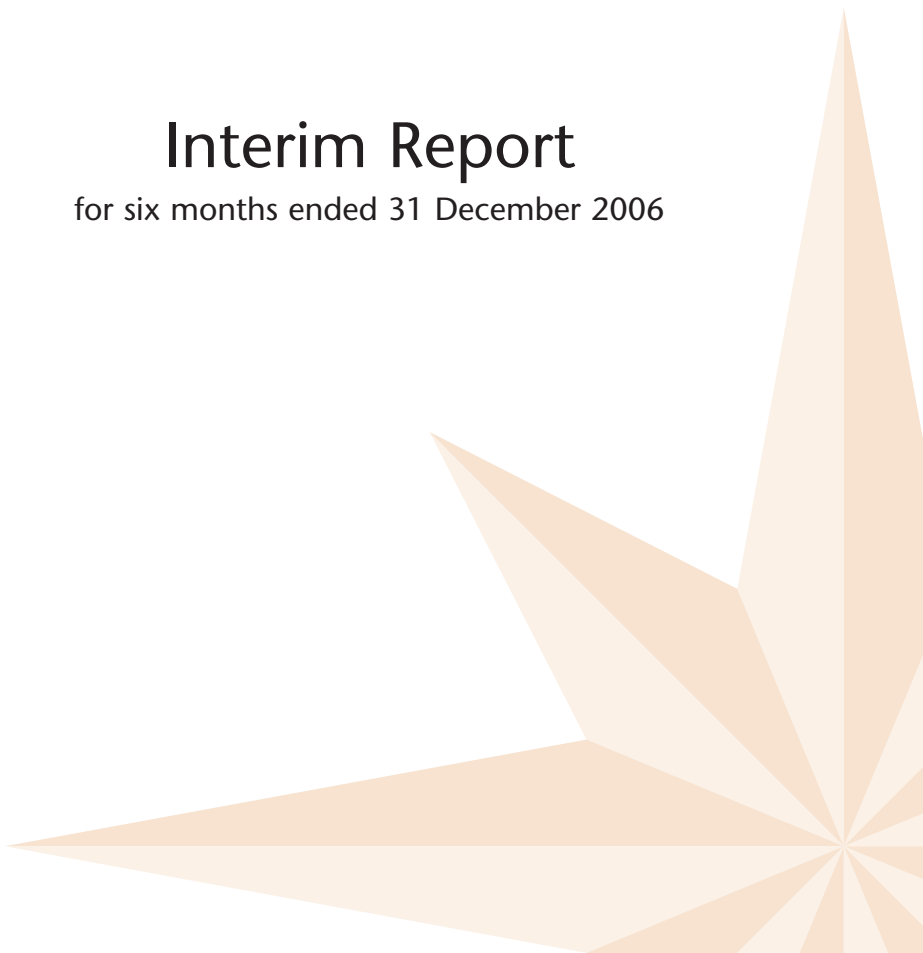


BROOKS MACDONALD 
Group plc

Interim Report

for six months ended 31 December 2006



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 fee based services to a range of clients. Brooks Macdonald Services Limited is not regulated and 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, 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. All 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 the financial year.

On a turnover of £5.1 million, an increase of 50% over the first half of last year, we have achieved a rise in pre-tax profits from £187,000 to £511,000. In Brooks Macdonald Asset Management funds under management at 31 December 2006 were £750 million, an increase of £113 million or 17% over the six month period, and an increase of £236 million or 45% over the calendar year 2006.

These results reflect stable markets but with the FTSE100 index rising by 4% over the six month period the increase in our funds under management is in larger measure the result of the out-performance of our clients' assets and strong new business flow. Our organic growth is due to a number of factors: our success in the growing Self Invested Personal Pensions (SIPP) market; the links we have established with an increasing number of professional introducers; the continued growth in clients wishing to establish discretionary portfolios; and our excellent performance record.

In December 2006 we launched our first Offshore Unit Trust: this is satisfying a specific demand and has been well received.

Brooks Macdonald Financial Consulting recorded increased turnover in the half year, a pleasing performance given that a large constituent of its business is based around tax planning and is biased towards the second half of our financial year. We have successfully expanded our employee benefits capability where we see significant potential as part of our consultancy services to the small and medium enterprises sector.

Brooks Macdonald Services, into which we transferred clients in August 2006, provides us with our own nominee, custody and dealing services. It will allow us to expand our back office capability as well as improve our client reporting without a commensurate increase in costs. With this service fully operational we are now focusing on further developing our systems, in particular the use of web based delivery.

