

Rathbone Brothers Plc Report and accounts 2008



RATHBONES
Established 1742

Rathbone Brothers Plc is a leading independent provider of high-quality, personalised investment and wealth management services for private investors and trustees. This includes discretionary investment management, unit trusts, tax planning, trust and company management, pension advice and banking services.

As at 31 December 2008, Rathbones managed £10.46 billion of client funds of which £9.43 billion are managed by Rathbone Investment Management.

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2008 business highlights

7 January 2008

Rathbone Investment Management International expands its investment team with the appointment of four new investment managers.

1 April 2008

Rathbones establishes an office in Exeter with the acquisition of Citywall Financial Management Limited.

21 May 2008

Rathbones extends its specialist ethical investment service by launching Rathbone Greenbank Investments in Liverpool.

6 June 2008

Rathbone Unit Trust Management awarded a mandate from a Canadian mutual fund company, Stone & Co, to manage its Europlus Dividend Growth Fund marketed in Canada.

16 June 2008

Rathbones announces the appointment of a third senior investment professional to the charity team within the space of six months.

21 July 2008

Rathbones opens a new office in Birmingham.

8 September 2008

Rathbones wins the Investment Management Award at the Charity Times Awards (held in partnership with the Charity Commission and the Community Foundation).

24 September 2008

Paul Stockton joins the Board as group finance director.

15 October 2008

Rathbone Brothers Plc announces that it has completed the sale of its offshore trust operations in Jersey to Hawksford Holdings Limited.

1 November 2008

Charity Finance magazine's annual investment management survey sees Rathbones move to 15th place by value of funds. Rathbones ranks 3rd by number of segregated discretionary funds.

22 December 2008

Giles Coode-Adams retired from the Board. David Harrel took on the role of senior independent director and Oliver Corbett became chairman of the Audit Committee.

2008 financial highlights

	2008	2007	% change
Funds under management	**£10.46bn**	£13.12bn	**(20.3)%**
Operating income (continuing operations)[1]	**£131.8m**	£134.5m	**(2.0)%**
Profit before tax (continuing operations)[1]	**£42.8m**	£47.3m	**(9.5)%**
Basic earnings per share (continuing operations)[1]	**68.47p**	77.79p	**(12.0)%**
Basic earnings per share	**44.45p**	87.88p	**(49.4)%**
Dividends per share	**42.0p**	41.0p	**2.4%**

1 Continuing operations exclude businesses disposed of and classified as held for sale (see note 12 to the consolidated financial statements)

Chairman's statement



In 2008 we saw extremely volatile and challenging conditions in financial markets. Despite this turmoil, Rathbones has achieved a net organic growth rate of 7.4% in our core discretionary investment management business. In October, we successfully completed the sale of our overseas trust operations in Jersey for £28.5 million.

Results and dividend

Profit before tax from continuing operations for the year to 31 December 2008 was £42.8 million, a decrease of 9.5% from £47.3 million in 2007. The FTSE 100 Index fell from 6454 at the beginning of 2008 to 4434 by the end of year, a fall of 31.3%. Basic earnings per share from continuing operations fell by 12.0% from 77.79p to 68.47p, including the impact of a £1.4 million charge relating to the Financial Services Compensation Scheme.

Basic earnings per share were 49.4% lower at 44.45p, compared with 87.88p in 2007, including the impact of the sale of the overseas trust businesses (discontinued operations).

The Board is recommending that the final dividend be increased by 4.0% to 26.0p (2007: 25.0p) making a total of 42.0p for the year (2007: 41.0p). This reflects our strong financial position and confidence in the ability of the business to withstand, and take advantage of, testing market conditions. The final dividend will be paid on 13 May 2009.

Market and environment

Early in 2008, the market was faced with considerable liquidity challenges arising from sub-prime mortgage losses in the USA. As the year unfolded, the repercussions led to the demise of a number of high profile financial institutions and unprecedented levels of government support for the financial system. Money market fragility and economic uncertainty continued for the remainder of 2008 driving stock market indices markedly lower in the second half of the year.

Funds under management in Rathbone Investment Management (including Rathbone Investment Management International) fell during 2008 by 16.0% to £9.43 billion (2007: £11.23 billion) compared to a fall in the FTSE/APCIMS Balanced Index of 20.1%. In spite of these difficult market conditions, we achieved an underlying net organic growth rate in funds under management within our core discretionary investment management business of 7.4% in the year compared to 7.8% in 2007.

The Board considers that this continued level of growth reflects the increasing reputation of Rathbones' investment process and service, where each client is the responsibility of an individual investment manager.

In contrast, our unit trust business has experienced a disappointing year, reflecting difficult market conditions and some performance issues.

Composition of the Board

In November we announced the retirement of Giles Coode-Adams from the Board with effect from 22 December 2008. Giles first joined Rathbones in 1999 and we have benefited enormously from his contribution over that time, particularly in his role as chairman of the Audit Committee. In September we were delighted to welcome Paul Stockton as group finance director.

In December David Harrel took on the role of senior independent director and Oliver Corbett became chairman of the Audit Committee. Both bring a great deal of experience and expertise with them, and we look forward to the additional value they will bring to us in these roles.

Outlook

In these extremely challenging times, Rathbones will continue its focus on building strong long-term client relationships by encouraging direct client contact with investment managers who provide individual investment solutions to private investors and trustees. Rathbones is well placed to weather the difficult climate and is in a strong position to take advantage of opportunities we expect to arise to grow the business. We remain confident of our future prospects.

Mark Powell
Chairman

3 March 2009

Chief executive's statement



Key highlights

- **Strong financial performance and organic growth in challenging market conditions**
- **Disposal of trust businesses**
- **Improvements to our investment process**
- **Prudent treasury management**
- **Opportunities for future growth**

Rathbones' financial performance was strong in 2008 in spite of the turmoil we saw in financial markets. Our core discretionary investment management business added £0.8 billion of net new funds from new and existing clients in the year ended 31 December 2008 (2007: £0.8 billion) in addition to a further £0.4 billion as a result of business and team acquisitions (2007: £0.1 billion).

Rathbones' predominantly discretionary investment management business is a strong and compelling business model. Coupled with a very strong balance sheet we are well placed in these challenging times.

In 2008 we restructured our business to complement our core investment management activity. In addition to growing our core business through the acquisition of Citywall Financial Management in April, we progressed substantially in disposing of our offshore trust operations through the completion in October of the sale of our Jersey trust operations. In February 2009 we completed the sale of our Geneva business. The disposals of Singapore and BVI operations are well advanced. These disposals will complete our exit from the offshore trust business – a move we started in 2008. We took the view that the businesses would best develop their potential if they were owned offshore by their management in light of the changing climate for the use of offshore structures and services.

We remain committed to our UK trust business and expect to continue to invest in its growth in 2009.

There is no doubt that 2008 has been a challenging year for all asset classes and we are acutely aware of the effects this has had on our clients' portfolios, particularly for those who rely on income levels. Replicating high levels of income is, and will continue to be, one of the great challenges of 2009. Rathbones has continued to work hard to search for investment opportunities for clients in the current climate and to enhance screening processes.

We continue to place great emphasis on high levels of communication between investment managers and their clients, which we believe is fundamental to our ability to serve our clients now and over the longer-term.

Financial performance

Operating income from continuing operations of £131.8 million in 2008 decreased 2.0% (compared to £134.5 million in 2007). Falls in stock markets were reflected in fee levels in Rathbone Investment Management (including Rathbone Investment Management International); however, this was offset by strong levels of net organic growth and high levels of interest income earned by our banking operation, which benefited from increasing client liquidity and exceptionally high credit spreads, especially in the final three months of the year when LIBOR and base rate differed substantially. We would not necessarily expect such high net interest levels to continue in 2009.

Rathbone Unit Trust Management saw a high level of outflows as disappointing investment performance resulted in net redemptions of £234 million that, along with falling markets, reduced funds under management to £1.03 billion at 31 December 2008 (from £1.89 billion at 31 December 2007). Action has been taken to reduce costs to a level commensurate with the business' current size, and considerable time is being dedicated to improving investment performance, notwithstanding that net fund sales cannot be expected to improve in the short-term.

Profit before tax for continuing operations of £42.8 million decreased 9.5% on the £47.3 million in 2007, largely reflecting market conditions and an increase of £1.4 million in the levy from the Financial Services Compensation Scheme mainly in relation to the Bradford & Bingley failure. Expenses were contained by our continued policy that performance related staff awards substantially reflect changes in bottom line profit before tax levels. We will continue to monitor cost levels carefully in 2009.

Marketing and business development

The underlying rate of net organic growth of 7.4% in investment management funds under management in 2008 has in large part been driven from existing clients or new clients taken on by investment managers who are not operating under earn out arrangements. The Rathbones brand is becoming increasingly known in the marketplace, and this, together with the instability we have seen in many other financial institutions, has allowed us to benefit from the adverse market conditions.

The number of our charity clients has grown by 9% in the year and charity funds under management were £1.1 billion at 31 December 2008. It was very satisfying to win the Investment Management award at the Charity Times Awards (held in partnership with the Charity Commission and the Community Foundation) in September and due credit goes to the individuals involved.

We have also recognised that IFAs are increasingly turning to Rathbones for investment management expertise. In 2008 the principles underlying the Retail Distribution Review placed increased and often unwanted responsibilities on distributors, who are increasingly looking for a partner to help manage their client needs. We still see considerable potential for growth in this area. The stability of Rathbones and strength of our systems and investment processes has combined well with our 'whole-of-market' approach to investment, creating a strong proposition to IFAs. In October we launched our online valuations facility. This provides web-based portfolio valuations, which very much enhances our service offering to clients and intermediaries.

We continue to develop our approach to SIPP panels and are a recognised provider of discretionary investment management services through several life company SIPP products. Our Edinburgh office has seen considerable growth this year, working closely with selected providers. SIPPs are a very powerful product for retirement planning for our typical client and an attractive way of growing funds under management. The number of SIPPs managed has grown by 28% in 2008.

Rathbone Pension & Advisory Services separately offers the Rathbone SIPP and provides a range of independent financial advice, largely to Rathbones clients. This business is growing well and saw the number of new SIPPs it has advised on increase by 18.1%. Our highly qualified pensions advisory team (which now has chartered planner status) works closely with many investment managers and their clients.

The Rathbone Investment Process

We have continued to invest significantly in the Rathbone Investment Process, which guides investment managers as they tailor individual portfolios to differing client circumstances. This adds to detailed sector, asset class and geographical commentaries, and macroeconomic analysis to provide internal support and input to our asset allocation and stock selection committees.

Communication amongst investment managers has been enhanced to ensure investment ideas and market opportunities are more effectively shared amongst investment managers.

Rathbones is committed to its independent stance, which allows us to look across the whole of the marketplace for the best available products in which to invest our clients' assets. This is something we continue to place great emphasis upon as managers look increasingly for future value opportunities in depressed markets and for risk mitigation strategies that best match client requirements.

Corporate activity

We completed the sale of our Jersey trust operations in October, and the Geneva business in February 2009. The disposals of our Singapore and BVI operations are also well advanced. None of these transactions will affect Rathbones' investment management business in the Channel Islands (Rathbone Investment Management International) or its UK-based tax and trust services (Rathbone Trust Company Limited).

Regulatory capital

In 2009 we completed our discussions with the Financial Services Authority (FSA) regarding the amount of capital we are expected to hold for regulatory purposes. Our £49.6 million capital surplus over a minimum capital requirement of £63.7 million places us in a strong position to take advantage of future market opportunities.

Treasury and financing

As a net provider of liquidity to the banking markets Rathbones does not rely on wholesale funding to finance its operations and does not anticipate that this will change.

The turmoil in the credit markets has required us to be especially vigilant. As a regulated deposit taker we are able to make use of a range of appropriate instruments issued by a relatively wide number of counterparties with Fitch ratings of A and above when placing funds in the money markets. As liquidity in client portfolios rose to £1.1 billion in the year (31 December 2007: £1.0 billion) and credit markets tightened considerably, we worked hard to set appropriate exposure limits and monitor counterparty quality throughout the year to keep within our conservative treasury policy, which recognises the fundamental importance of financial stability to our clients. Rathbones is virtually ungeared with borrowings of £9.2 million (2007: £12.5 million).

Investing in people

Staff turnover at Rathbones has continued to be low in 2008 at 10%, which is very much in line with expectations and in keeping with our culture of stability and maintaining longer-term client relationships. Equity ownership by staff and former staff remains at approximately 20%, with UK Share Incentive Plan ('SIP') participation at 88% and we will continue to encourage share ownership by Rathbones staff in 2009.

We continue to place a high premium on training, completing our structured graduate training programme and supplementing core regulatory training with management and personal development which amounts, on average, to two full days of training per employee (2007: two days).

Operations and resources

We have continued to invest in the efficiency of the business and now complete the vast majority of security trades and a large proportion of unit trust trades using electronic settlement platforms on a 'straight through' basis. After detailed consideration of project priorities in light of current market conditions, we would still expect to invest at similar levels in 2009 to continue to improve business efficiency and support business growth in the long term.

We have also aligned lease terms in both our New Bond Street offices and we are now a long way through the major refurbishment programme being conducted by the landlord of our Liverpool offices. Although the level of disruption has been considerable, I would like to thank all of our staff in Liverpool for their patience in working through the issues associated with this development.

Regulation

Whilst the fair treatment of clients has always been central to Rathbones' way of doing business, we have further enhanced our management information, governance and monitoring processes in this area as a response to improved FSA guidance.

We also anticipate that the impact of recent market events will create a proportionate regulatory response that will impact our banking operations. We will continue to monitor developments closely.

Outlook

Financial markets are expected to remain volatile for some time to come and in addition the economy is expected to face a prolonged period of very low interest rates. Whilst these factors will impact on our operating income in the short term, our track record for growth is strong and our continued investment in our people and operations means that we are in a strong position to take advantage of opportunities that may arise to grow our business both organically and through acquisition.

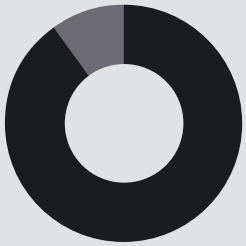
Andy Pomfret
Chief executive

3 March 2009

Rathbones at a glance

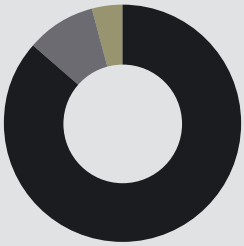
Total Rathbones

Funds under management



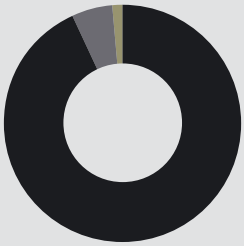
	2008 £bn	2007 £bn
Investment Management	**9.43**	11.23
Unit Trusts	**1.03**	1.89
	10.46	13.12

Operating income (continuing operations)



	2008 £m	2007 £m
Investment Management	**113.9**	109.3
Unit Trusts	**12.5**	18.8
Trust and Tax	**5.4**	5.1
Central shared services	**–**	1.3
	131.8	134.5

Profit before tax (continuing operations)



	2008 £m	2007 £m
Investment Management	**40.4**	40.1
Unit Trusts	**2.4**	6.9
Trust and Tax	**0.6**	0.1
Central shared services	**(0.6)**	0.2
	42.8	47.3

Investment Management

The investment management division provides mainly discretionary investment management services to private investors and charities with portfolios held in discretionary accounts, trust structures, 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.

Principal trading names
- **Rathbone Investment Management**
- **Rathbone Investment Management International**
- **Rathbone Pension & Advisory Services**

Direct employees (average full time equivalents)
- **438 (145 investment professionals)**

Offices
- **Birmingham**
- **Bristol**
- **Cambridge**
- **Chichester**
- **Edinburgh**
- **Exeter**
- **Jersey**
- **Kendal**
- **Liverpool**
- **London**
- **Winchester**

Business head
- **Richard Lanyon**

Websites
- General **www.rathbones.com**
- Offshore services **www.rathboneimi.com**
- Ethical investment **www.rathbonegreenbank.com**

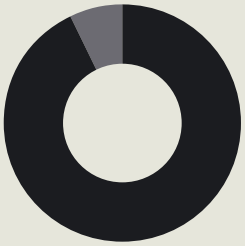
Top ten UK private client wealth managers (ranked by discretionary assets under management)

£m	Discretionary AUM	Total AUM
Coutts	10,368	12,960
Brewin Dolphin	10,200	18,700
Rathbones	**9,414**	**10,460**
Barclays/Gerrard	8,193	27,309
Rensburg Sheppards	8,150	11,450
UBS	7,014	19,483
Merrill Lynch	4,590	9,000
Morgan Stanley PWM	4,524	11,600
Goldman Sachs	4,447	15,883

Source: Canaccord Adams estimates. Private Client Wealth Managers report, January 2009.

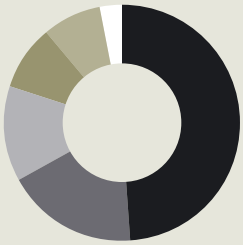
Client base breakdown

Discretionary vs non-discretionary
(by funds under management)



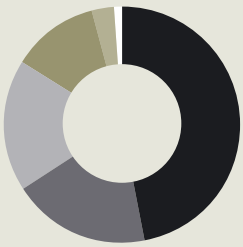
As at 31 Dec 2008	%
Discretionary	94.2
Non-discretionary	5.8

Account type (by funds under management)



As at 31 Dec 2008	%
Private client	46.3
Trust and settlements	17.3
ISAs	11.7
Charities	11.0
Pensions, inc SIPPs	9.6
Other	4.1

Account size (by value)



As at 31 Dec 2008	%
Over £1 million	44.7
£500,000 – £1 million	17.3
£250,000 – £499,999	17.7
£100,000 – £249,999	15.2
£50,000 – £99,999	4.0
Up to £50,000	1.1

Unit Trusts

The unit trusts 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 stock market, embracing small, medium and large companies to achieve growth and income. In addition we manage an ethical bond fund and one global fund focused on international opportunities.

Principal trading name
- **Rathbone Unit Trust Management**

Direct employees (average full time equivalents)
- **31**

Offices
- **London**

Business head
- **Peter Pearson Lund**

Website
- **www.rutm.com**

Trust and Tax

The trust and tax division is based in the UK and provides taxation services (compliance and planning), probate services, trust services (trust formation, administration, accounting and provision of trustees and protectors), and family office services.

Principal trading name
- **Rathbone Trust Company**

Direct employees in continuing operations
(average full time equivalents)
- **43**

Offices
- **Liverpool, London**

Business head
- **Ian Buckley**

Website
- **www.rathbones.com**

Strategy and key performance indicators

Rathbones operates in the UK wealth management industry, providing clients with discretionary investment management, unit trust and advisory services.

