Rathbone Brothers Plc Interim statement 2007

RATHBONES
Established 1742

Contents

Rathbone Brothers Plc is a leading, independent provider of investment and wealth management services for private investors and trustees. This includes discretionary fund management, unit trusts, tax planning, trust and company management, pensions and related advisory services.

As at 30 June 2007, it managed £13.3 billion of client funds, including £2.1 billion managed by Rathbone Unit Trust Management.

Highlights to 30 June 2007

5 January

Completion of the sale of the private banking part of the business acquired from Dexia in 2006 to Butterfield Bank (UK) Limited.

28 February

The Rathbone Income Fund receives a Standard & Poors Investment Funds Performance Award for being the top performing fund in its sector (five-year UK marketed funds, UK equity income) for the fourth year in a row.

28 March

Rathbones commits to its future in the Port of Liverpool Building until 2018.

30 March

Funds under management for Rathbone Unit Trusts reach £2 billion.

5 April

Rathbone Trust International announces the expansion of its overseas operations through the acquisition of Federal Trust (Singapore) Pte. Ltd.

2 May

Rathbones announces that funds under management for charities reach £1 billion.

15 May

The first anniversary of the Rathbone High Income Fund – it delivered a 24 per cent return over the year and was top ten in its sector (UK equity income).

30 June

Total funds under management reach £13.3 billion.

Financial highlights

	Half year 2007	Half year 2006	% change	Full year 2006
Funds under management	**£13.3bn**	£10.7bn	**+9.0%***	£12.2bn
Operating income	**£75.6m**	£65.7m	**+15.1%**	£133.7m
Profit before tax	**£25.9m**	£22.3m	**+16.1%**	£44.7m
Underlying profit before tax**	**£25.9m**	£20.4m	**+27.0%**	£41.5m
Basic earnings per share	**44.4p**	38.6p	**+15.0%**	76.6p
Dividends per share	**16.0p**	13.5p	**+18.5%**	35.0p

* % change from 2006 full year

** Underlying profit before tax excludes gains on disposal of London Stock Exchange Plc shares of £nil (30 June 2006: £1.9 million, 31 December 2006: £3.2 million).

The six months ended 30 June 2007 has seen Rathbones again produce record results.

Profits before tax for the first half of the year were £25.9 million, compared with £22.3 million for the same period in 2006. Figures for the first half of 2006 included profits of £1.9 million for a part disposal of the Company's holding of the London Stock Exchange Plc and excluding this, underlying profits were up 27.0% from £20.4 million. Full year reported profits for 2006 were £44.7 million.

Similarly, reported basic earnings per share rose to 44.4p, compared with 38.6p in the first half of 2006 (an increase of 15.0%) with underlying EPS up 25.8% from 35.3p.

The interim dividend is increased by 18.5% to 16.0p and will be payable on 10 October 2007.

The six months covered by this report have seen world equity markets benefiting from increasing earnings and considerable corporate activity. The period has however also been characterised by some volatility, especially at the end of February and into early March when weakness in Far Eastern markets caused considerable nervousness.

Volatility in world markets underlines the need for carefully considered and soundly-based investment policies which reflect the individual circumstances and requirements of our clients and their appetite for risk. We have continued to develop our investment processes and in particular have added to our expertise in strategic asset allocation and the use of structured products, fund of hedge funds and private equity.

At the end of June total funds under management had reached £13.3 billion, compared with £12.2 billion at 31 December 2006, an increase of 9.0%. This compares with an increase in the FTSE/APCIMS Balanced Index of 3.0%. The value of funds under management within Rathbone Investment Management rose by 8.7% to £11.2 billion. For the first time, charity funds under management have exceeded £1 billion. The value of funds under management in Rathbone Unit Trust Management rose by 10.5% to £2.1 billion.

All parts of Rathbones have continued to attract inflows of new client funds. Within Rathbone Investment Management the underlying annualised rate of net organic growth during the period was 7.8% and in Rathbone Unit Trust Management it was 21.0%. These encouraging figures reflect continued emphasis on marketing in general and in particular our developing involvement with the investment management of funds held in self-invested personal pensions (SIPPs) offered by a variety of providers.