We will continue to expand the services we offer private clients and as a result anticipate the need for further recruitment. Our staff are central to our success. We will continue to develop remuneration policies to encourage share ownership and to reward our staff for their performance, enthusiasm and commitment.

Christopher Knight
Chairman

Consolidated profit and loss account

for the six months ended 31 December 2006

	Note	Six months ended 31 December 2006		Six months ended 31 December 2005		Year ended 30 June 2006	
		Unaudited		Unaudited		Audited	
		£	£	£	£	£	£
Turnover			5,089,023		3,426,293		8,168,713
Administrative costs			(4,826,485)		(3,406,425)		(7,767,849)
			262,538		19,868		400,864
Other operating income			74,265		78,615		155,460
Operating profit			336,803		98,483		556,324
Income from current asset investments			–		–		7,191
Interest receivable		174,602		88,588		257,509	
			174,602		88,588		264,700
Profit on ordinary activities before tax			511,405		187,071		821,024
Tax on profit on ordinary activities	2		(163,200)		(56,000)		(237,794)
Profit on ordinary activities after taxation			348,205		131,071		583,230
Dividends payable	3		(147,197)		–		(98,110)
Retained profit for the period			201,008		131,071		485,120
Earnings per share							
Basic	9		3.55p		1.34p		5.95p
Diluted	9		3.28p		1.28p		5.60p

Consolidated balance sheet

at 31 December 2006

	Note	Six months ended 31 December 2006		Six months ended 31 December 2005		Year ended 30 June 2006	
		Unaudited		Unaudited		Audited	
		£	£	£	£	£	£
Fixed assets							
Tangible assets			205,895		155,130		169,468
Current assets							
Debtors	4	3,172,899		1,638,918		1,960,876	
Investments		37		18,022		37	
Cash at bank and in hand		2,683,518		2,799,366		3,532,442	
		<u>5,856,454</u>		<u>4,456,306</u>		<u>5,493,355</u>	
Creditors, amounts falling due within one year		<u>(2,502,413)</u>		<u>(1,869,651)</u>		<u>(2,346,329)</u>	
Net current assets			<u>3,354,041</u>		<u>2,586,655</u>		<u>3,147,026</u>
Total assets less current liabilities			3,559,936		2,741,785		3,316,494
Creditors, amounts falling due after one year			(26,563)		(32,813)		(26,563)
Provisions for liabilities and charges			<u>(208,134)</u>		<u>(118,500)</u>		<u>(193,300)</u>
Net assets			<u>3,325,239</u>		<u>2,590,472</u>		<u>3,096,631</u>
Capital and reserves							
Called up share capital	6		98,131		98,131		98,131
Share premium	7		1,365,910		1,365,910		1,365,910
Merger reserve			191,541		191,541		191,541
Share option reserve			81,600		-		54,000
Profit and loss account			<u>1,588,057</u>		<u>934,890</u>		<u>1,387,049</u>
Shareholder funds	8		<u>3,325,239</u>		<u>2,590,472</u>		<u>3,096,631</u>

Consolidated cash flow statement

for the six months ended 31 December 2006

	Note	Six months ended 31 December 2006		Six months ended 31 December 2005		Year ended 30 June 2006	
		Unaudited		Unaudited		Audited	
		£	£	£	£	£	£
Net cash (outflow)/ inflow from operating activities	5		(807,353)	152,193		886,832	
Returns on investments and servicing of finance							
Interest received		174,602		88,588		257,509	
			174,602		88,588		257,509
Taxation							
Corporation tax refund received/(paid)			4,275	-		(146,553)	
Capital expenditure and financial investment							
Purchase of plant and equipment		(73,251)		(62,797)		(111,905)	
Sales of investments		-		-		25,177	
			(73,251)		(62,797)		(86,728)
Equity dividends paid			(147,197)	(98,110)		(98,110)	
Financing							
Increase in share capital		-		3,265		3,265	
			-		3,265		3,265
Net cash (outflow)/ inflow in period			<u>(848,924)</u>	<u>83,139</u>		<u>816,215</u>	
Net funds at beginning of period			3,532,442	2,716,227		2,716,227	
Net (outflow)/inflow			(848,924)	83,139		816,215	
Net funds at end of period			<u>2,683,518</u>	<u>2,799,366</u>		<u>3,532,442</u>	

Notes to the interim results

for the period ended 31 December 2006

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 2006. The figures for the year ended 30 June 2006 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

A dividend was paid in the period in respect of the results for the year ended 30 June 2006. The Board do not recommend the payment of an interim dividend.

