuring efficient communication and appropriate sharing of information between them. Apart from these structural changes, the risk management framework remains broadly the same as for the previous year.

The principal risks assessed by management as having a potential material impact on the Group are detailed below, together with the principal means in which these risks are mitigated.

Financial risks

The Group's principal financial risks relate to credit risk, liquidity risk and market risk and the measures and policies for the management of those risks are set out in note 30 to the consolidated financial statements. Further details on capital management processes can be found in note 31.

Strategic report

Risk and Compliance Committee (continued)

Non-financial risks

The significant non-financial risks faced by Group have been reviewed by the committee, who believe they remain broadly the same as in previous years and are as follows:

Reputational risk

Impact
The Group has a growing reputation as a provider of high quality investment and wealth management services. There is a risk that significant damage to reputation could lead to the loss of existing clients as well as impacting on the ability to gain new clients, which would lead to a fall in financial income. Such risk could arise from events such as poor investment performance, poor client service or regulatory censure.

Mitigation
This risk is minimised by ensuring the Group maintains a culture of high ethical and professional standards whilst focussing on delivering a first class service to all of our clients. The Group maintains separate, independent risk and compliance departments, which ensures conformity with the regulations of the Financial Conduct Authority, as well as relevant statutes, in all of our dealings with our clients.

Regulatory risk

Impact
The sector in which the Group operates is heavily regulated and any breach of regulations could lead to fines or disciplinary action against the Group or its staff.

Mitigation
The Group monitors compliance with existing regulations and any impending changes in regulations in order to assess the impact on the business and to ensure that the Group has sufficient resources to implement any necessary changes.

People risk

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

Mitigation
To minimise this risk, the Group continues to invest in its employees and monitors developments in the marketplace in which it operates to ensure that the Group continues to offer a wide range of services. Recruitment policies are designed to attract high quality staff and the Group regularly reviews and benchmarks its remuneration packages and contractual arrangements in order to retain and motivate staff. The Learning & Development team, as part of Human Resources, provides structured training plans in order to ensure all staff continue to develop their careers within the Group.

Technology risk

Impact
A key part of the high quality service delivered to clients is facilitated by a flexible and robust internal ICT infrastructure.

Mitigation
New ICT projects are regularly reviewed and appraised at board meetings in order to ensure that the Group continues to develop and maintain its ICT capabilities. As well as our regional offices providing back up facilities for our London offices, we have a fully tested disaster recovery plan which would facilitate remote working capabilities.

Strategic report

Risk and Compliance Committee (continued)

Operational risk

Impact
Operational risk is the risk that the Group suffers a loss of business resulting from inadequate or failed internal processes, people and systems or from the failure of outsourcing partners or external suppliers.

Mitigation
Due diligence takes place prior to the commencement of any outsourcing or supply, to maintain a robust procurement process and good contract governance. We have completed a review of key outsourcing partners across the Group and have in place procedures to regularly assess the performance of such suppliers as well identifying suitable and viable alternatives.

Investment performance risk

Impact
There is a risk that portfolios will not meet their investment objectives which could result in the Group suffering loss of business. There is a risk on the suitability of portfolios for clients and where the suitability responsibility lies between a professional introducing the client and the group company.

Mitigation
Portfolio performance, valuations and risk profiles are monitored by management, allowing issues to be identified and mitigated as they arise. The Group has in place BITA Monitor portfolio risk oversight tools to assist with supervising portfolio management. The Group has completed a re-papering exercise for all of its Managed Portfolio Service clients and is well advanced in a similar exercise for all other discretionary clients in order to agree the suitability of their individual portfolios.

Remuneration Committee

The Remuneration Committee comprises Diane Seymour-Williams (Chair), Christopher Knight and Colin Harris. The committee (in consultation with the Chief Executive) determines the specific remuneration packages for each executive director and certain senior executives including base salary, annual bonus, long-term incentives, benefits and terms of employment. The committee is also responsible for setting the broad parameters for the annual base salary review across the Group and reviews all awards made under various long-term incentive schemes operated across the Group.

In response to shareholders' feedback in 2013 the committee has decided that the directors' remuneration report will be subject to a shareholder vote at the Annual General Meeting on 27 October 2014.

Remuneration policy

Brooks Macdonald recognises the importance of its employees to the success of the Group and consequently the remuneration policy is designed to be market competitive in order to attract, retain and motivate high-calibre individuals. External third party data is used to validate rather than to benchmark the total reward.

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

- designed to encourage the retention of staff through deferred variable compensation, where appropriate;
- the need to provide a market competitive balanced package of benefits;
- differentiation by merit and performance;
- an emphasis on variable, performance driven remuneration to bonus payments funded from retained profits;
- consistency with the FCA Remuneration Code and across the Group;
- alignment with shareholders' interests through significant and widespread equity ownership opportunities; and
- clarity, transparency and fairness of process

Strategic report

Remuneration Committee (continued)

Remuneration policy (continued)

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

Basic salary

Basic salary is paid monthly in cash through payroll determined by the committee and any changes are implemented from 1 July each year or when an individual changes position or responsibility. In deciding appropriate levels the committee considers salaries throughout the Group and information on comparable AIM-listed and financial services companies and firms provided by advisers to the committee. The views of the Chief Executive are taken into consideration when setting the salary of other directors.

The base salaries of executive directors were increased on 1 July 2014 by a total of 2.6% compared to an overall average increase for all employees of 3.7%. The non-executive directors' salaries were similarly reviewed and increased on average by 9.3% with the approval of the board to reflect their additional responsibilities and commitments as the Group grows.

Annual profit-related bonus award

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

The total payment to executive directors, including the amounts deferred into shares, represented 10.0% (2013: 10.9%) of Group pre-tax profit.

Awards to individual executive directors are determined by the committee following recommendations from the Chief Executive, taking into account a number of financial and non-financial factors. These are intended to give a broad assessment of the annual performance objectives of each director, including the results of the business, investment performance, net new business, management of risks facing the Group and cost control within each individual's area of responsibility.

The Remuneration Committee has decided that 20% of the bonus awarded will be made in shares deferred for a period of three years under a Long Term Incentive Scheme ('LTIS'). In addition, directors may choose to defer a further amount of any bonus awarded, up to a maximum of 20%, making 40% in total, into shares under the LTIS. The scheme has performance conditions attached to the deferred award, requiring a minimum growth in the diluted earnings per share of the Group of 2% per annum above the increase in the Retail Price Index (RPI) over the three year period.

Benefits

The executive directors receive a range of benefits on a similar basis to other employees of the Group. Benefits available include private healthcare, life assurance, critical illness cover and permanent health insurance as well as interest free season ticket loans as disclosed in note 33 to the consolidated financial statements. The non-executive directors do not receive any benefits except that they are entitled to reclaim for expenses incurred in carrying out the Group's business.

Pension

Executive directors may participate in the pension arrangements of the Group or receive cash in lieu of pension on the same basis as other employees. The Group's contributions are currently 15% of base salary.

Strategic report

Remuneration Committee (continued)

The elements of remuneration packages are summarised below.

Directors' remuneration

	Salary or fee £'000	Profit related bonus - cash £'000	Profit related bonus - deferred shares £'000	Benefits £'000	Total 2014 £'000	Total 2013 £'000	Pension contributions 2014 £'000	Pension contributions 2013 £'000
Chairman								
C J Knight	75	-	-	-	75	60	-	-
Executives								
C A J Macdonald	247	256	64	3	570	581	-	-
N I Holmes	162	160	40	2	364	349	24	24
S J Jackson	167	120	30	3	320	350	18	24
A W Shepherd	167	160	40	2	369	349	18	24
R H Spencer	183	132	33	3	351	346	-	-
S P Wombwell	189	132	33	3	357	377	-	-
J M Gumpel*	-	-	-	-	-	106	-	-
N H Lawes*	-	-	-	-	-	77	-	7
Non-executives								
C R Harris	40	-	-	-	40	38	-	-
D Seymour-Williams	36	-	-	-	36	35	-	-
R Price†	-	-	-	-	-	-		
Total	**1,266**	**960**	**240**	**16**	**2,482**	**2,668**	**60**	**79**

*Resigned 19 October 2012
†Appointed 1 August 2014

Equity incentives

Long Term Incentive Scheme ('LTIS') and Employee Benefit Trust ('EBT')

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

The Remuneration Committee has made additional awards under the LTIS to certain executive directors and other senior employees. The conditional awards are subject to the same performance and other conditions as those applying to the deferred profit-related bonus share options.

Details of the awards granted to the directors of the Company under the terms of the LTIS during the year ended 30 June 2014, in respect of the deferred element of the profit-related bonus for the previous year together with any additional awards, are detailed below. The market value of the Company's shares at the date the awards were made, 1 November 2013, was £14.64.

Strategic report

Remuneration Committee (continued)

Equity incentives (continued)

Long Term Incentive Scheme ('LTIS') and Employee Benefit Trust ('EBT') (continued)

	At 1 July 2013	Profit-related bonus - deferred shares 2014	Additional awards under terms of LTIS 2014	At 30 June 2014	Earliest exercise date
C A J Macdonald	4,112	-	-	4,112	27.10.13
	6,536	-	-	6,536	20.10.14
	5,354	-	-	5,354	25.10.15
	-	4,372		4,372	01.11.16
N I Holmes	2,095	-	-	2,095	27.10.13
	9,886	-	-	9,886	20.10.14
	4,724	-	-	4,724	25.10.15
	-	2,528	-	2,528	01.11.16
S J Jackson	2,715	-	-	2,715	27.10.13
	3,595	-	-	3,595	20.10.14
	4,567	-	-	4,567	25.10.15
	-	2,528	-	2,528	01.11.16
A W Shepherd	2,095	-	-	2,095	27.10.13
	9,804	-	-	9,804	20.10.14
	4,567	-	-	4,567	25.10.15
	-	3,791	-	3,791	01.11.16
R H Spencer	2,405	-	-	2,405	27.10.13
	3,105	-	-	3,105	20.10.14
	2,677	-	-	2,677	25.10.15
	-	2,186	-	2,186	01.11.16
S P Wombwell	11,847	-	-	11,847	20.10.14
	3,780	-	-	3,780	25.10.15
	-	2,528	-	2,528	01.11.16

During the year none of the directors exercised any shares under the LTIS (2013: none). The LTIS options have a £nil exercise price and no expiry date.

Sharesave Scheme

All directors are entitled to take part in the HMRC approved Brooks Macdonald Group Sharesave Scheme on the same terms as all other employees. Annual invitations to participate in the scheme, which commences each year on 1 June, are sent to directors and subject to rules of the scheme various option grants were made for new three-year fixed term contracts as detailed below:

Strategic report

Remuneration Committee (continued)

Equity incentives (continued)

Sharesave Scheme (continued)

	At 1 July 2013	Awarded in the year	Exercised in the year	At 30 June 2014	Exercise price	Earliest exercise date	Expiry date
C A J Macdonald	985	-	(985)	-	916p	01.06.14	30.11.14
	-	649	-	649	1386p	01.06.17	30.11.17
N I Holmes	985	-	(985)	-	916p	01.06.14	30.11.14
	-	1,298	-	1,298	1386p	01.06.17	30.11.17
S J Jackson	985	-	(985)	-	916p	01.06.14	30.11.14
	-	1,298	-	1,298	1386p	01.06.17	30.11.17
A W Shepherd	767	-	-	767	1172p	01.06.16	30.11.16
R H Spencer	985	-	(985)	-	916p	01.06.14	30.11.14
	-	1,298	-	1,298	1386p	01.06.17	30.11.17
S P Wombwell	985	-	(985)	-	916p	01.06.14	30.11.14
	-	1,298	-	1,298	1386p	01.06.17	30.11.17

On the expiry of the 2011 Sharesave Scheme the directors exercised their options as detailed above. The aggregate gain on exercise was £31,000 (2013: £nil). As none of the shares had been sold by 30 June 2014 the aggregate realised gain was £nil (2013: £nil). The Company's share price at the various dates of exercise was between £14.91 and £15.49.

Under the rules of the scheme, Colin Harris, Christopher Knight, Richard Price and Diane Seymour-Williams were not eligible to participate in the Sharesave Scheme and therefore held no options at either the beginning or the end of the year or at the date of their appointment.

Enterprise Management Incentive Scheme ('EMI')

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

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

Options may not normally be exercised before the third anniversary of the date of the grant and expire on the tenth anniversary of the grant. Due to the increase in the size of the Company it is no longer eligible under HMRC rules to grant options under this EMI scheme and the last options were awarded to directors under this scheme on 17 October 2007.

Strategic report

Remuneration Committee (continued)

Equity incentives (continued)

Enterprise Management Incentive Scheme ('EMI') (continued)
The details of the remaining grants under the scheme to directors are shown below:

	At 1 July 2013	Awarded in the year	Exercised in the year	At 30 June 2014	Exercise price	Earliest exercise date	Expiry date
N I Holmes	15,000	-	-	15,000	155.5p	01.11.08	01.11.15
	4,500	-	-	4,500	215.0p	18.10.09	17.10.16
	6,000	-	-	6,000	290.5p	17.10.10	31.10.17
S J Jackson	17,000	-	(17,000)	-	215.0p	18.10.09	17.10.16
	12,500	-	(12,500)	-	290.5p	17.10.10	31.10.17

The aggregate gain during the year from the exercise of the above EMI share options was £427,000 (2013: £301,000). The Company's share price at the exercise date was £16.950 (2013: £12.905).

None of the other directors held any EMI share options at either the beginning or the end of the year or at the date of their appointment.

The average share price during the year was £14.87 (2013: £13.27). Details of the share option schemes are provided in note 21 and note 26 to the consolidated financial statements. The market price at the end of the year was £15.65 (2013: £14.35) and the highest and lowest prices during the year were £18.02 (2013: £14.96) and £11.84 (2013: £11.35) respectively.

Company Share Option Plan ('CSOP')
Following discussions regarding remuneration structures and incentives schemes for senior employees and directors the Company decided to set up a CSOP which was approved by shareholders at the Annual General Meeting on 17 October 2013 and by HMRC on 21 November 2013.