During the first half of the year profits from our trust and tax division rose by 46.2% to £1.9 million, reflecting benefits from the consolidation of our Jersey business into one location as well as an encouraging flow of new business into our Geneva and UK businesses. The trust and tax division continues to provide important services to a wide range of clients. On 2 April 2007 we acquired 100% of a small trust advisory business in Singapore to complement the range of offshore services that Rathbones is able to offer its clients and to provide an opportunity to attract new business from the Far East and elsewhere.

We are engaged in a good deal of preparatory work for the Markets in Financial Instruments Directive which comes into force this autumn; we are particularly keen to ensure that our clients do not suffer from excessive bureaucracy.

We remain keen to attract acquisitions and recruitments but only where they meet our requirements for a good cultural fit and where they have the capacity to be earnings enhancing within a reasonable time frame.

Finally, at the end of this year, Roy Morris, who was chief executive of Rathbones until 2004 when he became a non-executive director, will retire from the Board. By this time he will have achieved a quite remarkable 50 years of continuous service to Rathbones – a contribution to the development of this Company which is unlikely to be surpassed.

We continue to experience encouraging levels of enquiry throughout the business and subject to there being no significant deterioration in world markets, Rathbones remains confident of the future.

Mark Powell

Mark Powell
Chairman

25 July 2007

Rathbones at a glance

Investment Management and Banking

The investment management division provides mainly discretionary investment management services to private investors and charities with portfolios held in discretionary accounts, trust structures, PEP or ISA accounts or self-invested personal pensions from offices in the UK and Jersey. The majority of clients have a fee-based service with securities held in a Rathbone nominee company and surplus cash held by Rathbone Investment Management, an authorised banking institution.

Rathbone Pension & Advisory Services advises clients on retirement planning options and offers the Rathbone SIPP.

Unit Trusts

The unit trust division has a range of unit trusts which are distributed mainly through independent financial advisers in the UK.

These funds are purchased through financial supermarkets, life assurance companies and through direct contact with financial advisers.

Funds cover the UK stockmarket, embracing small, medium and large companies to achieve capital growth and income. In addition the division manages an ethical bond fund and one global fund focused on international opportunities.

Trust and Tax

In the UK, the trust business provides taxation services (compliance and planning), probate services, trust services (trust formation, administration, accounting and provision of trustees and protectors) and family office services.

Outside the UK, under the banner of Rathbone Trust International, the trust business specialises in the provision of trustee, corporate and family office services from offices in Jersey, Switzerland (Geneva), the British Virgin Islands and Singapore.

Consolidated interim income statement

for the six months ended 30 June 2007

	Note	**Unaudited Six months to 30 June 2007 £'000**	Unaudited Six months to 30 June 2006 £'000	Audited Year to 31 December 2006 £'000
Interest and similar income		**21,883**	15,881	37,335
Interest expense and similar charges		**(13,416)**	(8,783)	(21,297)
Net interest income		**8,467**	7,098	16,038
Fee and commission income		**71,304**	58,846	120,039
Fee and commission expense		**(5,687)**	(3,775)	(8,365)
Net fee and commission income		**65,617**	55,071	111,674
Dividend income		**19**	93	117
Net trading income		**812**	917	1,285
Net income from sale of available for sale securities		**–**	1,897	3,196
Other operating income		**728**	628	1,376
Operating income		**75,643**	65,704	133,686
Operating expenses		**(49,784)**	(43,377)	(88,966)
Profit before tax		**25,859**	22,327	44,720
Taxation	3	**(7,022)**	(6,237)	(12,582)
Profit for the period attributable to equity holders of the Company		**18,837**	16,090	32,138
Dividends proposed for the period per ordinary share	4	**16.0p**	13.5p	35.0p
Dividends (£'000)		**6,817**	5,686	14,786
Earnings per share for the period attributable to equity holders of the Company:	5			
– Basic		**44.4p**	38.6p	76.6p
– Diluted		**43.6p**	37.5p	74.7p