	Six months ended 31 December 2006 Unaudited £	Six months ended 31 December 2005 Unaudited £	Year ended 30 June 2006 Audited £
Final dividend paid on ordinary shares	147,197	–	98,110

4 Debtors

Included within debtors is £431,959 (31 December 2005: £537,535, 30 June 2006: £498,480) 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. £298,216 (31 December 2005: £397,783, 30 June 2006: £365,438) 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 2006 Unaudited £	Six months ended 31 December 2005 Unaudited £	Year ended 30 June 2006 Audited £
Operating profit	336,803	98,483	556,324
Depreciation	36,824	26,623	61,392
(Increase) in debtors	(1,212,023)	(495,134)	(817,090)
(Decrease)/increase in creditors	(11,391)	551,751	993,186
Increase/(decrease) in provisions	14,834	(29,530)	39,020
Share based payments	27,600	–	54,000
Net (outflow)/inflow	(807,353)	152,193	886,832

6 Share capital

	Six months ended		Authorised		Year ended	
	31 December 2006	31 December 2005	Year ended 30 June 2006	Six months ended 31 December 2006	Six months ended 31 December 2005	Year ended 30 June 2006
	Unaudited	Unaudited	Audited	Unaudited	Unaudited	Audited
	£	£	£	no.	no.	no.
Ordinary shares of £0.01 each	200,000	200,000	200,000	20,000,000	20,000,000	20,000,000
	Allotted, issued and fully paid					
	Six months ended 31 December 2006	Six months ended 31 December 2005	Year ended 30 June 2006	Six months ended 31 December 2006	Six months ended 31 December 2005	Year ended 30 June 2006
	Unaudited	Unaudited	Audited	Unaudited	Unaudited	Audited
	£	£	£	no.	no.	no.
Ordinary shares of £0.01 each						
At 1 July 2006	98,131	98,110	98,110	9,813,100	9,811,000	9,811,000
Issued during the period	–	21	21	–	2,100	2,100
At 31 December 2006	98,131	98,131	98,131	9,813,100	9,813,100	9,813,100

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.

Notes to the interim results

continued

7 Share premium account

	Six months ended 31 December 2006 Unaudited £	Six months ended 31 December 2005 Unaudited £	Year ended 30 June 2006 Audited £
At 1 July 2006	1,365,910	1,362,666	1,362,666
Issue 160 "B" ordinary shares	–	3,244	3,244
At 31 December 2006	<u>1,365,910</u>	<u>1,365,910</u>	<u>1,365,910</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 incurred of £42,745

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 floatation 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 2006 Unaudited £	Six months ended 31 December 2005 Unaudited £	Year ended 30 June 2006 Audited £
Opening shareholders funds at 1 July as previously stated	3,096,631	2,456,136	2,456,136
Prior year adjustments	–	–	98,110
Opening shareholders funds at 1 July as restated	<u>3,096,631</u>	<u>2,456,136</u>	<u>2,554,246</u>
Profit for the period	348,205	131,071	583,230
Share option reserves	27,600	–	54,000
Dividends	(147,197)	–	(98,110)
New share capital subscribed	–	21	21
Share premium increase	–	3,244	3,244
Net addition to shareholders funds	<u>228,608</u>	<u>134,336</u>	<u>542,385</u>
Closing shareholders funds	<u>3,325,239</u>	<u>2,590,472</u>	<u>3,096,631</u>

9 Earnings per share

	Six months ended 31 December 2006 Unaudited £	Six months ended 31 December 2005 Unaudited £	Year ended 30 June 2006 Audited £
Earnings			
Profit after tax for the financial period	348,205	131,071	583,230
Weighted average number of shares	No. (m)	No. (m)	No. (m)
Number of ordinary shares at start of period	9.81	9.81	9.81
Share issues	0.00	0.00	0.00
Basic earnings per share denominator	9.81	9.81	9.81
Issuable on exercise of options	0.79	0.44	0.61
Diluted earnings per share denominator	10.60	10.25	10.42
Basic earnings per share	3.55	1.34	5.95
Diluted earnings per share	3.28	1.28	5.60

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 2006, 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 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.

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 2006.

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Moore Stephens LLP

Registered Auditor
Chartered Accountants

Directors and advisors

Directors

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C A J Macdonald
J M Gumpel
S J Jackson
N H Lawes
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

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Registered number

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Registrars

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