Rathbones has three key strategic objectives which drive the business	Our business model differentiates us in our marketplace
Our aim is to be a leading provider of high-quality, personalised investment management and trust, tax and pension advisory services to private individuals, charities and trustees **Key performance indicators** • Total funds under management • Organic growth rate in funds under management • Funds under management per investment manager • Operating margin	• Strong focus on providing a fee-based discretionary service • Client investment is based on an independent whole-of-market approach • Clients deal with a named investment manager who manages their investments • The Rathbone Investment Process guides stock selection and asset allocation, and controls use of alternative asset classes • Complementary trust, tax and pensions advisory services are offered to private investors, charities, intermediaries and trustees • Continued investment is made in operations and infrastructure to deliver timely and meaningful information to investment managers and clients • A range of unit trust funds is marketed to intermediaries • Short-term secured loans may also be granted to investment management or trust clients of Rathbones • Flexibility in working with external client advisers
Our aim is to provide shareholders with a growing stream of dividend income, delivered by steady and consistent growth in earnings per share as market conditions allow **Key performance indicators** • Profit before tax by segment • Earnings per share • Dividend per share • Annualised return on funds under management • Growth in funds under management vs FTSE 100 and APCIMS Balanced indices • Operating margin	• Investment management performance-related remuneration directly linked to profit before tax (rather than revenue or business contribution) and new business generation • Consistent investment in underlying infrastructure and systems to maintain operational efficiency and support a wide range of investment choices for clients • Optimal use of automation to realise scale economies and support growth • Restrict the use of our banking licence to exclude risky activities such as mortgages or low margin cheque books, credit and debit cards
Our aim is to provide staff with an interesting and stimulating career environment, involving a commitment for all staff to share in the equity and profits of Rathbones, and to encourage and reward organic growth **Key performance indicators** • Employee share ownership • Share incentive plan (SIP) participation rates • Staff turnover • Investment in training	• Profit before tax and funds growth-based remuneration structures which encourage quality investment business and sustained growth in funds under management • High level of employee share ownership • Vigorous development and defence of our intellectual property • Geared awards for higher performers

Rathbones has a long history of stability, and offers independent, personalised and whole-of-market investment advice to over 30,000 individual investors, charities and trustees.

Key objectives govern, develop and grow the business	Our performance in 2008
• Strongly uphold 'treating clients fairly' principles • Manage portfolios imaginatively in the light of clients' stated objectives, risk profile and circumstances, paying regard to the Rathbone Investment Process • Maintain high standards of client communication • Adhere to standard fee schedules • Encourage clients with more limited sums to invest to collectives on a best-of-breed basis • Purchase institutional units for clients wherever possible to ensure that unit trust purchases maximise value for clients and charges are transparent • Deliver upper quartile unit trust performance	• The business has generated an underlying annualised rate of organic growth in funds under management of 7.4% in 2008 in spite of market turmoil. Purchased funds added a further 3.7% growth • 2008 profits reflected market conditions, but also benefitted from strong growth • 2008 operating margin has been consistently maintained in recent years • Unit trust performance has been disappointing in 2008
As market conditions allow: • Maintain a steady and consistent approach to dividend policy • Maintain annualised income returns at circa 1% of funds under management • Deliver net organic growth in funds under management at 5% or above • Maintain regulatory capital at prudent levels • Maintain a conservative banking and treasury policy limiting investment to straightforward, instruments, rated A or above by Fitch over short investment horizons • Maximise use of straight through processing in security and unit trust transactions • Proactively manage pension benefits to provide attractive levels of reward for fair and optimal cost	• Underlying earnings per share in 2008 fell by 6.4% compared to a 31.3% fall in the FTSE 100 and a 20.1% fall in the FTSE APCIMS Balanced Index • Dividend per share has been increased to 42p in 2008 in spite of challenging market conditions
• Selectively recruit high-calibre individuals who will complement and strengthen Rathbones' culture • Provide the right level of training for staff throughout the business seeking the highest possible professional and ethical standards • Share ideas and best practice through timely and effective employee consultation and communications • Use investment portfolio management tools and workflow systems to enhance the workplace experience • Commitment to acting as a fair employer providing equal opportunities to staff	• Rathbones is a stable business that actively encourages employee share ownership as a means of aligning interests with that of shareholders • Staff turnover has been consistent at around 10% in recent years • Investment manager turnover continues to be very low

Profit before tax (£'000)

2008: 42,756
2007: 47,302
[1]2006: 44,720
[1]2005: 35,298
[1]2004: 28,492

Operating margin (%)

2008: 33.3
2007: 34.5
[1]2006: 31.8
[1]2005: 31.0
[1]2004: 25.6

Net organic growth in Investment Management funds under management (%)

2008: 7.4
2007: 7.8
2006: 7.2
2005: 5.8
2004: 4.8

Underlying earnings per share (pence)

2008: 70.81
2007: 75.66
[1]2006: 71.28
[1]2005: 59.60
[1]2004: 45.44

Dividend per share (pence)

2008: 42.0
2007: 41.0
2006: 35.0
2005: 30.0
2004: 27.5

Number of shares held by UK SIP participants

2008: 1,290,392
2007: 1,270,641
2006: 1,136,132
2005: 986,463
2004: 733,688

Staff turnover (%)

2008: 10
2007: 8
2006: 11
2005: 11
2004: 8

1 Figures for 2004 to 2006 include the results of discontinued operations

Business review

This business review has been prepared in line with guidance provided by the Accounting Standards Board to provide a balanced picture of Rathbones' business and prospects, without prejudicing the confidential nature of commercially sensitive information.

This business review contains certain forward-looking statements which are made by the directors in good faith based on the information available to them at the time of their approval of this review. Statements contained within the business review should be treated with some caution due to the inherent uncertainties, including economic, regulatory and business risk factors, underlying any such forward looking statements. The business review has been prepared by Rathbone Brothers Plc to provide information to its shareholders and should not be relied upon by any other party or for any other purpose.

Investment Management

Table 1. Key performance indicators for Investment Management

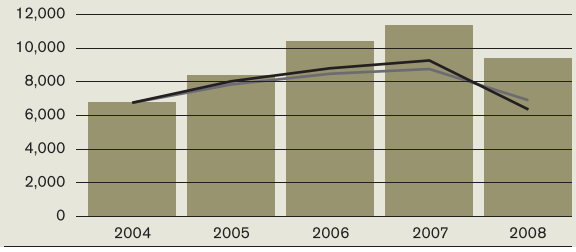
	2008	2007
Underlying rate of net organic growth in investment management funds under management[1]	**7.4%**	7.8%
Funds under management at 31 December[1]	**£9.43bn**	£11.23bn
Average net operating income basis point return[2]	**104 bps**	94 bps

1 See Table 3
2 Net operating income (see Table 4) excluding interest on own reserves divided by the average funds under management on the quarterly billing dates (see Table 5)

Business environment

The behaviour of financial markets in 2008 has been very well-publicised as the credit crunch took its toll on all asset classes and all sectors, particularly in the second half of the year. Rathbone Investment Management funds under management fell 16.0% over the year from £11.23 billion to £9.43 billion compared to falls of 31.3% and 20.1% in the FTSE 100 and the FTSE APCIMS Balanced indices respectively.

Table 2. Investment Management – funds under management and market levels[1]



Investment Management funds under management
FTSE 100 Index
FTSE APCIMS Balanced Index

1 FTSE APCIMS Balanced and FTSE 100 indices rebased to 6865

Organic inflows represent the amount of new funds brought in by our existing fund managers, either from existing clients or from new clients, and totalled £1.56 billion in the year ended 31 December 2008, up 7.6% from £1.45 billion in 2007. Net organic growth (stated after fund outflows which naturally occur because clients withdraw capital and/or income from portfolios to meet other financial requirements, or close their account) was £833 million, which translates into an annualised rate of 7.4%. This was a strong performance in difficult market conditions. Investment managers who joined us recently also added £413 million of acquired funds under management during the year, which was exceptional compared to the £150 million in 2007. Outflows of funds continued at normal levels, around 6.5% of funds under management, and account closures were also at expected levels in spite of the challenging market conditions.

Table 3. Investment Management – funds under management

	2008 £bn	2007 £bn
As at 1 January	**11.23**	10.38
Inflows[1]	**1.97**	1.60
– organic	1.56	1.45
– acquired	0.41	0.15
Outflows[1]	**(0.73)**	(0.64)
Market adjustment[2]	**(3.04)**	(0.11)
As at 31 December	**9.43**	11.23
Net organic new business[3]	**0.83**	0.81
Underlying rate of net organic growth[4]	**7.4%**	7.8%

1 Valued at the date of transfer in/out
2 Impact of market movements and relative performance
3 Organic inflows less outflows
4 Net organic new business as a % of opening funds under management

Rathbones has a significant presence in the small to medium charity market (ie those charities with less than £50 million of funds under management) and, according to this year's Charity Finance survey, is placed 15th by value of funds (up two places on 2007) and 3rd place (2007: 3rd) when measured by number of segregated discretionary funds. In September, Rathbones won the Investment Management award at the Charity Times Awards (held in partnership with the Charity Commission and the Community Foundation). Charity funds under management of £1.1billion at 31 December 2008 were at similar levels to last year as net inflows offset market movements. The number of charity clients has grown by 9% in the year.

IFA-sourced growth continued to be strong. In October we launched our online valuations facility, allowing access to clients portfolios. This significantly enhanced our service offering.

Investment Management continued

The number of SIPPs managed has grown by 28% in the year ended 31 December 2008. Growth in total SIPP funds held with Rathbone Investment Management under the Rathbone SIPP helped to reduce the impact of falling markets as funds fell by 7.5% to £225.3 million (from £243.6 million in 2007). Our Edinburgh office saw considerable growth this year by working closely with selected providers, and Rathbone Pension & Advisory Services saw the number of new SIPPs upon which it has advised increased by 18.1% to 789 (2007: 668).

The overall basis point return on funds under management increased in 2008 largely as a result of exceptionally high net interest income, itself a consequence of the abnormally high credit spreads experienced throughout the year.

Financial performance

Table 4. Investment Management – financial performance

	2008 £m	2007 £m
Net fee income[1]	**54.3**	57.7
Commission	**28.2**	32.5
Interest and other income[2]	**31.4**	19.1
Net operating income	**113.9**	109.3
Underlying operating expenses[3]	**(72.1)**	(69.2)
Underlying profit before tax	**41.8**	40.1
Financial Services Compensation Scheme levy	**(1.4)**	–
Profit before tax	**40.4**	40.1
Underlying operating % margin[4]	**36.7%**	36.7%

1 Net fee income is stated after deducting fees and commissions expenses paid to introducers
2 Interest and other income is presented net of interest expense paid on client accounts
3 See table 6
4 Investment Management profit before tax and exceptional items divided by net operating income

Net fee income decreased by 5.9% from £57.7 million to £54.3 million in 2008, largely reflecting falls in the average quarter calendar end FTSE 100 Index (when clients are billed). An average FTSE of 5227 in 2008 is 19% down on the average in 2007. Average funds under management on the quarterly billing dates of £10.14 billion were 8.8% down compared to £11.12 billion in 2007.

Table 5. Investment Management – average funds under management

	2008 £bn	2007 £bn
Valuation dates for billing		
– 5 April	**10.75**	10.93
– 30 June	**10.49**	11.16
– 30 September	**9.87**	11.14
– 31 December	**9.43**	11.23
– Average	**10.14**	11.12

Commission income of £28.2 million in 2008 was 13.2% lower than the previous year (2007: £32.5 million) as higher trading levels in the first half slowed in the second half due largely to considerable market uncertainty.

Interest income benefited both from the exceptionally high credit spreads which were seen throughout the year, and higher levels of client liquidity which rose to £1.1 billion at 31 December 2008 from £1.0 billion at 31 December 2007. It is expected that interest income in 2009 will be adversely impacted by future reduction in credit spreads, margin erosion and possible regulation, in what will be an environment of exceptionally low interest rates.

Net operating income for 2008 of £113.9 million increased 4.2% from £109.3 million in 2007 as market effects on fees and commission levels were more than offset by higher interest income.

Table 6. Investment Management – operating expenses

	2008 £m	2007 £m
Staff costs[1]		
– fixed	**24.1**	22.8
– variable	**13.6**	14.0
Total staff costs[1]	**37.7**	36.8
Other operating expenses	**34.4**	32.4
Underlying operating expenses	**72.1**	69.2
Financial Services Compensation Scheme levy	**1.4**	–
Operating expenses	**73.5**	69.2
Underlying cost/income ratio[2]	**63.3%**	63.3%

1 Represents the costs of investment managers and teams directly involved in client facing activities
2 Operating expenses before Financial Services Compensation Scheme costs divided by operating income excluding gains from disposal of available for sale securities

Investment Management continued

Underlying operating expenses for 2008 were £72.1 million, compared to £69.2 million in 2007, an increase of 4.2%. This largely reflects inflationary salary increases and new office costs offset by lower performance related rewards. Full time equivalent headcount was 438 at 31 December 2008 compared to 405 at 31 December 2007. The proportion of variable staff costs to profit before tax was 33.7% in 2008 (2007: 34.9%) reflecting the fact that investment managers are largely incentivised based on a share of profit before tax as well as other schemes which are aimed at maintaining and growing the value of funds they manage. Whilst the recruitment of investment managers will generally result in a decrease in operating margins until they have attracted sufficient funds to cover their employment costs, the impact for 2008 has not been significant.

Other operating expenses include property, depreciation, settlement, IT, finance and other central support services costs. These are largely fixed and were 47.7% of total operating expenses in 2008 (2007: 46.8%).

The recent arrangements put in place by the Financial Services Compensation Scheme ('FSCS') to protect the depositors of Bradford & Bingley and other failed deposit-taking institutions will result in a significant increase in the levies made by the FSCS on the industry. Rathbones has recorded a provision of £1.4 million in respect of its share of the estimated cost of FSCS borrowings; this additional charge is expected to be billed as part of the 2008/09 and 2009/10 levy years. Further levy charges are likely to be incurred in future years although the ultimate cost remains uncertain.

Outlook

In spite of recent market conditions, the business remains strong and continues to benefit from solid growth. Rathbones' reputation as one of the leading providers of discretionary investment management services to private investors, charities and trustees remains an important asset. Whilst 2009 will undoubtedly be a challenging year, our long-term investment approach together with our ongoing investment in efficiency and other distribution sources will see the business well-placed to grow and take advantage of opportunities that may arise from the general market instability.

We will continue to seek to attract new investment managers to join Rathbones with their clients. We will also continue to look for acquisitions which will enhance the overall quality of our business and take advantage of our operational efficiency and ability to service both small and large clients.

Unit Trusts

Table 7. Key performance indicators for Unit Trusts

	2008	2007
Funds under management at 31 December	**£1.03bn**	£1.89bn
Underlying rate of net growth in funds under management	**(12.2)%**	9.1%

Business environment

The retail asset management sector had a very difficult year in 2008 with some high profile names finding life very difficult as a result of the fall out effects of market turmoil. As reported by the Investment Management Association industrywide outflows were circa 17% of industry funds under management in the year and typical of an industry that can be volatile in a downturn as intermediaries rebalance client portfolios and institutional monies move to safer havens.

Table 8. Unit Trusts – funds under management

	2008 £bn	2007 £bn
As at 1 January	**1.89**	1.86
Net (outflows)/inflows	**(0.23)**	0.17
– inflows[1]	0.15	0.52
– outflows[1]	(0.38)	(0.35)
Market adjustment[2]	**(0.63)**	(0.14)
As at 31 December	**1.03**	1.89
Underlying rate of net growth[3]	**(12.2)%**	9.1%

1 Valued at the date of transfer in/out
2 Impact of market movements and relative performance
3 Net inflows as a % of opening funds under management

Funds managed fell 45.5% in 2008 from £1.89 billion to £1.03 billion as adverse market movements combined with total net redemptions of £234 million. These effects not only reflect the general market turbulence, but also our market positioning, which has historically been largely focused on an income fund sector which has been generally out of favour during 2008.

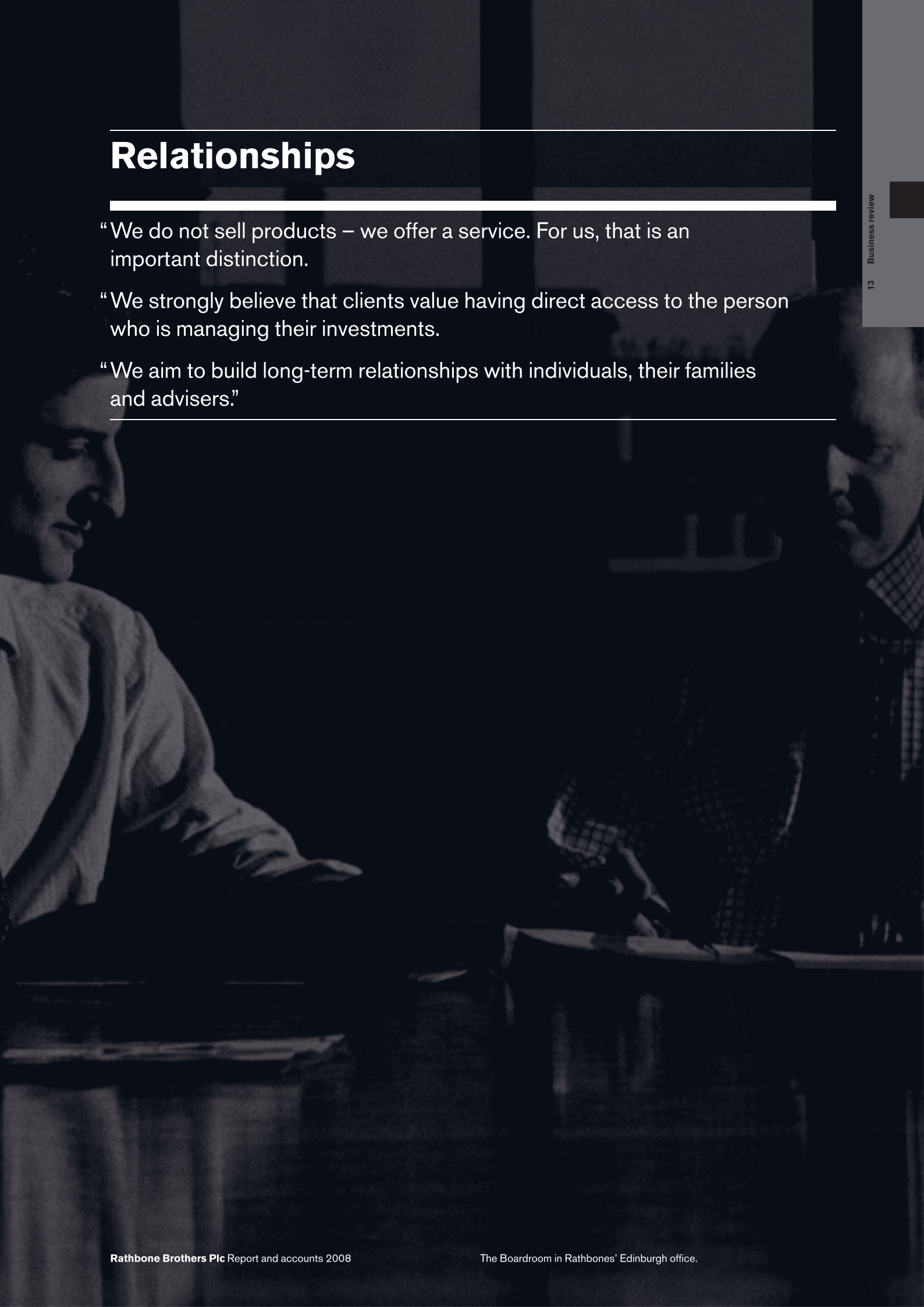
The performance of the largest fund (the Rathbone Income Fund) was disappointing, slipping into the fourth quartile over one year and three years and the third quartile over five years. This reflects a concentration in small and mid cap stocks, which have suffered in recent times. Progress has been made in adjusting the composition of this fund.

Relationships

"We do not sell products – we offer a service. For us, that is an important distinction.

"We strongly believe that clients value having direct access to the person who is managing their investments.

"We aim to build long-term relationships with individuals, their families and advisers."



The Boardroom in Rathbones' Edinburgh office.

Unit Trusts continued

Table 9. Units Trusts – fund details

	Morningstar Fund Stars	31 Dec 2008 £m	31 Dec 2007 £m
Ethical Bond Fund	2	36	46
Global Opportunities Fund	4	52	60
Income Fund	4	544	1,112
High Income Fund	N/A	16	25
Income and Growth Fund	4	34	54
Smaller Companies Fund	3	24	47
Special Situations Fund	2	54	164
Other	N/A	269	379
Total		1,029	1,887

Actions are underway to reduce the cost base of the business and improve future investment performance.

