

Registered number  
5084921

Braemar Group Limited

Report and Accounts

30 June 2011

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**Braemar Group Limited**  
**Report and accounts**  
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## **Braemar Group Limited**

### **Company Information**

#### **Directors**

W M Robinson  
MJ Duschenes (resigned 31/03/2011)  
JS Murphy  
ABS McFarland (resigned 13/07/2010)  
CAJ Macdonald (appointed 13/07/2010)  
S Jackson (appointed 13/07/2010)

#### **Secretary**

JS Murphy

#### **Independent Auditors**

PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
101 Barbirolli Square  
Lower Mosley Street  
Manchester  
M2 3PW

#### **Bankers**

The Royal Bank of Scotland plc  
1 Spinningfields Square  
Manchester  
M3 3AP

#### **Registered office**

Richmond House  
Heath Road  
Hale  
Cheshire  
WA14 2XP

#### **Registered number**

5084921

**Braemar Group Limited****Registered number:** 5084921**Directors' Report**

The directors present their report and audited financial statements for the 15 month accounting period ended 30 June 2011

**Principal activities**

The company's principal activity during the period continued to be to provide management services to its subsidiaries

**Review of the business**

On 6th July 2010, the entire share capital of the company was acquired by Brooks Macdonald Group plc. The total consideration was £4,118,780 of which £3,032,977 was satisfied in cash in respect of 123,868,959 ordinary shares and outstanding share options and by the issue of 139,851 new shares in Brooks Macdonald Group plc, with a value of £1,058,803 to the management of Braemar in exchange for their aggregate holding of 48,257,421 ordinary shares

Following the purchase of the entire share capital by Brooks Macdonald Group plc the company re-registered as a private limited company

The company and its subsidiaries act as fund manager to our regulated OEIC's under the name Brooks Macdonald Funds, as well as providing specialist funds in the property and structured return sector. It also manages property assets on behalf of the funds and other clients

**Results**

The loss for the accounting period, after taxation, amounted to £34,633 (2010 £219,183 loss)

**Going concern**

After making enquiries, the directors are satisfied that the company's ultimate parent entity, Brooks Macdonald Group plc will continue to provide financial support for the foreseeable future. Accordingly, the directors have adopted the going concern basis in the financial statements

**Financial risks**

The company does not actively use financial instruments as part of its financial risk management. It is exposed to the usual credit risk and cash flow risk associated with selling on credit and manages this through credit control procedures. There is limited currency risk as the Group trades mainly in sterling

**Key Performance Indicators**

The directors monitor the performance of the business primarily on the basis of its net profitability. Following the acquisition of the company by Brooks Macdonald Group plc, a number of one-off expenses were incurred which has affected the company's profitability before investment income during the period. The directors have taken a number of steps to improve the profitability of the business, which they believe will positively impact the results for the current year

**Dividends**

The directors do not recommend payment of a dividend (2010 £nil)

**Directors**

The following persons served as directors during the period

W M Robinson  
MJ Duschenes (resigned 31/03/2011)  
JS Murphy  
ABS McFarland (resigned 13/07/2010)  
CAJ Macdonald (appointed 13/07/2010)  
S Jackson (appointed 13/07/2010)

**Braemar Group Limited**

**Registered number**

5084921

**Directors' Report**

**Political and charitable donations**

During the period, the company made no political and charitable donations (2010 none)

**Disclosure of information to auditors**

Each person who was a director at the time this report was approved confirms that

- so far as he is aware, there is no relevant audit information of which the company's auditor is unaware, and
- he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information

This report was approved by the board on 13 September 2011 and signed on its behalf by



JS Murphy  
Director

## **Braemar Group Limited**

### **Statement of Directors' Responsibilities**

The directors are responsible for preparing the report and accounts in accordance with applicable law and regulations

Company law requires the directors to prepare accounts for each financial year. Under that law the directors have elected to prepare the accounts in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the accounts unless they are satisfied that they 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 these accounts, 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 UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the accounts, and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the accounts comply with the Companies Act 2006. 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.

**Braemar Group Limited**  
**Independent auditors' report**  
**to the shareholders of Braemar Group Limited**

We have audited the accounts of Braemar Group Limited for the period ended 30 June 2011 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

**Respective responsibilities of directors and auditors**

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's ethical Standards for Auditors.