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

Details of the number of options granted to the directors of the Company under the terms of the CSOP during the year ended 30 June 2014, in respect of awards made in the previous financial year, are shown in the table below. The options were granted on 21 November 2013 with an exercise price of £14.52.

	At 1 July 2013	Granted in the year	Exercised in the year	At 30 June 2014	Exercise price
N I Holmes	-	2,067	-	2,067	1,452.0p
S J Jackson	-	2,067	-	2,067	1,452.0p
A W Shepherd	-	2,067	-	2,067	1,452.0p
S P Wombwell	-	2,067	-	2,067	1,452.0p

In the year ended 30 June 2014, a new award with an aggregate market value of £15,000 was made under the CSOP to R H Spencer. The number of options to be granted and the option price for this award will be determined based on the share price at the grant date in October 2014. None of the other directors held any CSOP share options at either the beginning or the end of the year or at the date of their appointment.

Strategic report

Remuneration Committee (continued)

Equity incentives (continued)

Company Share Option Plan ('CSOP') (continued)

Dilution

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

Service contracts for executive directors

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

External appointments

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

Advisers to the Remuneration Committee

During the year the Remuneration Committee have employed professional advisers to assist with the implications of the FCA Remuneration Code and to provide industry specific comparative information regarding compensation and pay packages.

Non-executive directors

Non-executive directors do not have contracts of employment but as with other directors are now required to stand for re-election. The executive directors are responsible for determining the fees of the non-executive directors who do not receive pension or other benefits from the Group and do not participate in any Group incentive schemes.

Report of the directors

The directors present herewith their annual report, together with the audited financial statements of the Group for the year ended 30 June 2014.

Results and dividends

The profit before taxation for the year ended 30 June 2014 was £10,568,000 (2013: £10,398,000) and the profit after taxation was £9,056,000 (2013: £8,030,000).

The Company paid an interim dividend during the year of 7.0p (2013: 6.5p) per share. The directors recommend a final dividend of 19.0p per share (2013: 16.0p). This results in total dividends for the year of 26.0p (2013: 22.5p) per ordinary share. These dividends amount to a total distribution to shareholders of £3,453,000 (2013: £2,938,000).

Directors and their interests

The directors of the company, who were in office during the year and up to the date of signing the financial statements, are listed below together with their beneficial interests in the share capital of the Company.

	At 30 June 2014 Number of shares	At 30 June 2013 Number of shares
Chairman		
C J Knight	71,585	71,585
Executives		
C A J Macdonald	828,874	827,889
N I Holmes	41,495	40,510
S J Jackson	79,534	56,799
A W Shepherd	48,915	51,165
R H Spencer	774,338	773,353
S P Wombwell	89,189	88,204
Non-executives		
C R Harris	6,086	6,086
D Seymour-Williams	5,000	5,000

Details of share options held by the directors at the beginning and the end of the year can be found within the Remuneration Committee report on pages 9 to 15.

Retirement and re-appointment of directors

Richard Price has been appointed as an additional director since the Annual General Meeting in 2013 and accordingly, the company's articles of association require him to retire from office at the forthcoming Annual General Meeting and to offer himself for re-election.

Simon Jackson, Diane Seymour-Williams and Richard Spencer will also retire by rotation at the Annual General Meeting and are eligible to nominate themselves for re-election.

Directors' indemnities

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

Employment policies

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

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

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

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

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

Report of the directors

Employment policies (continued)

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

On 1 February 2014 the Group became eligible for "auto enrolment" under the terms of the Pensions Act 2008 and on commencing employment all eligible employees are now enrolled into the Group pension scheme.

Substantial shareholdings

As at 29 August 2014, the Company had received notification of substantial interests in its shares of 3% or more as follows:

	Number of shares	Percentage holding
Liontrust Asset Management	2,193,606	16.14%
Artemis Fund Managers	1,347,817	9.92%
C A J Macdonald	828,874	6.10%
Hargreave Hale	801,373	5.90%
R H Spencer	774,338	5.70%
Standard Life Investments	749,082	5.51%
J M Gumpel	643,445	4.73%
Kames Capital	611,957	4.50%
Octopus Investments	610,415	4.49%
Spearpoint Holdings	409,218	3.01%

Events since the end of the year

Details of events after the reporting date are set out in note 34 to the consolidated financial statements.

Independent auditors

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

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

Annual General Meeting

The 2014 Annual General Meeting will be held on 27 October 2014 at 111 Park Street, London, W1K 7JL. The notice of the meeting is on pages 69 to 70 with details of the resolutions proposed and explanatory notes on pages 67 to 68.

On behalf of the Board of Directors,

L L Cook
Company Secretary

16 September 2014

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, and the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Company and Group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether IFRSs as adopted by the European Union and applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Group and parent company financial statements respectively;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements comply with the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

The directors consider that the Annual Report & Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess a company's performance, business model and strategy.

Each of the directors, whose names and functions are listed in the report of the directors confirm that, to the best of their knowledge:

- the group financial statements, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- the strategic report and the report of the directors include a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces

Independent auditors' report

to the members of Brooks Macdonald Group plc

Report on the group financial statements

Our opinion

In our opinion the financial statements, defined below:

- give a true and fair view of the state of the Group's affairs as at 30 June 2014 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006

This opinion is to be read in the context of what we say in the remainder of this report.

What we have audited

The group financial statements (the "financial statements"), which are prepared by Brooks Macdonald Group plc, comprise:

- the consolidated statement of financial position as at 30 June 2014;
- the consolidated statement of comprehensive Income for the year then ended;
- the consolidated statement of cash flows for the year then ended;
- the consolidated statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union.

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements

In addition, we read all the financial and non-financial information in the Annual Report & Accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on other matter prescribed by the Companies Act 2006

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

Other matters on which we are required to report by exception

Adequacy of information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion, we have not received all the information and explanations we require for our audit. We have no exceptions to report arising from this responsibility.

Independent auditors' report

to the members of Brooks Macdonald Group plc

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the statement of directors' responsibilities set out on page 18, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

Other matter

We have reported separately on the company financial statements of Brooks Macdonald Group plc for the year ended 30 June 2014.

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

London
16 September 2014

Consolidated statement of comprehensive income

for the year ended 30 June 2014

	Note	2014 £'000	2013 £'000
Revenue	4	69,133	63,159
Administrative costs		(58,207)	(52,661)
Operating profit	**5**	**10,926**	**10,498**
Finance income	7	119	179
Finance costs	7	(349)	(279)
Share of results of joint venture	14	(128)	-
Profit before tax		**10,568**	**10,398**
Taxation	8	(1,512)	(2,368)
Profit for the year attributable to equity holders of the Company		**9,056**	**8,030**
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss			
Revaluation of available for sale financial assets	8	(131)	(9)
Total comprehensive income for the year		**8,925**	**8,021**
Earnings per share*			
Basic	27	69.01p	65.88p
Diluted	27	68.67p	65.28p

*Comparative amounts have been restated to reflect the impact of new shares issued as consideration on the acquisition of DPZ

The accompanying notes on pages 25 to 59 form an integral part of the consolidated financial statements.

Consolidated statement of financial position

as at 30 June 2014

	Note	2014 £'000	2013 £'000
Assets			
Non-current assets			
Intangible assets	11	54,874	44,624
Property, plant and equipment	12	2,971	2,421
Available for sale financial assets	13	2,182	1,582
Investment in joint venture	14	232	-
Deferred tax assets	15	809	858
Total non-current assets		**61,068**	**49,485**
Current assets			
Trade and other receivables	16	21,432	17,773
Financial assets at fair value through profit or loss	17	478	-
Cash and cash equivalents	18	18,056	18,440
Total current assets		**39,966**	**36,213**
Total assets		**101,034**	**85,698**
Liabilities			
Non-current liabilities			
Deferred consideration	19	(2,943)	(5,804)
Deferred tax liabilities	15	(5,117)	(4,498)
Other non-current liabilities	20	(115)	(125)
Total non-current liabilities		**(8,175)**	**(10,427)**
Current liabilities			
Trade and other payables	21	(15,178)	(13,779)
Current tax liabilities		(1,076)	(1,149)
Provisions	22	(9,147)	(2,783)
Total current liabilities		**(25,401)**	**(17,711)**
Net assets		**67,458**	**57,560**
Equity			
Share capital	24	135	133
Share premium account	24	35,147	31,868
Other reserves	25	4,720	3,952
Retained earnings	25	27,456	21,607
Total equity		**67,458**	**57,560**

The consolidated financial statements were approved by the Board of Directors and authorised for issue on 16 September 2014, signed on their behalf by:

C A J Macdonald
Chief Executive

S J Jackson
Finance Director

Company Registration Number 4402058.

The accompanying notes on pages 25 to 59 form an integral part of the consolidated financial statements.

Consolidated statement of changes in equity

for the year ended 30 June 2014

	Share capital £'000	Share premium account £'000	Other reserves £'000	Retained earnings £'000	Total £'000
Balance at 1 July 2012	**109**	**4,423**	**2,988**	**16,190**	**23,710**
Comprehensive income					
Profit for the year	-	-	-	8,030	8,030
Other comprehensive income:					
Revaluation of available for sale financial asset	-	-	(9)	-	(9)
Total comprehensive income	**-**	**-**	**(9)**	**8,030**	**8,021**
Transactions with owners					
Issue of ordinary shares	24	27,445	-	-	27,469
Share-based payments	-	-	1,111	-	1,111
Share-based payments transfer	-	-	(350)	350	-
Purchase of own shares by employee benefit trust	-	-	-	(779)	(779)
Tax on share options	-	-	212	-	212
Dividends paid (note 10)	-	-	-	(2,184)	(2,184)
Total transactions with owners	**24**	**27,445**	**973**	**(2,613)**	**25,829**
Balance at 30 June 2013	**133**	**31,868**	**3,952**	**21,607**	**57,560**
Comprehensive income					
Profit for the year	-	-	-	9,056	9,056
Other comprehensive income:					
Revaluation of available for sale financial asset	-	-	(131)	-	(131)
Total comprehensive income	**-**	**-**	**(131)**	**9,056**	**8,925**
Transactions with owners					
Issue of ordinary shares	2	3,279	-	-	3,281
Share-based payments	-	-	1,288	-	1,288
Share-based payments transfer	-	-	(545)	545	-
Purchase of own shares by employee benefit trust	-	-	-	(732)	(732)
Tax on share options	-	-	156	-	156
Dividends paid (note 10)	-	-	-	(3,020)	(3,020)
Total transactions with owners	**2**	**3,279**	**899**	**(3,207)**	**973**
Balance at 30 June 2014	**135**	**35,147**	**4,720**	**27,456**	**67,458**

The accompanying notes on pages 25 to 59 form an integral part of the consolidated financial statements.

Consolidated statement of cash flows

for the year ended 30 June 2014

	Note	2014 £'000	2013 (restated)* £'000
Cash flow from operating activities			
Cash generated from operations	23	13,671	13,155
Taxation paid		(2,318)	(1,661)
Net cash generated from operating activities		**11,353**	**11,494**
Cash flows from investing activities			
Purchase of property, plant and equipment		(1,342)	(863)
Purchase of intangible assets		(552)	(617)
Purchase of available for sale financial assets		(750)	-
Acquisition of subsidiary companies, net of cash acquired	9	(3,340)	(20,757)
Deferred consideration paid		(1,866)	(3,637)
Interest received		119	179
Financial assets at fair value through profit or loss		(478)	-
Investment in joint venture		(360)	-
Proceeds of sale of intangible assets		-	32
Proceeds of sale of available for sale financial assets		-	63
Net cash used in investing activities		**(8,569)**	**(25,600)**
Cash flows from financing activities			
Proceeds of issue of shares		584	22,020
Purchase of own shares by employee benefit trust		(732)	(779)
Dividends paid to shareholders		(3,020)	(2,184)
Net cash (used in) / generated from financing activities		**(3,168)**	**19,057**
Net (decrease) / increase in cash and cash equivalents		**(384)**	**4,951**
Cash and cash equivalents at beginning of year		18,440	13,489
Cash and cash equivalents at end of year	**18**	**18,056**	**18,440**

*Comparative amounts have been restated to show deferred consideration paid within cash flows from investing activities

The accompanying notes on pages 25 to 59 form an integral part of the consolidated financial statements.

Notes to the consolidated financial statements

1. General information

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

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

2. Principal accounting policies

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

a) Basis of preparation

The Group's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union, IFRS IC interpretations, and the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared on the historical cost basis, except for the revaluation of available for sale financial assets such that they are measured at their fair value.

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

b) Basis of consolidation

The Group's financial statements comprise a consolidation of the financial statements of the parent company (Brooks Macdonald Group plc) and its subsidiaries. The underlying financial statements of the subsidiaries are prepared for the same reporting year as the parent company, using consistent accounting policies. Subsidiaries are all entities controlled by the Company, deemed to exist where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of the subsidiaries are included from the date on which control is transferred to the Group to the date that control ceases.

All intercompany transactions and balances between Group companies are eliminated on consolidation.

c) Changes in accounting policies

The Group's accounting policies applied to these financial statements are consistent with those disclosed within the financial statements for the year ended 30 June 2013, except as described below.

New accounting policies
During the year the Group entered into a joint venture (note 14) and adopted the accounting policy below:

i) Investments in joint ventures

A joint venture is an entity in which the Group holds a long-term interest and is jointly controlled by the Group and one or more third parties under a contractual agreement. Under the equity method of accounting, interests in joint ventures are initially recognised at cost in the consolidated statement of financial position and subsequently adjusted to reflect changes in the Group's share of the net assets of the entities. The Group's share of the results of joint ventures is included in the consolidated statement of comprehensive income.

If the Group's share of the losses of a joint venture equals or exceeds its investment, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture.

Notes to the consolidated financial statements

2. Principal accounting policies (continued)

c) Changes in accounting policies (continued)

New accounting standards, amendments and interpretations adopted in the year
In the year ended 30 June 2014 the Group did not adopt any new standards or amendments issued by the IASB or interpretations issued by the IFRS Interpretations Committee (IFRS IC) that have had a material impact on the consolidated financial statements.