Financial performance

Table 10. Unit Trusts – financial performance

	2008 £m	2007 £m
Initial charges net of discounts	**0.9**	1.0
Annual management charges	**17.7**	26.1
Net dealing profits	**0.5**	1.7
Interest and other income	**1.3**	1.5
	20.4	30.3
Initial commission payable	**(0.1)**	(0.4)
Rebates and trail commission payable	**(7.8)**	(11.1)
Net operating income	**12.5**	18.8
Operating expenses	**(10.1)**	(11.9)
Profit before tax	**2.4**	6.9
Operating % margin[1]	**19.2%**	36.7%

1 Unit trust profit before tax divided by net operating income

The 32.2% reduction in annual management charges from £26.1million in 2007 to £17.7 million in 2008 is almost entirely reflective of the reduction in funds under management. Average funds under management in 2008 decreased by 28.6% from £2.1 billion to £1.5 billion. Annual management charges as a percentage of average funds under management remained consistent at 1.2% (2007: 1.2%).

Rebates and trail commission payable as a percentage of annual management charge income were 44.1% compared to 42.5% in 2007. Managers' box dealing profits constituted 4.0% of net operating income in the year (2007: 9.0%) largely as a consequence of fund and market movements. Net operating income as a percentage of average funds under management was 0.8% in 2008 compared to 0.9% in 2007.

Table 11. Units Trusts – operating expenses

	2008 £m	2007 £m
Staff costs[1]		
– fixed	**2.8**	2.8
– variable	**3.4**	4.4
Total staff costs[1]	**6.2**	7.2
Other operating expenses	**3.9**	4.7
Operating expenses	**10.1**	11.9
Cost/income ratio	**80.8%**	63.3%

1 Represents the costs of investment managers and teams directly involved in investment or distribution activities

Fixed staff costs of £2.8 million for the year ended 2008 were consistent with 2007. Full time equivalent headcount was 27 at 31 December 2008 compared to 31 at 31 December 2007. The ratio of variable staff costs to profit before tax was 141.7% in 2008 (2007: 63.8%) largely reflecting the way in which costs of the profit share schemes for this business are accounted for. As costs of three year bonus schemes are required to be spread over the employee service period, the effect has been to distort 2008 performance with costs which were derived from higher profit levels in previous years. The following table demonstrates the effect this has had.

Table 12. Units Trusts – variable staff costs

	2008 £m	2007 £m
Total variable staff costs	**3.4**	4.4
Deferred profit share adjustment	**(1.7)**	1.5
Variable staff costs excluding deferred profit share	**1.7**	5.9
Variable staff costs excluding deferred profit share as a % of profit before tax and total variable staff costs	**29.3%**	52.2%

Outlook

2008 has been a difficult year for the unit trust business and actions are already underway to maximise profitability. We expect investor confidence to remain brittle although we will place considerable focus on improving fund performance whilst maintaining continuity of service and contact with advisers and distribution platforms, which should facilitate a recovery of new business levels when markets improve in the medium term.

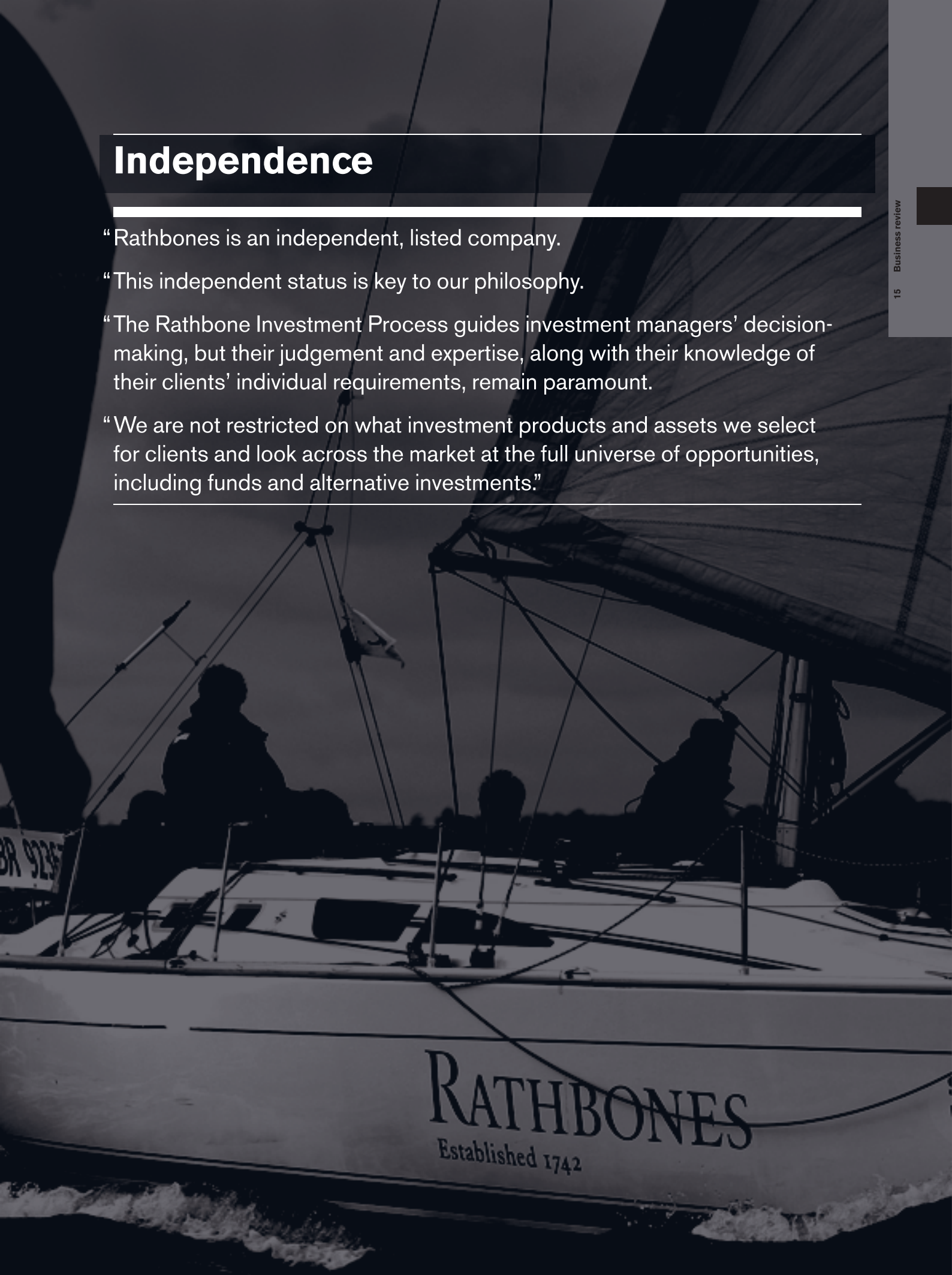
Independence

"Rathbones is an independent, listed company.

"This independent status is key to our philosophy.

"The Rathbone Investment Process guides investment managers' decision-making, but their judgement and expertise, along with their knowledge of their clients' individual requirements, remain paramount.

"We are not restricted on what investment products and assets we select for clients and look across the market at the full universe of opportunities, including funds and alternative investments."



Rathbones sponsored two boats at Cowes, summer 2008.

Trust and Tax (continuing operations)

Table 13. Key performance indicators for Trust and Tax

	2008 %	2007 %
Operating % margin[1]	**11.1**	2.0

1 Trust and tax profit before tax from continuing operations divided by trust and tax net operating income (see Table 15)

Business environment

Following discussions with the management of the respective offshore trust businesses, Rathbones reviewed the most appropriate ownership structure for these businesses in light of the changing focus of regulators and fiscal authorities. This review resulted in the sale of our offshore trust business in Jersey on 15 October 2008 to Hawksford Holdings Limited for £28.5 million, consisting of a cash consideration of £23.5 million and deferred consideration of unsecured subordinated loan notes with an initial issue value of £5 million. The loan notes will be repaid on the earlier of a future sale or listing of the Jersey trust business.

The sale of the Geneva business to its management was completed on 10 February 2009 and it is anticipated that the sale of the Singapore and British Virgin Islands businesses will be completed in the first half of 2009.

The resulting impairment charges recognised in the results for 2008, arising from the disposal of these businesses, is shown in the table below.

Table 14. Impairment loss on disposals

As at 31 Dec 2008	Value of consideration £'000	Carrying value £'000	Impairment £'000
Planned disposals			
– Singapore	48	1,249	1,201
– Geneva	(16)	190	206
– BVI	186	330	144
			1,551
Completed disposal			
– Jersey			10,678
Total related professional costs			451
			12,680

The continuing business is now concentrated wholly in the UK and it is closely aligned with our core discretionary investment management business so as to benefit from available synergies within the UK client base. Our continuing operations comprise:

- the UK trust business which provides advice on tax planning, including wills and inheritance tax, family office services and trust and estate administration; and
- the taxation services business which prepares tax returns for individuals and trusts, provides income and capital tax planning services as well as the ability to assist with tax investigations.

Both of these businesses have performed satisfactorily in 2008 with considerable focus being placed on managing increasingly complex regulation for clients as well as improving administration processes.

Table 15. Trust and Tax – financial performance

	2008 £m	2007 £m
Net operating income	**5.4**	5.1
Operating expenses	**(4.8)**	(5.0)
Profit before tax from continuing operations	**0.6**	0.1
Discontinued operations	**2.2**	4.9
Profit before tax	**2.8**	5.0
Operating % margin[1]	**11.1%**	2.0%

1 Trust and tax profit before tax from continuing operations divided by net operating income

Operating income increased by 5.9% from £5.1 million in 2007 to £5.4 million in 2008. Changes in inheritance tax legislation for trusts in the 2006 Finance Act drove increased activity levels and fees in the first half of 2008 as restructuring of accumulation and maintenance trusts and life interest trusts had to be completed before April 2008.

Table 16. Trust and Tax – operating expenses

	2008 £m	2007 (restated) £m
Staff costs[1]		
– fixed	**2.7**	3.0
– variable	**0.4**	0.4
Total staff costs[1]	**3.1**	3.4
Other operating expenses	**1.7**	1.6
Operating expenses	**4.8**	5.0
Cost/income ratio	**88.9%**	98.0%

1 Represents the costs of fee earning staff and teams involved in client facing activities

Fixed staff costs of £2.7 million for 2008 reduced by 10.0% due to lower headcount. Full time equivalent headcount was 44 at 31 December 2008 compared to 49 at 31 December 2007. Other operating expenses represent property, depreciation, settlement costs, fees, IT and other support costs which are largely fixed and were 35.4% of total operating expenses in 2008 (2007: 32.0%).

Outlook

In the UK, proposed changes in legislation for 2009 appear benign in terms of capital taxation but other changes in personal taxation may result in an increase in activity for private clients. We will continue to seek opportunities to grow the business on a selective basis in 2009.

Tax

The effective tax rate for the year is 31.5% (2007: 30.0%), calculated as the total tax charge on continuing operations of £13.5 million (2007: £14.2 million) divided by the profit before income tax on continuing operations of £42.8 million (2007: £47.3 million).

The effective rate of tax in 2008 is higher than the composite UK standard rate of 28.5% due principally to the effect of disallowable expenditure, a fall in the expected deduction for share based payments and the release of certain deferred tax assets held in prior years.

A full reconciliation of income tax expense is included in note 11 to the consolidated accounts.

Dividend

An interim dividend of 16p per share was paid to shareholders on 8 October 2008 and the Board is recommending a final dividend of 26.0p, resulting in a total payment of 42.0p (2007: 41.0p). This dividend is covered 1.1 times by reported basic earnings per share and 1.7 times by underlying earnings per share.

Capital

A summary of the capital position for the Group at 31 December 2008 is shown in the table below.

Table 17. Regulatory capital

	31 Dec 2008 £m
Tier 1 capital resources	
Share capital	2.1
Share premium	29.0
Other reserves (excluding available for sale reserve)	32.6
Retained earnings[1]	116.6
Deduction for intangibles	(68.2)
Total Tier 1 capital	**112.1**
Tier 2 capital resources	
Upper Tier 2	
– available for sale reserve	2.1
– deduction – material holdings	(0.9)
Total Tier 2 capital resources	**1.2**
Total Tier 1 and Tier 2 capital resources after deductions	**113.3**
Total capital requirement	**63.7**
Surplus of capital resources over capital requirement	**49.6**

1 Excluding £2.2 million in Rathbone Insurance Limited

Rathbones has adopted the standardised approach to calculating its Pillar I credit risk component and the basic indicator approach to calculating its operational risk component.

Rathbones is well capitalised and does not rely on the wholesale market to fund its operations. Whilst susceptible to market conditions, future earnings are protected somewhat by variable rewards being closely linked to profit before tax. It is estimated that Rathbone Investment Management would in theory be profitable should it be faced with a scenario that the FTSE Index remain at a level around 2500 for a sustained period.

Rathbones' Pillar III disclosure is given on our website at www.rathbones.com.

Treasury and financing

Rathbone Investment Management holds most of the Group's surplus liquidity on its balance sheet and this includes clients' cash that it holds in its capacity as a deposit taker, which is authorised and regulated by the Financial Services Authority.

The treasury department of Rathbone Investment Management, reporting through the banking committee to the Board, operates in accordance with procedures set out in an approved treasury manual and monitors exposure to market, credit and liquidity risk, as set out in note 31 to the consolidated financial statements.

The turmoil in the credit markets has resulted in a considerable amount of activity for the banking committee which has continued to manage the Group's counterparty risk. Our banking licence allows our treasury department to make use of a range of appropriate instruments issued by a relatively wide number of counterparties. Counterparties must be A rated or higher by Fitch and are regularly reviewed to prevent ratings being out of date. As liquidity in client portfolios rose to £1.1 billion (2007: £1.0 billion) during 2008 and credit markets tightened considerably, we worked hard to set appropriate exposure limits and monitor counterparty quality throughout the year to keep within our conservative treasury policy, which recognises the fundamental importance of financial stability and continuity to our clients. No losses have been incurred on treasury counterparty exposures.

As a net provider of liquidity to the banking markets Rathbones does not rely on wholesale funding to finance its operations and does not anticipate that this will change. External borrowings are limited to a term loan facility of £9.2 million at 31 December 2008 from Barclays Bank PLC. An amount of £3.1 million was repaid during the year. The balance is repayable in six-monthly equal instalments ending on 4 April 2011.

Cash flow

As Group fee income is largely debited directly from client portfolios, Rathbones operates with modest working capital. Larger cash flows are principally generated from the Group's banking/treasury operations. Excluding these cash flows, the most significant non-operating cash flows during the year were as follows:

- Cash outflows relating to the payment of dividends of £17.5 million.
- £11.3 million of capital expenditure.
- Net cash inflows of £16.3 million on the disposal of the Jersey trust business.

Pensions

Rathbones operates two defined benefit schemes (both of which are closed to new members) and a defined contribution pension scheme. At 31 December 2008, the combined accounting deficit for the two defined benefit schemes totalled £5.7 million (2007: £6.5 million). Details of the assumptions supporting the accounting valuation are included in note 28 to the accounts on page 91. The Board recognises that the calculation of the pension deficit is subjective. International Accounting Standards require that pension liabilities be discounted based upon a 15 year AA rated corporate bond rate. In 2008, credit spreads on corporate bonds were artificially high. Following completion of the triennial review of the Rathbones 1987 Scheme in 2008, and after taking into account the sensitivity of the valuation to discount rate changes shown in note 28 to the financial statements, the Board has approved a schedule of contributions of £22.0 million for the next eight years to fund the scheme deficit.

During the year, the Group made contributions of £2.3 million into the Rathbone 1987 Scheme.

A triennial valuation of the Laurence Keen Scheme as at 31 December 2008 is planned for 2009.

Operations and resources

Rathbones' Information Technology department has continued to provide a robust operations infrastructure. Our integrated core systems, comprising 3i's core Rhymesight processing engine, the internally developed Rathbone Investment Desk and Equipos' STR client reporting package, operated very successfully during the year. 2008 also saw us complete our planned transition to a Microsoft desktop.

There have been a large number of different developments in our investment systems and our business support systems to drive forward our business and its efficiency. Some of the more significant examples have been:

- significant enhancements to the intermediary and client website;
- an improved data repository for electronic copies of valuations and reports, allowing easy access and e-mail functionality;
- introduction of market leading contribution analysis and attribution software to support existing sophisticated performance software;
- regulation-driven upgrades eg PEP to ISA migrations, capital gains tax, Budget and VAT changes;
- further developments to electronic workflow for account opening and account amendment, allowing smooth handling of record levels of business; and
- launch of a branded 'white label' service for an intermediary, covering documentation, reporting and client website.

We have also completed a full migration of our unit trust outsourcing contract to IFDS and HSBC successfully moving the business platform to our own core Rhymesight/RID investment platform with new direct electronic links to HSBC.

Rathbones' particular strength is that we offer bespoke solutions with different approaches for different client needs through various approaches. In addition we do not aim to generate 'index' returns over short periods but look to provide longer-term wealth management. From an investment perspective, this means that we need to provide a full range of assets to our clients including traditional equities and bonds, fund of hedge funds, structured products and investment into areas such as commodities, private equity and property funds when appropriate. This requires greater operational capabilities. In the latter part of 2008, for example, we adapted a number of operational processes to ensure that higher volumes of gilt and treasury bill orders could be settled efficiently.

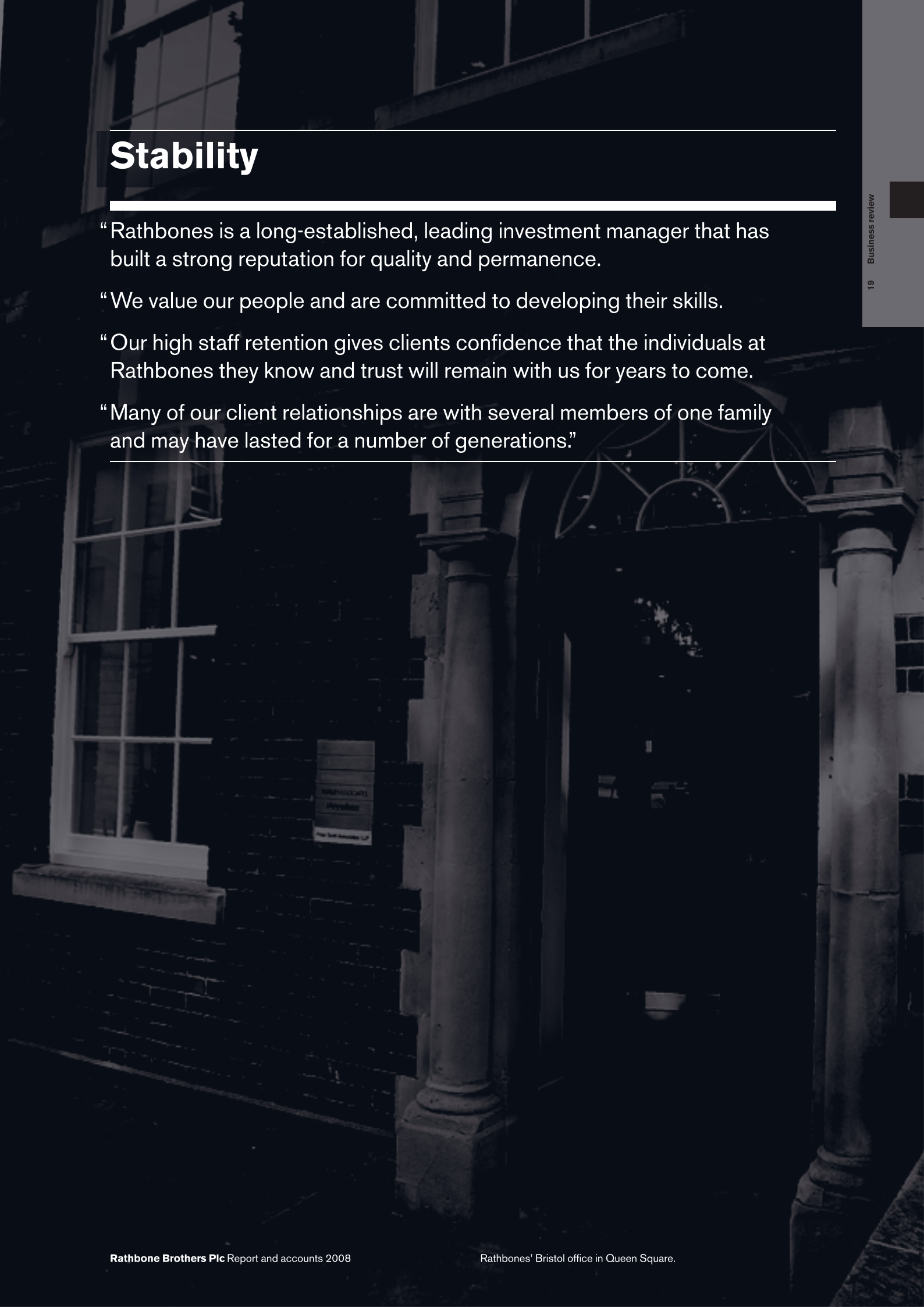
Stability

"Rathbones is a long-established, leading investment manager that has built a strong reputation for quality and permanence.

