

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

Annual Report and Accounts
for the year ended 30 June 2007

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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

Offices

111 Park Street London W1K 7JL
Church Court Waltham Chase Hampshire SO32 2LN
55 King Street Manchester M2 4LQ

Registered Office

111 Park Street London W1K 7JL

Registered Number

4402058

Auditors

Moore Stephens LLP St Paul's House Warwick Lane London EC4M 7BP

Solicitors

Macfarlanes 10 Norwich Street London EC4A 1BD

Bankers

The Royal Bank of Scotland London Victoria Branch

Registrars

Capita Registrars The Registry 34 Beckenham Road Kent BR3 4TU

Nominated advisor and broker

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

Group overview

Brooks Macdonald Group plc is an integrated private client discretionary asset manager and financial advisory group which was founded in 1991.

During the year there were three trading companies within the Group: Brooks Macdonald Asset Management Limited, Brooks Macdonald Financial Consulting Limited and Brooks Macdonald Services Limited. Brooks Macdonald Asset Management and Brooks Macdonald Financial Consulting are both authorised and regulated by the Financial Services Authority and offer fee based services to a range of clients.

Brooks Macdonald Services, which is not regulated by the FSA, was set up in order to provide in-house custody, nominee and dealing services and we successfully transferred existing clients in August 2006.

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, IT and training all of which are dealt with in-house.



Chairman's Statement

I am pleased to report our results for the year ended 30 June 2007, our second full year as an AiM company. The Group has had an excellent year, achieving a significant increase in profits and in funds under management while continuing to build for the future.

Turnover was £12.0 million an increase of £3.8 million or 46%; pre-tax profit was £1.60 million compared to £0.82 million in 2006, an increase of 95%; and funds under management rose by 43% from £638 million to £915 million.

The Board has decided to declare a dividend of 2.25p per share compared with 1.5p for the previous year. The dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements.

Asset Management

The growth in funds under management endorses our continued objective of providing high levels of personal service with superior investment returns. Over the period investment markets have been favourable – the FTSE100 rose by 13% and APCIMs¹ Balanced (a more reflective index) rose by 9% – but our strong organic growth and investment returns have delivered a rise in funds under management of 43%. Support and demand from professional intermediaries and the enormous opportunities in the Self Invested Personal Pension (SIPP) market have been two key drivers to the growth of funds under management.

Financial Consulting

Turnover continues to rise in our financial planning company, Brooks Macdonald Financial Consulting (BMFC), with expansion across all five key areas (employee benefits, tax planning, mortgage finance, pension provision and financial planning). In BMFC and across the Group as a whole, we remain committed to the provision of independent fee based advice to the high net worth individual.

We have opened an office in Manchester, building on the success we have already achieved in the north-west, and we have continued our recruitment process at all levels.

Our success is a reflection of the quality of our staff and their hard work, enthusiasm and dedication. It is their professionalism which gives us confidence in the future success of the Group.

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

Christopher Knight
Chairman
12 September 2007

¹ Association of Private Client Investment Managers

Chief Executive's Statement



This has been a strong year for the Group both in terms of results and development. We are a service business and we pride ourselves on delivering a highly personalised quality service to all our clients. With this in mind it would be wrong of me, at the beginning of my statement, not to echo our Chairman's comments that neither the results nor the service could be delivered without the enormous hard work and commitment of all our staff.

Our discretionary funds under management have risen to £915 million at 30 June 2007 from £638 million at June 2006 and £411 million in June 2005. Markets have undoubtedly aided this growth but demand for our services has increased for several reasons. We have expanded our services beyond bespoke discretionary fund management and offer clients, either as a stand alone service or as part of a larger portfolio, a Portfolio of Absolute Return Strategies ('PARS') and an AiM Inheritance Tax Service ('ITS'). In addition we launched a Managed Portfolio Service ('MPS') aimed at clients looking to accrue a portfolio and our own Unit Trust (Brooks Macdonald Structured Growth) in December 2006.

We continue to foster relationships with high quality professional introducers and this has been successful, both in the number of firms that now use our service and the number of the clients they refer. This remains an integral part of our strategy for 2007 and beyond.

The growth of the SIPP market is well documented and this is an area in which we have considerable experience and market presence. We have been managing SIPPs since 1995 and firmly believe that this remains an area of huge potential for the Group.

In addition to service, our investment performance has been strong across all risk mandates – strong both in absolute terms, against benchmarks, but also relative, as recently confirmed in an independent analysis undertaken by ARC Private Client Indices. (It is worth commenting that the effect of the recent 'sub prime' issues in the US and the subsequent market volatility has not had any material effect on either our business or our funds under management).

In May we announced that we had opened an office in Manchester. This has been an area of some success for the Group over the last two years, servicing clients from London. The opening of the office will allow us to offer a local service to our existing clients and will be another potential avenue for growth following the success of our office in Winchester.

We continue to recruit trainee fund managers and firmly believe in the trainee process. Whilst this undoubtedly is a long term investment it ensures, together with external recruitment, 'capacity' for the future. The quality of our trainee intake, year on year, bodes well for the future.

Brooks Macdonald Financial Consulting (BMFC), our independent financial planning company, had another successful year with a further increase in turnover, despite the increased burden of changes in legislation. The results reflect its growing profile in the legal, accountancy and banking sectors, from which it generates a substantial proportion of its new business, and increased client activity driven by the expansion of its consulting team.

BMFC continues to expand in its five key areas, namely tax planning, pension provision, financial planning, employee benefits and mortgage finance, with recruitment over the year in all five areas.

The employee benefits division has been particularly successful and now offers employers online flexible benefits for their staff. Similar systems were previously impractical for smaller employers because of their inherent administration burden and cost. The new system has proved popular with existing and new clients.

Brooks Macdonald Services ('BMS') which was established a little over 12 months ago, provides nominee and custody services to our clients. The service has grown over a year that has seen us establish both new systems and procedures. Within a relatively short period this has become both an integral and crucial part of the business and we fully expect BMS to deliver considerable operational leverage to the Group.

We are constantly looking to improve our delivery to clients. Over the past two months we have undertaken a modernisation of our offices in London and are currently working on the development of our web sites. The latter is not only critical for marketing but is increasingly being used by our clients for reporting purposes.