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

**Scope of the audit**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the accounts. In addition, we read all the financial and non-financial information in the Report and Financial Statements to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

**Opinion on the financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2011 and of its loss for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**Opinion on other matters prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report for the financial period for which the accounts are prepared is consistent with the financial statements.

**Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the accounts are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.



Ian Marsden  
(Senior Statutory Auditor)  
for and on behalf of  
PricewaterhouseCoopers LLP  
Accountants and Statutory Auditors  
13 September 2011

101 Barbirolli Square  
Lower Mosley Street  
Manchester  
M2 3PW

**Braemar Group Limited**  
**Profit and Loss Account**  
**for the period from 1 April 2010 to 30 June 2011**

|                                                    | Notes | 2011<br>£        | 2010<br>£        |
|----------------------------------------------------|-------|------------------|------------------|
| Turnover                                           | 2     | 1,515,461        | 536,622          |
| Administrative expenses                            |       | (2,297,016)      | (721,562)        |
| <b>Operating loss</b>                              | 3     | <u>(781,555)</u> | <u>(184,940)</u> |
| Exceptional items                                  |       |                  |                  |
| loss on the disposal of investments                | 9     | (824,545)        | -                |
| Income from investments                            | 9     | 1,611,019        | -                |
| Interest receivable                                | 5     | 357              | 3,070            |
| Interest payable                                   | 6     | (39,909)         | (37,313)         |
| <b>Loss on ordinary activities before taxation</b> |       | <u>(34,633)</u>  | <u>(219,183)</u> |
| Tax on loss on ordinary activities                 | 7     | -                | -                |
| <b>Loss for the period</b>                         |       | <u>(34,633)</u>  | <u>(219,183)</u> |

**Continuing operations**

None of the company's activities were acquired or discontinued during the above period / year

**Historical Cost Equivalents**

There is no material difference between the loss on ordinary activities before taxation and the retained losses for the current period and prior year stated above and their historical cost equivalents

**Statement of total recognised gains and losses**

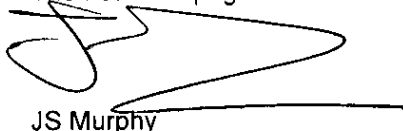
The company has no recognised gains or losses other than those included in the results above, and therefore no separate statement of total recognised gains and losses has been presented

The notes on pages 8 to 17 form part of these financial statements

**Braemar Group Limited**  
**Balance Sheet**  
**as at 30 June 2011**

|                                                       | Notes | 2011<br>£          | 2010<br>£          |
|-------------------------------------------------------|-------|--------------------|--------------------|
| <b>Fixed assets</b>                                   |       |                    |                    |
| Tangible assets                                       | 8     | 96,046             | 146,899            |
| Investments                                           | 9     | <u>1,450,000</u>   | <u>2,739,545</u>   |
|                                                       |       | <b>1,546,046</b>   | <b>2,886,444</b>   |
| <b>Current assets</b>                                 |       |                    |                    |
| Debtors                                               | 10    | 752,137            | 29,990             |
| Cash at bank and in hand                              |       | <u>164,847</u>     | <u>208,279</u>     |
|                                                       |       | <b>916,984</b>     | <b>238,269</b>     |
| <b>Creditors, amounts falling due within one year</b> | 11    | <b>(416,520)</b>   | <b>(1,235,654)</b> |
| <b>Net current assets/(liabilities)</b>               |       | <b>500,464</b>     | <b>(997,385)</b>   |
| <b>Total assets less current liabilities</b>          |       | <b>2,046,510</b>   | <b>1,889,059</b>   |
| <b>Net assets</b>                                     |       | <b>2,046,510</b>   | <b>1,889,059</b>   |
| <b>Capital and reserves</b>                           |       |                    |                    |
| Called up share capital                               | 12    | 1,830,563          | 1,721,263          |
| Share premium                                         | 13    | 3,118,026          | 3,091,801          |
| Profit and loss account                               | 14    | <b>(2,902,079)</b> | <b>(2,924,005)</b> |
| <b>Shareholders' funds</b>                            | 15    | <b>2,046,510</b>   | <b>1,889,059</b>   |

The notes on pages 8 to 17 form part of these financial statements



JS Murphy  
Director

Approved by the board on 13 September 2011

Braemar Group Limited

Company number 5084921

**Braemar Group Limited**  
**Notes to the Accounts**  
**for the period from 1 April 2010 to 30 June 2011**

**1 Accounting policies**

The principal accounting policies are set out below and have been consistently applied throughout the period