Consolidated interim balance sheet

as at 30 June 2007

	Note	**Unaudited 30 June 2007 £'000**	Unaudited 30 June 2006 £'000	Audited 31 December 2006 £'000
Assets				
Cash and balances at central banks		**280**	986	281
Settlement balances		**41,169**	30,756	19,628
Loans and advances to banks		**213,334**	172,887	119,247
Loans and advances to customers		**38,593**	75,012	77,360
Investment securities				
– available for sale		**6,374**	6,662	6,152
– held to maturity		**568,401**	552,003	558,368
Intangible assets		**84,260**	76,796	81,248
Property, plant and equipment	7	**7,834**	4,956	6,463
Deferred tax asset		**2,810**	4,911	5,321
Prepayments, accrued income and other assets		**45,624**	34,002	38,551
Total assets		**1,008,679**	958,971	912,619
Liabilities				
Deposits by banks	8	**13,803**	12,105	12,119
Settlement balances		**46,657**	40,790	18,078
Due to customers		**724,968**	706,864	664,762
Debt securities in issue		**–**	141	–
Accruals, deferred income and other liabilities		**31,615**	26,610	31,157
Current tax liabilities		**6,327**	4,644	8,143
Provisions for liabilities and charges	9	**9,484**	8,458	8,448
Retirement benefit obligations	10	**2,100**	11,003	10,763
Total liabilities		**834,954**	810,615	753,470
Equity				
Share capital	11	**2,130**	2,106	2,114
Share premium	12	**27,115**	23,270	24,518
Other reserves	12	**53,872**	54,058	53,717
Retained earnings	12	**90,608**	68,922	78,800
Total equity		**173,725**	148,356	159,149
Total equity and liabilities		**1,008,679**	958,971	912,619

Approved by the Board of Directors on 25 July 2007

Consolidated interim cash flow statement
for the six months ended 30 June 2007

	Note	**Unaudited Six months to 30 June 2007 £'000**	Unaudited Six months to 30 June 2006 £'000	Audited Year to 31 December 2006 £'000
Cash flows from operating activities				
Profit before tax		**25,859**	22,327	44,720
Net interest income		**(8,467)**	(7,098)	(16,038)
Net income from sale of available for sale securities		**–**	(1,897)	(3,196)
Impairment losses on loans and advances		**56**	90	323
Profit on disposal of plant and equipment		**(25)**	(6)	(49)
Depreciation and amortisation		**2,159**	1,516	3,418
Defined benefit pension scheme charges		**1,250**	1,809	3,448
Share based payment charges		**1,458**	897	2,080
Interest paid		**(14,323)**	(9,162)	(20,655)
Interest received		**34,449**	21,987	30,728
		42,416	30,463	44,779
Changes in operating assets and liabilities:				
– net decrease in loans and advances to banks and customers		**19,250**	23,295	18,158
– net (increase) in settlement balance debtors		**(21,541)**	(16,739)	(5,611)
– net (increase) in prepayments, accrued income and other assets		**(19,556)**	(15,002)	(6,881)
– net increase in amounts due to customers and deposits by banks		**61,922**	171,017	129,407
– net increase in settlement balance creditors		**28,579**	24,658	1,946
– net increase in accruals, deferred income, provisions and other liabilities		**1,983**	2,437	5,296
Cash generated from operations		**113,053**	220,129	187,094
Defined benefit pension contributions paid		**(4,897)**	(4,520)	(5,927)
Tax paid		**(7,384)**	(6,771)	(10,609)
Net cash inflow from operating activities		**100,772**	208,838	170,558
Cash flows from investing activities				
Acquisition of businesses, net of cash acquired		**(298)**	(1,770)	(5,786)
Purchase of property, equipment and intangible assets		**(5,875)**	(2,566)	(5,690)
Proceeds from sale of property and equipment		**25**	44	113
Purchase of investment securities		**(460,489)**	(658,338)	(1,363,970)
Proceeds from sale and redemption of investment securities		**395,455**	536,232	1,178,798
Net cash (used in) investing activities		**(71,182)**	(126,398)	(196,535)
Cash flows from financing activities				
Repayments of debt securities		**–**	–	(141)
Purchase of shares for share based schemes		**(3,033)**	(2,291)	(3,407)
Issue of ordinary shares	14	**2,316**	5,611	6,715
Dividends paid		**(9,107)**	(7,750)	(13,449)
Net cash used in financing activities		**(9,824)**	(4,430)	(10,282)
Net increase/(decrease) in cash and cash equivalents		**19,766**	78,010	(36,259)
Cash and cash equivalents at beginning of the period		**198,343**	234,883	234,883
Effect of exchange rate changes on cash and cash equivalents		**(63)**	(151)	(281)
Cash and cash equivalents at end of the period	14	**218,046**	312,742	198,343