"We value our people and are committed to developing their skills.

"Our high staff retention gives clients confidence that the individuals at Rathbones they know and trust will remain with us for years to come.

"Many of our client relationships are with several members of one family and may have lasted for a number of generations."



Rathbones' Bristol office in Queen Square.

Operations and resources continued

This year we achieved our best ever CREST and overseas settlement rates, and will continue to invest in our core processes to secure future efficiencies. In 2009 we expect to begin a two year development of a comprehensive client documentation and relationship management solution, review our key market data providers following the recent decision of Global Topic to withdraw from the market, upgrade our Microsoft Office suite to Office 2007 and invest in our Sun accounting systems.

This year has seen a major refurbishment project in our Port of Liverpool Building premises (part of a World Heritage Site) resulting in a number of operational difficulties which we have worked hard to overcome. The majority of the project is now complete although some work will inevitably continue into 2009. Rental rates are fixed at attractive levels until 2013.

In London we have now agreed to terms which align leases on our 159 and 161 New Bond Street premises. Fit out work in our new Exeter and Birmingham offices has been completed and we have relocated to an attractive new office in Bristol. We will continue to work hard to secure optimal use of space as part of our overall plans to manage costs carefully.

Risks and uncertainties

The principal risks and uncertainties that face Rathbones are:

Financial risks

The principal financial risks that the Group faces, together with the policies and procedures for the monitoring and management of those risks, are set out in note 31 to the consolidated financial statements.

Non-financial risks

The significant non-financial risks that face Rathbones are:

Competition risk
Rathbones operates in a competitive market and therefore there is a risk of loss of existing clients or failure to gain new clients due to poor performance or service, failure to respond to changes and demands in the marketplace, inadequate investment in marketing or distribution, or the loss of key investment professionals.

To mitigate this risk, we continue to invest in the people and resources required to ensure the Rathbone Investment Process remains robust, flexible and capable of meeting a variety of needs. The business continuously monitors developments in the marketplaces in which it operates and the Group invests in enhancing or broadening the services offered where we believe it will contribute to growth in earnings. Investment is maintained in the marketing and operational resource to continue to develop distribution channels for all parts of the business.

Recruitment policies stress the importance of recruiting high quality staff and, through regular benchmarking, we ensure that remuneration packages remain appropriate. Staff training and development is supported by the employment of a dedicated training manager and contracts of employment for all fee earning staff are reviewed regularly and updated when necessary.

Reputational risk
Rathbones has a reputation as a high quality provider of investment management and wealth management services. There is a risk that significant damage to reputation could lead to the loss of existing clients and failure to gain new clients, which would lead to financial loss.

Reputational risk could arise for many reasons including poor performance or service, and regulatory censure leading to negative publicity.

This risk is mitigated by preserving and building on our established culture of seeking the highest possible professional and ethical standards, and fostering a strategic focus, throughout the business, on the provision of a first class service to our clients. The Group also places significant emphasis on compliance with all relevant regulation and statutes, in particular the Training and Competence regime of the Financial Services Authority and the principle of Treating Clients Fairly.

This is monitored by internal auditors as well as the Group's compliance department.

Regulatory risk
The financial services sector in which we operate is heavily regulated. Failure to comply with regulatory requirements could lead to fines or other disciplinary action. There is also a risk that changes in, or additional, regulation could adversely affect profitability.

We monitor regulatory changes, assess the impact any changes may have on our business and plan to ensure we have sufficient resource to implement those changes.

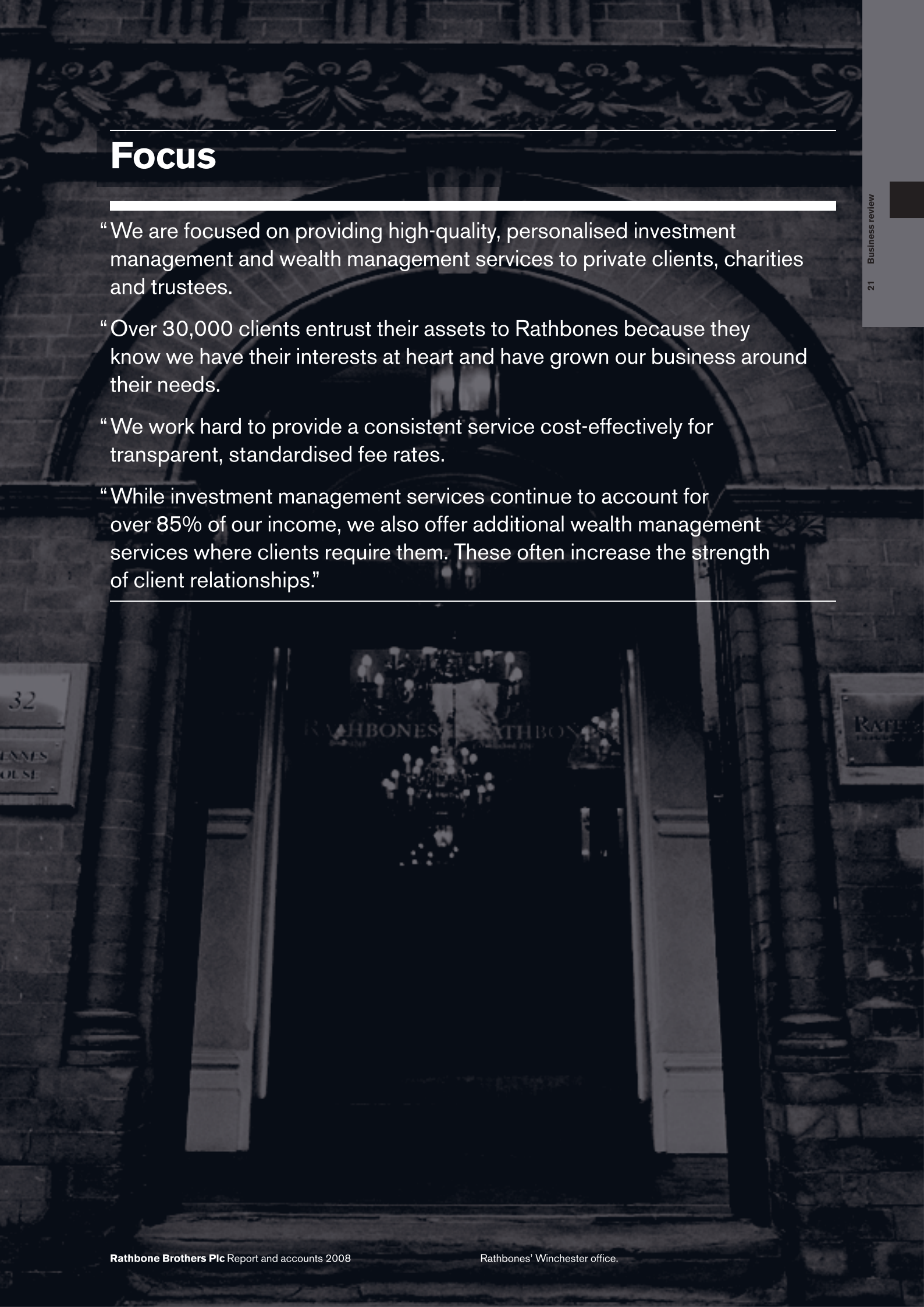
Focus

"We are focused on providing high-quality, personalised investment management and wealth management services to private clients, charities and trustees.

"Over 30,000 clients entrust their assets to Rathbones because they know we have their interests at heart and have grown our business around their needs.

"We work hard to provide a consistent service cost-effectively for transparent, standardised fee rates.

"While investment management services continue to account for over 85% of our income, we also offer additional wealth management services where clients require them. These often increase the strength of client relationships."



Rathbones' Winchester office.

Risks and uncertainties continued

Technology risk

The continuing delivery of high quality services to clients is to a large extent dependent on a robust and flexible IT infrastructure. Failure of IT strategy or implementation would have an adverse impact on the business.

IT infrastructure is given a high priority. There are a number of business led IT-focused steering committees in place but overall responsibility for strategy rests with the Group IT Steering Committee, chaired by a main board director. IT projects are reviewed by the Group committee on a monthly basis and formal documented procedures exist for approving IT changes or developments.

In the UK, we have duplicate core systems in our London and Liverpool offices that can be accessed from disaster recovery sites in Leatherhead and Warrington.

Operational risk

Operational risk arises from the risk of losses resulting from inadequate or failed internal processes, people and systems, or from external events.

The Group has implemented policies and procedures, designed to minimise these risks, that are communicated to staff and other third parties. The Group also regularly monitors the performance of its controls and adherence to these guidelines through the Risk Management Committee.

Key components of the Group control environment include modelling of operational risk exposure and scenario testing, management review of activities, documentation of policies and procedures, contingency planning and embedding systems and controls within our key processes.

Group risk

The Group will continue to grow in line with its acquisitive strategy. Where Group entities fail to consider the impact of their activities on other parts of the Group, or the risks arising from these activities, there may be a potentially adverse impact on the Group's profitability. In addition to reputational risk, discussed above, there are two other components of group risk:

Strategic

This is the risk that the Group's strategy is inappropriate or that the Group is unable to implement its strategy.

Management stretch

Management stretch is the risk that business growth might cause the management structure to become overly complex or existing management resource might not be sufficient to cope with growth, undermining accountability and control within the Group, and making the identification, analysis and control of risks more complex.

The Executive Committee, which consists of five executive directors, retains close day-to-day contact with key management throughout the Group's entities and ensures that activities are appropriately coordinated and controlled in accordance with the Group's strategy. A clear, hierarchical monitoring and governance structure is in place to provide effective oversight throughout the Group and to provide a transparent mechanism for the escalation of issues.

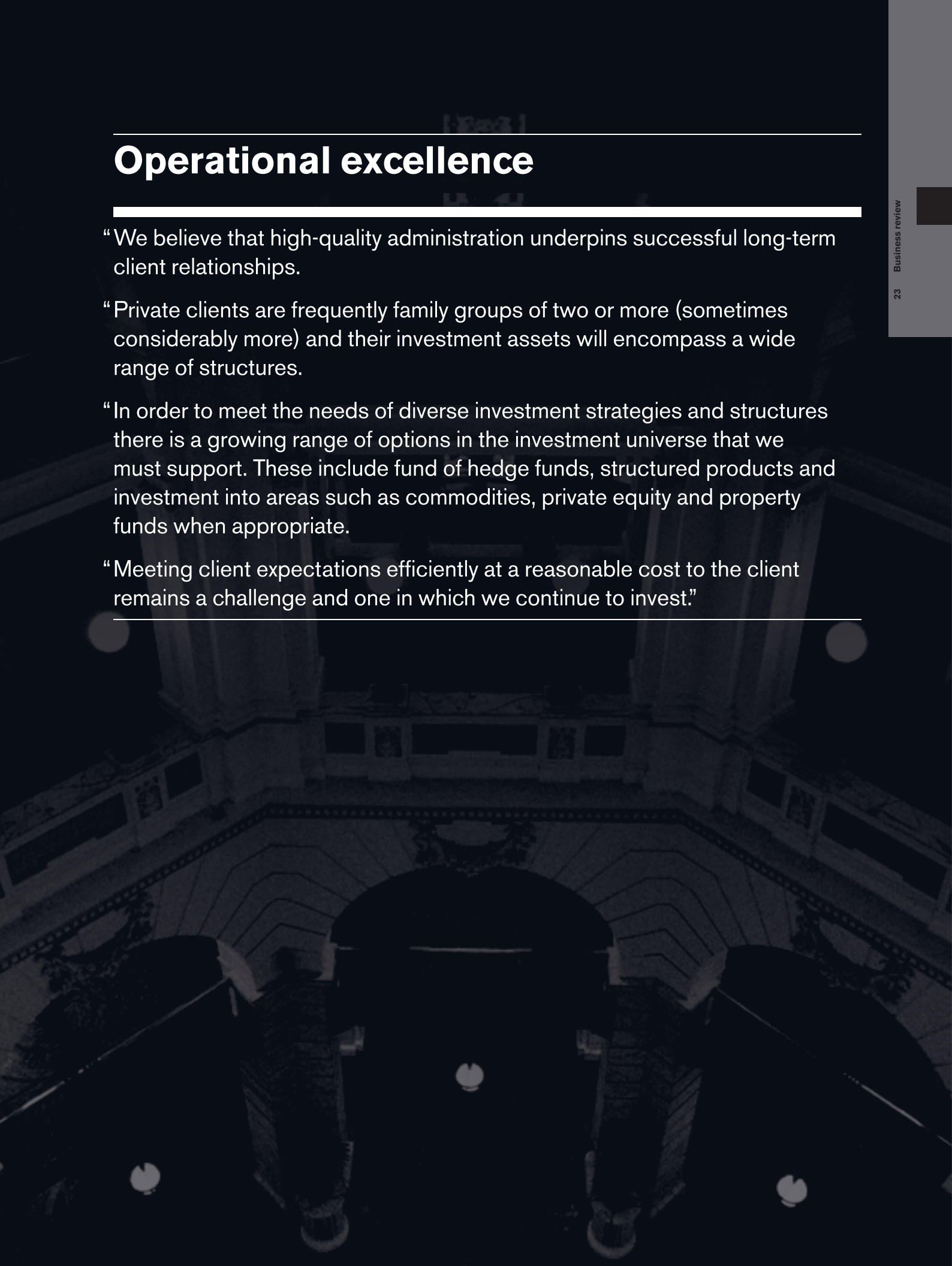
Operational excellence

"We believe that high-quality administration underpins successful long-term client relationships.

"Private clients are frequently family groups of two or more (sometimes considerably more) and their investment assets will encompass a wide range of structures.

"In order to meet the needs of diverse investment strategies and structures there is a growing range of options in the investment universe that we must support. These include fund of hedge funds, structured products and investment into areas such as commodities, private equity and property funds when appropriate.

"Meeting client expectations efficiently at a reasonable cost to the client remains a challenge and one in which we continue to invest."



Rathbones' operations department is housed in one of the 'Three Graces' on Liverpool's waterfront, a World Heritage site.

Directors



















Chairman

1 Mark Powell

Mark Powell, aged 63, is the chairman with principal responsibility for the strategy of the Group. He moved to a non-executive role with effect from 1 January 2008 and is not considered to be independent for the purposes of the Combined Code.

He has been involved in investment management for private clients throughout his career. From 1968 to 1989 he worked in what became Credit Lyonnais Securities and was chief executive of CL-Alexanders Laing & Cruickshank Holdings. In 1989 he joined Laurence Keen as chief executive and was appointed to the Rathbones' Board as managing director of the Group following its acquisition in March 1995. He was appointed as chairman in May 2003. He is also non-executive chairman of SVM Active Fund Plc. He is a former chairman of the Association of Private Client Investment Managers & Stockbrokers (APCIMS) and a member of the Takeover Panel. He is chairman of the Nomination Committee.

Executive directors

2 Andy Pomfret*

Andy Pomfret, aged 48, is the chief executive. He is chairman of the Executive Committee which manages the day-to-day affairs of the Group and of the Group's Social and Environmental Committee. He qualified as a chartered accountant with Peat, Marwick, Mitchell & Co. (now KPMG). Prior to joining Rathbones in July 1999, he spent over 13 years with Kleinwort Benson (now Dresdner Kleinwort) as a corporate financier, venture capitalist and latterly finance director of the investment management and private banking division. He was appointed to the Board in August 1999 and became chief executive in October 2004. He is also the senior independent director of Beazley Group plc and a director of the Association of Private Client Investment Managers & Stockbrokers (APCIMS).

3 Ian Buckley*

Ian Buckley, aged 58, is chief executive of the Group's trust and tax business and the director responsible for its pensions and advisory business. He is also chairman of the Group's IT Steering Committee and the director responsible for marketing. He qualified as a chartered accountant with Peat, Marwick, Mitchell & Co. (now KPMG) in 1975. He was chief executive of Smith & Williamson for ten years from 1985 to 1995, and subsequently chief executive of EFG Private Bank Limited and Tenon Group Plc. He was appointed to the Board in December 2001. He is the senior independent director of NXT Plc.

4 Paul Chavasse*

Paul Chavasse, aged 44, is the chief operating officer responsible for the Group's investment operations, IT infrastructure and facilities. He started his career working for the institutional fund management arm of NatWest, which was later merged with Gartmore. After a period in the private client businesses of NatWest and Coutts, his final role before joining the Group in 2001 was as head of NatWest Portfolio Management in Bristol. He was appointed to the Board in September 2001.

5 Richard Lanyon*

Richard Lanyon, aged 57, is the director responsible for Rathbones' investment management business. Initially with Laurence Prust, he moved to Framlington Group Plc in 1986 where he was the Board member responsible for pension funds. Richard joined the Group in 1992 to concentrate on private client discretionary investment management and was appointed to the Board in March 1996.

6 Andrew Morris

Andrew Morris, aged 44, is the director responsible for Rathbones' investment management business in Liverpool, Edinburgh, Kendal and Birmingham. He also manages a large number of client portfolios. He has spent his entire working career at Rathbones in private client investment management and was appointed to the Board in November 2000. He is chairman of the Group's Training and Competence Committee.

7 Peter Pearson Lund

Peter Pearson Lund, aged 61, is the director responsible for Rathbones' unit trust business and is chief executive of Rathbone Unit Trust Management Limited. He was appointed to the Board in January 2005. Before joining Rathbones, Peter worked for Gartmore for 14 years where he was a group director and managing director of Gartmore Fund Managers, the unit trust division. Peter joined Rathbones in 1999 when the Group decided to develop its unit trust activities and promote them externally.

8 Richard Smeeton

Richard Smeeton, aged 44, has, as his principal responsibility, the management of the Group's investment management business in London and Jersey. He also manages a large number of client portfolios. Having trained with County Bank, he joined Laurence Keen in 1988 prior to its acquisition by Rathbones in 1995. He was appointed to the Board in November 2000. He chairs the Group's Alternative Asset Committee.