Whilst we continue to grow we remain committed to the ethos of the firm. Our Group purpose remains to create, enhance and protect wealth and our core values remain honesty and fairness, respect and concern for the individual and dedication to the highest standards. With regards to the last point we have recently appointed a full time training and competence officer to continue and further staff development.

The last financial year has been a successful period across the Group. With the considerable progress that has been made we can look forward with confidence.

Chris Macdonald.

Chris Macdonald
Chief Executive
12 September 2007

Report of the Directors

The directors present herewith their annual report, together with the audited financial statements for the Group for the year ended 30 June 2007.

The financial statements of the Group have been prepared in accordance with UK Generally Accepted Accounting Practice (UKGAAP). The Group is aware that all AiM listed companies will have to implement International Financial Reporting Standards (IFRS) for accounting periods commencing on or after 1 January 2007. It is the intention of the Board that the implementation of IFRS will be in the financial statements for the year ending 30 June 2008.

Principal Activities and Business Review

Brooks Macdonald Group plc is a holding company.

The principal activities of its trading subsidiaries during the year were the provision of investment management and financial services. Brooks Macdonald Asset Management and Brooks Macdonald Financial Consulting are both authorised and regulated by the Financial Services Authority. Brooks Macdonald Services is not regulated by the FSA and was formed in April 2006 and commenced trading in August 2006.

A full review of the business is contained within the Chairman's and Chief Executive's statements.

Results and Dividends

The profit for the year after taxation was £1,163,086 (2006 : £583,230).

The Company paid dividends during the year of £147,197 (2006 : £98,110).

The directors recommend a final dividend of 2.25p per ordinary share amounting to £220,795 to be paid after the year end.

It is proposed that the retained profit of £1,015,889 (2006 : £485,120) be transferred to reserves.

Directors and their Interests

The directors of the Company during the year and their beneficial interests in the share capital of the Company at the beginning and end of the year were as follows:

	At 30 June 2007	At 30 June 2006
Ordinary shares of 1p		
C J Knight	71,585	46,585
C A J Macdonald	1,020,346	1,135,346
J M Gumpel	807,417	892,417
S J Jackson	25,000	25,000
N H Lawes	24,300	24,300
R H Spencer	976,096	1,085,096
S P Wombwell	65,442	45,442

Details of share options held by the directors at the beginning and the end of the year are as follows:

Sharesave Scheme	At 30 June 2006	At 30 June 2007	Exercise price	Earliest exercise date	Expiry date
C A J Macdonald	2,940	5,460	119p	01.06.08	30.11.08
J M Gumpel	2,940	5,460	119p	01.06.08	30.11.08
S J Jackson	2,940	5,460	119p	01.06.08	30.11.08
N H Lawes	2,940	5,460	119p	01.06.08	30.11.08
R H Spencer	2,940	5,460	119p	01.06.08	30.11.08
S P Wombwell	2,940	5,460	119p	01.06.08	30.11.08

Enterprise Management Incentive Scheme

C A J Macdonald	10,000	10,000	155p	01.11.08	01.11.15
J M Gumpel	10,000	10,000	155p	01.11.08	01.11.15
S J Jackson	40,000	40,000	140p	11.03.08	11.03.15
S J Jackson	20,000	20,000	155p	01.11.08	01.11.15
S J Jackson	–	17,000	215p	18.10.09	17.10.16
N H Lawes	14,000	14,000	140p	11.03.08	11.03.15
N H Lawes	10,000	10,000	155p	01.11.08	01.11.15
N H Lawes	–	17,000	215p	18.10.09	17.10.06
R H Spencer	10,000	10,000	155p	01.11.08	01.11.15

C J Knight held no share options at either the beginning or the end of the year.

The average share price during the year was 241 pence. Details of the share option schemes are provided in note 5(d) to the financial statements.

C A J Macdonald and N H Lawes will retire by rotation at the annual general meeting and being eligible will offer themselves for re-election.

Substantial interests in the Company's shares as at 3 September 2007 have been advised to the Company as follows:

	Number	Percentage holding
Liontrust Asset Management	1,203,127	12.30%
C A J Macdonald	1,020,346	10.40%
R H Spencer	976,096	9.95%
Brewin Dolphin Securities	830,934	8.47%
J M Gumpel	807,417	8.23%
Hargreave Hale & Co	799,941	8.16%
M Lawrence	678,381	6.91%
Jamiro Properties Inc.	659,537	6.72%
A Butt	493,500	5.03%
Chase Nominees Limited	407,140	4.15%
E Eaton	300,000	3.06%

Report of the Directors

continued

Payment Policy

The Group does not apply a specific payment code; however, it is normal practice to ensure that the payment of suppliers' invoices is made in accordance with terms agreed with suppliers subject to the resolution of any disagreement regarding the supply. In the majority of cases, the terms agreed with suppliers are for payment within 30 days of their invoice date. During the period the average trade creditor was settled in 55 days (2006 : 38 days).

Events since the year end

The Company has declared a final dividend of 2.25p per share and is anticipating paying this in October 2007.

Auditors

A resolution to re-appoint Moore Stephens LLP as the Company's auditors will be put to the forthcoming Annual General Meeting.

Each of the persons who are directors at the time when this report is approved has confirmed that:

- (a) so far as each director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- (b) each director has taken all the steps that ought to have been taken as a director, including making appropriate enquiries of fellow directors and the Company's auditors for that purpose, in order to be aware of any information needed by the Company's auditors in connection with preparing their report and to establish that the Company's auditors are aware of that information.

By Order of the Board

S J JACKSON

Director

12 September 2007

Statement of Directors' Responsibilities

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts;
- 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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent Auditors' Report to the Shareholders of Brooks Macdonald Group plc

We have audited the Group and parent company financial statements (the "financial statements") of Brooks Macdonald Group plc for the year ended 30 June 2007 which are set out on pages 11 to 28. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We report to you whether in our opinion the information given in the directors' report is consistent with the financial statements.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's and the Company's affairs as at 30 June 2007 and of the Group's profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements.