Other new standards, amendments and interpretations adopted, that have not had a material impact on the amounts reported in these financial statements but may impact the accounting for future transactions and arrangements, were:

Standard, amendment or interpretation	Effective date
Disclosures: offsetting financial assets and financial liabilities (amendments to IFRS 7)	1 January 2013
Annual improvements (2009-2011 cycle)	1 January 2013
Transition guidance: Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities (amendments to IFRS 10, 11 and 12)	1 January 2013
IFRS 10 'Consolidated Financial Statements'	1 January 2013
IFRS 11 'Joint Arrangements'	1 January 2013
IFRS 12 'Disclosure of Interests in Other Entities'	1 January 2013
IFRS 13 'Fair Value Measurement'	1 January 2013
IAS 27 (revised 2011) 'Separate Financial Statements'	1 January 2013
IAS 28 (revised 2011) 'Investments in Associates and Joint Ventures'	1 January 2013

New accounting standards, amendments and interpretations not yet adopted
A number of new standards, amendments and interpretations, which have not been applied in preparing these financial statements, have been issued and are effective for annual and interim periods beginning after 1 July 2013:

Standard, amendment or interpretation	Effective date
Consolidation of investment entities (amendments to IFRS 10, 12 and IAS 27)	1 January 2014
Offsetting financial assets and financial liabilities (amendments to IAS 32)	1 January 2014
Recoverable amount disclosures for non-financial assets (amendments to IAS 36)	1 January 2014
Novation of derivatives and continuation of hedge accounting (amendments to IAS 39)	1 January 2014
IFRIC 21 'Levies'	1 January 2014
Contributions to defined benefit plans (amendments to IAS 19)	1 July 2014
General hedge accounting (amendments to IFRS 9)	1 January 2018

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

Notes to the consolidated financial statements

2. Principal accounting policies (continued)

d) Critical accounting estimates and judgements

The preparation of financial information requires the use of assumptions, estimates and judgements about future conditions. Use of currently available information and application of judgement are inherent in the formation of estimates. Actual results in the future may differ from those reported. In this regard, the directors believe that the accounting policies where judgement is necessarily applied are those that relate to the measurement of intangible assets, deferred consideration, the estimation of the fair value of share-based payments and client compensation provisions.

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

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

Intangible assets
The Group has acquired client relationships and the associated investment management contracts as part of business combinations (as described in note 9), through separate purchase and purchased with newly employed teams of fund managers (as described in note 11). In assessing the fair value of these assets the Group has estimated their finite life based on information about the typical length of existing client relationships. Contracts acquired with fund managers and acquired client relationship contracts are amortised on a straight line basis over their estimated useful lives, ranging from 5 to 20 years.

Goodwill recognised as part of a business combination is reviewed annually for impairment, or when a change in circumstances indicates that it might be impaired. The recoverable amounts of cash generating units are determined by value in use calculations, which require the use of estimates to derive the projected future cash flows attributable to each unit. Details of the more significant assumptions are given in note 11.

Deferred consideration
As described in note 19, the Group has a deferred consideration balance in respect of the acquisition of JPAM Limited in July 2012; Brooks Macdonald Asset Management (International) Limited and Brooks Macdonald Retirement Services (International) Limited in November 2012; and DPZ Capital Limited in April 2014. Deferred consideration is recognised at its fair value, being an estimate of the amount that will ultimately be payable in future periods. This has been calculated allowing for estimated growth in the acquired funds, discounted by the cost of capital. The Group considers that potential changes to these assumptions would not result in a material change in the fair value of the deferred consideration.

Share-based payments
The Group operates various share-based payment schemes in respect of services received from certain employees. Estimating the fair value of these share-based payments requires the Group to apply an appropriate valuation model and determine the inputs to that model (notes 21 and 26). The charge to the consolidated statement of comprehensive income in respect of share-based payments is calculated using assumptions about the number of eligible employees that will leave the Group and the number of employees that will satisfy the relevant performance conditions. These estimates are reviewed regularly.

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

e) Exceptional items

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

Notes to the consolidated financial statements

2. Principal accounting policies (continued)

f) Business combinations

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

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions at the acquisition date. If the business combination is achieved in stages, the fair value of the Groups' previously held equity interest is re-measured at the acquisition date and the difference is credited or charged to the consolidated statement of comprehensive income. Identifiable assets and liabilities assumed on acquisition are recognised in the consolidated statement of financial position at their fair value at the date of acquisition.

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

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

Impairment
Goodwill and other intangible assets with an indefinite life are tested annually for impairment. For the purposes of impairment testing, goodwill acquired in a business combination is allocated to each of the Group's cash generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquisition are assigned to those units. The carrying amount of each cash generating unit is compared to its recoverable amount, which is determined using a discounted future cash flow model.

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

g) Fees, commissions and interest

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

Performance fees are earned from some clients when contractually agreed performance levels are exceeded within specified performance measurement periods. They are only recognised, at the end of these performance periods, when a reliable estimate of the fee can be made and it is almost certain that it will be received.

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

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

Interest receivable is recognised on an accruals basis.

h) Cash and cash equivalents

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

Notes to the consolidated financial statements

2. Principal accounting policies (continued)

i) Share-based payments

Equity settled schemes

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

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

Cash settled schemes

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

j) Segmental reporting

The Group determines and presents operating segments based on the information that is provided internally to the Group Board of Directors, which is the Group's chief operating decision maker. The Group's reportable segments were amended in the year to include the Channel Islands as a separate segment, reflecting the way in which reporting to the Board has evolved with the continued integration of BMI and BMRSI into the Group. Comparative information for the year ended 30 June 2013 has been restated accordingly.

k) Fiduciary activities

The Group commonly acts as trustee and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions. These assets and income arising thereon are excluded from these financial statements, as they are not assets of the Group.

The Group holds money on behalf of some clients in accordance with the client money rules of the Financial Conduct Authority. Such monies and the corresponding liability to clients are not included within the consolidated statement of financial position as the Group is not beneficially entitled thereto.

l) Property, plant and equipment

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

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

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

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

Notes to the consolidated financial statements

2. Principal accounting policies (continued)

m) Intangible assets

Amortisation of intangible assets is charged to administrative expenses in the consolidated statement of comprehensive income on a straight line basis over the estimated useful lives of the assets (4 to 20 years).

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

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

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

n) Financial investments

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

Fair value through profit or loss
Financial instruments are classified as fair value through profit or loss if they are either held for trading or specifically designated in this category on initial recognition. Assets in this category are initially recognised at fair value and subsequently re-measured, with gains or losses arising from changes in fair value being recognised in the consolidated statement of comprehensive income.

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

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

Held-to-maturity
Held-to-maturity financial assets are non-derivative financial assets with fixed or determinate payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. Held-to-maturity financial assets are measured at amortised cost.

Notes to the consolidated financial statements

2. Principal accounting policies (continued)

o) Provisions

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

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

p) Foreign currency translation

The Group's functional and presentational currency is the Pound Sterling. Foreign currency transactions are translated using the exchange rate prevailing at the transaction date. At the reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the prevailing rates on that date. Foreign exchange gains and losses resulting from settlement of such transactions and from the translation of period-end monetary assets and liabilities are recognised in the consolidated statement of comprehensive income.

q) Retirement benefit costs

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

r) Taxation

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

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

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

s) Trade receivables

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

t) Trade payables

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

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

u) Operating lease payments

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

Notes to the consolidated financial statements

2. Principal accounting policies (continued)

v) Financial instruments

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

w) Carried interest receivable

The Group earns a performance fee, carried interest receivable, on some of the funds it manages on behalf of its investors. Carried interest receivable is recognised where, at the reporting date, the performance criteria have been met based on the valuations of the funds. Carried interest that has been earned but is not yet due for payment is discounted to its present value. This is included within current liabilities in the consolidated statement of financial position.

x) Employee Benefit Trust ('EBT')

The Company provides finance to an EBT to purchase the Company's shares on the open market in order to meet its obligation to provide shares when an employee exercises certain options or awards made under the Group's share-based payment schemes. The administration and finance costs connected with the EBT are charged to the consolidated statement of comprehensive income. The cost of the shares held by the EBT is deducted from equity. A transfer is made between other reserves and retained earnings over the vesting periods of the related share options or awards to reflect the ultimate proceeds receivable from employees on exercise. The trustees have waived their rights to receive dividends on the shares.

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

y) Share capital

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

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

z) Dividend distribution

The dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividend is authorised and no longer at the discretion of the Company. Final dividends are recognised when approved by the Company's shareholders at the Annual General Meeting and interim dividends are recognised when paid.

Notes to the consolidated financial statements

3. Segmental information

For management purposes the Group's activities are organised into four operating divisions: investment management, financial planning, fund and property management and the Channel Islands. The Group's other activity, offering nominee and custody services to clients, is included within investment management. These divisions are the basis on which the Group reports its primary segmental information. In accordance with IFRS 8 'Operating Segments', disclosures are required to reflect the information which the Board uses internally for evaluating the performance of its operating segments and allocating resources to those segments. The information presented in this note follows the presentation for internal reporting to the Group Board of Directors.

During the year the Group identified the Channel Islands as being a separate reportable segment. This comprises the results of BMI and BMRSI along with the recently acquired DPZ. Previously, BMI and BMRSI were included within the investment management and financial planning segments respectively. The comparatives for the year ended 30 June 2013 have been restated in accordance with IFRS 8 to reflect this change.

Revenues and expenses are allocated to the business segment that originated the transaction. Revenues and expenses that are not directly originated by a particular business segment are reported as unallocated. Sales between segments are carried out at arm's length. Centrally incurred expenses are allocated to business segments on an appropriate pro-rata basis. Segmental assets and liabilities comprise operating assets and liabilities, those being the majority of the balance sheet.

Year ended 30 June 2014	Investment management £'000	Financial planning £'000	Fund and property management £'000	Channel Islands £'000	Total £'000
Total segment revenues	48,988	4,034	5,061	11,556	69,639
Inter segment revenues	(156)	(223)	(127)	-	(506)
External revenues	48,832	3,811	4,934	11,556	69,133
Segment result	12,324	(109)	(102)	2,376	14,489
Unallocated items					(3,921)
Profit before tax					10,568
Taxation					(1,512)
Profit for the year					**9,056**

Year ended 30 June 2013 (restated)	Investment management £'000	Financial planning £'000	Fund and property management £'000	Channel Islands £'000	Total £'000
Total segment revenues	49,581	3,633	4,636	6,626	64,476
Inter segment revenues	-	(1,317)	-	-	(1,317)
External revenues	49,581	2,316	4,636	6,626	63,159
Segment result	13,106	191	(482)	1,799	14,614
Unallocated items					(4,216)
Profit before tax					10,398
Taxation					(2,368)
Profit for the year					**8,030**

Notes to the consolidated financial statements

3. Segmental information (continued)

a) Geographic analysis

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

	2014 £'000	2013 £'000
United Kingdom	57,577	56,533
Channel Islands	11,556	6,626
Total operating income	**69,133**	**63,159**

b) Major clients

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

4. Revenue

	2014 £'000	2013 £'000
Fee income	66,394	59,431
Financial services commission	2,739	3,728
Total revenue	**69,133**	**63,159**

5. Operating profit

Operating profit is stated after charging:

	2014 £'000	2013 £'000
Staff costs (note 6)	33,872	26,907
Acquisition costs (see below)	187	1,047
Auditors' remuneration (see below)	220	282
Financial Services Compensation Scheme Levy (see below)	351	359
Depreciation (note 12)	981	863
Amortisation (note 11)	2,212	1,865

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

	2014 £'000	2013 £'000
Fees payable to the Company's auditor for the audit of the consolidated group and parent company financial statements	37	44
Fees payable to the Company's auditor and its associates for other services:		
– audit of the Company's subsidiaries pursuant to legislation	145	150
– audit-related assurance services	29	22
– tax advisory services	-	6
– other assurance services	-	60
– other advisory services	9	-
Total auditors' remuneration	**220**	**282**

Notes to the consolidated financial statements

5. Operating profit (continued)

Acquisition costs

Administrative costs for the year ended 30 June 2014 include £187,000 (2013: £1,047,000) of directly attributable business acquisition costs: £61,000 in relation to the acquisition of DPZ Capital Limited, £46,000 incurred in the establishment of North Row Capital LLP and £80,000 in respect of the option to purchase Levitas Investment Management Services Limited (2013: £30,000 in respect of the acquisition of JPAM and £1,017,000 in respect of the acquisition of BMI and BMRSI). The Group exercised the option to purchase Levitas in July 2014, as further explained in note 34.

Financial Services Compensation Scheme levies

Administrative costs for the year ended 30 June 2014 include a charge of £351,000 (2013: £359,000) for the Financial Services Compensation Scheme ('FSCS') levy. The Group received no invoices during the year for additional levies on previous scheme years (2013: invoices totalling £119,000 were received) but a provision of £351,000 (2013: £240,000) has been made for the estimated levy by the FSCS for the 2014/15 scheme year (note 22).

6. Employee information

a) Staff costs

	2014 £'000	2013 £'000
Wages and salaries	28,867	21,920
Social security costs	2,863	2,738
Other pension costs	1,012	625
Share-based payments	1,130	1,624
Total staff costs	**33,872**	**26,907**

Pension costs relate entirely to a defined contribution scheme.

b) Number of employees

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

	2014	2013
Professional staff	169	156
Administrative staff	253	207
Total staff	**422**	**363**

c) Key management compensation

Key management compensation relates to the Group Board of Directors, including both the executive directors and non-executive directors for the years presented.

	2014 £'000	2013 £'000
Short-term employee benefits	2,242	2,390
Post-employment benefits	60	79
Share-based payments	398	387
Total compensation	**2,700**	**2,856**

Notes to the consolidated financial statements

6. Employee information (continued)

d) Directors' emoluments

Further details of director's emoluments are included within the Remuneration Committee report on pages 9 to 15.

	2014 £'000	2013 £'000
Salaries	2,075	2,238
Non-executive directors' fees	151	133
Benefits in kind	16	19
	2,242	2,390
Pension contributions	60	79
Amounts receivable under long-term incentive schemes	240	278
Total directors' remuneration	**2,542**	**2,747**

The aggregate amount of gains made by directors on the exercise of share options during the year was £458,000 (2013: £301,000). Retirement benefits are accruing to six directors (2013: six) under a defined contribution pension scheme.