***Basis of preparation***

The company's accounts have been prepared in accordance with the Companies Act 2006 and United Kingdom Generally Accepted Accounting Practice ("UK GAAP"), under the historical cost convention

***Reporting the substance of transactions***

In accordance with FRS 5, where the commercial substance of a transaction is different to its legal form, the transaction is accounted for in accordance with the commercial substance

***Turnover***

Turnover comprises gross rentals, commissions and sundry income and the invoiced value of goods and services supplied by the Company net of VAT

***Cash flows and related parties***

The company is a wholly-owned subsidiary of Brooks Macdonald Group plc and is included in the consolidated financial statements of Brooks Macdonald Group plc, which are publicly available. Consequently, the company has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS 1 (revised 1996). The company is also exempt under the terms of FRS 8 from disclosing related-party transactions with entities that are part of the Brooks Macdonald Group plc group or investees of the Brooks Macdonald Group plc group.

***Deferred taxation***

Deferred tax is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. The Company has not adopted a policy of discounting deferred tax assets and liabilities.

***Going concern***

After making enquiries, the directors have formed a judgement, at the time of approving the financial statements, that, following receipt of confirmation from the parent company that it will continue to provide the necessary financial support for the company, the company shall continue as a going concern for the foreseeable future. For this reason the directors continue to adopt the going concern basis in preparing the financial statements.

***Tangible fixed assets and depreciation***

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. Depreciation is calculated to write down the cost of assets to their estimated residual values of each asset evenly over its expected useful life, as follows:

|                                         |                     |
|-----------------------------------------|---------------------|
| Long leasehold property                 | 50 years            |
| Short leasehold improvements            | over the lease term |
| Fixtures, fittings and office equipment | over 4 years        |
| Motor Vehicles                          | over 4 years        |

**Braemar Group Limited**  
**Notes to the Accounts**  
**for the period from 1 April 2010 to 30 June 2011**

***Fixed asset investments***

Investments are stated at cost less provision for impairment except where the provisions of FRS 5 require the company to apply a market value to a cost of investment

***Leasing and hire purchase commitments***

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets and depreciated over their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the Company. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

***Operating leases***

Rentals under operating leases are charged on a straight line basis over the lease term.

***Pensions***

The company operates a defined contribution pension scheme and the pension costs charged against profits represent the amount of contributions payable to the scheme in the year. Differences between contributions payable and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

***Share based payments***

The company issues equity-settled share-based payments to certain employees (including Directors) and suppliers. The fair value of the services received from suppliers is recognised as a charge. Equity-settled share-based payments are measured at fair value at the grant date. The fair value determined at the grant date of the equity-settled share-based payment is expensed on a straight-line basis over the vesting period, together with a corresponding increase in equity, based upon the Company's estimate of the shares that will eventually vest.

Fair value is determined using the Black-Scholes pricing model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The company's parent company also operates a phantom cash settled share based scheme. On the grant date, the liability incurred is measured at fair value. The liability is re-measured at the end of each reporting period and at the date of settlement, with any changes in fair value recognised in the income statement.

**2 Analysis of turnover**

All turnover arose in the United Kingdom.

**3 Operating loss**

This is stated after charging

|                                           | 2011<br>£ | 2010<br>£ |
|-------------------------------------------|-----------|-----------|
| Depreciation of owned fixed assets        | 51,492    | 19,107    |
| Operating lease rentals - other           | 50,160    | 50,160    |
| Auditors' remuneration for audit services | 11,333    | 11,755    |
| Auditors' remuneration for other services | 11,900    | -         |

**Braemar Group Limited**  
**Notes to the Accounts**  
**for the period from 1 April 2010 to 30 June 2011**

| <b>4 Staff costs and directors' emoluments</b> | <b>2011</b>      | <b>2010</b>    |
|------------------------------------------------|------------------|----------------|
|                                                | <b>£</b>         | <b>£</b>       |
| Wages and salaries                             | 1,093,953        | 415,005        |
| Social security costs                          | 119,687          | 43,893         |
| Other pension costs                            | 84,162           | 20,037         |
| Option charge for share options                | 234,057          | 12,000         |
|                                                | <u>1,531,859</u> | <u>490,935</u> |

The total directors' remuneration in the year amounted to £548,180. This includes compensation for loss of office of £11,440. The charge to the profit and loss account in the year in respect of share options for directors was £228,383 (2010: £7,000). The aggregate emoluments for the highest paid director were £252,691 (2010: £132,000).

