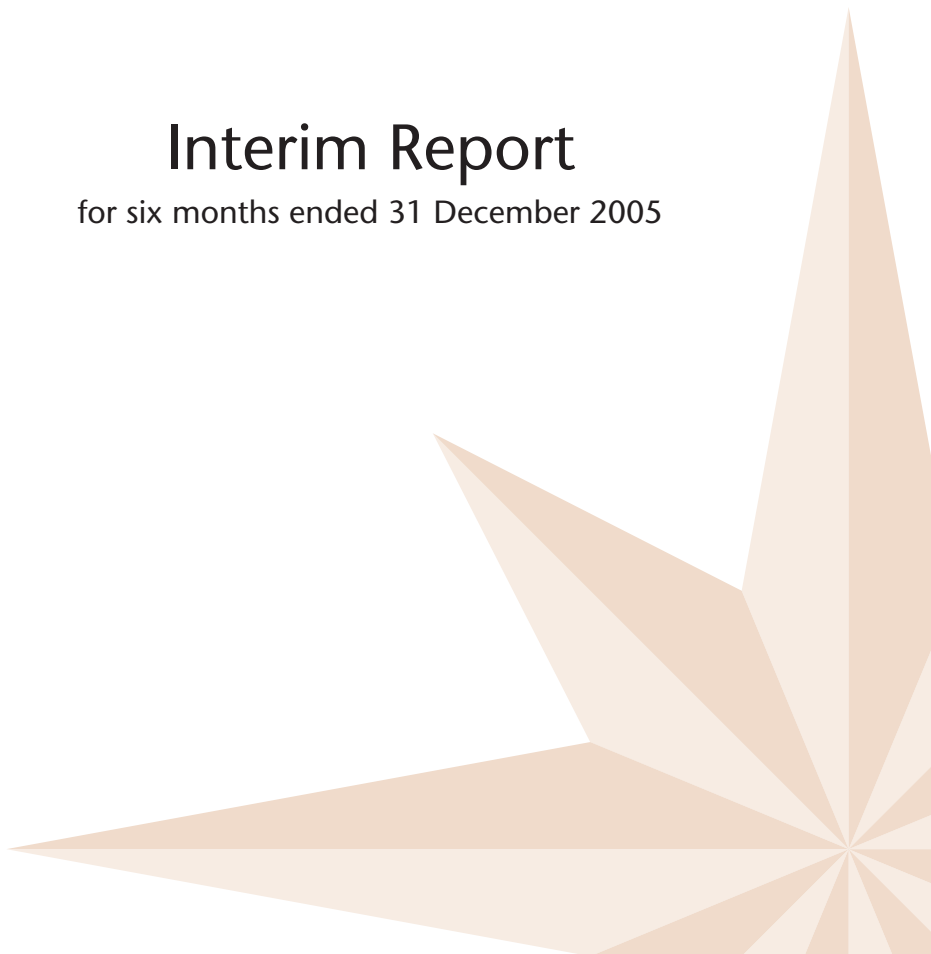


BROOKS MACDONALD 
Group plc

Interim Report

for six months ended 31 December 2005



Group Overview

Brooks Macdonald Group plc is an integrated private client discretionary asset manager and financial advisory group which was founded in 1991 by Chris Macdonald, the Chief Executive, Richard Spencer, Jon Gumpel and Martin Mullany all of whom remain actively involved in the business.

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 fee based services to a range of clients. We have recently formed Brooks Macdonald Services Limited, which is not regulated by the Financial Services Authority, in order to provide a nominee service to asset management 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, taxation, 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 two trading companies share the central resources of compliance, accounts, personnel, IT and training all of which are dealt with in-house.

Chairman's Statement

I am pleased to report to shareholders an encouraging set of results for the six months ended 31 December 2005. In all three key areas of the business—turnover, profits and funds under management we are ahead of budget. Profit before taxation was £187,000, lower than the corresponding period last year, reflecting a significant investment in new staff and the costs incurred in acquiring new business which will not generate income until the second half of the year.