Consolidated interim statement of recognised income and expense
for the six months ended 30 June 2007

	Note	**Unaudited Six months to 30 June 2007 £'000**	Unaudited Six months to 30 June 2006 £'000	Audited Year to 31 December 2006 £'000
Profit after taxation		**18,837**	16,090	32,138
Exchange translation differences		**(77)**	(112)	(240)
Revaluation of available for sale investment securities:				
– net gain from changes in fair value		**221**	3,390	4,202
– net profit on disposal transferred to income during the period		**–**	(1,897)	(3,196)
		221	1,493	1,006
Actuarial gain on retirement benefit obligation		**5,016**	4,996	5,468
Deferred tax on equity items:				
– available for sale investment securities		**(66)**	(448)	(302)
– actuarial gains and losses		**(1,505)**	(1,499)	(1,640)
– share based payments		**517**	952	362
		(1,054)	(995)	(1,580)
Net income recognised directly in equity		**4,106**	5,382	4,654
Recognised income and expense for the period attributable to equity holders of the Company		**22,943**	21,472	36,792

1 Principal accounting policies

The Group's consolidated accounts are prepared in accordance with International Financial Reporting Standards as adopted by the EU (IFRS). These interim accounts are presented in accordance with IAS 34 Interim Financial Reporting. The interim accounts have been prepared on the basis of the accounting policies, methods of computation and presentation set out in the Group's consolidated accounts for the year ended 31 December 2006. The interim accounts should be read in conjunction with the Group's audited accounts for the year ended 31 December 2006.

The information in this announcement does not comprise Statutory Accounts within the meaning of section 240 of the Companies Act 1985. The Group's accounts for the year ended 31 December 2006 have been reported on by the auditors and delivered to the Registrar of Companies. The reports of the auditors were unqualified and did not draw attention to any matters by way of emphasis. They also did not contain a statement under section 237(2) or (3) of the Companies Act 1985.

2 Segmental information

(a) Business segments

For management purposes, the Group is currently organised into three operating divisions: Investment Management and Banking, Unit Trusts and Trust and Tax Services. These divisions are the basis on which the Group reports its primary segment information. A reconciliation of total revenues to the Income Statement is included in note 2(c).

30 June 2007 (unaudited)	Investment management and banking £'000	Unit trusts £'000	Trust and tax services £'000	Eliminations £'000	Total £'000
External revenues	**67,278**	**15,015**	**12,453**	**–**	**94,746**
Revenues from other segments	**822**	**–**	**–**	**(822)**	**–**
	68,100	**15,015**	**12,453**	**(822)**	**94,746**
Unallocated external revenues					**–**
Total revenues					**94,746**
Segment result	**20,275**	**3,719**	**1,865**		**25,859**
Unallocated items					**–**
Profit before tax					**25,859**
Taxation					**(7,022)**
Profit for the period					**18,837**
Segment assets	**907,034**	**23,882**	**56,971**		**987,887**
Unallocated assets					**20,792**
Total assets					**1,008,679**
Segment liabilities	**776,336**	**16,624**	**17,972**		**810,932**
Unallocated liabilities					**24,022**
Total liabilities					**834,954**
Other segment items:					
Capital expenditure	**5,287**	**152**	**461**		**5,900**
Depreciation and amortisation	**1,705**	**71**	**383**		**2,159**
Other non-cash expenses	**1,012**	**129**	**303**		**1,444**
Provisions charged in the period	**210**	**–**	**728**		**938**
Provisions utilised in the period	**2,383**	**–**	**42**		**2,425**