The above costs are inclusive of amounts recharged to other group companies.

| <b>Average number of employees during the period</b> | <b>Number</b> | <b>Number</b> |
|------------------------------------------------------|---------------|---------------|
| Administration                                       | <u>19</u>     | <u>11</u>     |

| <b>5 Interest receivable</b> | <b>2011</b> | <b>2010</b>  |
|------------------------------|-------------|--------------|
|                              | <b>£</b>    | <b>£</b>     |
| Bank interest receivable     | <u>357</u>  | <u>3,070</u> |

| <b>6 Interest payable</b>                                                | <b>2011</b>   | <b>2010</b>   |
|--------------------------------------------------------------------------|---------------|---------------|
|                                                                          | <b>£</b>      | <b>£</b>      |
| Bank and credit card charges                                             | 27,129        | 7,092         |
| Convertible loan note interest                                           | 6,285         | 26,651        |
| Finance charges payable under finance leases and hire purchase contracts | 6,495         | 3,570         |
|                                                                          | <u>39,909</u> | <u>37,313</u> |

**Braemar Group Limited**  
**Notes to the Accounts**  
**for the period from 1 April 2010 to 30 June 2011**

| <b>7 Taxation</b>                        | <b>2011</b> | <b>2010</b> |
|------------------------------------------|-------------|-------------|
|                                          | <b>£</b>    | <b>£</b>    |
| <b>Analysis of charge in period</b>      |             |             |
| Current tax                              |             |             |
| UK corporation tax on loss of the period | <u>-</u>    | <u>-</u>    |

**Factors affecting tax charge for period**

The differences between the tax assessed for the period and the standard rate of corporation tax are explained as follows

|                                                                                | <b>2011</b>     | <b>2010</b>      |
|--------------------------------------------------------------------------------|-----------------|------------------|
|                                                                                | <b>£</b>        | <b>£</b>         |
| Loss on ordinary activities before tax                                         | <u>(34,633)</u> | <u>(219,183)</u> |
| Standard rate of corporation tax in the UK                                     | 27.6%           | 28%              |
|                                                                                | <b>£</b>        | <b>£</b>         |
| Loss on ordinary activities multiplied by the standard rate of corporation tax | (9,559)         | (61,371)         |
| Effects of                                                                     |                 |                  |
| Expenses not deductible for tax purposes                                       | 297,121         | 18,703           |
| Depreciation for period in excess of capital allowances                        | 1,759           | (1,566)          |
| Dividend income not taxable                                                    | (444,641)       | -                |
| Tax losses unutilised                                                          | 53,615          | 44,234           |
| Group relief surrendered                                                       | <u>101,705</u>  | <u>-</u>         |
| Current tax charge for period                                                  | <u>-</u>        | <u>-</u>         |

The company has not provided for a deferred tax asset of £398,953 (2010 £389,637) in respect of trading losses due to uncertainty over when the losses might be utilised

**Factors that may affect future tax charges**

The standard rate of corporation tax reduced from 28% to 26% from 1 April 2011 under legislation enacted prior to the balance sheet date. The government has announced its intention to reduce this rate to 23% by April 2014.

**Braemar Group Limited**  
**Notes to the Accounts**  
**for the period from 1 April 2010 to 30 June 2011**

**8 Tangible fixed assets**

|                         | Land and<br>buildings<br>£ | Fixtures,<br>fittings and<br>office<br>equipment<br>£ | Total<br>£ |
|-------------------------|----------------------------|-------------------------------------------------------|------------|
| <b>Cost / valuation</b> |                            |                                                       |            |
| At 1 April 2010         | 90,906                     | 129,595                                               | 220,501    |
| Additions               | -                          | 86,020                                                | 86,020     |
| Revaluation             | (25,907)                   | -                                                     | (25,907)   |
| Disposals               | (64,999)                   | -                                                     | (64,999)   |
| At 30 June 2011         | -                          | 215,615                                               | 215,615    |
| <b>Depreciation</b>     |                            |                                                       |            |
| At 1 April 2010         | 3,636                      | 69,968                                                | 73,604     |
| Charge for the period   | 1,891                      | 49,601                                                | 51,492     |
| On disposals            | (5,527)                    | -                                                     | (5,527)    |
| At 30 June 2011         | -                          | 119,569                                               | 119,569    |
| <b>Net book value</b>   |                            |                                                       |            |
| At 30 June 2011         | -                          | 96,046                                                | 96,046     |
| At 31 March 2010        | 87,270                     | 59,627                                                | 146,897    |