St Paul's House
Warwick Lane
London EC4M 7BP

Moore Stephens LLP
Registered Auditors
Chartered Accountants

12 September 2007

Consolidated Profit and Loss Account

for the year ended 30 June 2007

	Note	2007		2006	
		£	£	£	£
Turnover	2,3		12,070,569		8,168,713
Administrative costs			(11,058,555)		(7,767,849)
			1,012,014		400,864
Other operating income	4		153,624		155,460
Operating profit	4,5		1,165,638		556,324
Income from current asset investments			–		7,191
Interest receivable	6	434,694		257,509	
			434,694		264,700
Profit on ordinary activities before taxation			1,600,332		821,024
Tax on profit on ordinary activities	7		(437,246)		(237,794)
Profit on ordinary activities after taxation			1,163,086		583,230
Dividends paid	8		(147,197)		(98,110)
Retained profit for the year	21		1,015,889		485,120
Earnings per share					
Basic	24		11.85p		5.95p
Diluted	24		10.99p		5.60p

None of the Group's activities was acquired or discontinued during the above two financial years.

The Group has no recognised gains or losses other than the profit for the above two financial years.

Consolidated Balance Sheet

as at 30 June 2007

	Note	£	2007 £	£	2006 £
Fixed assets					
Tangible assets	9		465,769		169,468
Current assets					
Debtors	11	3,171,988		1,960,876	
Investments	12	37		37	
Cash at bank and in hand		4,956,120		3,532,442	
		<u>8,128,145</u>		<u>5,493,355</u>	
Creditors, amounts falling due within one year	13	<u>(4,089,900)</u>		<u>(2,346,329)</u>	
Net current assets			<u>4,038,245</u>		<u>3,147,026</u>
Total assets less current liabilities			<u>4,504,014</u>		<u>3,316,494</u>
Creditors, amounts falling due after more than one year	14		(20,313)		(26,563)
Provisions for liabilities	15		<u>(204,990)</u>		<u>(193,300)</u>
Net assets			<u><u>4,278,711</u></u>		<u><u>3,096,631</u></u>
Financed by:					
Capital and reserves					
Called up share capital	17		98,131		98,131
Share premium	18		1,365,910		1,365,910
Merger reserve	19		191,541		191,541
Share option reserve	20		220,191		54,000
Profit and loss account	21		<u>2,402,938</u>		<u>1,387,049</u>
Shareholders funds	22		<u><u>4,278,711</u></u>		<u><u>3,096,631</u></u>

Approved by the Board on 12 September 2007

C A J Macdonald
S J Jackson

Chief Executive
Finance Director

Balance Sheet

as at 30 June 2007

	Note	£	2007 £	£	2006 £
Fixed assets					
Investments	10		4,238,125		4,238,125
Current assets					
Debtors	11	673,627		990,912	
Cash at bank and in hand		4,666		367	
			<u>678,293</u>	<u>991,279</u>	
Creditors, amounts falling due within one year	13	<u>(3,867,741)</u>		<u>(3,944,782)</u>	
Net current liabilities			<u>(3,189,448)</u>		<u>(2,953,503)</u>
Net assets			<u>1,048,677</u>		<u>1,284,622</u>
Financed by:					
Capital and reserves					
Called up share capital	17		98,131		98,131
Share premium	18		1,365,910		1,365,910
Share option reserve	20		220,191		54,000
Profit and loss account	21		(635,555)		(233,419)
Shareholders funds	22		<u>1,048,677</u>		<u>1,284,622</u>

Approved by the Board on 12 September 2007

C A J Macdonald
S J JacksonChief Executive
Finance Director

Consolidated Cash Flow Statement

for the year ended 30 June 2007

	Note	£	2007 £	£	2006 £
Net cash inflow from operating activities	16		1,820,668		886,832
Returns on investments and servicing of finance					
Interest received	6		434,694		257,509
Taxation					
Corporation tax paid			(258,245)		(146,553)
Capital expenditure and financial investment					
Purchase of fixtures, fittings and equipment		(426,242)		(111,905)	
Sale of investments		—		25,177	
			(426,242)		(86,728)
Equity dividends paid			(147,197)		(98,110)
Financing					
Increase in share capital			—		3,265
Net cash inflow in year			<u>1,423,678</u>		<u>816,215</u>
Net funds at beginning of year			3,532,442		2,716,227
Net inflow			1,423,678		816,215
Net funds at end of year	23		<u>4,956,120</u>		<u>3,532,442</u>

Notes to the Financial Statements

for the year ended 30 June 2007

1. Principal accounting policies

(a) Accounting conventions
The financial statements have been prepared in accordance with applicable accounting standards within the United Kingdom. The principal accounting policies of the Group are set out below.

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

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

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

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

(d) Current asset investments
Current asset investments are valued at the lower of cost or net realisable value.

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

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

(f) Pension costs
Contributions in respect of the Company's money purchase pension scheme are charged to the profit and loss account for the period in which they fall due.

(g) Operating Leases
Rents due under operating leases are charged to the profit and loss account as they fall due. The Group benefited from a rent-free period under the terms of the current property lease. In accordance with UITF 28 Operating Lease Incentives, the benefit is being allocated over the shorter of the lease term and the date of the market valuation as specified in the lease. During the rent-free period a rental charge has been recognised in the profit and loss account and accrued as a liability in the balance sheet.

(h) Foreign exchange
Monetary assets and liabilities expressed in foreign currencies are translated at the rate ruling at the balance sheet date.

All differences on exchange are dealt within the profit and loss account.

Notes to the Financial Statements

continued

(i) Share based payments

The Group has applied the requirements of FRS 20 Share-based Payments. The Group engages in equity settled share-based payment transactions in respect of services received from certain employees. 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 interest rate, the expected volatility of the Company's share price over the life of the option/award and other relevant factors.

(j) Consolidation

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 used merger accounting to account for the group reconstruction effected by the acquisition by the Company of the interest in Brooks Macdonald Financial Consulting Limited and its subsidiary company.

The Company has taken exemption under S230 not to publish its own profit and loss account.

2. Segmental Analysis

The Group engages in the provision of investment management and financial consulting services and is based in the United Kingdom. Full segmental analysis has not been provided.

All of the turnover and profit before tax of the Group arises in the United Kingdom.