Turnover of £3.4 million was an increase of 26% over the first half of last year, reflecting both stable investment markets and the significant increase in funds under management, which rose to £515 million compared with £412 million at the end of the last financial year. This represents a rise of 25% over the six month period and a rise of 41% over the £363 million funds under management at December 2004. This increase is due to both our fund manager recruitment programme as well as our continued strong organic growth.

New business remains buoyant not only in Self Invested Personal Pensions but also in the provision of bespoke portfolio management. We have continued to foster links with a number of professional introducers which is yielding results both in the UK and now also in continental Europe.

Increased activity in Financial Consulting reflects further demand for our services in the light of A Day pension legislation. This will continue to be an area of specialisation well beyond April 2006. In addition, we will be looking to expand our Group and Employee Benefits team over the coming months to take advantage of the increasing demand from companies to sub-contract their staff pension responsibilities.

We continue to expand our specialist services which are available to clients either as a specific product or as part of a larger portfolio. Our Property service and our Portfolio of Absolute Return Strategies (PARS) were both launched during the last financial year. We introduced our IHT/AiM portfolio service in December and are planning to launch a Managed Portfolio service in April 2006. In the second quarter of 2006 we hope to put in place our first Open Ended Investment Vehicles.

With the formation of Brooks Macdonald Services Limited we will be introducing our own in house nominee service. This will begin for new clients in April 2006 and become fully operational during our next financial year. As well as providing full custodian and dealing services this will further enhance our asset management software and client reporting.

We are optimistic that with continuing stability in the investment markets we shall see further significant increases in funds under management. Our business model remains robust, in both our Asset Management and Financial Consulting companies, giving us confidence for the financial year as a whole.

Christopher Knight
Chairman

Consolidated Profit and Loss Account

for the six months ended 31 December 2005

Note	Six months ended 31 December 2005 Unaudited		Six months ended 31 December 2004 Unaudited		Year ended 30 June 2005 Audited
	£	£	£	£	£
Turnover		3,426,293		2,719,433	5,667,469
Administrative costs		(3,406,425)		(2,580,460)	(5,325,892)
		19,868		138,973	341,577
Other operating income		78,615		78,615	159,730
Operating profit		98,483		217,588	501,307
Income from current asset investments	-		28		83
Interest receivable	88,588		48,483		120,337
		88,588		48,511	120,420
Profit on ordinary activities before tax		187,071		266,099	621,727
Tax on profit on ordinary activities 2		(56,000)		(85,468)	(160,645)
Profit on ordinary activities after taxation		131,071		180,631	461,082
Dividends payable 3		-		-	(98,110)
Retained profit for the period		131,071		180,631	362,972
Earnings per share					
Basic 9		1.34p		n/a	5.16p
Diluted 9		1.28p		n/a	5.12p

Consolidated Balance Sheet

at 31 December 2005

	Note	Six months ended 31 December 2005 Unaudited		Six months ended 31 December 2004 Unaudited		Year ended 30 June 2005 Audited
		£	£	£	£	£
Fixed assets						
Tangible assets			155,130	98,025		118,954
Current assets						
Debtors	4	1,638,918		965,877		1,143,784
Investments		18,022		18,047		18,022
Cash at bank and in hand		<u>2,799,366</u>		<u>1,277,245</u>		<u>2,716,227</u>
		4,456,306		2,261,169		3,878,033
Creditors, amounts falling due within one year						
		<u>(1,869,651)</u>		<u>(1,068,212)</u>		<u>(1,360,008)</u>
Net current assets		<u>2,586,655</u>		<u>1,192,957</u>		<u>2,518,025</u>
Total assets less current liabilities						
		2,741,785		1,290,982		2,636,979
Creditors, amounts falling due after one year						
		(32,813)		(35,938)		(32,813)
Provisions for liabilities and charges		<u>(118,500)</u>		<u>(110,000)</u>		<u>(148,030)</u>
Net assets		<u><u>2,590,472</u></u>		<u><u>1,145,044</u></u>		<u><u>2,456,136</u></u>
Capital and reserves						
Called up share capital	6	98,131		42,745		98,110
Share premium	7	1,365,910		289,280		1,362,666
Merger reserve		191,541		191,541		191,541
Profit and loss account		<u>934,890</u>		<u>621,478</u>		<u>803,819</u>
Equity shareholder funds	8	<u><u>2,590,472</u></u>		<u><u>1,145,044</u></u>		<u><u>2,456,136</u></u>