9 Paul Stockton*

Paul Stockton, aged 43, is the finance director. He qualified as a chartered accountant with PricewaterhouseCoopers in 1992. In 1999 he joined Old Mutual Plc as group financial controller, becoming director of finance in 2001 and finance director of Gerrard Limited eight months later. Following the sale of Gerrard to Barclays in 2003, he left in 2005 and has since worked for Euroclear in Brussels and as a division finance director of the Pearl Group. He joined Rathbones in August 2008 and was appointed to the Board on 24 September 2008.

* Members of the Executive Committee













Non-executive directors

1 David Harrel

David Harrel, aged 60, was one of the founding partners of S J Berwin LLP in 1982, and was made senior partner in 1992. He relinquished this role in 2006 and is now a consultant to the firm. David has a variety of other appointments: he is a non-executive director of Wichford Plc and chairman of The Kyte Group Limited, a member of the Board of the English National Opera and a trustee of the Clore Duffield and John Aspinall Foundations. He was appointed to the Board in December 2007 and is considered to be independent. He was appointed as the senior independent director on the retirement of Giles Coode-Adams on 22 December 2008.

2 James Barclay

James Barclay, aged 63, has many years' experience in the financial services and banking sector. As chairman and chief executive of Cater Allen Holdings Plc, he was responsible for creating a market leader that was ultimately sold to Abbey National in 1998. Currently, he is non-executive chairman of M&G Equity Investment Trust PLC and a director of Thos. Agnew's and Sons Limited, a leading West End international art dealer. In 2000 he was appointed as an adviser to the UK Debt Management Office and was chairman of its audit committee for four years. He was appointed to the Board in November 2003 and is considered to be independent.

3 Caroline Burton

Caroline Burton, aged 59, is a highly experienced figure within the asset management industry. She spent 26 years with Guardian Royal Exchange Plc where she was executive director in charge of investments from 1990 until 1999. She was also a director of The Scottish Metropolitan Property Plc until June 2000 and was a member of the service authority for the National Crime Squad and National Criminal Intelligence Service until March 2006. She is a non-executive director of TR Property Investment Trust Plc. She was appointed to the Board in November 2003 and is considered to be independent. She is chairman of the Remuneration Committee.

4 Oliver Corbett

Oliver Corbett, aged 44, is group finance director of Novae Group plc. He is a chartered accountant and worked for SG Warburg, Phoenix Securities (later Donaldson Lufkin Jenrette) and Dresdner Kleinwort Wasserstein (now Dresdner Kleinwort), where he was managing director, emerging companies, before joining Novae Group (formerly SVB Holdings PLC) in October 2003. He was appointed to the Board in March 2006 and is considered to be independent. He was appointed as chairman of the Audit Committee on the retirement of Giles Coode-Adams on 22 December 2008.

5 John May

John May, aged 53, has been an executive director at Caledonia Investments plc since 2003. He has over 30 years' experience in advising, managing and investing in listed and unlisted companies, including more than 20 years with the Hambros Group, where he was joint managing director of Hambro Countrywide Plc and an executive director of Hambros Bank, and subsequently with his own private equity investment and consultancy business. He was appointed to the Board in December 2007. He is a director of a major shareholder, Caledonia Investments plc, and it is recognised that he is not considered to be independent for the purposes of the Combined Code.

6 Mark Robertshaw

Mark Robertshaw, aged 40, is chief executive officer of The Morgan Crucible Company plc. Prior to joining Morgan Crucible in 2004 he was chief financial officer of Gartmore Investment Management Plc for four years. He previously worked for the NatWest Group and also spent nine years as a management consultant with Marakon Associates. He was appointed to the Board in March 2006 and is considered to be independent.

Governance

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Directors' report

Group activities

Rathbone Brothers Plc is the parent company of a group of companies which offers a range of investment management services and related professional advice to private individuals, trustees, charities, pension funds and the professional advisers of these clients. The Group also provides financial planning, private banking, offshore fund management and trust administration services.

The Group's principal activity is discretionary investment management for private clients, carried out by Rathbone Investment Management Limited from ten offices in the UK and by Rathbone Investment Management (C.I.) Limited (which trades as Rathbone Investment Management International) in Jersey.

Rathbone Investment Management Limited is authorised and regulated by the Financial Services Authority and provides private banking services. The company also offers an ethical investment service (Rathbone Greenbank Investments) and is the investment adviser to five venture capital trusts. In addition, the Rathbone Group continues to provide some advisory stockbroking services.

Rathbones manages nine authorised unit trusts through Rathbone Unit Trust Management Limited and is the Authorised Corporate Director of four Open Ended Investment Companies (OEICs).

Rathbone Trust Company Limited provides a wide range of trust, company management and taxation services in the UK. Regarding Rathbone Trust International, the business in Jersey was sold on 15 October 2008 whilst agreement was reached regarding the sale of the Singapore business on 30 January 2009. A non-binding heads of terms agreement was also signed on that day in respect of the BVI business. The sale of the offshore trust business in Geneva was completed on 10 February 2009.

Rathbone Pension & Advisory Services Limited offers a pension advice service, SIPP administration and other financial planning services.

Business review

A full review of the Group's business activities are set out in the Business review on pages 10 to 22. Information about environmental, employee and social and community issues are set out in the Corporate responsibility report on pages 49 to 57.

Post balance sheet events

Details of events after the balance sheet date are set out in note 36 to the accounts on page 112 .

Group results and Company dividends

The Group profit after taxation for the year ended 31 December 2008 was £19,000,000 (2007: £37,380,000). The directors recommend a final dividend of 26.0p (2007: 25.0p) payable on 13 May 2009 to shareholders on the register on 17 April 2009 and this, together with the interim dividend of 16.0p (2007: 16.0p), results in total dividends of 42.0p (2007: 41.0p) per ordinary share for the year. These dividends amount to £17,984,000 (2007: £17,479,000) – see note 13 on page 80 .

Capital structure

The Company's share capital is comprised of one class of ordinary shares of 5p each. At 31 December 2008, 42,858,196 shares were in issue (2007: 42,689,942). The shares carry no rights to fixed income and each share carries the right to one vote at general meetings. All shares are fully paid.

There are no specific restrictions on the size of a shareholding or on the transfer of shares, which are both covered by the provisions of the Articles of Association and prevailing legislation.

The Board currently has the authority to allot 14.0 million shares (approximately 33% of the issued share capital at 5 March 2008). Following a recommendation from the Rights Issue Review Group, the Association of British Insurers' recommended ceiling on Annual General Meeting share allotment authorities was increased from one third of a company's issued share capital to two thirds for fully pre-emptive rights issues of shares in guidance issued in December 2008. In view of this change, a resolution seeking this additional authority will be proposed at the AGM.

Regarding the appointment and replacement of directors, the Company is governed by the Company's Articles of Association, the Combined Code, the Companies Acts and related legislation. Amendment of the Articles of Association requires a special resolution of shareholders.

Directors and their interests

The directors at the year end and who served during the year, and their interests in the share capital of the Company are shown in Table 1. There were no changes between 31 December 2008 and 3 March 2009. Details of directors' share options are shown in Table 5 on page 42.

Table 1. Directors' shareholdings

	Number of 5p ordinary shares at 1 January 2008*		Number of 5p ordinary shares at 31 December 2008	
	Beneficial	Non-beneficial	Beneficial	Non-beneficial
Chairman				
G M Powell	309,167	12,500	302,350	12,500
Executive				
I M Buckley	29,014	–	31,055	–
P D G Chavasse	20,394	–	40,865	–
R P Lanyon	229,900	–	211,505	–
A T Morris	48,609	–	41,523	–
P G Pearson Lund	11,007	–	11,612	–
A D Pomfret	61,565	–	68,443	–
R I Smeeton	122,823	–	115,928	–
R P Stockton	–	–	–	–
Non-executive				
J C Barclay	2,130	–	2,674	–
C M Burton	2,130	–	2,674	–
O R P Corbett	533	–	1,008	–
D T D Harrel	–	–	8	–
J M May	–	–	1,480	–
M Robertshaw	1,533	–	2,008	–

* or date of appointment if later

Executive directors

The directors with executive responsibilities are Andy Pomfret, Ian Buckley, Paul Chavasse, Richard Lanyon, Andrew Morris, Peter Pearson Lund, Richard Smeeton and Paul Stockton (who was appointed to the Board on 24 September 2008). Their biographies are on pages 24 and 25.

Non-executive directors

The directors with non-executive responsibilities are Mark Powell, James Barclay, Caroline Burton, Oliver Corbett, David Harrel, John May and Mark Robertshaw. Their biographies are on page 26.

The senior independent director, Giles Coode-Adams, retired from the Board on 22 December 2008. Following his retirement, David Harrel was appointed as the senior independent director and any comment or enquiry regarding the affairs of the Company may be addressed to him. The Board considers that, with the exception of Mark Powell and John May, all non-executive directors are independent.

Retirement and re-appointment of directors

Oliver Corbett and Mark Robertshaw retire by rotation at the next Annual General Meeting and, being eligible, offer themselves for re-election.

Substantial shareholdings

At 2 March 2009, the Company had received notifications in accordance with the Financial Services Authority's Disclosure and Transparency Rule 5.1.2 of the following interests of 3% or more in the issued ordinary share capital of the Company.

Table 2. Substantial shareholdings at 2 March 2009

		Number of shares (and voting rights)		% of voting rights	
Notifier	Date of notification	Direct	Indirect	Direct	Indirect
AEGON UK Group of Companies	27 Nov 2008	2,005,287	213,983	4.68%	0.50%
BlackRock Inc.	21 Jan 2009	–	4,301,428	–	10.03%
Caledonia Investments plc	5 Feb 2007	4,562,000	–	10.79%	–
Legal & General Group Plc	23 Jan 2009	1,700,574	–	3.96%	–
Lloyds Banking Group plc	14 Mar 2007	1,347,780	130,032	3.19%	0.31%
Prudential plc	24 Apr 2008	1,293,836	–	3.02%	–
Royal Bank of Scotland plc as Trustee of the Merrill Lynch UK Special Situations Fund	2 Oct 2007	1,290,701	–	3.02%	–

Political and charitable donations

No contributions were made for political purposes during the year (2007: nil). Details of the Company's charitable donations can be found in the Corporate responsibility report on page 57.

Employees

Details of the Company's employment practices, its policy regarding the employment of disabled persons and its employee involvement practices can be found in the Corporate responsibility report on pages 55 to 56.

Employee share schemes

A settlement created in 2000 between Rathbone Brothers Plc and Investec Trust (Guernsey) Limited holds ordinary shares in the Company for subsequent transfer to directors receiving Long Term Incentive Plan awards. The trustee does not exercise voting rights and has waived all dividends payable. At 31 December 2008, the trust held 47,193 shares.

Shares are also held by Equiniti Share Plan Trustees Limited and by Lloyds TSB Offshore Trustees Limited as trustees of the Rathbone Brothers Plc UK and International Share Incentive Plans (SIPs). Voting rights are only exercised on receipt of instructions from the beneficial employee shareowner.

Policy on the payment of creditors

Rathbones does not follow a published code or standard on payment practice. Its policy is to fix terms of payment with each supplier in accordance with its requirements and financial procedures. Rathbones ensures that suppliers are aware of those terms and abides by them 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. Trade creditors of the UK subsidiaries at 31 December 2008 represented 30 days of annual purchases (2007: 27 days). The Company itself has no trade creditors.

Financial instruments and risk management

The risk management objectives and policies of the Group are set out in note 31 to the accounts on pages 97 to 109.

Indemnification of directors

On 6 April 2005 changes to company law came into effect which allowed companies to indemnify its directors and officers against any liability incurred by them to any person (other than the company or associated company) in connection with any negligence, default, breach of duty or breach of trust (but not criminal fines or regulatory penalties) in respect of that company, associated company, pension fund or share scheme. The legislation also permitted the funding of defence costs (which are repayable if the case is lost).

At the AGM on 2 May 2007, shareholders approved changes to the Company's Memorandum and Articles of Association to reflect these provisions. Specific indemnities, which are uncapped, have been granted to all directors and the company secretary by way of deed.

Share price

The mid market price of the Company's shares at 31 December 2008 was £8.335 (2007: £10.50) and the range during the year was £6.965 to £11.34 (2007: £10.29 to £14.20).

Auditors

The Audit Committee reviews the appointment of the external auditors and their relationship with the Group, including monitoring the Group's use of the auditors for non-audit services. Note 9 to the financial statements sets out details of the auditors' remuneration. Having reviewed the independence and effectiveness of the external auditors, the Audit Committee has recommended to the Board that the existing auditors, PricewaterhouseCoopers LLP, be reappointed. PricewaterhouseCoopers LLP have indicated their willingness to continue in office and ordinary resolutions reappointing them as auditors and authorising the directors to set their remuneration will be proposed at the 2009 AGM.

The directors in office at the date of signing of this report confirm that there is no relevant audit information of which the auditors are unaware and that each director has taken all reasonable steps to make himself aware of any relevant audit information and to establish that the auditors are aware of that information.

Annual General Meeting

The 2009 Annual General Meeting will be held on Thursday 7 May 2009 at 12.00 noon at 159 New Bond Street, London, W1S 2UD. The notice of the meeting is on pages 124 to 129 with details of the resolutions proposed and explanatory notes.

Special business

The resolutions proposed include an ordinary resolution classified by the Articles of Association as non-routine special business to renew the existing authority to the directors to allot up to 14 million shares (with an aggregate nominal amount of up to £700,000).

As explained earlier, this authority is being extended, giving the directors the authority to allot up to a further 14 million shares for fully pre-emptive rights issues of shares.

The Board are also seeking to renew, by special resolution, the existing authorities to waive pre-emption rights and to make market purchases of ordinary shares under certain stringent conditions (both subject to limits).

It is anticipated that all directors, including the chairmen of the Audit, Remuneration and Nomination Committees, will be at the AGM and available to answer questions.

By Order of the Board

Richard Loader
Company secretary

3 March 2009

Registered Office:
159 New Bond Street
London W1S 2UD

Corporate governance report

Corporate governance report

In relation to compliance with the Combined Code this report together with the Directors' report states the position at 3 March 2009.

The Combined Code compliance statement

The revised Combined Code on Corporate Governance ('the Code') was issued in June 2006 by the Financial Reporting Council ('FRC') and applies for reporting periods beginning on or after 1 November 2006. Explanations of how the Code principles and supporting principles have been applied are set out in the Governance sections of the report and accounts. The directors believe the Company was in compliance with Section 1 of the Code throughout the year with the following two exceptions:

Independence of the chairman on appointment

The chairman did not, on appointment, meet the independence criteria set out in the Code since he had been an employee and executive director of the Company since 1995.

Composition of the Board

There are currently 15 directors, of which five (33%) are independent non-executive directors. The Code requires that at least half the board, excluding the chairman, should be independent non-executive directors.

The number of senior practitioners from within the operating subsidiaries on the Board does result in a sizeable number of executive directors, making the achievement of the Code target difficult.

Board meetings

The Board meets a minimum of seven times per annum with one meeting devoted entirely to strategic issues. In months where no formal Board meeting is scheduled, an informal meeting of the non-executive directors and the chairman and chief executive is held. The non-executive directors have informal meetings without the chairman or chief executive present.

Board membership

The Board currently consists of a non-executive chairman, eight executive directors and six other non-executive directors. The roles of chairman, Mark Powell, and chief executive, Andy Pomfret, are separated and are clearly defined in writing and agreed by the Board. The chairman is primarily responsible for the working of the Board and the chief executive for the running of the business and implementation of Board strategy and policy.

The Board considers that five of the seven non-executive directors are independent, the exceptions being Mark Powell (as explained above) and John May, who is a director of a major shareholder, Caledonia Investments plc.

The non-executive directors participate fully with their executive colleagues in Board meetings and have access to any information they need to perform their duties. They bring an independent judgement to bear on Group policies and strategies as well as management actions and performance, including resourcing and standards of conduct. The senior independent non-executive director is now David Harrel (following the retirement from the board of Giles Coode-Adams on 22 December 2008). The senior independent director is available to shareholders if they have concerns that they would rather not address to the chairman or executive directors or which remain unresolved after an approach through the normal channels.

The Board has a formal schedule of matters reserved for its attention, which covers key areas of the Group's business. These include determination of the Group's aims and the strategy to be adopted in achieving those aims, reviews of budgets and financial statements, company acquisitions and disposals, major capital expenditure and the review of decisions taken by the boards of subsidiary companies.

Board performance

The Board, Audit and Remuneration Committees carry out appraisals of their operation and performance on an annual basis. In 2008, an internal questionnaire was used. This was developed and executed with assistance from Lintstock Limited, a London based corporate advisory firm.

The results were discussed by the full Board and an action plan agreed. Areas for Board focus identified included the greater use of short, written executive director reports in Board packs and increased Board exposure to senior staff via a programme of presentations on key business issues.

Individual appraisal of each director's performance is undertaken either by the chief executive (for the executive directors) or chairman (for the non-executive directors) each year and involves meetings with each director on a one-to-one basis. The non-executive directors, led by the senior independent director, carry out an appraisal of the performance of the chairman.

Board training

Rathbones is committed to the training and development of all staff to ensure professional standards are maintained and enhanced. All directors are required to dedicate a certain number of hours to their own development – internally established standards for this exceed regulatory requirements. Training and development would include activities to keep up to date with Rathbones' specific issues and industry, market and regulatory changes.

New directors are involved in a thorough induction process designed to enable them to become quickly familiar with the business. This includes meeting staff in a number of key business areas, attendance at routine meetings and demonstrations of systems and key business processes.

Board Committees

The four principal Board Committees are the Executive, Audit, Remuneration and Nomination Committees. The Board has delegated full authority to the Executive Committee, subject to a list of matters which are reserved for decision by the full Board. The other Board Committees have formal terms of reference, which are reviewed and approved by the Board on an annual basis. These are available on request from the Company's registered office and on the Company website.

Executive Committee

The Executive Committee is chaired by the chief executive, Andy Pomfret, and comprises Ian Buckley, Paul Chavasse, Richard Lanyon and Paul Stockton (who joined the Committee on his appointment to the Board on 24 September 2008). The purpose of the Executive Committee is to monitor every aspect of the Group businesses on a continuing basis and to analyse and plan all business proposals in detail for submission to and consideration by the Board. The Executive Committee meets monthly and more frequently when required.

Audit Committee

Current members of the Audit Committee are Oliver Corbett (chairman), James Barclay, Caroline Burton, David Harrel and Mark Robertshaw. Details of its work are set out in the Audit Committee report.

Remuneration Committee

Current members of the Remuneration Committee are Caroline Burton (chairman), James Barclay, Oliver Corbett, David Harrel and Mark Robertshaw. Full details of its role are set out in the Remuneration report.

Nomination Committee

Current members of the Nomination Committee are Mark Powell (chairman), James Barclay, Caroline Burton, Oliver Corbett, David Harrel, Andy Pomfret and Mark Robertshaw. Full details of its role are set out in the Nomination Committee report.

Conflicts of interest

With effect from 1 October 2008, a director has a duty under the Companies Act 2006 ('the Act') to avoid a situation where he has, or can have, a direct or indirect interest that conflicts or possibly may conflict with the Company's interests. The Act allows the Board to authorise a director's conflict or potential conflict of interest where the Articles of Association contain a provision to this effect and also allows the Articles of Association to contain other provisions for dealing with directors' conflicts of interest to avoid a breach of duty. Shareholders approved the necessary changes to the Company's Articles of Association (with effect from 1 October 2008) at the AGM on 7 May 2008.

There are safeguards which apply when directors decide whether to authorise a conflict or potential conflict. Only independent directors (those who have no interest in the matter being considered) are able to take the relevant decision, and in taking the decision the directors must act in a way which they consider, in good faith, will be most likely to promote the Company's success. The directors are also able to impose limits or conditions when giving authorisation.