Class of business	Turnover	Profit before tax	Net assets
Investment management and financial consulting services	£12,070,569	£1,600,332	£4,278,711

3. Turnover

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

	2007	2006
	£	£
Fee income	10,940,027	7,248,187
Financial services commissions	1,130,542	920,526
	<u>12,070,569</u>	<u>8,168,713</u>

4. Operating profit

	2007	2006
	£	£
This is stated after charging/(crediting):		
Rent receivable	(153,624)	(155,460)
Staff costs (see note 5)	5,779,220	4,256,297
Auditors' remuneration (see below)	52,004	52,099
Depreciation	129,941	61,392
Operating leases – land & building	345,000	345,000
Losses on foreign exchange	1,518	828
	<u>2007</u>	<u>2006</u>
	<u>£</u>	<u>£</u>

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

Fees payable to the Company's auditors for the audit of the Company's annual accounts	1,135	5,745
Fees payable to the Company's auditors for other services to the Group:		
– audit of the Company's subsidiaries pursuant to legislation	45,589	41,325
– other services pursuant to legislation	5,280	5,029
	<u>52,004</u>	<u>52,099</u>

5. Employee information – Group

	2007	2006
	£	£
(a) Staff costs		
Wages and salaries	5,051,011	3,706,974
Social security costs	581,126	430,194
Pension costs	147,083	119,129
	<u>5,779,220</u>	<u>4,256,297</u>

Pension costs are in respect of a money purchase scheme.

(b) The average monthly number of employees during the year including directors was made up as follows:

	Number	Number
Support staff	42	40
Professional staff	38	24
	<u>80</u>	<u>64</u>

Notes to the Financial Statements

continued

5. Employee information (*continued*)

	2007 £	2006 £
(c) Directors' emoluments		
Fees and salaries	1,150,000	826,214
Non executive directors' fees	45,000	35,000
Pension contributions – money purchase scheme	69,875	40,800
Benefits in kind	10,942	10,210
	<u>1,275,817</u>	<u>912,224</u>
Highest paid director		
Remuneration and benefits in kind	307,589	228,407
Pension contribution to money purchase scheme	17,500	12,000
	<u>325,089</u>	<u>240,407</u>

Retirement benefits are accruing to five directors (2006 : five) under a money purchase pension scheme.

(d) Share option schemes

Following admission to AiM the Company set up two share option schemes, a Sharesave Scheme 2005 and an Enterprise Management Incentive (EMI) Scheme.

The Sharesave Scheme enables all eligible employees to participate in a scheme whereby they enter into a savings contract for a period of three years. At the end of the three years they receive a bonus payment and the right to subscribe for a number of ordinary shares at the option price up to the maximum value of their savings contract.

The EMI scheme is an incentive scheme used by the Company to offer share options to key employees and directors of the Group as a part of their remuneration package in addition to their basic pay, performance bonus and other benefits. The share options granted under the EMI scheme are subject to performance conditions being met by the Company.

Grants of EMI share options to employees and directors of the Group which when in total exceed the limits of the scheme form unapproved share options which are subject to the same rules and performance conditions of the EMI scheme.

6. Interest receivable

	2007 £	2006 £
Bank interest	433,881	194,437
Other interest	813	63,072
	<u>434,694</u>	<u>257,509</u>

7. Taxation

	2007	2006
	£	£
The tax charge on the profit on ordinary activities for the year was as follows:		
UK corporation tax @ 30% (2006 : 30%)	503,303	237,794
Deferred taxation	(66,057)	–
	<u>437,246</u>	<u>237,794</u>
Factors affecting charge for year		
Profit on ordinary activities before tax	<u>1,600,332</u>	<u>821,024</u>
Profit on ordinary activities multiplied by the standard rate of tax in the UK of 30% (2006 : 30%)	480,099	246,307
Disallowable expenses	105,527	25,961
Excess of capital allowances over depreciation and timing differences	(26,045)	(18,103)
Profits taxed at small companies rate	(56,278)	–
Marginal relief	–	(16,371)
Deferred taxation credit (see note below)	(66,057)	–
Actual tax charge	<u>437,246</u>	<u>237,794</u>

The deferred taxation credit of £66,057 (2006 : £nil) arises out of the share option reserve at the balance sheet date.

8. Dividends

	2007	2006
	£	£
Paid final dividend on ordinary shares	<u>147,197</u>	<u>98,110</u>

A technical issue has arisen in respect of the final dividend of £147,197 paid by the Company on 20 October 2006 whereby under the Companies Act the Company should have filed interim accounts with the Registrar of Companies which showed the requisite level of distributable reserves and it inadvertently failed to do so. Brooks Macdonald Group plc has, however, always had sufficient profits to pay all of its dividends.

Brooks Macdonald Group plc has been advised that, as a technical matter, it may have claims against shareholders who were recipients of these payments to recover the amounts paid, and against those directors who participated at the Board meeting at which the decision was taken to pay the dividend.

It is clearly not the intention of Brooks Macdonald Group plc that any such claim should be made by it against either the shareholders or the directors. This matter can be remedied by shareholders passing a resolution at the forthcoming Annual General Meeting which puts shareholders and directors, so far as possible, into the position in which they were always intended to be.

Notes to the Financial Statements

continued

9. Tangible fixed assets

	Fixtures and fittings £	Equipment £	Total £
Group			
Cost			
At 1 July 2006	96,942	704,592	801,534
Additions	72,080	354,162	426,242
At 30 June 2007	<u>169,022</u>	<u>1,058,754</u>	<u>1,227,776</u>
Depreciation			
At 1 July 2006	64,140	567,926	632,066
Charge for the year	19,216	110,725	129,941
At 30 June 2007	<u>83,356</u>	<u>678,651</u>	<u>762,007</u>
Net book value			
At 30 June 2006	<u>32,802</u>	<u>136,666</u>	<u>169,468</u>
At 30 June 2007	<u>85,666</u>	<u>380,103</u>	<u>465,769</u>

10. Investments

	2007 £	2006 £
Subsidiary undertakings	<u>4,238,125</u>	<u>4,238,125</u>

Details of the subsidiary undertakings of the group as at 30 June 2007, all of which are included in the consolidated financial statements, are given below:

Company	Type of Share	Interest	Country of Incorporation	Nature of Business	Aggregate Reserves £	Retained profit/(loss) for the year £
Brooks Macdonald Financial Consulting Limited	Ordinary 5p	100%	UK	Financial Consulting	£4,386,526	£(119,129)
Brooks Macdonald Asset Management Limited	Ordinary £1	100%	UK	Investment Management	£3,072,056	£1,528,195
Brooks Macdonald Services Limited	Ordinary £1	100%	UK	Nominee Service	£9,675	£9,575

11. Debtors

	Group		Company	
	2007 £	2006 £	2007 £	2006 £
Trade debtors	1,178,316	636,826	–	–
Other debtors	455,570	592,100	607,570	990,912
Prepayments and accrued income	1,472,045	731,950	–	–
Deferred taxation (note 7)	66,057	–	66,057	–
	<u>3,171,988</u>	<u>1,960,876</u>	<u>673,627</u>	<u>990,912</u>

Included within other debtors is £365,438 (2006 : £498,480) which relates 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. £232,395 (2006 : £365,438) relates to more than one year.

12. Current asset investments

Group	£
Cost	
At 1 July 2006 and 30 June 2007	<u>15,305</u>
Provision	
At 1 July 2006 and 30 June 2007	<u>15,268</u>
Net book value	
At 30 June 2006 and 30 June 2007	<u>37</u>

The investments comprise of investments listed on the London Stock Exchange. The market value of the investments is £37.

Notes to the Financial Statements

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13. Creditors, amounts falling due within one year

	Group		Company	
	2007 £	2006 £	2007 £	2006 £
Trade creditors	1,139,500	397,416	4,511	45,509
Corporation tax	506,567	261,510	–	–
Other taxes and social security costs	745,393	545,379	–	–
Other creditors	785,304	232,575	5,199	8,129
Accruals and deferred income	913,136	909,449	512,240	198,064
Amount due to related parties	–	–	3,345,791	3,693,080
	<u>4,089,900</u>	<u>2,346,329</u>	<u>3,867,741</u>	<u>3,944,782</u>

Included within the amounts due to related parties is a loan from one of the subsidiary companies of £3,345,791 (2006 : £3,693,080) which is interest free and is repayable on demand.

14. Creditors, amounts falling due after more than one year

	Group	
	2007 £	2006 £
Other creditors	<u>20,313</u>	<u>26,563</u>

15. Provision for liabilities

	Group	
	2007 £	2006 £
Client compensation payments	<u>204,990</u>	<u>193,300</u>
	<u>204,990</u>	<u>193,300</u>

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

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

	2007 £	2006 £
Operating profit	1,165,638	556,324
Depreciation	129,941	61,392
(Increase) in debtors	(1,145,056)	(817,090)
Increase in creditors	1,492,264	993,186
Increase in provisions	11,690	39,020
Share based payments	166,191	54,000
Net inflow	<u>1,820,668</u>	<u>886,832</u>

17. Share capital

(a) Called up share capital

Group and Company

	Authorised			
	2007 £	2006 £	2007 no.	2006 no.
Ordinary shares of 1p each	200,000	200,000	20,000,000	20,000,000
	<u>200,000</u>	<u>200,000</u>	<u>20,000,000</u>	<u>20,000,000</u>

	Authorised, issued and fully paid			
	2007 £	2006 £	2007 no.	2006 no.
Ordinary shares of 1p each	98,131	98,131	9,813,100	9,813,100
	<u>98,131</u>	<u>98,131</u>	<u>9,813,100</u>	<u>9,813,100</u>

Notes to the Financial Statements

continued

17. Share capital (continued)

(b) Share options

The Company operates both an employee sharesave scheme open to all employees, and an enterprise management incentive scheme. Under the schemes certain employees hold options to subscribe for shares in the company at prices ranging from 119p to 215p. Options are conditional on the employee completing three years' service and are exercisable three years from grant date. The options have a contractual term of between three and ten years depending on the scheme. The Company has no legal or constructive obligation to repurchase or settle the options in cash.

Enterprise management incentive scheme

	2007 £	2006 £
At 1 July	357,500	189,000
Granted in the year	149,500	178,500
Forfeited in the year	(15,000)	(10,000)
Exercised in the year	–	–
	<u>492,000</u>	<u>357,500</u>
At 30 June	<u>492,000</u>	<u>357,500</u>

Employee sharesave scheme

	2007 £	2006 £
At 1 July	238,939	192,827
Granted in the year	71,552	51,843
Forfeited in the year	(35,412)	(5,731)
Exercised in the year	–	–
	<u>275,079</u>	<u>238,939</u>
At 30 June	<u>275,079</u>	<u>238,939</u>

The options granted under the employee share save scheme and enterprise management incentive scheme were valued on the basis of market prices at the time the options were granted and were calculated using the Black Scholes method with a 30% volatility, covering the period to exercise cessation date. The expected volatility was estimated on the basis of the share price history subsequent to flotation. The risk free interest rate was assessed as the yield on gilt edged security with a maturity term of 10 years. The options were valued at prices up to £2.15 per share, the charge for the year being £166,191.

18. Share premium account

	Group and Company	
	2007	2006
	£	£
At 1 July	1,365,910	1,362,666
Employee free shares issued	–	3,244
At 30 June	<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 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 1p at £1.40 each – premium of £1,754,180 arising less flotation costs incurred of £638,049

2,100 ordinary shares of 1p at £1.555 each – premium of £3,244 arising

19. Merger reserve

2007	2006
£	£
<u>191,541</u>	<u>191,541</u>

In accordance with The Companies Act 1985, the difference between the nominal value of shares issued and shares acquired in the group reconstruction has been treated as a merger reserve.

20. Share option reserves

	Group		Company	
	2007	2006	2007	2006
	£	£	£	£
At 1 July	54,000	–	54,000	–
Share based payments	166,191	54,000	166,191	54,000
At 30 June	<u>220,191</u>	<u>54,000</u>	<u>220,191</u>	<u>54,000</u>

As detailed in note 17(b) above a provision has been made for the cost of share option schemes operated by the Group.

