

A large, stylized star graphic composed of multiple triangular segments radiating from a central point, rendered in various shades of gray. It is positioned on the left side of the page, extending from the top to the bottom.

BROOKS MACDONALD ✦
Group plc

Interim Report

for the six months ended 31 December 2007

Group overview

There are three trading companies within the Group. Brooks Macdonald Asset Management Limited and Brooks Macdonald Financial Consulting Limited are both authorised and regulated by the Financial Services Authority and offer a fee based service to a range of clients. Brooks Macdonald Services Limited which is not regulated provides custody and nominee services to our clients.

Brooks Macdonald Asset Management provides a bespoke, personalised fund management service mainly to individuals but also to trusts and charities. Brooks Macdonald Financial Consulting advises individuals, families and businesses of all sizes on a long term-basis on a broad range of services including pensions, mortgages and employee benefits.

Brooks Macdonald Asset Management and Brooks Macdonald Financial Consulting have their own client bank as well as sharing a number of clients. The two companies frequently work in tandem with one another as well as cross referring clients who require specialist areas of expertise. The three trading companies share the central resources of compliance, accounts, personnel, marketing, IT and training all of which are dealt with in-house.

Chairman's statement



I am pleased to report a strong set of results for the first half of our financial year, the six months ended 31 December 2007. Our results are prepared for the first time under policies consistent with International Financial Reporting Standards (IFRS). As a consequence, results for the comparative periods have been restated to reflect this adoption. None of the IFRS restatements is material.

The turnover for the period was £7.6million, an increase of 50% over the corresponding period last year, we have achieved pre-tax profits of £863,000, a rise of 69%.

Brooks Macdonald Asset Management's funds under management have increased from £915million as at 30 June to £1,052million as at 31 December. As well as being a landmark for the company, moving through £1billion of funds under management has been particularly pleasing considering the market backdrop. Funds under management over the six months rose 14.9% whilst the FTSE100 declined by 1.55% over the same period. This growth represents a combination of strong investment performance and new business. This is coupled with increased exposure in the professional intermediary market, the continued growth of the SIPP market and demand from private investors for a truly bespoke investment service.

Brooks Macdonald Financial Consulting has increased turnover significantly. Bearing in mind that a significant proportion of the fee income is orientated towards the tax year end this is a pleasing performance. The company has continued to increase its profile in the legal and accountancy sectors, most notably in the South East, and this together with the sustained growth of the employee benefits team bodes well for the future.

Brooks Macdonald Services, our dealing, nominee and custody services company, continues to deliver, with the result that over the last six months the Group has started to see the real benefits of providing these services 'in house'. As well as allowing us to maintain high service standards it allows the business to scale materially and provides operational leverage.

The economic outlook is more challenging than it has been for some time but with the strength of our distribution and our excellent team we look forward to the next six months and beyond with confidence.

A handwritten signature in blue ink, appearing to read 'Christopher Knight', with a horizontal line underneath.

Christopher Knight
Chairman
14 March 2008

Consolidated income statement

for the six months ended 31 December 2007

	31 December 2007 (unaudited) £	31 December 2006 (unaudited) £	30 June 2007 (unaudited) £
Revenue	7,599,892	5,089,023	12,070,569
Administrative costs	<u>(7,114,561)</u>	<u>(4,826,485)</u>	<u>(11,058,555)</u>
	485,331	262,538	1,012,014
Other operating income	<u>39,465</u>	<u>74,265</u>	<u>153,624</u>
Operating profit	524,796	336,803	1,165,638
Finance income	<u>338,159</u>	<u>174,602</u>	<u>434,694</u>
Profit before taxation	862,955	511,405	1,600,332
Taxation	<u>(242,174)</u>	<u>(163,200)</u>	<u>(437,246)</u>
Profit for the period	<u>620,781</u>	<u>348,205</u>	<u>1,163,086</u>
Earnings per share	2		
Basic earnings per share	6.32p	3.55p	11.85p
Diluted earnings per share	<u>5.77p</u>	<u>3.28p</u>	<u>10.99p</u>