The remuneration of the highest paid director during the year was as follows:

	2014 £'000	2013 £'000
Remuneration and benefits in kind	506	517
Amounts receivable under long-term incentive schemes	64	64
Total remuneration	**570**	**581**

The amount of gains made by the highest paid director on the exercise of share options during the year was £6,000 (2013: £176,000).

7. Finance income and finance costs

Finance income	2014 £'000	2013 £'000
Bank interest on deposits	109	177
Tax repayment supplement	10	2
Total finance income	**119**	**179**

Finance costs	2014 £'000	2013 £'000
Finance cost of deferred consideration	349	279
Total finance costs	**349**	**279**

Notes to the consolidated financial statements

8. Taxation

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

	2014 £'000	2013 £'000
UK Corporation Tax at 22.50% (2013: 23.75%)	2,477	2,618
(Over)/under provision in prior years	(17)	424
Total current tax	2,460	3,042
Deferred tax credit	(473)	(673)
Effect of change in tax rate on deferred tax	(475)	(1)
Income tax expense	**1,512**	**2,368**

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

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

	2014 £'000	2013 £'000
Profit on ordinary activities before tax	10,568	10,398
Profit on ordinary activities multiplied by the standard rate of tax in the UK of 22.50% (2013: 23.75%)	2,378	2,469
Tax effect of:		
– lower tax rates in other countries in which the Group operates	(618)	(398)
– disallowable expenses	77	189
– non-taxable income	(1)	(260)
– tax losses unutilised/(utilised) on which no deferred tax is provided	168	(55)
– change in rate of Corporation Tax applicable to deferred tax	(475)	(1)
– (over)/under provision in prior years	(17)	424
Tax charge for the year	**1,512**	**2,368**

The deferred tax credits totalling £948,000 (2013: £674,000) represent a credit of £122,000 (2013: £287,000) arising from the share option reserve at the balance sheet date, a credit of £10,000 (2013: £10,000) relating to accelerated capital allowances, a credit of £341,000 (2013: £377,000) arising from the amortisation of acquired client relationship contracts and a credit due to a change in tax rates of £475,000 (2013: £nil).

On 1 April 2014, the standard rate of Corporation Tax in the UK was reduced from 23% to 21%. As a result the effective rate of Corporation Tax applied to the taxable profit for the year ended 30 June 2014 is 22.50% (2013: 23.75%).

In addition to the change in the rate of UK Corporation Tax disclosed above, the Finance Act 2013 (substantively enacted on 2 July 2013) will further reduce the main rate of UK Corporation Tax to 20% with effect from 1 April 2015. Deferred tax assets and liabilities are calculated at the rate that is expected to be in force when the temporary differences unwind, but limited to the extent that such rates have been substantively enacted. Consequently the tax rate used to determine the deferred tax assets and liabilities is 20% (2013: 23%).

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

	2014 £'000	2013 £'000
Revaluation of available for sale financial assets	(150)	(12)
Tax credit on revaluation of available for sale financial assets	19	3
Total other comprehensive income	**(131)**	**(9)**

Notes to the consolidated financial statements

9. Business combinations

On 11 April 2014, the Group acquired the entire share capital of DPZ Capital Limited ('DPZ'). DPZ is a well established wealth management business based in Jersey. It manages a range of distinct investment strategies founded on its core competencies: asset allocation; manager selection; fixed interest and credit investing; and equity selection. On acquisition, DPZ had funds under management of approximately £430m, £360m of which was managed on a discretionary basis, £60m on an advisory basis and £10m on an execution only basis.

In the financial year ended 30 June 2013, the Group acquired the entire share capital of JPAM Limited, Brooks Macdonald Asset Management (International) Limited (formerly Spearpoint Limited) and Brooks Macdonald Retirement Services (International) Limited (formerly Spearpoint Retirement Services Limited). Details of these acquisitions are disclosed in note 9 of the 2013 Annual Report.

The total consideration for the acquisition of DPZ was £11,678,000, comprising of: cash of £4,155,000; the issue of 158,032 shares in Brooks Macdonald Group plc with a value of £2,697,000; and a contingent balance of £4,826,000 payable in two instalments in October 2014 and May 2016 and based on the future value of the discretionary funds under management acquired. The fair value of the liability is currently the maximum consideration that could be paid under the terms of the acquisition, assuming that there is no reduction in the level of discretionary client funds retained.

Directly attributable acquisition costs of £61,000 were incurred as a result of the acquisition and have been charged to the consolidated statement of comprehensive income.

Goodwill of £4,035,000 was recognised on acquisition in respect of expected synergies from combining the operations of DPZ with the Group's existing offshore operations, as well as intangible assets that do not qualify for separate recognition and the experience of the investment management staff employed by DPZ.

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

a) Net assets acquired through business combinations

	£'000	£'000
Property, plant and equipment		189
Trade and other receivables		569
Cash and cash equivalents		815
Other current assets		179
Trade and other payables		(138)
Other current liabilities		(271)
Total net assets recognised by acquired company		**1,343**
Fair value adjustments:		
– client relationship contracts	7,875	
– deferred tax liability on client relationship contracts	(1,575)	
		6,300
Net identifiable assets		**7,643**
Goodwill		4,035
Total purchase consideration		**11,678**

Notes to the consolidated financial statements

9. Business combinations (continued)

b) Impact on reported results from date of acquisition

	Revenues from external customers £'000	Profit for the year £'000
DPZ Capital Limited	727	161

Had DPZ Capital Limited been consolidated from 1 July 2013, the consolidated statement of comprehensive income would show Group pro-forma revenue of £71,658,000 and post-tax profit for the year of £9,193,000.

c) Net cash outflow resulting from business combinations

	£'000
Total purchase consideration (note 9a)	11,678
Less:	
– shares issued as consideration	(2,697)
– deferred cash consideration	(4,826)
Cash paid to acquire subsidiaries	4,155
Less: cash held by subsidiaries acquired	(815)
Cash paid to acquire subsidiary net of cash acquired	**3,340**

10. Dividends

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

	2014 £'000	2013 £'000
Final dividend paid for the year ended 30 June 2013 of 16.0p (2012: 12.5p) per share	2,102	1,348
Interim dividend paid for the year ended 30 June 2014 of 7.0p (2013: 6.5p) per share	918	836
Total dividends	**3,020**	**2,184**
Final dividend proposed for the year ended 30 June 2014 of 19.0p (2013: 16.0p) per share	2,535	2,102

The interim dividend of 7.0p (2013: 6.5p) per share was paid on 17 April 2014.

A final dividend for the year ended 30 June 2014 of 19.0p (2013: 16.0p) per share was declared by the Board of Directors on 16 September 2014 and is subject to approval by the shareholders at the Company's Annual General Meeting. It will be paid on 28 October 2014 to shareholders who are on the register at the close of business on 26 September 2014. In accordance with IAS 10 'Events After the Reporting Period', this dividend has not been included as a liability in these financial statements.

Notes to the consolidated financial statements

11. Intangible assets

	Goodwill £'000	Computer software £'000	Acquired client relationship contracts £'000	Contracts acquired with fund managers £'000	Total £'000
Cost					
At 1 July 2012	3,550	90	6,867	1,973	12,480
Additions	17,208	243	18,037	601	36,089
Disposals	-	-	(32)	-	(32)
At 30 June 2013	**20,758**	**333**	**24,872**	**2,574**	**48,537**
Additions	-	78	-	474	552
Additions on acquisition of subsidiaries at fair value	4,035	-	7,875	-	11,910
At 30 June 2014	**24,793**	**411**	**32,747**	**3,048**	**60,999**
Accumulated amortisation					
At 1 July 2012	-	46	536	1,466	2,048
Amortisation charge	-	113	1,477	275	1,865
At 30 June 2013	-	**159**	**2,013**	**1,741**	**3,913**
Amortisation charge	-	110	1,758	344	2,212
At 30 June 2014	-	**269**	**3,771**	**2,085**	**6,125**
Net book value					
At 1 July 2012	3,550	44	6,331	507	10,432
At 30 June 2013	20,758	174	22,859	833	44,624
At 30 June 2014	**24,793**	**142**	**28,976**	**963**	**54,874**

a) Goodwill

Goodwill acquired in a business combination is allocated at acquisition to the cash generating units ('CGUs') that are expected to benefit from that business combination. The carrying amount of goodwill at 30 June 2014 comprises £3,550,000 in respect of the Braemar Group Limited ('Braemar') CGU, £17,208,000 in respect of the Brooks Macdonald Asset Management (International) Limited and Brooks Macdonald Retirement Services (International) Limited (collectively 'Brooks Macdonald International') CGU and £4,035,000 in respect of the DPZ Capital Limited ('DPZ') CGU.

Goodwill is reviewed annually for impairment and its recoverability has been assessed at 30 June 2014 by comparing the carrying amount of the CGUs to their expected recoverable amount, estimated on a value-in-use basis. The value-in-use of each CGU has been calculated using pre-tax discounted cash flow projections based on the most recent budgets approved by the Board, covering a period of up to five years. Cash flows are then extrapolated beyond the forecast period using an expected long-term growth rate.

Notes to the consolidated financial statements

11. Intangible assets (continued)

a) Goodwill (continued)

Based on the value-in-use calculation, at 30 June 2014 the calculated recoverable amount of the Brooks Macdonald International CGU was £26,520,000, indicating that there is no impairment. The key underlying assumptions of the calculation are the discount rate, the short-term growth in earnings and the long-term growth rate of the business. A pre-tax discount rate of 10% has been used, based on the Group's assessment of the risk-free rate of interest and specific risks relating to Brooks Macdonald International. Annual earnings growth rates of 7% and 5% respectively are forecast in the next two financial years, the period covered by the most recent forecasts, which reflect historic actual growth and are considered to be achievable given current market and industry trends. The 2% long-term growth rate applied is considered prudent in the context of the long-term average growth rate for the funds, investment management and financial planning industries in which the CGU operates.

The key assumptions inherent in the value-in-use calculations for the Braemar and DPZ CGUs were similarly a pre-tax discount rate of 10%, annual revenue growth rates ranging from 10% to 27% and a long-term growth rate of up to 2%. Significant headroom exists in the calculations of the respective recoverable amounts of these CGUs over the carrying amounts of the goodwill allocated to them. On this basis, the directors have concluded that there is no impairment.

The directors consider that no reasonably foreseeable change in any of the key assumptions would result in an impairment of goodwill, given the margin by which the estimated recoverable amounts of the CGUs exceed the carrying amounts of the goodwill allocated to each.

b) Computer software

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

c) Acquired client relationship contracts

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

During the year ended 30 June 2014, the Group acquired client relationship contracts totalling £7,875,000 (2013: £18,037,000), as part of business combinations (note 9), which were recognised as separately identifiable intangible assets in the consolidated statement of financial position. These related to the acquisition of DPZ.

d) Contracts acquired with fund managers

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

Notes to the consolidated financial statements

12. Property, plant and equipment

	Motor vehicles £'000	Fixtures and fittings £'000	Equipment and leasehold improvements £'000	Total £'000
Cost				
At 1 July 2012	-	1,417	4,071	5,488
Additions	35	151	677	863
Additions on acquisition of subsidiaries	-	54	-	54
At 30 June 2013	**35**	**1,622**	**4,748**	**6,405**
Additions	-	276	1,066	1,342
Additions on acquisition of subsidiaries	-	189	-	189
At 30 June 2014	**35**	**2,087**	**5,814**	**7,936**
Accumulated depreciation				
At 1 July 2012	-	434	2,687	3,121
Depreciation charge	4	234	625	863
At 30 June 2013	**4**	**668**	**3,312**	**3,984**
Depreciation charge	9	291	681	981
At 30 June 2014	**13**	**959**	**3,993**	**4,965**
Net book value				
At 1 July 2012	-	983	1,384	2,367
At 30 June 2013	31	954	1,436	2,421
At 30 June 2014	**22**	**1,128**	**1,821**	**2,971**

13. Available for sale financial assets

The Group holds an investment of 1,426,793.64 B shares in Braemar Group PCC Limited Student Accommodation Cell. The fund is promoted by Brooks Macdonald Funds Limited, a subsidiary of the Group. Although trading is currently suspended on this fund, the fund manager continues to publish a price based on the fair value of the underlying assets of the fund. At 30 June 2014, based on the most recent valuation, the fair value of the investment was £1,432,000 (2013: £1,582,000). The loss of £150,000 (2013: loss of £12,000) has been recognised in other comprehensive income in the consolidated statement of comprehensive income.

During the year the Group made an investment of £750,000 in Sancus Holdings Limited ('Sancus'), an unlisted company incorporated in the Channel Islands. Sancus is a Peer-to-Peer ('P2P') secured lender, concentrating on traditional P2P transactions and focused on working with entrepreneurs and businesses. The business helps clients to lend or borrow directly, to or from fellow entrepreneurs and professionals, to assist the real economy. In the opinion of the directors, the market value of the investment at 30 June 2014 remains £750,000 based on the most recent transaction price.

During the year ended 30 June 2013, a £50,000 investment in UK Farming plc was de-recognised as the entity is now considered to be controlled by the Group and its assets and liabilities have been consolidated accordingly.

The Group disposed of no investments in the current year (2013: £nil).

Notes to the consolidated financial statements

13. Available for sale financial assets (continued)

	2014 £'000	2013 £'000
At beginning of year	1,582	1,657
Additions	750	-
Disposals	-	(13)
De-recognised on consolidation of former investment	-	(50)
Loss from changes in fair value	(150)	(12)
At end of year	**2,182**	**1,582**

The table below provides an analysis of the financial instruments that, subsequent to initial recognition, are measured at fair value. These are grouped into the following levels within the fair value hierarchy, based on the degree to which the inputs used to determine the fair value are observable:

- level 1 – derived from quoted prices in active markets for identical assets or liabilities at the measurement date;
- level 2 – derived from inputs other than quoted prices included within level 1 that are observable, either directly or indirectly; and
- level 3 – derived from inputs that are not based on observable market data

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Braemar Group PCC Limited Student Accommodation Cell	-	1,432	-	1,432
Sancus Holdings Limited	-	-	750	750
Total	-	**1,432**	**750**	**2,182**

There has been no movement between any of the levels during the year.