Notes to the Financial Statements

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21. Profit and loss account

	Group		Company	
	2007 £	2006 £	2007 £	2006 £
At 1 July	1,387,049	901,929	(233,419)	(13,250)
Retained profit/(loss) for the year	1,015,889	485,120	(402,136)	(220,169)
At 30 June	<u>2,402,938</u>	<u>1,387,049</u>	<u>(635,555)</u>	<u>(233,419)</u>

22. Reconciliation of shareholders funds

	Group		Company	
	2007 £	2006 £	2007 £	2006 £
Opening shareholders funds at 1 July	3,096,631	2,554,246	1,284,622	1,447,526
Profit/(loss) for the year	1,163,086	583,230	(254,939)	(122,059)
Share option reserves	166,191	54,000	166,191	54,000
Dividends	(147,197)	(98,110)	(147,197)	(98,110)
New share capital subscribed	–	21	–	21
Share premium increase	–	3,244	–	3,244
Net addition/(reduction) to shareholders funds	<u>1,182,080</u>	<u>542,385</u>	<u>(235,945)</u>	<u>(162,904)</u>
Closing shareholders funds	<u>4,278,711</u>	<u>3,096,631</u>	<u>1,048,677</u>	<u>1,284,622</u>

23. Reconciliation of net funds

	2007 £	2006 £
Increase in cash during the year	1,423,678	816,215
Change in net funds	1,423,678	816,215
Funds at start of year	3,532,442	2,716,227
Net funds at end of year	<u>4,956,120</u>	<u>3,532,442</u>
Represented by:		
Cash at bank	4,956,120	3,532,442
	<u>4,956,120</u>	<u>3,532,442</u>

24. Earnings per share

	2007	2006
	£	£
Earnings		
Profit after tax for the financial year	<u>1,163,086</u>	<u>583,230</u>
Weighted average number of shares	No. (m)	No. (m)
Number of ordinary shares at start of year	9.81	9.81
Share issues	<u>–</u>	<u>–</u>
Basic earnings per share denominator	9.81	9.81
Issuable on exercise of options	<u>0.77</u>	<u>0.61</u>
Diluted earnings per share denominator	<u>10.58</u>	<u>10.42</u>
Basic earnings per share	11.85p	5.95p
Diluted earnings per share	10.99p	5.60p

25. Lease commitments

The Group has non cancellable operating leases in respect of land and buildings with an annual charge which expire:

	2007	2006
Within 1 year	16,500	–
2-5 Years	366,713	15,000
More than 5 years	<u>–</u>	<u>330,000</u>
	<u>383,213</u>	<u>345,000</u>

26. Disclosure of control

There is no controlling party of the Company.

27. Client money and funds under management

The total balance on client bank accounts managed by the Group at 30 June 2007 was £66.8 million. Total funds under management at 30 June 2007 were £915 million.

28. Guarantees

During the year the Company undertook a guarantee to the Royal Bank of Scotland to guarantee settlement for trading with CREST stock on behalf of clients. The Company holds client assets to fund such trading activity.

Notes to the Financial Statements

continued

29. Derivatives and other financial instruments

The Group's financial instruments comprise bank accounts and various items such as trade receivables and payables that arise directly from the operations. The Group does not enter into any derivative transactions and has minimal exposure to exchange rate movements as its trade takes place entirely within the United Kingdom.

At the year end the Group held bank accounts with one institution with funds on deposit attracting interest at a rate of 5.4875% per annum. The fair value of the Group's financial assets and liabilities at 30 June 2007 is as stated in the balance sheet at that date.

30. Related party transactions

The Company's directors have taken advantage of the facility to have interest free season ticket loans which are available to all employees and directors, The directors who have such loans are C J Macdonald, J M Gumpel, S J Jackson, N H Lawes and R H Spencer. The balances at the balance sheet date were £5,437(2006 : £4,180), £3,182 (2006 : £1,342), £3,262 (2006 : £2,508), £ nil (2006 : £nil) and £402 (2006 : £417) respectively. The maximum amount of the loans during the year were £6,254 (2006 : £5,016), £3,812 (2006 : £2,893), £6,524 (2006 : £5,016), £3,236 (2006 : £3.156) and £5,000 (2006 : £4,827) respectively.

Explanation of AGM Business

Enclosed with this document is a notice convening the Annual General Meeting of the Company for 16 October 2007. This explanatory note gives further information on resolutions numbered 2 to 9 set out in the notice of AGM.

Resolution 2 – To declare a final dividend

The Directors recommend a final dividend of 2.25 pence per Ordinary Share. Subject to approval by shareholders, the final dividend will be paid on 22 October 2007 to shareholders on the register on 28 September 2007.

Resolutions 3 and 4 – To re-elect Christopher Macdonald and Nicholas Lawes

The Company's Articles of Association state that one third of the Directors shall 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 may offer themselves for re-election.

Information on each of the Directors standing for re-election is set out below. The Chairman confirms that Christopher Macdonald and Nicholas Lawes have extensive relevant experience of the Group and its business. The Board is therefore of the opinion that Christopher Macdonald and Nicholas Lawes should be re-elected to the Board.

CHRISTOPHER MACDONALD, *Chief Executive* (46), provides strategy and direction to the Group and he is also the Managing Director of Asset Management. He was a founder director of the company in 1991 and Chris has worked in investment management and financial services since the start of his career in 1982. He is also the non-executive director of the Invesco AiM VCT and a Director of Moultsford Preparatory Charitable Trust, has won several investment management awards and is a Fellow of the Institute of Continuing Professional Development.

NICHOLAS LAWES, *Executive Director* (44), has management responsibility for Financial Consulting on the Group board. He has twenty years experience developing strategies for high net worth individuals and families to manage their wealth. He advises on a broad range of financial matters, including sophisticated tax planning, pensions and retirement and inheritance tax mitigation. Nicholas joined Brooks Macdonald Financial Consulting in 2003 and was appointed Managing Director in 2004.

Resolution 5 – To re-appoint Moore Stephens LLP as auditors

This Resolution proposes that Moore Stephens LLP should be re-appointed as the Company's auditors and authorises the Directors to determine their remuneration.

Resolution 6 – Authority to allot shares

The Companies Act 1985 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 2006, will expire at the end of this year's Annual General Meeting.