Consolidated balance sheet

as at 31 December 2007

	Note	31 December 2007 (unaudited) £	31 December 2006 (unaudited) £	30 June 2007 (unaudited) £
Assets				
Non current assets				
Property, plant and equipment		631,093	205,895	465,769
Intangible assets	4	444,189	298,216	232,395
Total non current assets		<u>1,075,282</u>	<u>504,111</u>	<u>698,164</u>
Current assets				
Trade and other receivables		2,407,387	2,874,683	2,873,536
Deferred taxation		98,883	–	66,057
Financial assets		37	37	37
Cash and cash equivalents		5,205,122	2,683,518	4,956,120
Total current assets		<u>7,711,429</u>	<u>5,558,238</u>	<u>7,895,750</u>
Total assets		8,786,711	6,062,349	8,593,914
Current liabilities				
Trade and other payables		(2,998,636)	(2,073,427)	(3,583,333)
Current tax liabilities		(781,720)	(428,986)	(506,567)
Total current liabilities		<u>(3,780,356)</u>	<u>(2,502,413)</u>	<u>(4,089,900)</u>
Non current liabilities				
Provisions	5	(194,800)	(208,134)	(204,990)
Other non current liabilities		(23,439)	(26,563)	(20,313)
Total non current liabilities		<u>(218,239)</u>	<u>(234,697)</u>	<u>(225,303)</u>
Net assets		<u>4,788,116</u>	<u>3,325,239</u>	<u>4,278,711</u>
Financed by:				
Equity				
Share capital		98,131	98,131	98,131
Share premium account		1,365,910	1,365,910	1,365,910
Other reserves		521,151	273,141	411,732
Retained earnings		2,802,924	1,588,057	2,402,938
Total equity		<u>4,788,116</u>	<u>3,325,239</u>	<u>4,278,711</u>

Consolidated cash flow statement

for the six months ended 31 December 2007

Note	Six months ended 31 December 2007 (unaudited) £	Six months ended 31 December 2006 (unaudited) £	Year ended 30 June 2007 (unaudited) £
Cash inflow/(outflow) from operating activities			
Cash generated from operations 6	597,462	(509,137)	2,053,063
Taxation received/(paid)	—	4,275	(258,245)
Net cash from/(used in) operating activities	<u>597,462</u>	<u>(504,862)</u>	<u>1,794,818</u>
Cash flow from investing activities			
Purchase of property, plant and equipment	(254,030)	(73,251)	(426,242)
Purchase of intangible assets	(211,794)	(298,216)	(232,395)
Interest received	338,159	174,602	434,694
Net cash from/(used in) investing activities	<u>(127,665)</u>	<u>(196,865)</u>	<u>(223,943)</u>
Cash flows from financing activities			
Dividends paid to shareholders	(220,795)	(147,197)	(147,197)
Net cash used in financing activities	<u>(220,795)</u>	<u>(147,197)</u>	<u>(147,197)</u>
Net increase/(decrease) in cash and cash equivalents			
Cash and cash equivalents at start of period	4,956,120	3,532,442	3,532,442
Cash and cash equivalents at end of period	<u>5,205,122</u>	<u>2,683,518</u>	<u>4,956,120</u>

Consolidated statement of changes in equity

from 1 July 2007 to 31 December 2007

	Share capital £	Share premium account £	Share option reserve £	Merger reserve £	Retained earnings (restated) £	Total £
At 1 July 2006						
(unaudited)	98,131	1,365,910	54,000	191,541	1,387,049	3,096,631
Profit for the year	–	–	–	–	1,163,086	1,163,086
Dividends paid	–	–	–	–	(147,197)	(147,197)
Share option movement	–	–	166,191	–	–	166,191
At 30 June 2007						
(unaudited)	98,131	1,365,910	220,191	191,541	2,402,938	4,278,711
Profit for the period	–	–	–	–	620,781	620,781
Dividends paid	–	–	–	–	(220,795)	(220,795)
Share option movement	–	–	109,419	–	–	109,419
At 31 December 2007						
(unaudited)	98,131	1,365,910	329,610	191,541	2,802,924	4,788,116

Notes to the financial statements

for the six months ended 31 December 2007

General Information

The interim financial information for the six months ended 31 December 2007 has been prepared under International Financial Reporting Standards (IFRS).