Consolidated Cash Flow Statement

for the six months ended 31 December 2005

	Note	Six months ended 31 December 2005 Unaudited		Six months ended 31 December 2004 Unaudited		Year ended 30 June 2005 Audited
		£	£	£	£	£
Net cash inflow from operating activities	5		152,193		178,149	561,403
Returns on investments and servicing of finance						
Investment income received		-		28		83
Interest received		88,588		48,483		120,337
			88,588		48,511	120,420
Taxation						
Corporation tax paid		-			2,146	(85,461)
Capital expenditure and financial investment						
Purchase of plant and equipment		(62,797)		(27,135)		(78,671)
Purchase of investments		-		(6,001)		(6,001)
			(62,797)		(33,136)	(84,672)
Equity dividends paid			(98,110)		(55,569)	(61,358)
Financing						
Increase in share capital		3,265		20,000		1,148,751
			3,265		20,000	1,148,751
Net cash inflow in period			83,139		160,101	1,599,083
Net funds at beginning of period			2,716,227		1,117,144	1,117,144
Net inflow			83,139		160,101	1,599,083
Net funds at end of period			2,799,366		1,277,245	2,716,227

Notes to the Financial Statements

for the period ended 31 December 2005

1 Basis of preparation

The accounting policies used in preparing the interim report are as set out in the statutory accounts for the year ended 30 June 2005. The figures for the year ended 30 June 2005 have been extracted from the financial statements for that year, which have been filed with the Registrar of Companies. The auditors' report on those financial statements was unqualified and did not contain any statement under Section 237 (2) or (3) of the Companies Act 1985.

2 Taxation

The corporation tax charge is based on the taxable profits at the current rate of 30%

3 Dividends

The Board do not recommend the payment of an interim dividend.

4 Debtors

Included within debtors is £537,535 (31 December 2004: £151,770, 30 June 2005: £134,910) which relates to payments made to key fee earners in return for an alternative commission structure and the costs in acquiring new funds under management. £397,873 (31 December 2004: £118,050, 30 June 2005: £101,190) of this relates to more than one year.

5 Reconciliation of operating profit and net cash outflow from operating activities

	Six months ended 31 December 2005 Unaudited £	Six months ended 31 December 2004 Unaudited £	Year ended 30 June 2005 Audited £
Operating profit	98,483	217,588	501,307
Depreciation	26,623	28,998	59,605
(Increase)/decrease in debtors	(495,134)	(15,916)	(193,823)
Release of provision for investments	-	(83)	(57)
Increase/(decrease) in creditors	551,751	(32,479)	176,300
Increase in provisions	(29,530)	(19,959)	18,071
Net inflow	<u>152,193</u>	<u>178,149</u>	<u>561,403</u>

6 Share capital

	Six months ended		Authorised	Six months ended		Year ended
	31 December 2005	31 December 2004	Year ended 30 June 2005	31 December 2005	31 December 2004	30 June 2005
	Unaudited	Unaudited	Audited	Unaudited	Unaudited	Audited
	£	£	£	no.	no.	no.
Ordinary shares of £0.01 each	200,000		200,000	20,000,000		20,000,000
"A" Ordinary shares of £1 each		40,000	-	-	40,000	-
"B" Ordinary shares of £1 each		10,000	-	-	10,000	-
	200,000	50,000	200,000	20,000,000	50,000	20,000,000

	Six months ended		Year ended	Six months ended		Year ended
	31 December 2005	31 December 2004	Year ended 30 June 2005	31 December 2005	31 December 2004	30 June 2005
	Unaudited	Unaudited	Audited	Unaudited	Unaudited	Audited
	£	£	£	no.	no.	no.
Ordinary shares of £0.01 each						
At 1 July 2005	98,110		98,110	9,811,000		9,811,000
Issued during the period	21			2,100		
"A" Ordinary shares of £1 each	-	38,400	-	-	38,400	-
"B" Ordinary shares of £1 each	-	4,345	-	-	4,345	-
At 31 December 2005	98,131	42,745	98,110	9,813,100	42,745	9,811,000

On 31 October 2005 under the terms of the employee free share scheme adopted by the Board on 1 March 2005, seven new employees were issued with 300 shares each at a mid market price of £1.555 per ordinary share of £0.01 each making a total of 2,100 shares.