14. Investment in joint venture

During the year Brooks Macdonald Funds Limited, a subsidiary of the Group, entered into a new partnership, North Row Capital LLP, in which it holds a 60% interest and has joint control. The balance is owned by two individual partners who developed the investment approach behind the IFSL North Row Liquid Property Fund, which was launched in February 2014. The fund offers investors liquid exposure to global real estate markets by investing predominantly in property derivatives, as well as property equity and debt, to gain exposure to the direct property markets.

The establishment of the partnership and the fund required an initial investment of approximately £135,000 by Brooks Macdonald Funds and additional working capital of £225,000 in the year ended 30 June 2014. The Group's share of the loss for the year reported by North Row Capital LLP was £128,000, which has been recognised in the consolidated statement of comprehensive income with a corresponding reduction in the investment in joint venture recognised in the consolidated statement of financial position.

Notes to the consolidated financial statements

15. Deferred income tax

Deferred income tax assets are only recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. An analysis of the Group's deferred assets and deferred tax liabilities is shown below.

	2014 £'000	2013 £'000
Deferred tax assets		
Deferred tax assets to be settled after more than 12 months	204	234
Deferred tax assets to be settled within 12 months	605	624
Total deferred tax assets	**809**	**858**
Deferred tax liabilities		
Deferred tax liabilities to be settled after more than 12 months	(5,115)	(4,468)
Deferred tax liabilities to be settled within 12 months	(2)	(30)
Total deferred tax liabilities	**(5,117)**	**(4,498)**

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

	2014 £'000	2013 £'000
At 1 July	(3,640)	(25)
Credit to the statement of comprehensive income (note 8)	948	674
Credit recognised in other comprehensive income	19	3
Charge recognised in equity	(60)	(97)
Additions on acquisition of subsidiaries	(1,575)	(4,195)
At 30 June	**(4,308)**	**(3,640)**

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

Deferred tax assets	Share-based payments £'000
At 1 July 2012	**668**
Charge to the statement of comprehensive income	287
Charge to equity	(97)
At 30 June 2013	**858**
Credit to the statement of comprehensive income	11
Charge to equity	(60)
At 30 June 2014	**809**

The carrying amount of the deferred tax asset is reviewed at each reporting date and is only recognised to the extent that it is probable that future taxable profits of the Group will allow the asset to be recovered.

Notes to the consolidated financial statements

15. Deferred income tax (continued)

Deferred tax liabilities	Accelerated capital allowances £'000	Available for sale financial assets £'000	Intangible asset amortisation £'000	Total £'000
At 1 July 2012	**22**	**22**	**649**	**693**
Additions on acquisition of subsidiaries	-	-	4,195	4,195
Credit to the statement of comprehensive income	(10)	-	(377)	(387)
Charge to other comprehensive income	-	(3)	-	(3)
At 30 June 2013	**12**	**19**	**4,467**	**4,498**
Additions on acquisition of subsidiaries	-	-	1,575	1,575
Credit to the statement of comprehensive income	(10)	-	(927)	(937)
Charge to other comprehensive income	-	(19)	-	(19)
At 30 June 2014	**2**	**-**	**5,115**	**5,117**

16. Trade and other receivables

	2014 £'000	2013 £'000
Trade receivables	9,653	5,158
Other receivables	1,299	766
Prepayments and accrued income	10,480	11,849
Total trade and other receivables	**21,432**	**17,773**

17. Financial assets at fair value through profit or loss

During the year the Group acquired equity shareholding investments. The cost of these investments was £478,000 and their market value at 30 June 2014 was £478,000. These investments are classified as level 1 as defined in note 13.

18. Cash and cash equivalents

	2014 £'000	2013 £'000
Cash at bank	17,994	18,420
Cash held in employee benefit trust	62	20
Total cash and cash equivalents	**18,056**	**18,440**

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

Notes to the consolidated financial statements

19. Deferred consideration

Deferred consideration, which is also included within provisions in current liabilities to the extent that it is due to be paid within one year of the reporting date (note 22), relates to the directors' best estimate of amounts payable in the future in respect of certain client relationships and subsidiary undertakings that were acquired by the Group. Deferred consideration is measured at its fair value based on the discounted expected future cash flows. The movements in the deferred consideration balance during the year were as follows:

	2014 £'000	2013 £'000
At 1 July	7,927	2,309
Added on acquisitions during the year	4,826	8,976
Interest accrued	349	279
Payments made during the year	(1,866)	(3,637)
At 30 June	**11,236**	**7,927**
Analysed as:		
Amounts falling due within one year	8,293	2,123
Amounts falling due after more than one year	2,943	5,804
Total deferred consideration	**11,236**	**7,927**

Deferred consideration of £4,826,000 (2013: £8,976,000) was recognised during the year (note 9), relating to the acquisition of DPZ Capital Limited. Payments of £1,866,000 (2013: £3,637,000) were made during the year, representing £981,000 to the vendors of JPAM and £885,000 to Clarke Willmott LLP.

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

	2014 £'000	2013 £'000
At 1 July	5,804	959
Added on acquisitions during the year	2,435	5,597
Interest accrued	26	207
Transfer to current liabilities	(5,322)	(959)
At 30 June	**2,943**	**5,804**

The amount payable in respect of acquisitions during the year of £2,435,000 (2013: £5,597,000) is the deferred consideration relating to the acquisition of DPZ Capital Limited (note 9). An amount of £5,322,000 (2013: £959,000), representing the deferred consideration of £4,482,000 payable in respect of the acquired client relationships of BMI and BMRSI and £840,000 relating to the acquisition of JPAM Limited, was transferred to provisions within current liabilities.

A range of final outcomes for the expected total deferred consideration payable cannot be estimated as the future value of the funds under management is dependent on several unpredictable variables, including client retention and market movements.

Notes to the consolidated financial statements

20. Other non-current liabilities

Other non-current liabilities relate to employer's National Insurance contributions arising from share option awards under the LTIS scheme. An additional liability of £82,000 (2013: £90,000) was recognised during the year in respect of existing awards, granted in previous years, which are expected to vest in the future. During the year, an amount of £92,000 (2013: £383,000) was transferred to current liabilities, reflecting awards that will vest within the next 12 months.

21. Trade and other payables

	2014 £'000	2013 £'000
Trade payables	2,134	2,631
Other taxes and social security	1,712	1,394
Other payables	1,319	2,621
Accruals and deferred income	10,013	7,133
Total trade and other payables	**15,178**	**13,779**

Included within accruals and deferred income is an accrual of £310,000 (2013: £837,000) in respect of the Phantom Share Option Schemes granted in October 2008 and October 2009 and employer's National Insurance contributions arising from share option awards under the LTIS (note 26b). The schemes are cash settled and payments are made to participants in respect of their awards by the Group's subsidiary undertakings. The options are awarded at no cost to the participants. The amount that is ultimately payable to participants of the scheme is equal to the increase in market value of the Company's ordinary shares over a three year vesting period. The award will vest after three years to the extent that the performance conditions are satisfied and will be forfeited in total if performance fails to meet the minimum criteria.

The options have been valued using a Black Scholes model based on the market price of the Company's shares at the grant date (note 26). The total charge to the consolidated statement of comprehensive income for the year for all Phantom Share Option Schemes and employer's National Insurance contributions arising from share option awards under the LTIS (note 26b) was £150,000 (2013: £423,000). The number of Phantom Share Options outstanding at 30 June 2014 was as follows:

	2014 Number of options	2014 Weighted average base price (£)	2013 Number of options	2013 Weighted average base price (£)
At 1 July	37,103	9.415	133,103	6.875
Forfeited in the year	-	-	(45,000)	7.750
Exercised in the year	(37,103)	9.415	(51,000)	4.255
At 30 June	**-**	**-**	**37,103**	**9.415**

Notes to the consolidated financial statements

22. Provisions

	Client compensation £'000	Deferred consideration £'000	FSCS levy £'000	Total £'000
At 1 July 2012	339	1,350	-	1,689
Charge to the statement of comprehensive income	246	-	240	486
Added on acquisitions during the year	-	3,379	-	3,379
Interest accrued	-	72	-	72
Transfer from non-current liabilities	-	959	-	959
Utilised during the year	(165)	(3,637)	-	(3,802)
At 30 June 2013	420	2,123	240	2,783
Charge to the statement of comprehensive income	233	-	351	584
Added on acquisitions during the year	-	2,367	-	2,367
Interest accrued	-	321	-	321
Transfer from non-current liabilities	-	5,348	-	5,348
Utilised during the year	(150)	(1,866)	(240)	(2,256)
At 30 June 2014	**503**	**8,293**	**351**	**9,147**

a) Client compensation

Client compensation provisions relate to the potential liability arising from client complaints against the Group. Complaints are assessed on a case by case basis and provisions for compensation are made where judged necessary.

b) Deferred consideration

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

Deferred consideration payable within one year of £2,367,000 (2013: £3,379,000) was recognised during the year. An amount of £5,348,000 (2013: £959,000) was transferred from non-current liabilities, representing a payment to the vendor of JPAM Limited and the final tranche of deferred consideration paid to Clarke Willmott LLP in November 2013 in respect of client relationships acquired in October 2011. Provisions of £1,866,000 (2013: £3,637,000) were utilised during the year on payment of £981,000 to the vendors of JPAM and £885,000 to Clarke Willmott LLP.

c) FSCS levy

Following confirmation by the FSCS in April 2014 of its proposed 2014/15 annual industry levy, the Group has made a provision of £351,000 (2013: £240,000) for its estimated share.

Notes to the consolidated financial statements

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

	2014 £'000	2013 (restated)* £'000
Operating profit	10,926	10,498
Adjustments for:		
Depreciation of property, plant and equipment	981	863
Amortisation of intangible assets	2,212	1,865
(Increase)/decrease in receivables	(2,910)	91
Increase/(decrease) in payables	990	(1,301)
Increase in provisions	194	321
Decrease in non-current liabilities	(10)	(293)
Share-based payments	1,288	1,111
Net cash inflow from operating activities	**13,671**	**13,155**

*Comparative amounts have been restated to show deferred consideration paid within cash flows from investing activities

In the year ended 30 June 2014, the Group obtained control of DPZ. The net cash outflow resulting from this business combination is presented in note 9(c).

24. Share capital and share premium account

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

	Number of shares	Exercise price p	Share capital £'000	Share premium account £'000	Total £'000
At 1 July 2012	10,927,496		109	4,423	4,532
Shares issued:					
– on placing	2,288,193	1,150.0 - 1,301.9	23	26,927	26,950
– on exercise of options	73,100	140.0 - 290.5	1	327	328
– to Sharesave Scheme	59,185	240.0 - 578.0	-	191	191
At 30 June 2013	**13,347,974**		**133**	**31,868**	**32,001**
Shares issued:					
– as consideration	158,032	1,706.4	2	2,696	2,698
– on exercise of options	29,500	215.0 - 290.5	-	72	72
– to Sharesave Scheme	56,669	578.0 - 916.0	-	511	511
At 30 June 2014	**13,592,175**		**135**	**35,147**	**35,282**

The total number of ordinary shares, issued and fully paid at 30 June 2014 was 13,592,175 (2013: 13,347,974) with a par value of 1p per share.

On 12 April 2014, the Company issued 158,032 ordinary shares with a market value of £2,696,658 as part consideration for the acquisition of DPZ by Brooks Macdonald Asset Management (International) Limited.

Shares issued on exercise of options and to Sharesave Scheme members are shown as a having a £nil impact on share capital in the year ended 30 June 2014 due to rounding (2013: £1,000 and £nil respectively).

Notes to the consolidated financial statements

24. Share capital and share premium account (continued)

Employee Benefit Trust

The Group established an Employee Benefit Trust ('EBT') on 3 December 2010 to acquire ordinary shares in the Company to satisfy awards under the Group's Long Term Incentive Scheme ('LTIS') and other share-based payment schemes (note 26). At 30 June 2014, the EBT held 249,696 (2013: 212,172) 1p ordinary shares in the Company, acquired for a total consideration of £3,168,000 (2013: £2,544,000) with a market value of £3,906,000 (2013: £3,045,000). They are classified as treasury shares in the consolidated financial statements and their cost has been deducted from retained earnings within shareholders' equity.

25. Other reserves and retained earnings

Other reserves are comprised of the following balances:

	2014 £'000	2013 £'000
Share option reserve	4,596	3,697
Merger reserve	192	192
Available for sale reserve	(68)	63
Total other reserves	**4,720**	**3,952**

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

	2014 £'000	2013 £'000
Share option reserve		
At beginning of the year	3,697	2,724
Share-based payments	1,288	1,111
Transfer to retained earnings	(545)	(350)
Tax on share-based payments	156	212
At end of the year	**4,596**	**3,697**
Merger reserve		
At beginning of the year	192	192
At end of the year	**192**	**192**
Available for sale reserve		
At beginning of the year	63	72
Revaluation of available for sale financial assets	(131)	(9)
At end of the year	**(68)**	**63**

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

	2014 £'000	2013 £'000
At beginning of the year	21,607	16,190
Profit for the financial year	9,056	8,030
Purchase of own shares by Employee Benefit Trust	(732)	(779)
Transfer from share option reserve	545	350
Dividends paid	(3,020)	(2,184)
At end of the year	**27,456**	**21,607**

Notes to the consolidated financial statements

26. Equity settled share-based payments

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

For options granted during the year, the Black Scholes model was based on the market price of the Company's shares at each respective grant date and volatility of 50% with no dividend yield, an expected vesting period of three years and a risk-free annual rate of interest of 0.34%.

The share options issued under the various equity settled share-based payment schemes have been valued at prices ranging from £nil to £14.64 per share. The charge to the consolidated statement of comprehensive income for the year in respect of these was £1,288,000 (2013: £1,111,000). The weighted average remaining contractual life of all equity settled share-based payment schemes at 30 June 2014 was 2.08 years (2013: 2.61 years). The weighted average share price of all options exercised during the year was £15.79 (2013: £13.75). The total charge to the consolidated statement of comprehensive income for the year for all share-based payment schemes was £1,130,000 (2013: £1,624,000).