30 June 2006 (unaudited)	Investment management and banking £'000	Unit trusts £'000	Trust and tax services £'000	Eliminations £'000	Total £'000
External revenues	54,513	10,793	11,011	–	76,317
Revenues from other segments	707	–	–	(707)	–
	55,220	10,793	11,011	(707)	76,317
Unallocated external revenues					1,945
Total revenues					78,262
Segment result	16,578	2,549	1,255		20,382
Unallocated items					1,945
Profit before tax					22,327
Taxation					(6,237)
Profit for the period					16,090
Segment assets	856,204	16,977	55,373		928,554
Unallocated assets					30,417
Total assets					958,971
Segment liabilities	750,656	12,010	18,608		781,274
Unallocated liabilities					29,341
Total liabilities					810,615
Other segment items:					
Capital expenditure	6,091	87	439		6,617
Depreciation and amortisation	1,194	59	263		1,516
Other non-cash expenses	815	125	378		1,318
Provisions charged in the period	594	–	72		666
Provisions utilised in the period	176	–	372		548

2 Segmental information continued

31 December 2006 (audited)	Investment management and banking £'000	Unit trusts £'000	Trust and tax services £'000	Eliminations £'000	Total £'000
External revenues	115,322	22,652	22,178	–	160,152
Revenues from other segments	1,463	–	–	(1,463)	–
	116,785	22,652	22,178	(1,463)	160,152
Unallocated external revenues					3,196
Total revenues					163,348
Segment result	34,119	5,059	2,346		41,524
Unallocated items					3,196
Profit before tax					44,720
Taxation					(12,582)
Profit for the year					32,138
Segment assets	805,597	17,307	55,193		878,097
Unallocated assets					34,522
Total assets					912,619
Segment liabilities	689,943	12,654	18,048		720,645
Unallocated liabilities					32,825
Total liabilities					753,470
Other segment items:					
Capital expenditure	11,995	194	2,393		14,582
Depreciation and amortisation	2,737	143	538		3,418
Other non-cash expenses	1,481	208	714		2,403
Provisions charged in the period	1,788	–	613		2,401
Provisions utilised in the period	6,273	–	457		6,730

(b) Geographical segments

The Group's operations are located in the United Kingdom, Jersey, Switzerland, the British Virgin Islands and Singapore. The following table provides an analysis of the Group's revenues by geographical market, by origin of the services:

Total revenues by geographical market

	Unaudited Six months to 30 June 2007 £'000	Unaudited Six months to 30 June 2006 £'000	Audited Year to 31 December 2006 £'000
United Kingdom	**82,051**	67,016	140,666
Jersey	**10,410**	9,029	18,421
Rest of the world	**2,285**	2,217	4,261
	94,746	78,262	163,348

The following is an analysis of the carrying amount of segment assets, and additions to property, plant and equipment and intangible assets, analysed by the geographical area in which the assets are located:

Assets allocated to business segments

	Unaudited Six months to 30 June 2007 £'000	Unaudited Six months to 30 June 2006 £'000	Audited Year to 31 December 2006 £'000
United Kingdom	**937,467**	882,506	826,822
Jersey	**31,733**	26,056	31,448
Rest of the world	**18,687**	19,992	19,827
	987,887	928,554	878,097

Additions to property, plant and equipment and intangible assets

	Unaudited Six months to 30 June 2007 £'000	Unaudited Six months to 30 June 2006 £'000	Audited Year to 31 December 2006 £'000
United Kingdom	**5,724**	6,342	12,421
Jersey	**168**	252	2,122
Rest of the world	**8**	23	39
	5,900	6,617	14,582

(c) Total revenues and operating income

	Unaudited Six months to 30 June 2007 £'000	Unaudited Six months to 30 June 2006 £'000	Audited Year to 31 December 2006 £'000
Interest and similar income	**21,883**	15,881	37,335
Fee and commission income	**71,304**	58,846	120,039
Dividend income	**19**	93	117
Net trading income	**812**	917	1,285
Net income from sale of available for sale securities	**–**	1,897	3,196
Other operating income	**728**	628	1,376
Total revenues	**94,746**	78,262	163,348
Interest expense and similar charges	**(13,416)**	(8,783)	(21,297)
Fee and commission expense	**(5,687)**	(3,775)	(8,365)
Operating income	**75,643**	65,704	133,686

3 Taxation

The current tax expense for the six months ended 30 June 2007 was calculated based on the estimated average annual effective tax rate. The overall effective tax rate for this period was 27.2% (30 June 2006: 27.9%; 31 December 2006: 28.13%).