Explanation of transition to IFRS

This is the first period for which the group has presented its financial statements under IFRS. The last statements under UK Generally Accepted Accounting Practice (GAAP) were for the year ended 30 June 2007. The date of transition to International Financial Reporting and Accounting Standards was 1 July 2006 and all comparative information in these financial statements has been restated to reflect the Group's adoption of International Financial Reporting and Accounting Standards.

The adoption of IFRS has resulted in no changes between the financial statements prepared in accordance with UK GAAP and IFRS.

The financial statements for the year ended 30 June 2007 have been derived from audited UK GAAP information adjusted for the impact of IFRS and is therefore unaudited. The financial information for the period ended 31 December 2006 has been derived from unaudited UK GAAP information adjusted for the impact of IFRS.

The interim information, together with the comparative information contained in this report for the year ended 30 June 2007, does not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985. However, the information has been reviewed by the Company's auditors, and their report appears at the end of the interim financial report. The UK GAAP statutory accounts for the year ended 30 June 2007 have been reported on by the Company's auditors and delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified and did not contain a statement under Section 237(2) or (3) of the Companies Act 1985.

A copy of this statement is being forwarded to all shareholders.

1. Principal accounting policies

(a) Accounting conventions

The financial statements for the year ending 30 June 2008 will be prepared in accordance with IFRS. This interim report has been prepared in accordance with IAS 34 Interim Financial Reporting for the first time.

(b) Revenue

Fees and commissions

Portfolio and other management advisory and service fees are recognised over the period the service is provided. Commissions receivable and payable are accounted for in the period the service is provided.

The dealing fees arising from the sale and purchase of securities on behalf of clients is recognised according to the settlement date.

Notes to the financial statements

continued

1. Principal accounting policies (*continued*)

(c) Property, plant and equipment

Property, plant and equipment is included in the balance sheet at cost less accumulated depreciation and any provisions for impairment.

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

Fixtures and fittings	–	15% per annum
Equipment	–	20% per annum

(d) Taxation

Current tax is the tax payable on the taxable income for the year, using tax rates applicable at the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profits and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for the taxable temporary differences and deferred tax assets are recognised to the extent that taxable profits will be available against which deductible temporary differences can be utilised.

(e) Defined contribution retirement scheme.

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

(f) Operating lease payments

Rents due under operating leases are charged to the profit and loss account on a straight line basis over the term of the lease. The group benefited from a rent-free period under the terms of the current property lease. In accordance with SIC15 Operating Leases Incentives, the benefit is being allocated over the shorter of the lease term and the date of the market valuation as specified in the lease. During the rent-free period a rental charge has been recognised in the profit and loss account and accrued as a liability in the balance sheet.

(g) Foreign currency translation

Foreign currency transactions are translated using the exchange rate prevailing at the transaction date. Foreign exchange gains and losses resulting from settlement of such transactions and from the translation of period end monetary assets and liabilities are recognised in the income statement.

(h) Share-based payments – IFRS 2

The Group has applied the requirements of IFRS 2 Share-based Payments and has adopted the requirements of IFRIC 11 in respect of share-based payments.

Equity settled share based payments are measured at fair value at the date of grant. The fair value at the grant date of the equity settled share based instrument is expensed on a straight line basis over the vesting period based on the group's estimate of the number of shares that will eventually vest .

(i) Business Combinations

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

The Group has taken advantage of the exemption in IFRS 1 and has decided not to apply IFRS 3 to business combinations prior to the date of transition to IFRS. In particular the merger undertaken in 2004 as accounted for under UK GAAP has not been reclassified as an acquisition.

(j) Trade receivables

Trade receivables are measured at the initial recognition at fair value and are subsequently carried at the lower of original fair value and their recoverable amount. Appropriate allowances for the estimated irrecoverable amounts are recognised in the income statement when there is objective evidence that the asset is impaired.

(k) Cash and cash equivalents

Cash comprises cash on hand and demand deposits which may be accessed without penalty. Cash equivalents comprise short-term highly liquid investments with a maturity date of less than three months from the date of acquisition.

(l) Intangible assets

Other intangible assets

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and impairment losses. Amortisation is charged to profit and loss on a straight line basis over the estimated useful lives of the intangible asset. The estimated useful life is five years.