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

	Exercise price p	Fair value p
Long Term Incentive Scheme	nil	1,464
Employee Sharesave Scheme	1,386	428

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

a) Enterprise Management Incentive Scheme ('EMI')

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

	2014 Number of options	2014 Weighted average exercise price £	2013 Number of options	2013 Weighted average exercise price £
At 1 July	98,753	2.77	182,657	3.00
Forfeited in the year	-	-	(10,804)	7.75
Exercised in the year	(29,500)	2.47	(73,100	2.61
At 30 June	**69,253**	**2.90**	**98,753**	**2.77**

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

Scheme year (grant date)	Exercise price (p)	Vesting period	2014 Number of options	2013 Number of options
2005	155.5	2008 - 2015	25,000	25,000
2006	215.0	2009 - 2016	6,500	23,500
2007	290.5	2010 - 2017	29,650	42,150
2010	775.0	2013 - 2020	8,103	8,103
All years			**69,253**	**98,753**

Notes to the consolidated financial statements

26. Equity settled share-based payments (continued)

b) Long Term Incentive Scheme ('LTIS')

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

	2014 Number of options	2013 Number of options
At 1 July	205,613	128,343
Granted in the year	45,068	78,954
Exercised in the year	(11,376)	-
Forfeited in the year	(5,809)	(1,684)
At 30 June	**233,496**	**205,613**

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

Scheme year (grant date)	Exercise price (p)	Vesting period	2014 Number of options	2013 Number of options
2010	nil	2013	22,962	33,848
2011	nil	2014	91,554	92,811
2012	nil	2015	74,937	78,954
2013	nil	2016	44,043	-
All years			**233,496**	**205,613**

c) Employee Benefit Trust (EBT)

Brooks Macdonald Group plc established an Employee Benefit Trust ('the Trust') on 3 December 2010. The Trust was established to acquire ordinary shares in the Company to satisfy rights to purchase shares on the exercise of options awarded under the LTIS. All finance costs and administration expenses connected with the Trust are charged to consolidated statement of comprehensive income as they accrue. The Trust has waived its rights to dividends. The following table shows the number of shares held by the Trust that have not yet vested unconditionally.

	2014 Number of shares	2013 Number of shares
At 1 July	212,172	151,139
Acquired in the year	48,900	61,033
Exercised in the year	(11,376)	-
At 30 June	**249,696**	**212,172**

Notes to the consolidated financial statements

26. Equity settled share-based payments (continued)

d) Company Share Option Plan ('CSOP')

The Company has established a Company Share Option Plan ('CSOP'), which was approved by HMRC in November 2013. The CSOP is a discretionary scheme whereby employees or directors are granted an option to purchase the Company's shares in the future at a price set on the date of the grant. The maximum award under the terms of the scheme is a total market value of £30,000 per recipient. The performance conditions attached to the scheme require an increase in the diluted earnings per share of the Company of 2% more than the increase in the RPI over the three years starting with the financial year in which the option is granted.

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

	Number of options	2014 Weighted average exercise price £	Number of options	2013 Weighted average exercise price £
At 1 July	-	-	-	-
Granted in the year	21,361	14.52	-	-
Lapsed in the year	(345)	14.52	-	-
At 30 June	**21,016**	**14.52**	-	-

e) Employee Sharesave Scheme

Under the scheme, employees can contribute up to £500 a month over a three year period to acquire shares in the Company. At the end of the savings period, employees can elect to receive shares or receive their savings in cash.

	Number of options	2014 Weighted average exercise price £	Number of options	2013 Weighted average exercise price £
At 1 July	147,323	10.23	180,566	8.33
Granted in the year	149,083	13.86	39,489	11.72
Forfeited in the year	(8,265)	10.52	(13,547)	9.54
Exercised in the year	(56,669)	9.04	(59,185)	5.54
At 30 June	**231,472**	**12.85**	**147,323**	**10.23**

The number of share options outstanding at 30 June 2014 was as follows:

Scheme year (grant date)	Exercise price (p)	Vesting period	2014 Number of options	2013 Number of options
2010	578.0	2013	-	2,040
2011	916.0	2014	1,654	58,536
2012	1,054.0	2015	44,512	48,332
2013	1,172.0	2016	36,612	38,415
2014	1,386.0	2017	148,694	-
All years			**231,472**	**147,323**

Notes to the consolidated financial statements

27. Earnings per share

The directors believe that adjusted earnings per share provide a truer reflection of the Group's underlying performance in the year. Adjusted earnings per share are calculated based on 'adjusted earnings', that is earnings before acquisition costs, finance costs of deferred consideration and amortisation of intangible non-current assets. The tax effect of these adjustments has also been considered.

	2014 £'000	2013 £'000
Earnings attributable to ordinary shareholders	9,056	8,030
Acquisition costs (note 5)	187	1,047
Finance cost of deferred consideration (note 7)	349	279
Amortisation (note 11)	2,212	1,865
Tax impact of adjustments	(486)	(502)
Adjusted earnings attributable to ordinary shareholders	**11,318**	**10,719**

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

	2014 Number of shares	2013 Number of shares
Weighted average number of shares in issue*	13,145,314	12,210,418
Adjustment for issue of shares on acquisition of DPZ	(21,680)	(20,834)
Weighted average number of shares in issue†	**13,123,634**	**12,189,584**
Effect of dilutive potential shares issuable on exercise of employee share options	64,289	111,793
Diluted weighted average number of shares in issue†	**13,187,923**	**12,301,377**

*2013 comparative as previously reported

†2013 comparative as restated

The comparative weighted average number of shares in issue and therefore the comparatives for basic earnings per share and diluted earnings per share have been restated to take account of shares issued at a premium to their market value as part of the DPZ acquisition.

	2014 p	2013 p
Based on reported earnings†:		
Basic earnings per share	69.01	65.88
Diluted earnings per share	68.67	65.28
Based on adjusted earnings†:		
Basic earnings per share	86.24	87.94
Diluted earnings per share	85.82	87.14

†2013 comparative as restated

Notes to the consolidated financial statements

28. Lease commitments

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

	2014 £'000	2013 £'000
Within one year	1,373	1,162
Second to fifth years inclusive	1,882	2,240
After five years	46	38

29. Discretionary funds under management

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

	2014 £'000	2013 £'000
Client money bank accounts	573,204	595,365
Client assets under management	5,976,796	4,514,635
Total client funds under management	**6,550,000**	**5,110,000**

Notes to the consolidated financial statements

30. Financial risk management

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

a) Liquidity risk

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

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

The table below shows the cash inflows and outflows from the Group under non-derivative financial assets and liabilities, together with cash and bank balances available on demand.

At 30 June 2014	On demand £'000	Not more than 3 months £'000	After 3 months but not more than 1 year £'000	After 1 year but not more than 5 years £'000	Financial assets with no fixed repayment date £'000	Total £'000
Cash flows from financial assets						
Available for sale financial assets	-	-	-	-	2,182	2,182
Financial assets at fair value through profit or loss	-	-	-	-	478	478
Cash and balances at bank	18,056	-	-	-	-	18,056
Trade receivables	-	9,653	-	-	-	9,653
Other receivables	-	-	132	-	-	132
	18,056	**9,653**	**132**	-	**2,660**	**30,501**
Cash flows from financial liabilities						
Trade payables	-	2,134	-	-	-	2,134
Other financial liabilities	-	12,588	7,891	3,058	-	23,537
	-	14,722	7,891	3,058	-	25,671
Net liquidity gap	**18,056**	**(5,069)**	**(7,759)**	**(3,058)**	**2,660**	**4,830**

At 30 June 2013	On demand £'000	Not more than 3 months £'000	After 3 months but not more than 1 year £'000	After 1 year but not more than 5 years £'000	Financial assets with no fixed repayment date £'000	Total £'000
Cash flows from financial assets						
Available for sale financial assets	-	-	-	-	1,582	1,582
Cash and balances at bank	18,440	-	-	-	-	18,440
Trade receivables	-	5,158	-	-	-	5,158
Other receivables	-	-	107	-	-	107
	18,440	5,158	107	-	1,582	25,287
Cash flows from financial liabilities						
Trade payables	-	2,631	-	-	-	2,631
Other financial liabilities	-	10,609	1,928	5,929	-	18,466
	-	13,240	1,928	5,929	-	21,097
Net liquidity gap	**18,440**	**(8,082)**	**(1,821)**	**(5,929)**	**1,582**	**4,190**

Notes to the consolidated financial statements

30. Financial risk management (continued)

b) Market risk

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

A 1% fall in the average monthly interest rate receivable on the Group's cash and cash equivalents would have the impact of reducing interest receivable and therefore profit before taxation by £180,000 (2013: £184,000). An increase of 1% would have an equal and opposite effect.

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

Price risk
Price risk is the risk that the fair value of the future cash flows from financial instruments will fluctuate due to changes in market prices (other than those arising from interest rate risk or currency risk). The Group is exposed to price risk through its holdings of equity securities and other financial assets, which are measured at fair value in the consolidated statement of financial position (notes 13 and 17). A 1% fall in the value of these financial instruments would have the impact of reducing other comprehensive income by £22,000 (2013: £12,000) and profit before tax by £5,000 (2013: £nil). An increase of 1% would have an equal and opposite effect.

c) Credit risk

The Group may elect to invest surplus cash balances in highly liquid money market instruments with maturity dates not exceeding three months. The difference between the fair value and the net book value of these instruments is not material. To reduce the risk of a counterparty default, the Group deposits the rest of its funds in approved, high quality banks. At 30 June 2014 there was no significant concentration of credit risk in any particular counterparty (2013: none).

Assets exposed to credit risk recognised on the consolidated statement of financial position total £18,056,000 (2013: £18,440,000), being the Group's total cash and cash equivalents.

Trade receivables with a carrying amount of £9,653,000 (2013: £5,158,000) are neither past due nor impaired. Trade receivables have no external credit rating as they relate to individual clients, although the value of investments held in each individual client's portfolio is always in excess of the total value of the receivable. All trade receivables fall due within three months (2013: all).

Notes to the consolidated financial statements

31. Capital management

Capital is defined as the total of share capital, share premium, retained earnings and other reserves of the Company. Total capital at 30 June 2014 was £67,458,000 (2013: £57,560,000). Regulatory capital is derived from the Group Internal Capital Adequacy Assessment Process (ICAAP), which is a requirement of the Capital Requirements Directive. The ICAAP draws on the Group's risk management process which is embedded within the individual businesses, function heads and executive committees within the Group.

The Group's objectives when managing capital are to comply with the capital requirements set by the Financial Conduct Authority, to safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain a strong capital base to support the development of the business.

Capital adequacy and the use of regulatory capital are monitored daily by the Group's management. The Group's 2014 ICAAP was approved in August 2014. There have been no capital requirement breaches during the year. Brooks Macdonald Group plc's Pillar III disclosure is presented on our website at www.brooksmacdonald.com.

32. Guarantees and contingent liabilities

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

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

33. Related party transactions

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

Director	Loan balance 2014 £'000	Loan balance 2013 £'000	Maximum amount 2014 £'000	Maximum amount 2013 £'000
N I Holmes	-	1	-	2
S J Jackson	5	5	10	10

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

	Amounts owed by related parties 2014 £'000	Amounts owed by related parties 2013 £'000	Amounts owed to related parties 2014 £'000	Amounts owed to related parties 2013 £'000
Braemar Group Limited	2,350	2,150	-	-
Brooks Macdonald Financial Consulting Limited	311	955	-	-
Brooks Macdonald Asset Management Limited	-	-	14,724	17,018
Brooks Macdonald Nominees Limited	-	-	2,583	2,727

Notes to the consolidated financial statements

33. Related party transactions (continued)

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

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

In the year ended 30 June 2014 Brooks Macdonald Funds Limited, a subsidiary of the Group, entered into a new partnership, North Row Capital LLP, in which it holds a 60% interest and has joint control. The balance is owned by two individual partners who developed the investment approach behind the IFSL North Row Liquid Property Fund, which was launched in February 2014. The fund offers investors liquid exposure to global real estate markets by investing predominantly in property derivatives, as well as property equity and debt, to gain exposure to the direct property markets.

The establishment of the partnership and the fund required an initial capital contribution of £135,000 by Brooks Macdonald Funds, with a further investment of £225,000. The Group's share of the loss for the period reported by North Row Capital LLP was £128,000, which has been recognised in the consolidated statement of comprehensive income with a corresponding reduction in the investment in joint venture recognised in the consolidated statement of financial position.

34. Events since the end of the year

On 31 July 2014, the Company exercised its option to acquire 100% of the share capital of Levitas Investment Management Services Limited ('Levitas'). Levitas is the sponsor of two funds known as TM Levitas A and TM Levitas B, to which Brooks Macdonald Asset Management Limited acts as the investment adviser. The funds were launched in July 2012 and aggregate assets under management on completion of the acquisition were £89,353,000. The Levitas investment proposition uses a blend of the two funds to match investments to a client's specific risk rating, thus simplifying the investment and rebalancing processes while keeping down costs.

The consideration payable by the Group will be based on 3% of Levitas' funds under management, calculated at agreed milestones up to 1 November 2018. The maximum consideration payable by the Group will be £24,000,000 and is subject to reduction if the growth in funds under management fails to meet the agreed targets. Payment of the consideration will be made by the Group in cash in a series of instalments, with the final payment date being on or around 8 November 2020.

The acquisition will be accounted for as a business combination under IFRS 3 and it is anticipated that goodwill will be recognised. The goodwill represents the Levitas concept; the relationship with Aspira, the principal intermediary and vendor; and growth potential of the assets under management of the two funds in generating future fee income for Levitas. Transaction costs of £80,000 were incurred in the year ended 30 June 2014 and are included within administrative costs in the consolidated statement of comprehensive income.

Due to the acquisition occurring after the end of the financial year and the proximity to the date of issuing the Annual Report & Accounts, the directors are unable to provide the full disclosures required under IFRS 3 regarding acquisitions after the end of the reporting period but before the financial statements are due for issue. Specifically, an assessment of the acquisition date fair value of the consideration and identifiable assets and liabilities has not yet been completed as the required information is not currently available. This will be finalised in the 12 months following the acquisition and full disclosures will be provided in the Half Yearly Financial Report for the six months ending 31 December 2014.