On 6 July 2004 the company issued 160 "B" ordinary shares in the company. On 4 February 2005, there was a bonus issue of 1 new ordinary share for every existing share of either class. At the same date all the shares were sub-divided into 100 new shares of nominal value £0.01 for every existing share. A further 1,262,000 shares of nominal value £0.04 were issued on 11 March 2005 upon admission to the Alternative Investment Market of the London Stock Exchange plc

On 11 February 2005 the company increased the authorised share capital by written resolution from £50,000 to £200,000 via the creation of 15 million ordinary shares of £0.01 each.

Notes to the Financial Statements

continued

7 Share premium account

	Six months ended 31 December 2005 Unaudited £	Six months ended 31 December 2004 Unaudited £	Year ended 30 June 2005 Audited £
At 1 July 2005	1,362,666	269,440	269,440
Issue 160 "B" ordinary shares	-	19,840	19,840
Bonus shares issued	-	-	(42,745)
Shares issued at flotation less costs of flotation	-	-	1,116,131
Employee free shares issued	3,244	-	-
At 31 December 2005	<u>1,365,910</u>	<u>289,280</u>	<u>1,362,666</u>

The share premium arose as a result of issuing the following shares at the following considerations:

42,745 bonus shares issued 1 for 1 - cost of £42,745 arising

160 "B" ordinary shares of £1 each at £125 each - premium of £19,840 arising

1,262,000 ordinary shares of £0.01 each at £1.40 each - premium of £1,754,180 arising less flotation costs incurred of £638,049

2,100 ordinary shares of £0.01 each at £1.555 each - premium of £3,244 arising

8 Reconciliation of shareholders funds

	Six months ended 31 December 2005 Unaudited £	Six months ended 31 December 2004 Unaudited £	Year ended 30 June 2005 Audited £
Opening balance	2,456,136	944,413	944,413
Profit for the period	131,071	180,631	461,082
Dividends	-	-	(98,110)
New share capital subscribed	21	160	55,525
Share premium increase	3,244	19,840	1,093,226
Closing shareholders funds	<u>2,590,472</u>	<u>1,145,044</u>	<u>2,456,136</u>

9 Earnings per share

	Six months ended 31 December 2005 Unaudited £	Six months ended 31 December 2004 Unaudited £	Year ended 30 June 2005 Audited £
Earnings			
Profit after tax for the financial year	131,071	180,631	461,082
Weighted average number of shares	No. (m)	No. (m)	No. (m)
Number of ordinary shares at start of year	9.81		8.52
Share issues	0.00		1.29
Basic earnings per share denominator Issuable on exercise of options	9.81 0.44		8.94 0.20
Diluted earnings per share denominator	10.25		9.00
Basic earnings per share	1.34	n/a	5.16
Diluted earnings per share	1.28	n/a	5.12

There are no valid comparatives for the six months ended 31 December 2004 as this was before the company was admitted to AiM.

Independent Review Report

to Brooks Macdonald Group plc

Introduction

We have been instructed by the company to review the financial information for the six months ended 31 December 2005, which comprises profit and loss account, balance sheet and cashflow statement and the related notes. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim report in accordance with the Listing Rules of the Financial Services Authority which 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.

Review work performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of group 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

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 31 December 2005.

St Paul's House
London, EC4M 7BP

Moore Stephens LLP

Registered Auditor
Chartered Accountants

Directors and Advisors

Directors

C J Knight
C A J Macdonald
J M Gumpel
S J Jackson
N H Lawes (appointed 22 December 2005)
R H Spencer
S P Wombwell

Non-executive Chairman
Chief Executive
Executive Director
Finance Director
Executive Director
Investment Director
Non-executive Director

Company secretary

S J Jackson

Trading offices

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Church Court Waltham Chase Hampshire SO32 2LN

Registered office

111 Park Street London W1K 7JL

Registered number

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Registrars

Capita Registrars The Registry 34 Beckenham Road Kent BR3 4TU

Nominated advisor and broker

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