Notes to the financial statements

continued

2. Earnings per share

	Six months ended 31 December 2007 (unaudited) £	Six months ended 31 December 2006 (unaudited) £	Year ended 30 June 2007 (unaudited) £
Earnings attributable to ordinary shareholders	620,781 No.(m)	348,205 No.(m)	1,163,086 No.(m)
Weighted average number of shares and basic earnings per share denominator	9.81	9.81	9.81
Issuable on exercise of options	<u>.94</u>	<u>.77</u>	<u>.77</u>
Diluted earnings per share denominator	<u>10.75</u>	<u>10.58</u>	<u>10.58</u>
Basic earnings per share	6.32p	3.55p	11.85p
Diluted earnings per share	<u>5.77p</u>	<u>3.28p</u>	<u>10.99p</u>

3. Dividends

	Six months ended 31 December 2007 (unaudited) £	Six months ended 31 December 2006 (unaudited) £	Year ended 30 June 2007 (unaudited) £
Paid final dividend on ordinary shares	<u>220,795</u>	<u>147,197</u>	<u>147,197</u>

4. Intangible assets

Intangible assets relate to payments made to key fee earners in return for an alternative commission structure and deferred payments in respect of the acquisition of new teams of fund managers.

5. Provisions

	31 December 2007 (unaudited) £	31 December 2006 (unaudited) £	30 June 2007 (unaudited) £
Client compensation payments	<u>194,800</u>	<u>208,134</u>	<u>204,990</u>

Provisions for client compensation payments relate to the potential liability resulting from specific complaints against the Group.

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

	31 December 2007 (unaudited) £	31 December 2006 (unaudited) £	30 June 2007 (unaudited) £
Operating profit	524,796	336,803	1,165,638
Depreciation	88,707	36,824	129,941
Decrease/(increase) in debtors	466,148	(913,807)	(912,661)
(Decrease)/increase in creditors	(581,418)	(11,391)	1,492,264
(Decrease)/increase in provisions	(10,190)	14,834	11,690
Share based payments	109,419	27,600	166,191
Net inflow/(outflow)	<u>597,462</u>	<u>(509,137)</u>	<u>2,053,063</u>

7. IFRS Transition*First time adoption of IFRS*

The transition date to IFRS from UK GAAP was 1 July 2006. The accounting policies are based on IFRS and have been applied retrospectively.

There have been minor changes in terminology in respect of the changes from UK GAAP to IFRS in respect of current and comparative information. There have been no changes in respect of the profit on ordinary activities after taxation or shareholders funds for all comparatives and current year disclosure. The exception to this is the reclassification of some trade receivables to intangible assets in accordance with IAS 38. This has no impact on shareholders funds.

Independent review report

Introduction

We have been instructed by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 31 December 2007 set out on pages 3 to 11. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Directors' responsibilities

The half-yearly financial report, including the financial information contained therein, is the responsibility of, and has been approved by the directors. The AIM Rules of the London Stock Exchange require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

This is the first accounting period for which the company is required to prepare financial information using policies that are consistent with IFRS. This half-yearly financial report has been prepared in accordance with the International Accounting Standard 34, "Interim Financial Reporting".

The maintenance and integrity of the company's website is the responsibility of the directors; the work we have carried out does not involve consideration of these matters and, accordingly, we accept no responsibility for any changes that may have occurred to the condensed set of financial statements presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of financial information may differ from legislation in other jurisdictions.

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists principally of making enquiries of management and applying analytical procedures to the financial information and underlying financial data and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with International Standards on Auditing (UK and Ireland) and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the financial information.

Review conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 31 December 2007 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union.

St Paul's House
Warwick Lane
London EC4M 7BP

Moore Stephens LLP
Registered Auditors
Chartered Accountants

19 March 2008

Directors and advisors

Directors

C J Knight	Non-executive Chairman
C A J Macdonald	Chief Executive
J M Gumpel	Executive Director
S J Jackson	Finance Director
N H Lawes	Executive Director
R H Spencer	Investment Director
S P Wombwell	Non-executive Director

Company Secretary

S J Jackson

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