**9 Investments**

|                 | Investments in<br>subsidiary<br>undertakings<br>£ |
|-----------------|---------------------------------------------------|
| <b>Cost</b>     |                                                   |
| At 1 April 2010 | 2,739,545                                         |
| Additions       | -                                                 |
| Disposals       | (1,289,545)                                       |
| At 30 June 2011 | 1,450,000                                         |

During the period the company has earned dividends from its wholly owned subsidiaries of £1,611,019 (2010 £nil) of which none were outstanding at the balance sheet date

During the period the company has disposed of its shareholding in Heath Road Investments Limited for a gross consideration of £465,000. This has resulted in a loss on disposal of £824,545. Prior to this disposal, the company acquired the entire share capital of Braemar Estates (Residential) Limited for a consideration of £1. The Directors estimate the market value of these shares at the point of transfer were £1,300,000 and in accordance with FRS 5 have applied economic substance over legal form to account for this transaction at this level.

The company is the beneficial owner of the entire issued share capital and controlled all the votes of the following subsidiary undertakings, which are all incorporated in England and Wales and owned 100%.

| <b>Subsidiary</b>                             | <b>Principal activity</b>             |
|-----------------------------------------------|---------------------------------------|
| Braemar Estates (Residential) Limited         | Property and investment managers      |
| Brooks Macdonald Funds Limited                | Corporate finance and fund management |
| Braemar Estates Mortgages and Finance Limited | Dormant                               |

**Braemar Group Limited**  
**Notes to the Accounts**  
for the period from 1 April 2010 to 30 June 2011

| <b>10 Debtors</b>                  | <b>2011<br/>£</b> | <b>2010<br/>£</b> |
|------------------------------------|-------------------|-------------------|
| Trade debtors                      | 2,837             | 3,129             |
| Amounts owed by group undertakings | 720,202           | -                 |
| Other debtors                      | -                 | 8,322             |
| Prepayments and accrued income     | 29,098            | 18,539            |
|                                    | <u>752,137</u>    | <u>29,990</u>     |

The amounts owed by group undertakings are interest-free, unsecured and repayable on demand

| <b>11 Creditors amounts falling due within one year</b>     | <b>2011<br/>£</b> | <b>2010<br/>£</b> |
|-------------------------------------------------------------|-------------------|-------------------|
| Trade creditors                                             | 48,100            | 28,604            |
| Convertible loan notes                                      | -                 | 312,150           |
| Other taxes and social security costs                       | 95,116            | 9,601             |
| Obligations under finance lease and hire purchase contracts | 390               | 13,471            |
| Amounts owed to group undertakings                          | -                 | 721,057           |
| Accruals and deferred income                                | 272,914           | 150,771           |
|                                                             | <u>416,520</u>    | <u>1,235,654</u>  |

The convertible loan notes and associated interest have been repaid in full during the period

| <b>12 Share capital</b>                               | <b>Nominal<br/>value</b> | <b>2011<br/>Number</b> | <b>2011<br/>£</b>   | <b>2010<br/>£</b> |
|-------------------------------------------------------|--------------------------|------------------------|---------------------|-------------------|
| Allotted, called up and fully paid<br>Ordinary shares | 1p each                  | 183,056,380            | <u>1,830,563</u>    | <u>1,721,263</u>  |
|                                                       | <b>Nominal<br/>value</b> | <b>Number</b>          | <b>Amount<br/>£</b> |                   |
| Shares issued during the period<br>Ordinary shares    | 1p each                  | 10,930,000             | <u>109,300</u>      |                   |

Pursuant to the approved and unapproved share option schemes on 6 July 2010, a number of employees exercised their rights to acquire shares from the company. As a result 10,490,000 shares were issued at a price of 1.25p per share and 440,000 shares were issued at a price of 1p per share.

**Share Options**

As a result of the acquisition of the company by Brooks Macdonald Group plc during the period, all of the share options outstanding under the approved and unapproved schemes became exercisable on 6th July 2010. All options not exercised lapsed on this date and so there are currently no options outstanding under either the approved or unapproved scheme.

Following the acquisition of the company by Brooks Macdonald Group plc, some employees of Braemar Group Limited have participated in the share option schemes of Brooks Macdonald Group plc.