The taxation charge for the period comprises:

	Unaudited Six months to 30 June 2007 £'000	Unaudited Six months to 30 June 2006 £'000	Audited Year to 31 December 2006 £'000
United Kingdom taxation	**4,954**	3,007	10,078
Overseas taxation	**611**	539	806
Deferred taxation	**1,457**	2,691	1,698
	7,022	6,237	12,582

The 2007 Finance Bill reduced the standard UK Corporation Tax rate from 30% to 28%, with effect from 1 April 2008. This has been considered in determining deferred tax assets and liabilities.

4 Dividend

The interim dividend of 16.0p per share is payable on 10 October 2007 to shareholders on the register at the close of business on 21 September 2007 (30 June 2006: 13.5p). The interim dividend has not been included as a liability in this interim report. The 2006 final dividend of 21.5p per share was paid on 10 May 2007.

5 Earnings per share

Basic earnings per share has been calculated by dividing the profits attributable to shareholders of £18,837,000 (30 June 2006: £16,090,000; 31 December 2006: £32,138,000) by the weighted average number of shares in issue throughout the period of 42,422,960 (30 June 2006: 41,697,326; 31 December 2006: 41,946,781).

Diluted earnings per share is the basic earnings per share, adjusted for the effect of contingently issuable shares under the Long Term Incentive Plan, employee share options remaining capable of exercise and any dilutive shares to be issued under the Share Incentive Plan, weighted for the relevant period (see table below).

	Unaudited Six months to 30 June 2007 £'000	Unaudited Six months to 30 June 2006 £'000	Audited Year to 31 December 2006 £'000
Weighted average number of ordinary shares in issue during the period – basic	**42,422,960**	41,697,326	41,946,781
Effect of ordinary share options	**502,377**	667,803	580,127
Effect of dilutive shares issuable under the Share Incentive Plan	**70,109**	197,480	152,580
Effect of contingently issuable ordinary shares under the Long Term Incentive Plan	**167,385**	303,870	334,720
Diluted ordinary shares	**43,162,831**	42,866,479	43,014,208

6 Business combinations

On 2 April 2007, the Group acquired Federal Trust (Singapore) Pte Limited for cash consideration of £496,000 and contingent, deferred consideration of up to £249,000. The acquired business' net assets at the acquisition date were as follows:

	Recognised values £'000	Fair value adjustments £'000	Carrying amounts £'000
Cash and cash equivalents	198	–	198
Other current assets	170	–	170
Property, plant and equipment	9	–	9
Client relationships	93	93	–
Current liabilities	(293)	–	(293)
Net identifiable assets acquired	**177**	93	84
Goodwill on acquisition	568		
Total net assets acquired	**745**		

Included within the consolidated income statement for the six months ended 30 June 2007 is a loss before tax, including acquisition costs, of £115,000 relating to the acquired business. If the business had been acquired on 1 January 2007, consolidated profit before tax for the Group would have been £25,890,000.

The goodwill arising on the acquisition is attributable to the anticipated profitability of incorporating the business into the Group's operating model.

7 Property, plant and equipment

During the six months ended 30 June 2007, the Group acquired assets with a cost of £2,673,000 (30 June 2006: £1,591,000; 31 December 2006: £4,170,000), including assets acquired through business combinations of £9,000 (30 June 2006 and 31 December 2006: £91,000).

Assets with a net book value of £nil were disposed of in the six months ended 30 June 2007 (30 June 2006: £38,000; 31 December 2006: £64,000), resulting in a gain on disposal of £25,000 (30 June 2006: £6,000; 31 December 2006: £49,000).

8 Deposits by banks

Included within deposits by banks is a term loan of £13,800,000 which is repayable in nine, six-monthly installments ending on 4 April 2011. Interest is payable on the loan at 0.7% above the London Inter-Bank Offer Rate (30 June 2006: £12,000,000; 31 December 2006: £12,000,000).