Resolution 6 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 £32,700 (i.e. 3,270,000 Ordinary Shares), representing approximately 33% of the nominal value of the Ordinary Shares in issue on 12 September 2007. The Company does not currently hold any shares in treasury.

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

The Directors have no present plans to allot unissued shares other than on the exercise of share options under the Company's employee share option schemes. However, the Directors believe it to be in the best interests of the Company that they should continue to have this authority so that such allotments can take place to finance appropriate business opportunities that may arise.

Explanation of AGM Business

continued

Resolution 7 – 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 2006, will expire at the end of this year's Annual General Meeting. Accordingly, Resolution 7 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 rights issues; and second, in relation to the allotment of equity securities for cash up to a maximum aggregate nominal amount of £4,900 (i.e. 490,000 Ordinary Shares) (representing approximately 5% of the nominal value of the Ordinary Shares in issue on 12 September 2007).

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 Treasury Share Regulations allow 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 made within the 10% anti-dilution limit for such share issues.

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

Resolution 8 – Company's authority to purchase its own shares

Resolution 8 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 980,000 Ordinary Shares. The existing authority to make market purchases of Ordinary Shares, which was granted at the Annual General Meeting held in 2006, 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 12 September 2007. The minimum price that may be paid shall be the nominal value of an Ordinary Share (i.e. 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 fifteen months after the passing of this Resolution or, if sooner, at the end of next year's Annual General Meeting.

Your 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 Treasury Share Regulations 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.

Resolution 9 – Final Dividend for 2006

There is a technical issue which has arisen in respect of the final dividend of £147,197 in total paid by the Company on 20 October 2006 to holders of its ordinary shares (“the Dividend”).

The Company had sufficient distributable profits to pay the Dividend. However, under the Companies Act the Company should have filed individual accounts with the Registrar of Companies which showed the requisite level of distributable profits prior to the payment of the Dividend. The audited accounts of the Company for its financial year ended 30 June 2006 did not show the requisite level of distributable profits. Accordingly, the Company should have prepared and filed interim accounts with the Registrar of Companies, in compliance with the Companies Act provisions, as at a date prior to the payment of the Dividend which did show the requisite level of distributable profits. The Company inadvertently failed to do so.

The Company has been advised that, as a technical matter, it may have claims against present and past shareholders who were recipients of the Dividend to recover the amounts paid, and against those directors who participated at the Board meeting at which the decision was taken to pay the Dividend. Any sums recovered from such shareholders and directors would be repayable with interest at a reasonable rate.

It is clearly not the intention of the Company that any such claim should be made by it against either the shareholders or the directors. This matter can be remedied by shareholders passing a resolution which puts shareholders and directors, so far as possible, into the position in which they were always intended to be. Accordingly this Resolution is being proposed to:

- (a) sanction the entries in the relevant accounts appropriating profits to the Dividend;
- (b) waive any rights of the Company against past and present shareholders and directors in respect of the payment of the Dividend; and
- (c) authorise the Company to enter into deeds of release in favour of the past and present shareholders and directors in respect of the payment of the Dividend. The forms of the deeds of release are available for inspection as explained in note 4 to the Notice of the Annual General Meeting.

In view of their interests in its subject matter, the directors are not in a position to make a recommendation to shareholders as to how they should vote on this Resolution and none of the directors will be voting on this Resolution.

Notice of Annual General Meeting

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 Tuesday 16 October 2007 at 10.00 a.m. to consider the following:

Ordinary Business

- 1 To receive and adopt the accounts and reports of the directors and the auditors for the year ended 30 June 2007.
- 2 To declare a final dividend of 2.25 pence per Ordinary Share for the year ended 30 June 2007.
- 3 To re-elect Christopher Macdonald as a director.
- 4 To re-elect Nicholas Lawes as a director.
- 5 To re-appoint Moore Stephens 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:

- 6 THAT in place of all existing authorities, the directors be generally and unconditionally authorised pursuant to section 80 of the Companies Act 1985 ("the Act") to exercise all the powers of the Company to allot relevant securities (within the meaning of section 80) up to an aggregate nominal amount of £32,700 for a period expiring (unless previously revoked, varied or renewed) on the date which is fifteen months after the passing of this Resolution or, if sooner, the end of the next annual general meeting of the Company, but the Company may 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.

DISAPPLICATION OF PRE-EMPTION RIGHTS

To resolve as a special resolution:

- 7 THAT subject to the passing of Resolution 6 above and in place of all existing powers, the directors be generally empowered pursuant to section 95 of the Act to allot equity securities (within the meaning of section 94(2) to 94(3A) of the Act) for cash, pursuant to the authority conferred by Resolution 6 as if section 89(1) of the Act did not apply to such allotment, provided that this power shall expire on the date which is fifteen 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:
 - 7.1 in connection with an issue by way of rights (including, without limitation, under a rights issue, open offer or similar arrangement) in favour of holders of ordinary shares of £0.01 each in the capital of the Company ("Ordinary Shares") 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
 - 7.2 otherwise than pursuant to paragraph 7.1 up to an aggregate nominal amount of £4,900;

but the Company may 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 94(3A) of the Act as if in the first paragraph of this resolution the words "pursuant to the authority conferred by Resolution 6" were omitted.

COMPANY'S AUTHORITY TO PURCHASE ITS OWN SHARES

To resolve as a special resolution:

- 8 THAT the Company be generally authorised pursuant to section 166 of the Act to make market purchases (within the meaning of section 163(3) of the Act) of its Ordinary Shares on such terms and in such manner as the directors shall determine, provided that:
- 8.1 the maximum number of Ordinary Shares hereby authorised to be purchased is 980,000;
 - 8.2 the maximum price which may be paid for each Ordinary Share shall be 5 per cent. above the average of the middle market quotations for an Ordinary Share (as derived from the daily official list of London Stock Exchange plc) for the five business days immediately before the day on which the purchase is made (in each case exclusive of expenses);
 - 8.3 the minimum price which may be paid for each Ordinary Share shall be £0.01; and
 - 8.4 this authority (unless previously revoked, varied or renewed) shall expire on the date which is fifteen 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.