**Braemar Group Limited**  
**Notes to the Accounts**  
**for the period from 1 April 2010 to 30 June 2011**

**12.1 Approved Options (Braemar Group Limited)**

| Date options granted | Options held at 1 April 2010 | Options exercised during the period | Options lapsed during the period | Options held at 30 June 2011 |
|----------------------|------------------------------|-------------------------------------|----------------------------------|------------------------------|
| 13/06/2007           | 2,540,259                    | -                                   | (2,540,259)                      | -                            |
| 18/06/2007           | 2,035,165                    | (2,035,165)                         | -                                | -                            |
| 06/11/2008           | 440,000                      | (435,000)                           | (5,000)                          | -                            |
| 13/08/2009           | 400,000                      | -                                   | (400,000)                        | -                            |
|                      | <u>5,415,424</u>             | <u>(2,470,165)</u>                  | <u>(2,945,259)</u>               | <u>-</u>                     |

The exercise prices of the share options were as follows

| Date options granted | Exercise Price |
|----------------------|----------------|
| 13/06/2007           | 3.25p          |
| 18/06/2007           | 1.25p          |
| 06/11/2008           | 1.00p          |
| 13/08/2009           | 2.75p          |

**12.2 Unapproved Options (Braemar Group Limited)**

| Date options granted | Options held at 1 April 2010 | Options exercised during the period | Options lapsed during the period | Options held at 30 June 2011 |
|----------------------|------------------------------|-------------------------------------|----------------------------------|------------------------------|
| 13/06/2007           | 568,975                      | -                                   | (568,975)                        | -                            |
| 18/06/2007           | 8,459,835                    | (8,459,835)                         | -                                | -                            |
|                      | <u>9,028,810</u>             | <u>(8,459,835)</u>                  | <u>(568,975)</u>                 | <u>-</u>                     |

The exercise prices of the share options were as follows

| Date options granted | Exercise Price |
|----------------------|----------------|
| 13/06/2007           | 3.25p          |
| 18/06/2007           | 1.25p          |

**12.3 Share option charges (Braemar Group Limited)**

Charges to the profit and loss account are summarised as follows

|                                                | 2011<br>£     | 2010<br>£     |
|------------------------------------------------|---------------|---------------|
| Share option cost charged in the period / year | <u>38,194</u> | <u>12,000</u> |

Options are valued using the Black-Scholes option-pricing model and the principal inputs into the model were as follows

|                                      | 2011<br>£ | 2010<br>£ |
|--------------------------------------|-----------|-----------|
| Weighted average exercise price      | 2.75p     | 2.75p     |
| Expected volatility weighted average | 40%       | 40%       |
| Expected life weighted average       | 3 years   | 3 years   |
| Risk-free rate                       | 4%        | 4%        |
| Expected dividend rate               | nil       | nil       |

The volatility rate applied reflects the published industry norm for a financial services company as recorded in widely available studies on market volatility. Given the low level of volume in the company's shares this is considered a more statistically reliable benchmark than the actual volatility in the company's shares.

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**12.4 Approved Options (Brooks Macdonald Group plc)**

In accordance with FRS20, the parent undertaking, Brooks Macdonald Group plc has re-charged the company with the cost of the share options granted over the shares in Brooks Macdonald Group plc. The options granted to the company's employees consist of a share save scheme, an enterprise management incentive scheme, a phantom scheme (note 12.5) and the Brooks Macdonald Employee Benefit trust which were valued on the basis of market prices at the time the options were granted and were calculated using the Black Scholes method with volatility ranging between 15% and 49%, on a historic price, 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 £9.16 per share, the charge for the year being £21,881 (2010: £nil). The weighted average remaining contractual life of share options at the end of the period was 3.87 years (2010: 3.92 years). The number of options relating to Brooks Macdonald Group plc are as follows:

**Enterprise Management Incentive Scheme**

|                       | <b>2011</b>      | <b>2011</b>     |
|-----------------------|------------------|-----------------|
|                       | <b>Number of</b> | <b>Weighted</b> |
|                       | <b>options</b>   | <b>average</b>  |
|                       |                  | <b>exercise</b> |
|                       |                  | <b>price</b>    |
|                       |                  | <b>£</b>        |
| At 1 July 2010        | -                |                 |
| Granted in the year   | 27,010           | 7.75            |
| Forfeited in the year | (8,103)          | 7.75            |
| Exercised in the year | -                |                 |
| At 30 June 2011       | <u>18,907</u>    | 7.75            |