9 Provisions for liabilities and charges

	Deferred contingent consideration £'000	Client compensation £'000	Litigation related & other £'000	Total £'000
At 1 January 2007	6,407	1,525	516	8,448
Exchange adjustments	–	–	(3)	(3)
Charged to the income statement		440	498	938
Unused amount credited to the income statement		(11)	(106)	(117)
Net charge to the income statement (i)		429	392	821
Capitalised during the period (ii)	2,643			2,643
Utilised/paid during the period	(1,982)	(404)	(39)	(2,425)
	7,068	**1,550**	**866**	**9,484**
Current	3,733	1,550	807	6,090
Non-current	3,335	–	59	3,394
	7,068	**1,550**	**866**	**9,484**

(i) In addition to the net charge of £821,000 in the above table, a net credit of £489,000 has been recognised in the income statement during the period in relation to expected insurance recoveries – an overall charge of £332,000.

(ii) Amounts capitalised as intangible assets during the period include deferred consideration of £249,000 in relation to the acquisition of Federal Trust (Singapore) Pte Limited and £2,394,000 of deferred payments to Investment Managers under earn-out schemes.

10 Retirement benefit obligations

The Group operates two pension schemes providing benefits based on final pensionable pay for executive directors and staff employed by the Company. For the purposes of calculating the pension benefit obligation, the following financial assumptions have been used.

	Unaudited Six months to 30 June 2007 % p.a.	Unaudited Six months to 30 June 2006 % p.a.	Audited Year to 31 December 2006 % p.a.
Rate of increase in salaries	**4.45**	4.15	4.15
Rate of increase of pensions in payment:			
– Laurence Keen Scheme	***3.60**	*2.90	*3.50
– Rathbones 1987 Scheme	***3.10**	*2.90	*2.90
Rate of increase of deferred pensions	**3.20**	2.90	2.90
Discount rate	**5.80**	5.30	5.20
Inflation assumption	**3.20**	2.90	2.90

* 5% for service prior to April 2001

Normal retirement age is 65 for members of the Laurence Keen Scheme and 60 for members of the Rathbone 1987 Scheme. The assumed life expectations on retirement which are the same as at 30 June 2007, 30 June 2006 and 31 December 2006 were:

	Males aged 60	Females aged 60	Males aged 65	Females aged 65
Members retiring in 2007	24.7	27.6	20.0	22.9
Members retiring in 2027	25.9	28.7	21.1	23.9

The amount included in the balance sheet arising from the Group's obligations in respect of the schemes is as follows:

	Unaudited Six months to 30 June 2007 £'000	Unaudited Six months to 30 June 2006 £'000	Audited Year to 31 December 2006 £'000
Present value of defined benefit obligations	**(63,455)**	(59,846)	(64,405)
Fair value of scheme assets	**61,355**	48,843	53,642
	(2,100)	(11,003)	(10,763)

On 29 March 2007, the Group made a special contribution of £3,500,000 (30 June 2006 and 31 December 2006: £3,000,000) into the Rathbone 1987 scheme as part of its commitment to reduce significantly the scheme's funding deficit.

11 Share capital

The following movements in share capital occurred during the period:

	Number of shares issued	Exercise price Pence	Share capital £'000	Share premium £'000	Total consideration £'000
Issue of shares in relation to:					
– share incentive plan	55,693	1,174.0	3	651	654
– exercise of options	275,237	372.0 – 1,172.0	13	1,946	1,959
			16	**2,597**	**2,613**

12 Reserves and retained earnings

	Share premium £'000	Merger reserve £'000	Available for sale reserve £'000	Translation reserve £'000	Retained earnings £'000
At 1 January 2006	17,487	49,428	3,585	11	57,843
Profit for the period					16,090
Foreign currency translation				(112)	
Dividends paid					(7,750)
Shares issued	5,783				
Actuarial gains and losses					4,996
Revaluation of investment securities			3,390		
Net gains transferred to net profit on disposal of available for sale investment securities			(1,897)		
Share based payments					
– value of employee services					897
– cost of shares issued/purchased					(2,506)
Tax on equity items			(448)		(547)
At 30 June 2006	23,270	49,428	4,630	(101)	69,023
Profit for the period					16,048
Foreign currency translation				(128)	
Dividends paid					(5,699)
Shares issued	1,248				
Actuarial gains and losses					472
Revaluation of investment securities			812		
Net gains transferred to net profit on disposal of available for sale investment securities			(1,299)		
Share based payments					
– value of employee services					1,183
– cost of shares issued/purchased					(1,267)
Tax on equity items			146		(731)
At 1 January 2007	24,518	49,428	4,289	(229)	79,029
Profit for the period					18,837
Foreign currency translation				(77)	
Dividends paid					(9,107)
Shares issued	2,597				
Actuarial gains and losses					5,016
Revaluation of investment securities			221		
Share based payments					
– value of employee services					1,458
– cost of shares issued/purchased					(3,331)
Tax on equity items			(66)		(988)
At 30 June 2007	**27,115**	**49,428**	**4,444**	**(306)**	**90,914**

Other reserves reported in the Balance Sheet comprise the merger reserve and the available for sale reserve. Retained earnings reported in the Balance Sheet include the translation reserve.