Independent auditors' report

to the members of Brooks Macdonald Group plc

Report on the company financial statements

Our opinion

In our opinion the financial statements, defined below:

- give a true and fair view of the state of the Company's affairs as at 30 June 2014;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006

This opinion is to be read in the context of what we say in the remainder of this report.

What we have audited

The company financial statements (the "financial statements"), which are prepared by Brooks Macdonald Group plc, comprise:

- the Company balance sheet as at 30 June 2014; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements

In addition, we read all the financial and non-financial information in the Annual Report & Accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on other matter prescribed by the Companies Act 2006

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

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the statement of directors' responsibilities set out on page 18, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

Other matter

We have reported separately on the group financial statements of Brooks Macdonald Group plc for the year ended 30 June 2014.

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

London
16 September 2014

Company balance sheet

as at 30 June 2014

	Note	£'000	2014 £'000	£'000	2013 £'000
Fixed assets					
Investments	38		53,315		46,631
Current assets					
Debtors	39	6,730		7,127	
Cash at bank and in hand		5,254		10,274	
Total current assets		11,984		17,401	
Creditors: amounts falling due within one year	40	(27,750)		(25,290)	
Net current liabilities			(15,766)		(7,889)
Total assets less current liabilities			**37,549**		**38,742**
Creditors: amounts falling due after more than one year	41		-		(4,482)
Net assets			**37,549**		**34,260**
Financed by:					
Capital and reserves					
Called up share capital	42		135		133
Share premium account	42		35,148		31,868
Share option reserve	43		4,202		3,023
Revaluation reserve	43		(68)		63
Profit and loss account	43		(1,868)		(827)
Total shareholders' funds	**44**		**37,549**		**34,260**

The company financial statements were approved by the Board of Directors and authorised for issue on 16 September 2014, signed on their behalf by:

C A J Macdonald
Chief Executive

S J Jackson
Finance Director

Company Registration Number: 4402058

The accompanying notes on pages 62 to 66 form an integral part of the company financial statements.

Notes to the company financial statements

35. Principal accounting policies

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

a) Basis of preparation

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

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

b) Investments in subsidiary companies

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

c) Share-based payments

The Company has applied the requirements of FRS 20 'Share-based Payment' and has adopted the requirements of UITF 44. Equity settled share-based payments are measured at fair value at the grant date and the charge to the profit and loss account is recognised on a straight line basis over the period in which the related services are provided, based on the number of shares that are expected to vest.

d) Operating lease payments

Rent payments due under operating leases are charged to the profit and loss account on a straight line basis over the term of the lease. The Company benefited from a rent-free period under the terms of its current property lease. In accordance with UITF 28 'Operating Lease Incentives', the benefit is allocated over the shorter of the lease term and the date of the market rent review specified in the lease. During the rent-free period a rental charge has been recognised in the profit and loss account and accrued as a liability in the balance sheet.

e) Retirement benefit costs

Contributions in respect of the Group's defined contribution pension scheme are charged to the profit and loss account as they fall due.

f) Employee Benefit Trust

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

g) Other investments

Other quoted investments are re-valued each reporting period to their fair value according to the most recently available market information.

36. Profit for the year

As permitted by Section 408 of the Companies Act 2006 the Company has elected not to present its own profit and loss account for the financial year. Brooks Macdonald Group plc reported profit after tax for year ended 30 June 2014 of £2,602,000 (2013: £2,902,000). Auditors' remuneration is disclosed in note 5 of the consolidated financial statements. The average monthly number of employees during the year was nine (2013: nine). Directors' emoluments are set out in note 6 of the consolidated financial statements.

37. Dividends

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

Notes to the company financial statements

38. Investments

Net book value	Group undertakings £'000	Quoted investments £'000	Total £'000
At 1 July 2012	10,269	1,594	11,863
Additions:			
– share options	1,111	-	1,111
– acquisition of subsidiary	33,669	-	33,669
Revaluation	-	(12)	(12)
At 30 June 2013	**45,049**	**1,582**	**46,631**
Additions:			
– share options	1,288	-	1,288
– acquisition of subsidiary	5,546	-	5,546
Revaluation	-	(150)	(150)
At 30 June 2014	**51,883**	**1,432**	**53,315**

Quoted investments represent the Company's holding of 1,426,793.64 B shares in Braemar Group PCC Limited Student Accommodation Cell. The fund is promoted by Brooks Macdonald Funds Limited, a subsidiary of the Company. Although trading is currently suspended on this fund, the fund manager continues to publish a price based on the fair value of the underlying assets of the fund. At 30 June 2014, based on the most recent valuation, the investment was £1,432,000 (2013: £1,582,000), representing a loss during the year of £150,000 (2013: loss of £12,000).

Investments in group undertakings are recorded at cost, which is the fair value of the consideration paid to acquire the Company's subsidiaries. Additions to group undertakings of £1,288,000 (2013: £1,111,000) represent the cost of share options issued during the year in accordance with FRS 20. Additions on acquisition of subsidiaries of £5,546,000 represent the additional shares acquired in Brooks Macdonald Asset Management (International) Limited. In respect of the year ended 30 June 2013 additions of £33,669,000 represent the cost of the Company's investment in Brooks Macdonald Asset Management (International) Limited and Brooks Macdonald Retirement Services (International) Limited. Details of the Company's subsidiary undertakings as at 30 June 2014, all of which were wholly owned and included in the consolidated financial statements, are shown below.

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

39. Debtors

	2014 £'000	2013 £'000
Amounts owed by subsidiary undertakings	6,461	7,105
Other debtors	269	22
Total debtors	**6,730**	**7,127**

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

Notes to the company financial statements

40. Creditors: amounts falling due within one year

	2014 £'000	2013 £'000
Trade creditors	27	30
Amounts owed to subsidiary undertakings	21,307	23,747
Deferred tax	-	19
Accruals	1,711	1,374
Other creditors	4,705	120
Total creditors due within one year	**27,750**	**25,290**

Amounts owed to subsidiary companies are unsecured, interest-free and are repayable on demand. Included in other creditors is £4,705,000, which is the directors' best estimate of the deferred consideration payable in respect of the client relationships and subsidiary undertakings that were acquired by the company.

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

As at 30 June 2014, there were no amounts falling due after more than one year. In respect of the year ended 30 June 2013, the creditors balance of £4,482,000, falling due after more than one year, related to the directors' best estimate of the deferred consideration payable in respect of the client relationships and subsidiary undertakings that were acquired by the Company. Deferred consideration is measured at its fair value based on the discounted expected future cash flows.

42. Called up share capital and share premium account

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

	Number of shares	Share capital £ '000	Share premium account £ '000	Total £'000
At 1 July 2012	10,927,496	109	4,423	4,532
Shares issued	2,420,478	24	27,445	27,469
At 30 June 2013	13,347,974	133	31,868	32,001
Shares issued	244,201	2	3,280	3,282
At 30 June 2014	**13,592,175**	**135**	**35,148**	**35,283**

The total number of ordinary shares, issued and fully paid at 30 June 2014, was 13,592,175 (2013: 13,347,974) with a par value of 1p per share. Excluding 249,696 (2013: 212,172) treasury shares held by the EBT, the Company had 13,342,479 (2013: 13,135,802) ordinary 1p shares in issue as at 30 June 2014.

Long Term Incentive Scheme

The Group established an Employee Benefit Trust ('EBT') on 3 December 2010 to acquire ordinary shares in the Company to satisfy awards under the Group's Long Term Incentive Scheme ('LTIS') and other share-based payment schemes (note 26). All finance and administration expenses connected with the Trust are charged to the consolidated statement of comprehensive income as and when they accrue. The Trust has waived its rights to dividends.

As at 30 June 2014, the Company had paid £3,339,000 to the Trust, which had acquired 261,072 ordinary shares on the open market for consideration of £3,277,000.

In November 2013, in respect of the scheme granted in October 2010, the Trust received instructions to exercise 11,376 options. The cost of the shares released on exercise of these options amounted to £110,000. At 30 June 2014, the number of shares held by the Trust was 249,696 (2013: 212,172) with a market value of £3,906,000 (2013: £3,045,000), acquired for a total consideration of £3,168,000 (2013: £2,544,000). These shares are presented as treasury shares in the Group financial statements and their cost is deducted from retained earnings within shareholders' equity.

Notes to the company financial statements

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

Long Term Incentive Scheme (continued)

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

43. Reserves

	2014 £'000	2013 £'000
Share option reserve		
At beginning of the year	3,023	1,912
Share-based payments	1,288	1,111
Share-based payment transfer	(109)	-
At end of the year	**4,202**	**3,023**
Revaluation reserve		
At beginning of the year	63	94
Loss from changes in fair value	(131)	(9)
Deferred tax on revaluation	-	(22)
At end of the year	**(68)**	**63**
Profit and loss account		
At beginning of the year	(827)	(766)
Profit for the financial year	2,602	2,902
Dividends paid	(3,020)	(2,184)
Share-based payment transfer	109	-
Purchase of own shares	(732)	(779)
At end of the year	**(1,868)**	**(827)**
Analysis of movement in profit and loss account		
Profit and loss account		
At beginning of the year	1,717	999
Profit for the financial year	2,602	2,902
Share-based payment transfer	109	-
Employee Benefit Trust shares exercised	(109)	-
Dividends paid	(3,020)	(2,184)
At end of the year	**1,299**	**1,717**
Employee Benefit Trust		
At beginning of the year	(2,544)	(1,765)
Purchase of own shares	(732)	(779)
Employee Benefit Trust shares exercised	109	-
At end of the year	**(3,167)**	**(2,544)**
Total profit and loss account at end of the year	**(1,868)**	**(827)**

Notes to the company financial statements

44. Reconciliation of movements in total shareholders' funds

	2014 £'000	2013 £'000
Profit for the financial year	2,602	2,902
Loss from changes in fair value	(131)	(9)
Deferred tax on revaluation	-	(22)
Total recognised gains and losses for the financial year	2,471	2,871
Dividends paid	(3,020)	(2,184)
Share-based payments	1,288	1,111
Issue of new shares	3,282	27,469
Purchase of own shares by EBT	(732)	(779)
Net additions to shareholders' funds	**3,289**	**28,488**
Opening shareholders' funds	34,260	5,772
Closing shareholders' funds	**37,549**	**34,260**

45. Lease commitments

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

	2014 £'000	2013 £'000
Within one year	959	908
Second to fifth years inclusive	1,241	1,626
After five years	46	38

46. Related party transactions

The Company has applied the exemption available under FRS 8 in electing not to disclose transactions and balances with its wholly owned subsidiary companies. Details of related party transactions with directors are provided in note 33 of the consolidated financial statements.

Explanatory notes to the Annual General Meeting resolutions

Enclosed with this document is a notice convening the Annual General Meeting of the company for 27 October 2014. This explanatory note gives further information on the resolutions set out in the notice of Annual General Meeting.

Resolution 1 – Approval of the Report & Accounts

The directors propose that the Company's annual accounts and reports of the directors and the auditors for the year ended 30 June 2014 be received and considered.

Resolution 2 – Approval of the directors' remuneration report

While it is not a strict requirement for the Company, as a matter of good corporate governance the directors have decided to propose an ordinary resolution to approve the directors' remuneration report for the year ended 30 June 2014. The directors' remuneration report can be found on pages 9 to 15 of the Annual Report & Accounts.

Resolution 3 – To declare a final dividend

The directors recommend a final dividend of 19 pence per ordinary share. Subject to approval by shareholders, the final dividend will be paid on 28 October 2014 to shareholders on the register on 26 September 2014.

Resolutions 4 to 7 – To re-elect certain of the directors

Richard Price has been appointed as an additional director since the Annual General Meeting in 2013 and, accordingly, the Company's articles of association require him to retire from office at this Annual General Meeting and to offer himself for re-election.

In addition, the Company's articles of association state that one third of the directors (or the nearest whole number closest to one third) must retire from office at each Annual General Meeting and offer themselves for re-election. In addition, any director who has been in office for more than three years since their last appointment or re-appointment should also retire and offer themselves for re-election. Simon Jackson, Diane Seymour-Williams and Richard Spencer are therefore offering themselves for re-election on this basis.

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

Simon Jackson (55) is finance director responsible for the Group's management accounts. In addition to the finance function, Simon has Board responsibility for some of the other central administrative functions of the Group, with the managers of ICT, Human Resources and Learning and Development reporting to him.

He is a chartered accountant and joined the Group in 2000 having worked for a number of public and private companies at director level.

Diane Seymour-Williams (55) joined the board of Brooks Macdonald Group plc in 2011. She has spent her entire career in the fund management industry, both managing portfolios and businesses. Diane spent 23 years at Morgan Grenfell/Deutsche Asset Management in a variety of roles, including Head of Asian Equities team, CEO & CIO Asia, and Head of Global Equity Product.

Diane is currently a director of LGM Investments Limited, Lloyd George Investment Company plc, Witan Pacific Investment Trust plc, LG China Fund plc and BMO Investments (Ireland) plc.

Richard Spencer (51) is the Chief Investment Officer (CIO) of Brooks Macdonald Asset Management Limited where he is responsible for overseeing the investment management strategy and asset allocation.

Richard joined the Company in 1991 as a founding director and has worked in the industry since 1985.

Richard Price (52) joined the board of Brooks Macdonald Group plc in August 2014. Richard spent 28 years at KPMG where he had considerable exposure to financial services clients, holding a number of roles including the UK Head of KPMG's Financial Sector Transaction Services practice.

Richard is also a non-executive director of Think Money Group Limited.

A copy of each service contract is available for inspection at the registered office of the Company and will be available for inspection at the Annual General Meeting.

Resolution 8 – To appoint PricewaterhouseCoopers LLP as auditors

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

Resolution 9 – Authority to allot shares

The Companies Act 2006 prevents directors from allotting unissued shares without the authority of shareholders in general meeting. In certain circumstances this could be unduly restrictive. The directors' existing authority to allot shares, which was granted at the Annual General Meeting held in 2013, will expire at the end of this year's Annual General Meeting.