WAIVER OF CLAIMS IN RELATION TO 2006 FINAL DIVIDEND

To resolve as a special resolution:

- 9 THAT:
- 9.1 the payment of the final dividend of £147,197 in total on 20 October 2006 (the "Dividend"), and the entries in the audited accounts of the Company for the year ended 30 June 2007 whereby distributable profits of the Company were appropriated to the payment of the Dividend, be and they are hereby ratified and confirmed;
 - 9.2 any and all claims which the Company may have in respect of the payment of the Dividend against its shareholders who appeared on the register of shareholders on the record date for the Dividend be released and a deed of release in favour of such shareholders be entered into by the Company in the form of the deed produced to this meeting and signed by the Chairman for the purposes of identification and thereafter be delivered to the Secretary of the Company for retention by him on behalf of the said shareholders;
 - 9.3 any distribution involved in the giving of any such release as is referred to in sub-paragraph 9.2 of this Resolution in relation to the Dividend be made out of the profits appropriated to the Dividend as aforesaid by reference to a record date identical to the record date for the Dividend; and
 - 9.4 any and all claims which the Company may have against its directors (both past and present) arising out of the payment of the Dividend be released and that a deed of release in favour of the Company's directors be entered into by the Company in the form of the deed produced to this meeting and signed by the Chairman for the purposes of identification and thereafter be delivered to the Secretary of the Company for retention by him on behalf of the said directors.

Notice of Annual General Meeting

continued

BY ORDER OF THE BOARD

Simon Jackson

Company Secretary

Dated: 12 September 2007

Registered Office:

111 Park Street

London

W1K 7JL

Notes

- 1 Only those shareholders registered in the register of members of the Company as at 10.00 a.m. on Sunday 14 October 2007 shall be entitled to attend or vote at the meeting in respect of the number of Ordinary Shares registered in their name at that time. Changes to entries on the register of members after that time will be disregarded in determining the right of any person to attend or vote at the meeting.
- 2 Every shareholder entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and, on a poll, to vote instead of that shareholder. A proxy need not be a member of the Company.
- 3 A proxy form is enclosed with this notice. Instructions for use are shown on the form. To be valid, the form of proxy must be deposited at Capita IRG plc, The Registry, 34 Beckenham Road, Kent BR3 4TU **NOT LATER THAN 10.00 A.M. on 14 October 2007**, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power or authority. The completion and return of the form of proxy will not, however, preclude you from attending and voting at the meeting if you so wish.
- 4 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 for at least 15 minutes prior to and during the annual general meeting copies of the register of directors' interests, the service contract of each executive director, the letter of appointment of each non-executive director, the form of the deed of release in favour of shareholders referred to in Resolution 9.2 and the form of the deed of release in favour of directors referred to in Resolution 9.4.

**ANNUAL GENERAL MEETING
16 OCTOBER 2007 AT 10.00 A.M.**

FORM OF PROXY

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

I/We*

being (a) shareholder(s) of Brooks Macdonald Group plc hereby appoint (the Chairman of the Meeting**)

Name

Address

as my/our proxy to attend and, on a poll, vote for me/us and on my/our behalf as directed below at the annual general meeting of the Company to be held on 16 October 2007 at 10.00 a.m. and at any adjournment thereof.

Directions to your proxy

Ordinary Business	FOR	AGAINST	VOTE WITHHELD***	DISCRETIONARY
Resolution 1: Ordinary resolution to receive and adopt the Annual Report and Accounts for the year ended 30 June 2007				
Resolution 2: Ordinary resolution to declare a final dividend of 2.25 pence per Ordinary Share				
Resolution 3: Ordinary resolution to re-elect Christopher Macdonald as a director				
Resolution 4: Ordinary resolution to re-elect Nicholas Lawes as a director				
Resolution 5: Ordinary resolution to re-appoint the Company's auditors and authorise the directors to determine their remuneration				
Resolution 6: Ordinary resolution to give the directors authority to allot shares				
Resolution 7: Special resolution to give the directors power to disapply pre-emption rights in relation to the allotment of shares				
Resolution 8: Special resolution to give the Company a general authority to purchase its own shares				
Resolution 9: Special resolution to ratify and confirm the payment of the 2006 final dividend and the waiver of any claims against past and present shareholders and directors in relation thereto				

Signature

Date2007

(To be valid, this Form of Proxy must be signed)

NOTES:

- 1* Please complete in block capitals with your full name and address.
- 2** If you wish to appoint a proxy other than the Chairman of the Meeting, please delete the words in brackets and insert the name and address of your chosen proxy in block capitals in the box provided and initial alterations.
- 3 Every shareholder entitled to attend and vote at the Meeting is entitled to appoint one or more proxies to attend and, on a poll, to vote instead of that shareholder. A proxy need not be a member of the Company.
- 4 If you want your proxy to vote in a certain way on the resolutions specified please place a mark in the relevant boxes. If you select 'Discretionary' or fail to select any of the given options your proxy can vote as he or she chooses or can decide not to vote at all. The proxy can also do this on any other business (including a motion to adjourn the Meeting or to amend a resolution) which may properly come before the Meeting.
- 5*** 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.
- 6 To be valid, this Form of Proxy must be deposited at Capita IRG plc, The Registry, 34 Beckenham Road, Kent BR3 4TU, NOT LATER THAN 10.00 A.M. on 14 October 2007, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power or authority. The completion and return of this Form of Proxy will not, however, preclude you from attending and voting at the Meeting if you so wish.
- 7 Any alterations to this Form of Proxy should be initialled.
- 8 In the case of joint holders, the signature of the first named on the register of members will be accepted, but the names of all joint holders should be given.
- 9 In the case of a corporation, this Form of Proxy should be either given under its common seal or signed on its behalf by an officer or attorney duly authorised.



Third fold and tuck in

BUSINESS REPLY SERVICE
Licence No MB122



**Capita Registrars
Proxy Department
P O Box 25
Beckenham
Kent
BR3 4BR**

First Fold

Second fold

Brooks Macdonald Group plc

111 Park Street, Mayfair, London W1K 7JL

T: + 44 (0) 20 7499 6424

E: info@brooksmacdonald.com

W: www.brooksmacdonald.com