A register of actual or potential conflicts notified and authorised is maintained and reviewed regularly by the Board.

Other Board issues

The Company has appropriate insurance cover in place in respect of legal action against its directors. Any director has access to the advice and services of the company secretary and may seek independent professional advice, if necessary, at the Company's expense. The company secretary is responsible to the Board for ensuring Board procedures are followed and compliance with rules and regulations applicable to the Company. Any removal or appointment of the company secretary is decided by the Board.

Table 1. Board meeting and committee attendance in 2008

	Plc Board*	Executive Committee*	Audit Committee	Remuneration Committee*	Nomination Committee
J C Barclay	7/7	–	5/6	4/4	1/2
I M Buckley	7/7	11/12	–	–	–
C M Burton	6/7	–	5/6	4/4	1/2
P D G Chavasse	7/7	11/12	–	–	–
J G S Coode-Adams	6/7	–	6/6	4/4	2/2
O R P Corbett	6/7	–	6/6	4/4	1/2
D T D Harrel	6/7	–	6/6	4/4	1/2
R P Lanyon	6/7	11/12	–	–	–
J M May	7/7	–	–	–	–
A T Morris	7/7	–	–	–	–
P G Pearson Lund	7/7	–	–	–	–
A D Pomfret	7/7	11/12	–	–	1/2
G M Powell	7/7	–	–	–	2/2
M Robertshaw	6/7	–	4/6	3/4	1/2
R I Smeeton	7/7	–	–	–	–
R P Stockton	3/3	3/3	–	–	–

* This table only shows details of attendance at meetings in the pre-arranged annual meeting calender. Other ad-hoc meetings were held during the year.

Shareholder relations

The Company is committed to ensuring that there is effective communication with all shareholders. All regulatory news announcements, press releases and financial reports are available on the Company website. Following the publication of the interim and full year results, presentations are given to major shareholders, fund managers, analysts and employees. The presentation packs used and any web-casts are also on the website.

Meetings with major shareholders provide an opportunity to discuss governance and strategy issues and to introduce other directors including non-executive directors. Feedback from these meetings is reported to the Board. All shareholders have the opportunity to meet non-executive directors at the AGM. At least 20 business days' notice of the AGM is given to allow time for proper consideration of the resolutions by shareholders. Separate resolutions are proposed for each substantially separate issue. Every effort is made to ensure that all Board members, and in particular committee chairmen, are at the meeting. The Board welcomes questions and comments from shareholders.

Votes are taken on a show of hands (unless a poll is requested) and full details of proxy voting figures are disclosed after the vote and on the website.

Risk management and internal control

The Board of directors has overall responsibility for the Group's systems of internal control. However, such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss. The chairman ensures that Board members receive sufficient and timely information regarding corporate and business issues to enable them to discharge their duties and canvasses the views of non-executive directors upon the adequacy of the management information.

The Risk Management Committee reports to the Board and comprises members of the Executive Committee together with the Group heads of personnel, compliance and internal audit. This committee is an important element in the Group's overall control system and undertakes a review of risk within the Group at its quarterly meetings. It reports on a regular basis to the Board both on the identification of risks and the steps being taken to control or mitigate such risks. Risk review procedures have been in place throughout the year and up to 3 March 2009.

The other key elements of the Group's overall control systems include:

- a formal structure of committees and subsidiary company boards where senior staff oversee the operation of the business on a regular basis;
- an annual budgeting, regular forecasting and monthly financial reporting system for all Group divisions, which enables trends to be evaluated and variances to be acted upon;
- an internal capital adequacy assessment process (ICAAP) required by FSA prudential rules which requires regular assessments of the amounts, types and distribution of capital that the Group considers adequate to cover the nature and level of the risks to which it is or might be exposed;
- a defined set of policies and procedures for treasury operations with limits set by the Banking Committee;
- a confidential reporting policy, which encourages employees to raise serious concerns about a colleague's or Group company's practice; and
- the Audit Committee which, on the Board's behalf, examines the effectiveness of the systems of control as explained below.

On behalf of the Board, the Audit Committee confirms that it has reviewed the effectiveness of the systems of internal control in existence in the Group for the year ended 31 December 2008 and has taken account of material developments since the year end. Necessary actions have been or are being taken to remedy any significant failings or weaknesses identified from that review. This process meets the requirements of the 'Guidance on Internal Control (The Turnbull Guidance)' published in September 1999 and revised in October 2005.

Going concern

The directors confirm that they are satisfied that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts.

The Group is well capitalised, very lowly geared and does not rely on the wholesale market to fund its operations. As explained on page 17, at 31 December 2008 it had surplus regulatory capital of £49.6 million.

Regulation

Rathbone Investment Management Limited, Rathbone Stockbrokers Limited, Rathbone Unit Trust Management Limited and Rathbone Pension & Advisory Services Limited are all authorised and regulated by the Financial Services Authority.

Rathbone Investment Management Limited is registered as an investment adviser with the US Securities and Exchange Commission.

Rathbone Investment Management (C.I.) Limited is regulated by the Jersey Financial Services Commission.

Rathbone Insurance Limited is regulated by the Guernsey Financial Services Commission.

Rathbone Bank (BVI) Limited is regulated by the BVI Financial Services Commission.

Rathbone Stockbrokers Limited is a member firm of the London Stock Exchange.

Rathbone Trust Company SA is a member firm of the Association Romande des Intermédiaries Financiers.

Rathbone Trust (Singapore) Pte. Limited is regulated by the Monetary Authority of Singapore.

The Board together with the Executive Committee and the Audit Committee have implemented systems and procedures to achieve adherence to the statutes and regulations relevant to each of the Group companies.

Model Code

The Company has its own internal dealing rules which extend the Financial Services Authority Listing Rules Model Code provisions to all employees.

Remuneration report

The Board presents the Remuneration report for the year ended 31 December 2008.

Remuneration policy for executive directors

The aim of the remuneration policy is to provide a competitive remuneration package, having regard to comparable companies in the financial sector, which is sufficient to attract and retain the quality of director needed to manage and develop the Company successfully.

The stated policy shall apply in 2009 and, subject to review, in subsequent financial years.

Remuneration packages

Remuneration packages are designed to include fixed and variable elements, and to provide rewards for both the long and short term as follows:

	Short term	Long term
Fixed	Basic salary and benefits	Pension
Variable	Profit share	Long Term Incentive Plan

The Remuneration Committee (the Committee) considers that the key objectives of a remuneration package are to motivate directors to generate long-term shareholder value and to increase short-term profitability.

The first objective is met by long-term incentive plan (LTIP) awards, providing directors with the opportunity to build a meaningful shareholding in the Company, subject to meeting stretching performance targets. Executive directors are actively encouraged to build up and maintain a shareholding to the equivalent value of at least one year's salary within five years of their appointment to the Board. The second objective is met by profit share payments.

The Committee does not specifically take into account corporate performance on environmental, social and governance issues when considering the remuneration of executive directors but it is satisfied that the incentive structure does not increase risks in these areas by inadvertently motivating irresponsible behaviour.

In the light of current economic circumstances, the Committee has considered remuneration arrangements and the risk/reward profile that these present at executive director level, and are comfortable that these arrangements remain appropriate.

Basic salary and benefits

An executive director's basic salary is determined by the Committee and any change implemented on 1 January of each year or when an individual changes position or responsibility. In deciding appropriate levels, the Committee considers salaries throughout the Group as a whole and the information obtained on comparable companies in the financial sector. In view of the difficult trading conditions experienced towards the end of 2008, directors' basic salaries were not increased on 1 January 2009. Total board salary and fee costs were broadly unchanged in the year.

When setting salary levels, use is made of survey data and information provided by the advisers to the Committee. The views of the chairman and chief executive are also taken into consideration in respect of other Board positions.

All directors are entitled to take part in the Share Incentive Plan (SIP) on the same terms as all other employees. This allows all employees to purchase shares in the Company and currently these are matched on a one-for-one basis by the Company. Performance related SIP shares are also offered to employees if there is year on year EPS growth over the rate of inflation. In addition Rathbones provides a range of benefits, the most significant of which is a company car (or cash alternative). From January 2008 the provision of cars is being phased out.

Profit share

Certain executive directors on the Executive Committee are eligible for a discretionary profit share payment from a pool based on approximately 1% of Group profit before tax. In 2008, profits for profit sharing purposes were adjusted to exclude the loss recognised on remeasurement of assets of the disposal group of £12.7 million (see note 12). The Committee considered that executive directors' profit share should be based on the results of the continuing business and that they should not be penalised by the one-off impact of the implementation of this strategic decision initiated by the Board to create longer term shareholder value. Directors with direct responsibility for investment management, unit trust or trust and tax departments receive a profit share payment based on the profits of the department concerned. This may be supplemented by a payment from the pool. Profit share payments are not capped and are not pensionable. Details of payments for 2008 are shown in Table 1.

Profit share continued

In 2008, the profit share payable to members of the Executive Committee totalled £380,000, 0.89% of continuing Group pre-tax profit (2007: £498,000, 1.05%). Total profit share for all executive directors was £1,182,000 , 2.76 % of continuing Group pre-tax profits (2007: £2,030,500, 4.29%).

From 2009 onwards, payments will also be made to the head of the Investment Management division, Richard Lanyon, from an increased central Executive Committee pool, replacing the payment from the Investment Management division.

The pool will be based on a total of between 1.0% and 2.5% of Group pre-tax profits at the discretion of the Remuneration Committee, having regard to the contributions of individual participants and the external circumstances in which the Company has operated. It is anticipated that in a typical year the payment would normally be 1.75% of Group profits.

Table 1. Directors' remuneration (audited information)

	Salary or fee[1] £'000	Payments in lieu of pension contri-butions £'000	Profit sharing £'000	Benefits[2] £'000	2008 total £'000	2007 total £'000	2008 Pension contri-butions[3] £'000	2007 Pension contri-butions[3] £'000
Chairman								
G M Powell	**165**	**–**	**–**	**1**	**166**	415	**–**	–
Executive								
A D Pomfret (chief executive)	**348**	**–**	**200**	**1**	**549**	504	**37**	32
I M Buckley	**213**	**–**	**62**	**1**	**276**	253	**24**	21
P D G Chavasse	**232**	**–**	**100**	**1**	**333**	329	**–**	–
R P Lanyon	**232**	**–**	**241**	**1**	**474**	454	**–**	–
A T Morris	**182**	**–**	**115**	**17**	**314**	310	**–**	–
P G Pearson Lund	**191**	**4**	**182**	**1**	**378**	1,039	**–**	–
R I Smeeton	**213**	**–**	**232**	**1**	**446**	431	**–**	–
R P Stockton	**63**	**–**	**50**	**–**	**113**	–	**8**	–
Non-executive								
J C Barclay	**35**	**–**	**–**	**–**	**35**	30	**–**	–
C M Burton	**40**	**–**	**–**	**–**	**40**	35	**–**	–
J G S Coode-Adams	**40**	**–**	**–**	**–**	**40**	35	**–**	–
O R P Corbett	**35**	**–**	**–**	**–**	**35**	30	**–**	–
D T D Harrel	**35**	**–**	**–**	**–**	**35**	3	**–**	–
J M May	**35**	**–**	**–**	**–**	**35**	3	**–**	–
M Robertshaw	**35**	**–**	**–**	**–**	**35**	30	**–**	–
Former executive directors	**–**	**–**	**–**	**–**	**–**	210	**–**	–
Former non-executive directors	**–**	**–**	**–**	**–**	**–**	58	**–**	–
	2,094	**4**	**1,182**	**24**	**3,304**	4,169	**69**	53

1 Reviewed annually on 1 January
2 Benefits include the provision of a company car and medical insurance
3 During the year, retirement benefits accrued under money purchase schemes in relation to three directors (2007: two)

Long Term Incentive Plan (LTIP)

At an Extraordinary General Meeting in November 2000, a long-term incentive plan (LTIP) was approved by shareholders to start in 2001. No awards from the current plan will be made after November 2010.

Executive directors are provisionally awarded rights to acquire ordinary shares at the start of a three-year plan cycle (the provisional award). The maximum value of a provisional award is 75% of a participant's basic salary. At the end of each plan cycle, the Company's performance is assessed against the performance targets for that cycle. The extent to which the targets have been achieved determines the actual number of shares (if any) attributable to each participant (the actual award). The performance targets used to date have been a mixture of growth in earnings per share (EPS) and total shareholder return (TSR). TSR is a measure of the overall return to shareholders. It reflects both the change in the share price and dividends, and any other cash payments made, assuming that they are reinvested.

If a participant ceases to be employed as an executive director by reason of retirement at normal retirement age (or earlier with the Company's consent), ill-health, redundancy or death, or any other circumstances which the Committee deems to be appropriate, the Committee may, at its discretion, recommend to the trustee that any distribution be based on the performance during the plan cycle as a whole but that the actual award be reduced pro rata to reflect the fact that the participant was not an executive director for the whole plan cycle. Prior to the 2005/07 plan, absolute measures were used. The performance targets for the 2005/07 plan onwards were changed, replacing the absolute TSR target with a relative TSR target comparing TSR performance to the FTSE All Share Index. The use of a peer group rather than a broad index was ruled out due to the small number of similar businesses in the speciality and other finance sector, and the risk that numbers would fall still further due to consolidation. The Committee consider that the current targets are as demanding as those put in place for earlier cycles were considered to be at the time.

On 31 December 2007, the trustee held 74,794 Rathbone Brothers Plc ordinary shares. On 12 March 2008, 27,601 shares were awarded to 2005/07 Plan participants. 47,193 shares were held as at 31 December 2008. Dividend entitlements in respect of this holding have been waived and voting rights will not be exercised.

2006/08 plan cycle

Basic EPS, adjusted to exclude the loss recognised on remeasurement of assets of the disposal group of £12.7 million (see note 12), increased from 60.13p in 2005 to 74.11p in 2008, an increase of 23.25% which triggered a 52.5% award for this element of the plan.

The TSR for the three-year period was -7.35%, which ranked the Company at the 68th percentile relative to the constituents of the FTSE All Share Index, triggering a 72.4% award from this element of the Plan.

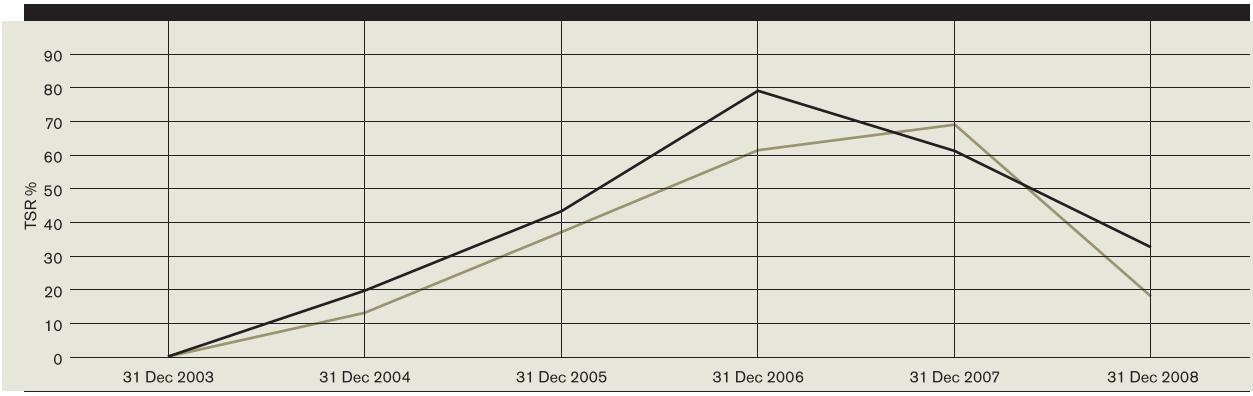
Details of the actual awards to be made in March 2009 are shown in Table 4. The Committee may recommend that a proportion of an award may be paid in cash rather than shares, primarily to enable the director to meet the income tax and national insurance payable.

2007/09, 2008/10 and 2009/11 plan cycles

Details of the provisional awards for the 2007/09, 2008/10 and 2009/11 plan cycles are also set out in Table 4.

Were the maximum possible provisional awards to be made in shares to current and former directors, 354,142 ordinary shares (2007: 331,245) would be awarded, representing 0.8% (2007: 0.8%) of the issued share capital at 31 December 2008.

Chart 1. Total Shareholder Return (TSR) over the last five financial years



Rathbone Brothers Plc – Total Shareholder Return
FTSE All Share – Total Shareholder Return

Source: Datastream

Chart 1 shows the Company's TSR against the FTSE All Share Index. TSR is calculated assuming that dividends are reinvested on receipt. The FTSE All Share Index has been selected as a comparator as it is a suitably broad market index and has been used as a performance comparator for LTIP plan cycles since 2005/07.

Long Term Incentive Plan (LTIP) continued

Long term incentive arrangements for Peter Pearson Lund

Following his appointment to the Board, Peter Pearson Lund has continued to participate in the Rathbone Unit Trust Management Limited (RUTM) deferred profit sharing plan rather than the LTIP.

A deferred profit sharing pool is allocated to participants on the recommendation of a RUTM Plan Committee. Allocations are held in trust and invested on behalf of participants. The release of an award is conditional on continued employment (unless the participant is a 'good' leaver). Funds are released in two equal tranches two and three years after the period end.

Table 2. Awards held by Peter Pearson Lund under the RUTM Deferred Bonus Plan (audited information)

Year of award	Awards outstanding at 1 January 2008 (£value on award)	Award made in 2008 (£value on award)	Awards vesting in 2008 (£value on award)	Awards vesting in 2008 (£value on funds released)	Awards outstanding at 31 December 2008 (£value on award)	Release dates
2004	**59,592**	**–**	**59,592**	**69,535**	**–**	**2007/08**
2005	**218,675**	**–**	**109,337**	**120,757**	**109,338**	**2008/09**
2006	**317,317**	**–**	**–**	**–**	**317,317**	**2009/10**
2007	**462,557**	**–**	**–**	**–**	**462,557**	**2010/11**
2008	**–**	**191,950**	**–**	**–**	**191,950**	**2011/12**
Total	**1,058,141**	**191,950**	**168,929**	**190,292**	**1,081,162**	

Table 3. LTIP performance targets (2005/07 and subsequent plans)

	% of award
a TSR over the plan cycle	50%
b EPS growth over the plan cycle	50%

a TSR

TSR ranking relative to the constituents of the FTSE All Share Index	Shares distributed as % of shares provisionally awarded in the TSR part
Below the 50th percentile	0%
Between the 50th and 75th percentiles	Straight line increase
At or above the 75th percentile	100%

b EPS

EPS growth over the plan cycle	Shares distributed as % of shares provisionally awarded in the EPS part
Less than 15%	0%
15%	25%
Over 15% but less than 37.5%	Straight line increase
37.5% or greater	100%

Long Term Incentive Plan (LTIP) continued

Table 4. LTIP actual and provisional awards of ordinary shares (audited information)

Plan cycle	2006/08	2007/09	2008/10	2009/11
Status	Actual award	Maximum provisional award	Maximum provisional award	Maximum provisional award
Date of provisional award	31 December 2005	31 December 2006	31 December 2007	31 December 2008
End of performance period	31 December 2008	31 December 2009	31 December 2010	31 December 2011
I M Buckley	8,812	11,673	14,825	18,905
P D G Chavasse	8,568	13,179	16,220	20,685
R P Lanyon	9,303	12,364	16,220	20,685
A T Morris	7,834	10,418	12,697	16,192
A D Pomfret	11,996	17,259	22,151	28,247
G M Powell	7,507	16,317	–	–
R I Smeeton	7,834	10,418	14,825	18,905
R P Stockton	–	–	11,259	18,460
Former directors	8,205	12,238	–	–
Total	70,059	103,866	108,197	142,079
Market value of shares at date of provisional award	£9.56	£11.95	£10.75	£8.43

Notes
1 The provisional LTIP awards listed above are the maximum awards achievable assuming all performance targets are met and that the participant is an executive director for the whole plan cycle. The value of these awards when made was 75% of a participant's basic salary. The market value of shares at the date of the provisional award is the average mid-market price over the 20 dealing days prior to the start of the plan
2 The provisional LTIP award to Paul Stockton for the 2008/10 plan cycle was made in August 2008 and was reduced pro-rata to reflect the fact that he joined Rathbones part way through the plan cycle

Share options

Historically, share options were granted to senior employees whom it was considered would have a significant impact on the earnings and profitability of the Group during the following five years. The Board is of the view that, following the introduction of International Financial Reporting Standards, share options are increasingly expensive to administer and that there is a mis-match between their cost to the business and their perceived value to employees. In future, option grants will only be made in exceptional circumstances. Options are no longer granted to directors after their appointment to the Board.