**Employee Sharesave Scheme**

|                       | <b>2011</b>      | <b>2011</b>     |
|-----------------------|------------------|-----------------|
|                       | <b>Number of</b> | <b>Weighted</b> |
|                       | <b>options</b>   | <b>average</b>  |
|                       |                  | <b>exercise</b> |
|                       |                  | <b>price</b>    |
|                       |                  | <b>£</b>        |
| At 1 July 2010        | -                |                 |
| Granted in the year   | 12,409           | 9.16            |
| Forfeited in the year | -                |                 |
| Exercised in the year | -                |                 |
| At 30 June 2011       | <u>12,409</u>    | 9.16            |

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**12.5 Phantom Share Scheme (Brooks Macdonald Group plc)**

During the period, three Phantom share schemes were approved by Brooks Macdonald Group plc (the company's parent company) directors. The schemes are cash settled plans and payments are made to participants in respect of awards in the form of cash. The Phantom scheme is awarded at no cost to the participants. The amount that is ultimately payable to the participants of the scheme is equal to the increase in market value of the ordinary shares determined after a three year vesting period. The award will be vested after three years to the extent that the performance conditions are satisfied. The base price of the Phantom Schemes range from £7.75 to £11.775.

These awards will be forfeited in total if the performance fails to meet the minimum criteria. The options granted were valued on the basis of the market prices at the time the options were granted and were calculated using the Black Scholes model. The charge for the period for all phantom schemes was £173,981 (2010 £nil).

The number of options issued by Brooks Macdonald Group plc in respect of the company was as follows:

|                       | 2011          | 2011<br>Weighted<br>average<br>exercise<br>price<br>£ |
|-----------------------|---------------|-------------------------------------------------------|
| At 1 July 2010        | -             |                                                       |
| Granted in the year   | 167,103       | 8.129                                                 |
| Forfeited in the year | (85,000)      | 7.75                                                  |
| At 30 June 2011       | <u>82,103</u> | <u>8.521</u>                                          |

**13 Share premium**

|                 | 2011<br>£        |
|-----------------|------------------|
| At 1 April 2010 | 3,091,801        |
| Shares issued   | 26,225           |
| At 30 June 2011 | <u>3,118,026</u> |

Pursuant to the approved and unapproved share option schemes on 6 July 2010, a number of employees exercised their rights to acquire shares from the company. As a result 10,490,000 shares were issued at a price of 1.25p per share and 440,000 shares were issued at a price of 1p per share.

**14 Profit and loss account**

|                                 | 2011<br>£          |
|---------------------------------|--------------------|
| At 1 April 2010                 | (2,924,005)        |
| Loss for the period             | (34,633)           |
| Credit arising on share options | <u>56,559</u>      |
| At 30 June 2011                 | <u>(2,902,079)</u> |

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| <b>15 Reconciliation of movement in shareholders' funds</b> | <b>2011</b>      | <b>2010</b>      |
|-------------------------------------------------------------|------------------|------------------|
|                                                             | <b>£</b>         | <b>£</b>         |
| At 1 April                                                  | 1,889,059        | 1,865,573        |
| Loss for the financial period                               | (34,633)         | (219,183)        |
| Shares issued                                               | 135,525          | 230,669          |
| Credit arising on share options                             | 56,559           | 12,000           |
| At 30 June                                                  | <u>2,046,510</u> | <u>1,889,059</u> |

**16 Other financial commitments**

At the period end the company had annual commitments under non-cancellable operating leases as set out below

|                               | <b>Other</b>  | <b>Other</b>  |
|-------------------------------|---------------|---------------|
|                               | <b>2011</b>   | <b>2010</b>   |
|                               | <b>£</b>      | <b>£</b>      |
| Operating leases which expire |               |               |
| within one year               | -             | -             |
| within two to five years      | 50,160        | 50,160        |
| in over five years            | -             | -             |
|                               | <u>50,160</u> | <u>50,160</u> |

**17 Ultimate controlling party**

The company is a wholly owned subsidiary of Brooks Macdonald Group plc. The parent undertaking of the smallest and largest group for which consolidated accounts are prepared is Brooks Macdonald Group plc. Consolidated financial statements are available from the registered office at 111 Park Street, London, W1K 7JL.