13 Contingent liabilities

Since the year end, the Group has completed the review of its Rathbone Self Invested Personal Pension business. At 30 June 2007 provision has been made, where judged necessary, for cases subject to the review.

14 Consolidated cash flow statement

For the purposes of the cash flow statement, cash and cash equivalents comprise the following balances with less than three months maturity from the date of acquisition:

	Unaudited Six months to 30 June 2007 £'000	Unaudited Six months to 30 June 2006 £'000	Audited Year to 31 December 2006 £'000
Cash and balances at central banks	**11**	694	5
Loans and advances to banks	**183,035**	164,048	108,338
Investment securities	**35,000**	148,000	90,000
	218,046	312,742	198,343

Cash flows arising from issue of ordinary shares comprise:

	Unaudited Six months to 30 June 2007 £'000	Unaudited Six months to 30 June 2006 £'000	Audited Year to 31 December 2006 £'000
Cash inflow – share capital	**16**	43	51
Cash inflow – share premium	**2,597**	5,783	7,031
Cash outflow – financing of shares in relation to share based schemes	**(297)**	(215)	(367)
	2,316	5,611	6,715

15 Related party transactions

Certain directors of Rathbone Trust Company Jersey Limited are also partners of Nigel Harris & Partners. During the period, £255,138 (30 June 2006: £296,000; 31 December 2006: £562,548) was paid to Nigel Harris & Partners for services supplied to Rathbone Trust Company Jersey Limited. At 30 June 2007, £272,477 (30 June 2006: £251,000; 31 December 2006: £253,322) was due from Nigel Harris & Partners.

Certain directors of Rathbone Trust Company Jersey Limited are also partners of Galsworthy & Stones. During the period, £273,941 (30 June 2006: £178,000; 31 December 2006: £351,946) was received from Galsworthy & Stones for services supplied by Rathbone Trust Company Jersey Limited. At 30 June 2007, £407,550 (30 June 2006: £275,000; 31 December 2006: £414,366) was due from Galsworthy & Stones.

At 30 June 2007, key management and their close family members had outstanding deposits of £339,000 (30 June 2006: £607,000; 31 December 2006: £843,000) and outstanding loans of £175,000 (30 June 2006: £77,000; 31 December 2006: £178,000), which were made on normal business terms. A number of the Company's directors and their close family members make use of the services provided by companies within the Group. Charges for such services are made at various staff rates.

Rathbone Trust Company Jersey Limited is the tenant of a property in St Helier, Jersey, the freehold of which is owned by a number of the directors of the company. Annual rental of £150,000 (30 June 2006 and 31 December 2006: £150,000) is payable under the lease.

All amounts outstanding with related parties are unsecured and will be settled in cash. No guarantees have been given or received. No provisions have been made for doubtful debts in respect of the amounts owed by related parties.

Independent review report to Rathbone Brothers Plc

Introduction

We have been instructed by the Company to review the financial information for the six months ended 30 June 2007 which comprises the consolidated interim income statement, consolidated interim balance sheet, consolidated interim cash flow statement, consolidated interim statement of recognised income and expense and the notes to the consolidated interim accounts. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

Directors' responsibilities

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

This interim report has been prepared in accordance with International Accounting Standard 34, 'Interim financial reporting'.

Review work performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of Group management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the disclosed accounting policies have been applied. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance. Accordingly we do not express an audit opinion on the financial information. This report, including the conclusion, has been prepared for and only for the Company for the purpose of the Listing Rules of the Financial Services Authority and for no other purpose. We do not, in producing this report, 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.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 June 2007.

PricewaterhouseCoopers LLP
London
25 July 2007

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