Options granted prior to 21 June 2004 can be exercised if the earnings per share of the Group during the period from grant to the date of notification of exercise has increased in percentage terms by more than the increase in the Retail Price Index (RPI) plus 2% per annum (or pro rata for any part thereof).

Options granted after 21 June 2004 can be exercised if the earnings per share of the Group between the accounting period immediately prior to the option grant and the accounting period immediately prior to the third anniversary of grant has increased in percentage terms by more than the increase in the RPI plus 3% per annum (or pro rata for any part thereof).

Option grants to a participant in a ten year rolling period are capped at four times remuneration. There is no automatic waiving of performance conditions in the event of a change of control or the early termination of a participant's employment. Options may not normally be exercised before the third anniversary of the date of grant and expire on the tenth anniversary of grant.

Details of outstanding options at the start and end of the year together with details of options exercised during the year are set out in Table 5. The terms and conditions of all options have remained unchanged during the year.

Share options continued

Table 5. Outstanding share options and movements in the year (audited information)

	At 1 January 2008*	Exercised in 2008	At 31 December 2008	Date of grant	Earliest exercise date	Latest exercise date	Exercise price	Exercise date	Market value at date of exercise
Grant prior to Board appointment									
P D G Chavasse	15,491	15,491	–	25/09/01	25/09/04	25/09/11	665.33p	23/12/08	855.00p
A T Morris	10,000		10,000	10/04/00	10/04/03	10/04/10	932.50p		
P G Pearson Lund	8,350		8,350	09/09/99	09/09/02	09/09/09	814.17p		
P G Pearson Lund	9,966		9,966	24/04/01	24/04/04	24/04/11	827.50p		
P G Pearson Lund	5,000		5,000	24/04/02	24/04/05	24/04/12	810.00p		
P G Pearson Lund	10,000		10,000	14/03/03	14/03/06	14/03/13	415.00p		
P G Pearson Lund	10,000		10,000	16/03/04	16/03/07	16/03/14	743.50p		
R I Smeeton	12,000		12,000	10/04/00	10/04/03	10/04/10	932.50p		
R P Stockton	30,000		30,000	22/08/08	22/08/11	22/08/18	813.50p		
Grant on or after Board appointment									
P D G Chavasse	33,334		33,334	14/03/03	14/03/06	14/03/13	415.00p		
A T Morris	16,667		16,667	14/03/03	14/03/06	14/03/13	415.00p		
P G Pearson Lund	10,000		10,000	15/03/05	15/03/08	15/03/15	852.00p		
A D Pomfret	50,000		50,000	09/09/99	09/09/02	09/09/09	814.17p		
A D Pomfret	62,500		62,500	14/03/03	14/03/06	14/03/13	415.00p		
	283,308	**15,491**	**267,817**						

* or date of appointment if later.

1 No options lapsed in 2008 or 2007
2 The mid-market closing price of the Company's shares on 31 December 2008 was £8.335 (2007: £10.50) and the range during the year was £6.965 to £11.34 (2007: £10.29 to £14.20)
3 Options granted to directors in 2003 and 2004 will vest in one-third phases, on the third, fourth and fifth anniversaries of grant (subject to the performance condition being met)

Dilution

Not more than 15% of the issued ordinary share capital of the Company (adjusted for bonus and rights issues) should be issued for all share incentive schemes operated by the Company in any ten-year period. Of that 15%, not more than 10% applies to shares allotted under share option schemes and not more than 5% to shares allotted under both the LTIP and SIP.

In the ten years to 31 December 2008, options over 2,649,537 ordinary shares (2007: 2,775,787) have been granted, which represents 6.2% of the issued share capital at that date (2007: 6.5%). 905,367 ordinary shares (2007: 905,367) have been allotted in respect of the SIP, representing 2.1% of the issued share capital at 31 December 2008 (2007: 2.1%). No shares have been allotted for the LTIP to date with awards satisfied by market purchased shares held in trust.

Pension arrangements

UK employees who joined Rathbones prior to 1 April 2002 were offered membership of the Rathbone 1987 Pension Scheme (the Scheme). The Scheme provides for members to retire at the age of 60 with a pension based on final pensionable salary.

Prior to 1 April 2006, the accrual rate was 1/60th for each year of membership. With effect from 1 April 2006, employees were given the choice of either remaining on a 1/60th accrual rate (but increasing their contribution rate from 5% to 6.5% at 1 April 2006 and to 8% from 1 January 2008) or switching to a 1/70th accrual rate for future pensionable service (but continuing to contribute at 5%). Details of the Company's contributions are set out in note 28 to the accounts.

Since1 April 2002, new employees have been offered membership of a Group defined contribution plan, established with Scottish Widows. In the case of certain directors and senior staff, the Group contributes to their personal pension arrangements.

Paul Chavasse, Richard Lanyon, Andrew Morris, Peter Pearson Lund and Richard Smeeton are members of the Scheme. Ian Buckley, Peter Pearson Lund, Andy Pomfret and Paul Stockton participate in the Scheme for death in service benefits only. Ian Buckley and Andy Pomfret have arrangements under self-invested personal pension schemes whilst Paul Stockton is a member of the Group defined contribution plan. Rathbones pays annual contributions of 11.5% of salary to those schemes, subject to HM Revenue and Customs maximum limits, where applicable.

In the case of Peter Pearson Lund, employer pension contributions and death in service benefits ceased on 31 October 2007. Additional salary payments are now made in lieu with no overall increase in cost to the Company. These are disclosed separately in Table 1.

The changes in pension entitlements arising in the financial year, required to be disclosed by the UK Listing Authority, are shown in Table 6 . There have been no changes in the terms of directors' pension entitlements during the year. There are no unfunded pension promises or similar arrangements for directors.

Following the introduction of the Government's simplification of the pension taxation regime on 6 April 2006 the Company has taken action, where required, to ensure that the pension arrangements for staff conform to the new regime. Where possible, for all UK employees, death in service cover has been extended to age 65 for those that stay in service beyond age 60.

Table 6. Directors' accrued benefits under defined benefit schemes (audited information)

	Age at 31.12.08 Years	Years service at 31.12.08	1 Accrued benefit at 31.12.08 £	2 Increase in accrued benefits excluding inflation £	3 Increase in accrued benefits including inflation £	Transfer value of 2 less directors' contributions £	Transfer value of accrued benefits at 31.12.08 £	Transfer value of accrued benefits at 31.12.07 £	4 Increase in transfer value less directors' contributions £
P D G Chavasse	44	8	26,333	4,663	5,651	26,415	206,971	143,840	45,131
R P Lanyon	57	17	58,222	6,140	8,325	119,961	1,036,507	816,092	202,415
A T Morris	44	20	55,504	4,064	6,147	40,458	542,270	432,162	95,548
P G Pearson Lund	61	9	23,244	750	1,622	29,906	413,073	394,504	18,569
R I Smeeton	44	20	61,444	6,471	8,777	48,838	507,028	384,541	104,120

During 2008, five directors (2007: six) accrued benefits under defined benefit schemes

Notes
1 The pension entitlement shown above for the five participating directors is that which would be paid annually on retirement at age 60 based on service to 31 December 2008 (or normal retirement date, if earlier)
2 The additional pension earned in the year excluding UK inflation
3 The additional pension earned in the year including UK inflation
4 The increase in transfer value represents the additional capital amount less director's contributions necessary to fund the increase in the accrued pension that a director would take with him as part of the total transfer value if he were to leave the Company and move his benefits to another scheme

The directors have the option to take early retirement on or after their 50th birthday, in which case their pension benefits would reduce by 0.5% per month of early retirement or by other actuarially based rates. Pensions will increase at a rate of 5% per annum (or the lesser of 5% per annum or the rise in the Retail Price Index if less for pension entitlement accrued after 1 April 2001 or for pension accrued under the Laurence Keen Scheme and being in excess of the Guaranteed Minimum Pension) after early retirement subject to HM Revenue and Customs limits. There is no undertaking or expectation for any other pension benefit to be arranged for any director by the Company.

Service contracts for executive directors

The Company has service contracts with its executive directors. It is Company policy that such contracts should not normally contain notice periods of more than 12 months. Details of the contracts of employment of directors serving during the year are as follows:

Executive director	Date of contract	Notice period
I M Buckley	27 November 2003	6 months
P D G Chavasse	5 December 2002	6 months
R P Lanyon	10 October 1997	12 months
A T Morris	1 July 2003	6 months
P G Pearson Lund	5 January 2005	6 months
A D Pomfret	1 October 2004	12 months
R I Smeeton	9 March 1995	6 months
R P Stockton	18 August 2008	6 months

There are no provisions within the contracts to provide automatic payments in excess of payment in lieu of notice upon termination by the Company and no pre-determined compensation package exists in the event of termination of employment. Payment in lieu of notice would include basic salary, pension contributions and benefits. There are no provisions for the payment of liquidated damages or any statements in respect of the duty of mitigation. Compensation payments will be determined on a case-by-case basis in the light of current market practice. Compensation will include loss of salary and other contractual benefits but mitigation will be applied where appropriate. In the event of entering into a termination agreement, the Board will take steps to impose a legal obligation on the director to mitigate the loss incurred. There are no clauses in contracts amending employment terms and conditions on a change of control. Executive directors' contracts of service, which include details of remuneration, will be available for inspection at the Annual General Meeting.

Shareholdings

New executive directors are encouraged to build up and maintain a shareholding at least equivalent to the value of one year's basic salary within five years of taking up their appointment.

External appointments

Executive directors are encouraged to take on external appointments as non-executive directors, but are discouraged from holding more than one position in a major company. Prior approval of any new appointment is required by the Board with fees generally being payable to the Company. An exception is Ian Buckley, who was appointed to the board of NXT Plc prior to joining Rathbones. In 2008, Ian Buckley received fees of £25,000 from NXT Plc (2007: £25,000).

Remuneration Committee

The current members of the Remuneration Committee are the independent non-executive directors Caroline Burton (chairman), James Barclay, Oliver Corbett, David Harrel and Mark Robertshaw. Giles Coode-Adams served on the Committee until his retirement from the Board on 22 December 2008. The chairman and chief executive, at the invitation of the Committee, attend the meetings but are not present when their own remuneration is discussed. The Committee had four scheduled meetings in 2008 but also met on a further three occasions giving a total of seven meetings (2007: five). Details of attendance at meetings are shown on page 34.

Advisers to the Remuneration Committee

At a meeting on 19 February 2002, the Remuneration Committee appointed Deloitte & Touche LLP (Deloitte) as advisers to the Committee. Deloitte attend at least one Remuneration Committee meeting per annum and advise on best practice and latest developments in senior executive remuneration. Deloitte also advises the Group on share scheme issues, tax planning and assists on ad hoc internal audit assignments. The appointment is reviewed annually. The Committee is also assisted by the personnel department and by the company secretary.

Non-executive directors

Non-executive directors do not have contracts of employment but, as with all other directors, are required to stand for election at the Annual General Meeting following their appointment and thereafter every three years. The effectiveness of the non-executive directors is subject to an annual assessment. The executive directors are responsible for determining the fees of the non-executive directors, who do not receive pension or other benefits from the Group and do not participate in any group incentive scheme, other than the SIP.

The basic non-executive director fee in 2008 was £35,000 per annum with an additional payment of £5,000 per annum made to the chairmen of the Audit and Remuneration Committees. With effect from 1 January 2009, this additional payment has been increased to £7,500 for the chairman of the Audit Committee. A fee of £5,000 per annum is now payable to the senior independent director where he/she is not chairman of the Audit or Remuneration Committees.

Annual General Meeting (AGM)

The Committee considers that, taken together, these various remuneration components help to align the interests of directors with those of shareholders and conform to the principles laid down in the revised Combined Code on Corporate Governance published in June 2006 and effective for accounting periods beginning on or after 1 November 2006. The Board will move at the AGM an ordinary resolution seeking approval of the Directors' Remuneration report for 2008. Notice of the AGM is on pages 124 to 129.

Approved by the Board on 3 March 2009 and signed on its behalf by

Caroline Burton
Chairman of the Remuneration Committee

Audit committee report

Committee members

The current members of the Audit Committee are the independent non-executive directors Oliver Corbett (chairman), James Barclay, Caroline Burton, David Harrel and Mark Robertshaw. Giles Coode-Adams chaired the Committee from 2002 until his retirement from the Board on 22 December 2008.

The Board is satisfied that at least one member of the Committee has recent and relevant financial experience.The chairman is a chartered accountant whilst other members have considerable experience of corporate financial matters.

The Committee met on six occasions in 2008 (2007: five). Details of attendance by members are set out on page 34.

Role and responsibilities of the Committee

These are set out in the terms of reference of the Committee, which are reviewed annually.

Financial reporting

The Committee considers:
- the significant financial reporting issues and judgements made in connection with the Company's financial reporting
- the Group's accounting policies and any proposed changes
- narrative statements and disclosures, to check that they are reasonable and consistent with the reported results.

Internal controls and risk management systems

The review of the effectiveness of the Group's internal financial controls is achieved primarily by reviews of the work of the Group internal audit department, reports produced by the compliance functions, the half-year and annual financial statements, the scope and findings of the annual external audit, and periodic reviews with senior management.

During 2008, the Committee received a presentation on Data Security in Financial Services following the publication of a report by the Financial Crime and Intelligence Division of the Financial Services Authority. It also considered new Financial Reporting Council Guidance on auditor liability limitation agreements and on audit committees.

A separate Risk Management Committee considers risk management issues (see page 35).

Internal audit

The Group internal audit department reviews Group operations on a continuing basis and the frequency of the reviews is determined by an internal risk-based audit programme which is approved by the Audit Committee. The Audit Committee also regularly reviews the resources and authority of the Group internal audit department.

External audit

The Audit Committee is responsible for reviewing external audit arrangements and for any recommendation to the Board regarding the rotation of audit partner or change of audit firm. This review includes consideration of the external auditor's period in office, their compensation and the scope, quality, and cost-effectiveness of their work. The last review and re-tendering process was undertaken in 2006 which culminated in the appointment at the 2007 AGM of PricewaterhouseCoopers (replacing KPMG).

The Audit Committee reviews the independence and the nature of non-audit services supplied and non-audit fee levels relative to the audit fee. Prior approval by the Audit Committee is required where the fee for an individual non-audit service is anticipated to exceed £25,000. Fees for non-audit services paid to the auditors should not, in aggregate, exceed 50% of the audit fee in any year without the prior written approval of the Audit Committee. The Committee recognises that, given their knowledge of the business, there are often advantages in using the auditors to provide certain non-audit services. The Committee is satisfied that the independence of the auditors has not been impaired by providing these services. Details of the auditors' fees are shown in note 9 on page 78. The Committee also reviews the audit engagement letters each year and has discussions with the auditors with no management present.

Regarding the 2008 audit, presentations were received from the auditors on audit progress, findings and recommendations and unadjusted errors. Feedback on the 2007 audit was obtained from Committee members, senior management and members of the finance, internal audit and compliance teams.

Whistleblowing

The Audit Committee also approves significant changes to the Group's Public Interest Disclosure Act confidential reporting (or whistleblowing) policy.

Other

On invitation, the finance director, other executive directors, compliance officers, senior internal audit staff and the external auditors attend meetings to assist the Committee to fulfil its duties. The Committee can access independent professional advice if it considers it necessary. The Committee performs an annual review of its performance and this is also reviewed by the Board.

Nomination committee report

Committee members

Members of the Nomination Committee are Mark Powell (chairman), James Barclay, Caroline Burton, Oliver Corbett, David Harrel, Andy Pomfret and Mark Robertshaw, who all served on the Committee throughout 2008. Giles Coode-Adams served on the Committee until his retirement from the Board on 22 December 2008.

The Committee met formally on two occasions in 2008 (2007: three). Details of attendance by members are set out on page 34. It also had informal discussions on a number of other occasions during the year.

Role of the Committee

The Committee considers and makes recommendations to the Board for the appointment of directors; the Board as a whole decides upon any such appointment. An external search consultancy and/or open advertising are used when recruiting new directors. When considering possible candidates, the Committee evaluates the skills, knowledge and experience of the candidates and, in the case of non-executive appointments, their other commitments.

Regarding the recruitment of a new finance director, three committee members were closely involved in the process. Six firms of head-hunters were approached in late 2007 and one firm appointed. A shortlist of candidates was then produced and after first and second interviews a recommendation was made to the Committee that Paul Stockton be appointed. This recommendation was approved by the Committee and, subsequently, the Board.

Recognising that having served on the Board for over nine years Giles Coode-Adams was no longer considered independent by the Combined Code, discussions took place regarding his retirement and the appointment of David Harrel as senior independent director and Oliver Corbett as chairman of the Audit Committee.

Non-executive committee members are exposed to senior management below Board level during visits to Group offices, Audit Committee and strategy day presentations, and attendance at Rathbone Investment Management Limited Board meetings.

All directors are required to seek election by the members at the AGM following their appointment, and re-election every three years. A non-executive director is not appointed for a fixed term but would not normally serve as a director for more than nine years. The Committee are mindful of the Combined Code requirement that any term beyond six years for a non-executive director should be subject to particularly vigorous review and should take into account the need for progressive refreshing of the Board.

Corporate responsibility report

Our social and environmental policy aims to ensure that social, environmental and ethical considerations are taken into account in all aspects of our activities. The Social & Environmental Committee (SEC) oversees the continual development and implementation of the Group's environmental, social and community policies.

Through this work, the SEC is also able to identify and communicate any potential areas of non-financial risk. The SEC has responsibility for ongoing development of the social and environmental policy framework, and its implementation, improvement, management and monitoring. The Committee is chaired by the Group's chief executive; it meets on a quarterly basis and reports to the Board. The implementation of the social and environmental policy is managed on a day-to-day basis by committee members and a network of site-based personnel.

During 2008, the SEC appointed Carbon Smart to assist with the collection, verification and reporting of carbon footprint data for its UK offices. The Committee was pleased to see that our efforts in addressing social, environmental and ethical challenges continued to be recognised by the FTSE4Good policy committee, and that the Company remains a constituent of the FTSE4Good Index Series.

Socially responsible investment (SRI)

We acknowledge that Rathbones' most significant social and environmental impacts arise indirectly as a result of its investment activities. While the primary consideration is to maximise risk-adjusted returns to clients, we recognise that non-financial considerations can impact the long-term value of companies.

Although general investment activities are not covered by a formal Socially Responsible Investment (SRI) policy, social, environmental and ethical considerations are taken into account for specific mandates throughout the Group, but particularly by our Bristol-based specialist ethical investment service, Rathbone Greenbank Investments.

In 2008, Rathbones participated as a signatory to the Carbon Disclosure Project's (CDP) sixth request for information from the world's largest companies about their greenhouse gas emissions, together with the risks and opportunities presented by climate change. Along with other institutional investors, Rathbone Greenbank Investments continues to lend its support to this project, for which the current iteration began in February 2009.