Explanatory notes to the Annual General Meeting resolutions

Resolution 9 - Authority to allot shares (continued)

Resolution 9 in the notice of Annual General Meeting will be proposed, as an ordinary resolution, to authorise the directors to allot ordinary shares of 1 pence each in the capital of the Company up to a maximum nominal amount of £44,855 (ie up to 4,485,500 ordinary shares) representing approximately 33% of the ordinary shares in issue on 16 September 2014. The Company does not currently hold any shares in treasury.

The authority conferred by this resolution will expire on the date which is 15 months after the passing of this resolution or, if sooner, at the end of next year's Annual General Meeting.

Resolution 10 – To disapply pre-emption rights

Unless they are given an appropriate authority by shareholders, if the directors wish to allot any of the unissued shares for cash or grant rights over shares or sell treasury shares for cash (other than pursuant to an employee share scheme) they must first offer them to existing shareholders in proportion to their existing holdings. This is known as pre-emption rights.

The existing disapplication of these statutory pre-emption rights, which was granted at the Annual General Meeting held in 2013, will expire at the end of this year's Annual General Meeting. Accordingly, Resolution 10 in the notice of Annual General Meeting will be proposed, as a special resolution, to give the directors power to allot shares without the application of these statutory pre-emption rights: first, in relation to offers of equity securities by way of rights issue, open offer or similar arrangements; and second, in relation to the allotment of equity securities for cash up to a maximum aggregate nominal amount of £13,592 (ie up to 1,359,200 ordinary shares) representing approximately 10% of the ordinary shares in issue on 16 September 2014.

The authority sought and limits set by this resolution will also apply to a sale by the Company of any shares it holds as treasury shares. The Companies Act 2006 allows shares purchased by the Company out of distributable profits to be held as treasury shares, which may then be cancelled, sold for cash or used to meet the Company's obligations under its employee share-based incentive schemes. Any subsequent transfers of treasury shares by the Company to satisfy the requirements of employee share-based incentive schemes will be counted towards the anti-dilution limits for such share issues to the extent required by the Association of British Insurers guidelines.

The power conferred by this resolution will expire on the date which falls 15 months after the passing of this resolution or, if sooner, at the end of next year's Annual General Meeting.

Resolution 11 – Company's authority to purchase its own shares

Resolution 11 in the notice of Annual General Meeting, which will be proposed as a special resolution, will authorise the Company to make market purchases of up to 1,359,200 ordinary shares. The existing authority to make market purchases of ordinary shares, which was granted at the Annual General Meeting held in 2013, will expire at the end of this year's Annual General Meeting.

The number of ordinary shares stated in this resolution equals approximately 10% of the Company's ordinary shares in issue on 16 September 2014. The minimum price that may be paid is the nominal value of an ordinary share (ie 1 pence), and the maximum price shall not exceed 5% above the average of the middle market quotations for an ordinary share for the five business days before each purchase is made (exclusive of expenses).

The authority conferred by this resolution will expire on the date which falls 15 months after the passing of this resolution or, if sooner, at the end of next year's Annual General Meeting.

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

The Company may hold in treasury any of its own shares that it purchases pursuant to the Companies Act 2006 and the authority conferred by this resolution. This would give the Company the ability to re-issue treasury shares quickly and cost effectively and would provide the Company with greater flexibility in the management of its capital base.

Notice of Annual General Meeting

Company Registration number: 4402058

Notice is given that the Annual General Meeting of Brooks Macdonald Group plc (the "Company") will be held at 111 Park Street, London, W1K 7JL on Monday 27 October 2014 at 9.30 am for the following purposes.

Ordinary business

To resolve as ordinary resolutions:

1. to receive and consider the accounts and reports of the directors and the auditors for the year ended 30 June 2014
2. to approve the directors' remuneration report for the year ended 30 June 2014
3. to declare a final dividend of 19 pence per ordinary share for the year ended 30 June 2014
4. to re-elect Richard Price as a director
5. to re-elect Simon Jackson as a director
6. to re-elect Diane Seymour-Williams as a director
7. to re-elect Richard Spencer as a director
8. to appoint PricewaterhouseCoopers LLP as the Company's auditors and to authorise the directors to determine their remuneration

Special business

Directors' authority to allot shares

To resolve as an ordinary resolution:

9. that the directors be generally and unconditionally authorised pursuant to section 551 of the Companies Act 2006 (the "Act") to exercise all the powers of the Company to allot shares in the Company and to grant rights to subscribe for, or to convert any security into, shares in the Company ("Relevant Securities"), up to a maximum aggregate nominal amount of £44,855, for a period expiring (unless previously revoked, varied or renewed) on the date which is 15 months after the passing of this resolution or, if sooner, the end of the next Annual General Meeting of the Company. However, in each case the Company may, before such expiry, make an offer or agreement which would or might require Relevant Securities to be allotted after this authority expires and the directors may allot Relevant Securities in pursuance of such offer or agreement as if this authority had not expired.

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

Disapplication of pre-emption rights

To resolve as a special resolution:

10. that, subject to the passing of resolution 9 above, the directors be generally empowered pursuant to sections 570 and 573 of the Act to allot equity securities (within the meaning of section 560 of the Act) for cash, pursuant to the authority conferred by resolution 9, as if section 561 of the Act did not apply to such allotment, provided that this power shall expire on the date which is 15 months after the passing of this resolution or, if sooner, the end of the next Annual General Meeting of the Company. This power shall be limited to the allotment of equity securities:

    10.1 in connection with an offer of equity securities (including, without limitation, under a rights issue, open offer or similar arrangement) in favour of holders of ordinary shares in the capital of the Company in proportion (as nearly as may be practicable) to their existing holdings of ordinary shares but subject to such exclusions or other arrangements as the directors deem necessary or expedient in relation to fractional entitlements or any legal, regulatory or practical problems under the laws of any territory, or the requirements of any regulatory body or stock exchange; and

    10.2 otherwise than pursuant to paragraph 10.1 up to an aggregate nominal amount of £13,592;

    but the Company may, before such expiry, make an offer or agreement which would or might require equity securities to be allotted after this power expires and the directors may allot equity securities in pursuance of such offer or agreement as if this power had not expired.

    This power applies in relation to a sale of shares which is an allotment of equity securities by virtue of section 560(2)(b) of the Act as if in the first paragraph of this resolution the words "pursuant to the authority conferred by resolution 9" were omitted.

    All previous unutilised powers given to the directors pursuant to sections 570 and 573 of the Act shall cease to have effect at the conclusion of this Annual General Meeting

Company's authority to purchase its own shares

To resolve as a special resolution:

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

Notice of Annual General Meeting

11.1 the maximum number of ordinary shares hereby authorised to be purchased is 1,359,200;

11.2 the maximum price which may be paid for each ordinary share shall be 5% above the average of the middle market quotations for an ordinary share (as derived from The Stock Exchange Daily Official List) for the five business days immediately before the day on which the purchase is made (in each case exclusive of expenses);

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

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

By order of the Board

L L Cook
Company Secretary

29 September 2014

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

Notes:

Rights to appoint a proxy

1. Members of the Company are entitled to appoint a proxy to exercise all or any of their rights to attend and to speak and vote at a meeting of the Company. A proxy does not need to be a member of the Company. A member may appoint more than one proxy in relation to a meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member
2. A proxy form which may be used to make such appointment and give proxy directions accompanies this notice. If you do not receive a proxy form and believe that you should have one, or if you require additional proxy forms in order to appoint more than one proxy, please contact Capita Asset Services, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU

Procedure for appointing a proxy

3. To be valid, the proxy form must be received by post or (during normal business hours only) by hand at Capita Asset Services, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU no later than 9.30 am on Saturday 25 October 2014. It should be accompanied by the power of attorney or other authority (if any) under which it is signed or a notarially certified (or certified by a solicitor with a current practising certificate) copy of such power or authority
4. The return of a completed proxy form will not preclude a member from attending the Annual General Meeting and voting in person if he or she wishes to do so

Record date

5. To be entitled to attend and vote at the Annual General Meeting (and for the purpose of the determination by the Company of the votes they may cast), members must be registered in the register of members of the Company at 6.00 pm on Saturday 25 October 2014 (or, in the event of any adjournment, at 6.00 pm on the day 48 hours before the time of the adjourned meeting). Changes to the register of members after the relevant deadline will be disregarded in determining the right of any person to attend and vote at the meeting

Corporate representatives

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

Other rights of members

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

Documents available for inspection

8. There will be available for inspection at the registered office of the Company during normal business hours on any weekday (excluding Saturdays and public holidays) and at the place of the meeting for at least 15 minutes prior to and during the Annual General Meeting copies of:
   - the service contract of each executive director; and
   - the letter of appointment of each non-executive director

Form of proxy

Annual General Meeting on 27 October 2014 at 9.30 am

Brooks Macdonald Group plc

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

I/We (see note 5)

Name

Address

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

Name

Address

as my/our proxy to attend, speak and vote in my/our name and on my/our behalf at the Annual General Meeting of the Company to be held on 27 October 2014 at 9.30 am and at any adjournment thereof.

☐ Please tick this box if this proxy appointment is one of multiple appointments being made by the same member (see note 2).

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

FOLD

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

FOLD

Ordinary business	FOR	AGAINST	VOTE WITHHELD
Resolution 1: To receive and consider the Annual Report & Accounts for the year ended 30 June 2014			
Resolution 2: To approve the directors' remuneration report for the year ended 30 June 2014			
Resolution 3: To declare a final dividend of 19 pence per ordinary share			
Resolution 4: To re-elect Richard Price as a director			
Resolution 5: To re-elect Simon Jackson as a director			
Resolution 6: To re-elect Diane Seymour-Williams as a director			
Resolution 7: To re-elect Richard Spencer as a director			
Resolution 8: To appoint PricewaterhouseCoopers LLP as the Company's auditors and to authorise the directors to determine their remuneration			
Special business	**FOR**	**AGAINST**	**VOTE WITHHELD**
Resolution 9: Ordinary resolution to give the directors authority to allot shares			
Resolution 10: Special resolution to give the directors power to disapply pre-emption rights in relation to the allotment of shares			
Resolution 11: Special resolution to give the Company a general authority to purchase its own shares			

Signature: Date: / /2014

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

Notes:

Your rights to appoint a proxy

1. As a member of the Company you are entitled to appoint a proxy to exercise all or any of your rights to attend and to speak and vote at a meeting of the Company. A proxy does not need to be a member of the Company. You may appoint more than one proxy in relation to a meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by you
2. You may appoint a proxy in respect of all or some only of the shares held by you. If you do not want to appoint a proxy in respect of all of the shares held by you, delete the word "all" in square brackets and insert the number of shares in respect of which you wish to appoint your proxy in the box provided. If you sign and return this proxy form with no number inserted, you will be deemed to have appointed your proxy in respect of all of the shares held by you
3. If you require additional proxy forms in order to appoint more than one proxy, please contact the Company's registrar, Capita Asset Services, or you may copy this form. Please indicate by ticking the box provided if the proxy appointment is one of multiple appointments being made. You must also indicate in the separate box the number of shares in relation to which the proxy holder is authorised to act as your proxy. All proxy forms must be signed and should, wherever possible, be returned together in one envelope
4. If you appoint a proxy, this does not preclude you from attending the meeting and voting in person

Procedure for appointing a proxy

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

Directing your proxy how to vote

7. To direct your proxy how to vote on the resolutions mark the appropriate box with an "X". If no voting direction is given, your proxy can vote or abstain from voting as he or she chooses. Your proxy has the right to vote (or abstain from voting) as he or she chooses in relation to any other business (including a resolution to adjourn the meeting or to amend a resolution) which may properly come before the meeting
8. The "vote withheld" option is provided to enable you to abstain on any particular resolution. However, it should be noted that a "vote withheld" is not a vote in law and will not be counted in the calculation of the proportion of the votes "for" and "against" a resolution

Other

9. To be valid, this proxy form must be received by post or (during normal business hours only) by hand at Capita Asset Services, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU no later than 9.30 am on Saturday 25 October 2014
10. In the case of joint holders of any share, where more than one of the joint holders purports to appoint a proxy in respect of the same share, only the appointment submitted by the person whose name stands first in the register as one of the joint holders will be accepted
11. This proxy form must be signed and dated by the member or his or her attorney duly authorised in writing. In the case of a member which is a company, this proxy form must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or other authority under which this proxy form is signed, or a copy of such power or authority, must be included with the proxy form
12. In accordance with Regulation 41 of the Uncertificated Securities Regulations Act only those shareholders entered on the register of members at 6.00 pm on Saturday 25 October 2014 are entitled to attend and vote at the Annual General Meeting to be held at 9.30 am on 27 October 2014

Directors and advisers

Directors

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

Offices

Edinburgh	10 Melville Crescent, Edinburgh, EH3 7LU
Guernsey	Yorkshire House, Le Truchot, St. Peter Port, Guernsey, GY1 1WD
Hale	Richmond House, Heath Road, Hale, Cheshire, WA14 2XP
Hampshire	The Long Barn, Dean Estate, Wickham Road, Fareham, Hampshire, PO17 5BN
Jersey	Liberation House, Castle Street, St. Helier, Jersey, JE2 3AT
London	110 & 111 Park Street, London, W1K 7JL John Stow House, 18 Bevis Marks, London, EC3A 7JB
Leamington Spa	36 Hamilton Terrace, Holly Walk, Leamington Spa, Warwickshire, CV32 4LY
Manchester	1 Marsden Street, Manchester, M2 1HW
Taunton	Ground Floor, Blackbrook Gate, Blackbrook Park Avenue, Taunton, Somerset, TA1 2PX
Tunbridge Wells	2 Mount Ephraim Road, Tunbridge Wells, Kent, TN1 1EE
York	Howard House, 3 St. Mary's Court, Blossom Street, York, YO24 1AH

Company information

Company Secretary	L L Cook
Company Registration Number	4402058
Registered Office	111 Park Street, London, W1K 7JL
Website	www.brooksmacdonald.com

Independent auditors
PricewaterhouseCoopers LLP
7 More London Riverside
London
SE1 2RT

Registrars
Capita Asset Services
The Registry
34 Beckenham Road
Kent
BR3 4TU

Solicitors
Macfarlanes LLP
20 Cursitor Street
London
EC4A 1LT

Nominated adviser and broker
Peel Hunt LLP
Moor House
120 London Wall
London
EC2Y 5ET

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

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