In November 2008, Rathbones was a signatory to the 'Investor Statement on a Global Agreement on Climate Change' produced by an international coalition of institutional investor groups looking to influence public policy on climate change and affect decisions on investment.

During 2008, the Group continued to implement its policy on proxy voting, which covers all companies in the FTSE 350 and those where it holds 3% or more of the issued share capital (with the exception of Rathbone Brothers Plc). Voting is also undertaken on any company if requested by an underlying shareholder.

Environment

Policy

Rathbones aims to reduce the environmental impact of its operational activities through a reduction in consumption and the conservation of resources. Efficient resource usage to deliver environmental benefits and cost savings will be achieved through using energy and natural resources economically and efficiently, and by reducing emissions and waste levels.

Where reducing consumption is not a viable option, we aim to utilise materials derived from sustainable or recycled sources. We recognise the need to reduce greenhouse gas emissions and support the UK Government's commitment to do this. We are demonstrating our commitment to this in our aim to develop systems to monitor energy use, promote more efficient use of energy in all buildings and encourage practices which reduce energy consumption.

Environment continued

Performance

Scope and Boundaries

This report provides a summary of Rathbones' environmental performance between 1 October 2007 and 30 September 2008.

This environmental section of this report was prepared with the assistance of external environmental consultants Carbon Smart and approved by Rathbones' Social and Environmental Committee and by the Board on 3 March 2009.

The report covers 92% of Group employees at 31 December 2008. The scope of the data collected covers UK operations only, excluding the new Birmingham office (which opened on 21 July 2008) and Kendal office due to lack of data availability and relatively small size of these offices.

Data Collection and Calculation

Our long-term goal is to obtain information from all Rathbones' offices for all environmental indicators on an annual basis and to use the findings for reviewing and improving the Group's environmental performance.

The collection of good quality data was difficult in certain areas, particularly where utility costs formed part of landlord service charges and where travel destinations were not recorded on expense claims. The data collection process included site visits to London, Bristol and Liverpool, where 90% of employees under the reporting scope are based.

Data has been calculated and reported following the World Resources Institute (WRI) Greenhouse Gas (GHG) Protocol – A Corporate and Accounting Standard and the Department for Environment, Food and Rural Affairs (DEFRA) 2008 Guidelines to GHG Conversion Factors (July 2008).

We have expressed our carbon footprint in terms of CO_2 equivalent[1] (CO_2e) to accommodate conversion factors used for business travel that include non-CO_2 greenhouse gas emissions.

Our priority this year has been to improve the quality of the data reported. We have measured our performance in three key areas: carbon footprint, waste and recycling and paper consumption. For the first time, we have included emissions from business travel.

We have reported our carbon footprint following the World Resources Institute GHG Protocol. Emissions are classified as follows:

Scope 1 – direct emissions from fossil fuels under our direct control (e.g. natural gas, company car fuel)

Scope 2 – indirect emissions from purchased electricity

Scope 3 – other indirect emissions that we cause but that are not from emission sources that we own (e.g. from our supply chain and air travel)

Table 1. Absolute and relative CO_2e from Rathbones' offices under scope[2]

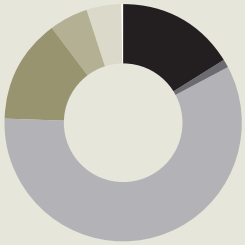
	Total	Per employee	CO_2e (tonnes)	CO_2e tonnes per employee
Electricity consumption	1,999,470 kWh	2,840 kWh	1,074	1.5
Gas consumption	1,455,655 kWh	2,068 kWh	300	0.4
Business travel (air, rail and road[3])	2,223,556 km	3,158 km	469	0.7
Waste	239 tonnes	339 kg	N/A	N/A
Paper (stationery and print)	89 tonnes	N/A	N/A	N/A
Total			**1,843**	**2.6**

1 Carbon dioxide equivalent is a measure used to compare the emissions from various greenhouse gases, such as nitrogen oxides (NOx), based upon their global warming potential. For more information consult the IPCC website, www.ipcc.ch

2 Offices under scope are: London, Liverpool, Edinburgh, Bristol, Cambridge, Winchester, Chichester and Exeter. Total number of employees as of 31 December 2008: 704. Total floor area of offices as of 31 December 2008: 11,061 m^2

3 Road travel includes car use including taxis and company cars

Chart 1. Carbon footprint by emission source and scope (tonnes CO_2e)



	Tonnes CO_2e
Scope 1: 17%	
Natural gas	**300**
Company cars	**19**
Scope 2: 58%	
Electricity	**1,074**
Scope 3: 25%	
Flights	**265**
Non company cars	**93**
National rail	**87**
Taxis	**5**
Total	**1,843**

The majority of our GHG emissions are derived from scope 2 (purchased electricity), followed by scope 1 (natural gas). As is typical of the financial services industry, scope 3 business travel-related emissions are relatively significant.

Scope 1

Natural gas

Natural gas consumption amounted to 1,455,655kWh, equivalent to 300 tonnes of CO_2e. Gas data was difficult to obtain and the use of industry benchmarks[4] was necessary to estimate the consumption for most of the offices.

Company cars

The company car fleet includes a mixture of both petrol and diesel vehicles. Total distance travelled during the reported year for business travel purposes amounted to 83,416km, emitting an equivalent of 19 tonnes of CO_2e.

To reduce our environmental impact, the Group has continued to phase out the provision of company cars. The number of cars fell from 35 at the start of the year to 26 at 31 December 2008.

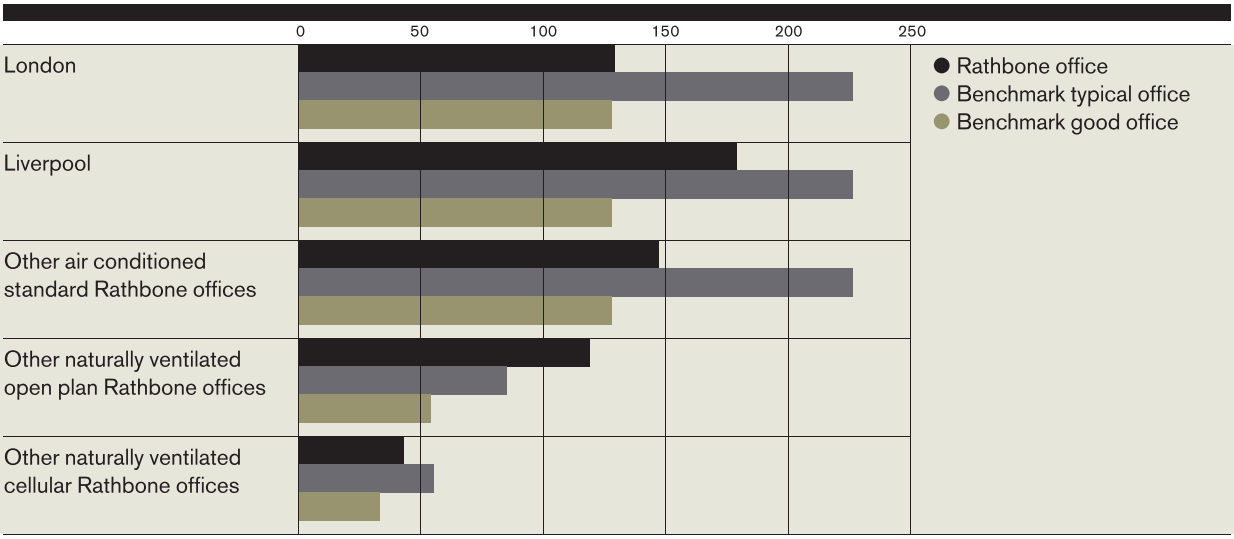
Scope 2

Electricity

We have compared our performance against benchmarks (Energy Efficiency Best Practice Programme for Energy Use in Offices[5]) and identified those offices most in need of improvement. We are pleased to see that our London office[6] shows alignment with the benchmark for good offices. This is mostly due to energy efficiency investment over the past two years.

Offices under the reported scope used a total of 1,999,470kWh, generating emissions equivalent to 1,074 tonnes of CO_2e.

Chart 2. Electricity use by benchmark (kWh/m^2)



4 It was not possible to obtain gas consumption figures for Liverpool, Cambridge, Bristol (Prince House) and Chichester. Gas consumption was calculated using the offices floor area and the kWh/m^2 benchmark for a typical office (Energy Efficiency Best Practice Programme for Energy Use in Offices – Guide 19)

5 Offices are classified into 4 types: air conditioned prestige, air conditioned standard, naturally ventilated open plan and naturally ventilated cellular

6 Classified as air conditioned standard

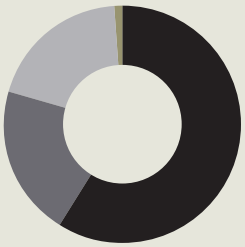
Environment continued

Objectives for 2009
Electricity usage in offices with higher than expected consumption (relative to the benchmark) will be reviewed.
An environmental action plan will be prepared with a focus on energy efficient technology, habits in the workplace and energy management.

Scope 3

Business travel (excluding company cars)
This year a full assessment of the Group's business travel activities was conducted, focusing on flights, rail, taxis and car travel. Travel emissions are dominated by flights. Consequently, our priority for the coming year is to reduce their number. This will include the continued promotion and use of video conferencing. To improve data collection and travel policy adherence we plan to move to a single travel provider.

Chart 3. Business travel 2007/08 (tonnes CO_2e)



	Tonnes CO_2e
Flights	265
Non company cars	93
National rail	87
Taxis	5
Total	**450**

Flights
The most frequent journeys were between London and Edinburgh, UK mainland and Jersey, and London and Geneva. Over 77% of flights were UK domestic. We will aim to reduce this over the next 12 months by switching to rail where possible. Following the sale of our offshore trust businesses, the number of overseas flights should decline.

Rail
National rail accounts for the majority of business travel journeys. We will continue to promote the use of rail travel as the preferred mode of transport between offices in the UK. We plan to improve the recording of rail journey details in 2009.

Taxis and non-company cars
The use of taxis and non-company cars may result in significant emissions. We plan to monitor staff use of their vehicles for business travel and will continue to encourage the use of public transport where practical.

Landfill waste and recycling

This year we have improved coverage of our waste and recycling reporting to cover all main offices in the Group.

Table 2. Waste and recycling data 2007/08

	Mass collected (kg)	Proportion of total	Mass/employee (kg)
Paper and cardboard	80,224	34%	114
Secure shredding	67,678	28%	96
Other materials	14,118	6%	20
Total recycling	**162,020**	**68%**	**230**
Residual landfill waste	76,666	32%	109
Total waste	**238,686**	**100%**	**339**

All offices have an active recycling programme with high levels of participation that cover at a minimum paper and cardboard. In most offices shredded paper, glass, plastic bottles and cans are also recycled. Of the 339kg of waste produced per employee per annum, it is estimated that 230kg is recycled.

Redundant IT equipment is passed to EOL IT Services (an approved WEEE disposal agent with a zero to landfill policy) for re-use or recycling. Wherever possible we continue to recycle fluorescent tubes, batteries, toner cartridges and mobile telephones.

Recycling rates for the business have been calculated from supplier provided data, and sampling. Average recycling rate is estimated at 68%, with Liverpool, Cambridge, Winchester and Edinburgh offices achieving rates of over 74%.

Objectives for 2009
Improving overall recycling rate and coverage of recyclable materials will be a target for Rathbones in 2009. The London office is investigating the possibility of moving to a 'zero to landfill' waste management approach with residual waste being taken to a waste to energy plant by specialists Paper Round Ltd.

Paper usage
From this year we will report paper usage within the Group.This will include stationery paper and paper used for printing.

Table 3. Paper usage

	Stationery purchased (tonnes)	Printing stock purchased (tonnes)	Total (tonnes)
100% recycled	37	32	69
Some recycled content	–	8	8
Virgin stock	6	6	12
Total	**43**	**46**	**89**

Total paper consumption amounts to 89 tonnes, which is approximately equivalent to 14 million A4 sheets. Paper is an energy and carbon intensive product to produce. We aim, where possible, to reduce usage, purchase recycled paper and to work with our print suppliers to reduce waste in the printing of our reports and brochures.

We are pleased that our paper usage is dominated by recycled stock; this represents 78% of our paper consumption by weight. The majority of the stationery paper purchased is Evolve brand. We have chosen this as a 100% recycled product made exclusively from UK post consumer waste. In London our paper recycling waste stream returns to the mills in Kent that produce Evolve paper.

Paper usage was unusually high in late 2007 due to the production of new client documentation following the implementation of the Markets in Financial Instruments Directive.

We have estimated that our paper consumption this year has caused emissions of 175 tonnes CO_2e. However, as no agreed standard currently exists for GHG emissions estimation for paper, we have excluded this from the overall carbon footprint.

Objectives for 2009
A paper usage reduction plan will be developed; this will address three themes:
- Reduction of paper use in Rathbones' offices – better printer management and staff working habits
- Reduction of paper documents used for client communication
- Improved waste management at our printers

Whilst Financial Services Authority rules require the posting of paper valuations to clients at least twice a year, the introduction of on-line client access to information regarding their investment portfolio should reduce the printing of ad-hoc reports. We will also continue to seek cost effective ways to reduce use of virgin stock where possible.

Conclusions

Rathbones will aim to reduce its carbon footprint over the next few years by, for example, reducing its paper consumption and, where possible, business travel, particularly by air. We will also be investigating the introduction of carbon offset arrangements with a view to making Rathbones carbon neutral.

Environment continued

Carbon Smart Opinion Statement

Carbon Smart has been commissioned by Rathbone Brothers Plc to measure Rathbones' carbon footprint for selected UK offices[7] for its 2008 Corporate responsibility report. In addition, Carbon Smart has provided Rathbones with guidance with regards to the collection of data and identification of practical actions for its Environmental Action Plan. Through this engagement Carbon Smart has assured Rathbones that the reported carbon footprint is representative of the UK business and that the data presented is credible, coherent and compliant with appropriate standards and industry practices. Data has been collected and calculated following the WRI GHG Protocol tools and principles. When assessed against the GHG Protocol principles of completeness, consistency and accuracy, we conclude the following:

7 London, Liverpool, Bristol, Edinburgh, Cambridge, Winchester and Exeter

Relevance
We have ensured the GHG inventory appropriately reflects the GHG emissions of the Company and serves the decision-making needs of users – both internal and external to the Company.

Completeness
Reported environmental data covers 92% of worldwide employees including all entities that meet the criteria of being subject to control or significant influence of the reporting organisation. Assessment of the data gathering processes reveal that the completeness of quantitative data reported needs further improvement.

Consistency
Due to changes in the scope of the review and data quality, it was decided to use 2007/08 data as a new baseline to improve comparability over time.

Transparency
Given the limitations in data quality and completeness, we have had to make assumptions in some cases, especially in business travel. Appropriate references to the accounting and calculation methodologies and data sources have been made in this report.

Accuracy
Data is considered accurate within the limits of the quality and completeness of the data provided.

Carbon Smart has assessed the data quality against the GHG Protocol principles. Data from each emission source has been rated 1 (poorest) to 5 (best). For this year, overall data quality has been rated 2.6. Rathbones' goal is to increase this rating to 4 by 2010 by strengthening its data gathering systems.

Scope	Data quality rating	Comments
Overall	2.6	
Scope 1	2	A significant portion of gas data was not available and benchmarks had to be used. Company car data required minor assumptions and estimates.
Scope 2	3	Majority of electricity related data is free from assumptions and estimations. However, it includes extrapolations and pro rata calculations.
Scope 3	2	Flight data quality was good with minor assumptions and estimates. Rail and car data required significant extrapolation. Taxi data was based on cost benchmarks.
Paper	4	High level of good quality data coverage.
Waste and recycling	2	Significant level of data sampling and extrapolation required.

About Carbon Smart
Carbon Smart is a carbon and sustainability consultancy headquartered in London. Our team of sustainability, environmental, business and academic experts cover energy efficiency, waste and recycling, green procurement, travel, renewable energy, carbon offset, carbon management, communications and wider sustainability issues.

London, 3 March 2009.

Signed

Ben Murray
Director
Carbon Smart Limited

Esther Rodriguez
Associate Director
Carbon Smart Limited

Employees

As with all professional services firms, Rathbones' greatest asset is its people. Their health, well-being, development, remuneration and involvement are all vital to the continuing success of the business.

Health and welfare

Rathbones is committed to providing a safe and healthy environment in which its employees can work. With the help of external consultants our health and safety policy for the UK offices is regularly updated to reflect current legislation and best practice. We provide a range of training courses for those staff with health and safety responsibilities and a steering group comprising representatives from all our offices meets quarterly to share knowledge and to ensure that health and safety standards are maintained.

Upon completion of a qualifying period, all UK employees (and their direct family members) are eligible for private medical cover paid for by the Company. All UK staff have the opportunity to attend an annual medical examination and a biennial eye test and Rathbones also provides an independent and confidential employee assistance programme offering advice on employment, personal and legal concerns.

Equality and diversity

Rathbones is an equal opportunities employer and it is our policy to ensure that all job applicants and employees are treated fairly and on merit regardless of their race, gender, marital status, age, disability, religious belief or sexual orientation.

It is our policy and practice to give full and fair consideration to applications for employment by disabled people. If employees become disabled during their service with Rathbones, wherever practicable, arrangements and adjustments are made to continue their employment and training. Should this not be possible we provide support in the form of a permanent health insurance scheme which pays a monthly income in lieu of salary and pays pension contributions on behalf of the employer and employee.

Work-life balance

The review and implementation of our work-life balance policies have continued over the last year. On average, 42 staff now take advantage of the childcare voucher scheme (up 17% on 2007). Despite the increase to holiday entitlement made for 2008 the popular holiday purchase scheme has again been offered and 115 employees are opting to buy up to five additional days of leave to take in 2009, but we are mindful that this can lead to greater pressure on other staff.

Maternity benefits remain considerably in excess of those required under statutory provisions. In 2008, only five women out of the 20 due to return from maternity leave chose not to return to work. Career breaks of up to two years are also available for those with childcare responsibilities. Flexible working policies are offered with a high number of successful applications, particularly from parents with young children. Expected changes in legislation which will extend the opportunity and right to apply for flexible working will be incorporated into our policies. On completion of five years' service, employees have the opportunity to take up to three months' unpaid leave once in every ten years without any loss of service-related benefits such as pension or death in service cover.

The uptake and effectiveness of these policies is monitored together with other indicators of staff satisfaction levels such as average annual sickness rates and staff turnover.

Training and development

Professional development

Rathbones is committed to the professional development of its staff. The Company gives full support to those studying to achieve professional examinations. This year saw significant changes in our chosen qualifications. The first stage for investment professionals is the Certificate in Securities – Retail awarded by the Securities and Investment Institute (SII). This has been enhanced with an additional module on investment and risk. The second significant change has been the move by the SII to streamline their diplomas to give practitioners in the private client investment industry a dedicated professional qualification. The SII Masters Programme (Wealth Management) has been designed in conjunction with the industry and is entirely relevant to our business. Rathbones is now encouraging its staff to take this qualification and there are already some who are due to complete the course in early 2009.

The Company has also extended its use of the Chartered Financial Analyst (CFA) examinations beyond the unit trust business. The increase in numbers of staff taking this internationally recognised qualification is to ensure the maintenance of capability in financial analysis.

Following qualification, all regulated staff are required to maintain a high level of continuous professional development by attending training courses, seminars and to keep up to date through industry related reading. Rathbones has established a standard for continuing professional development which is above that recommended by the SII.

Employees continued

Graduate programme

Our first formal graduate programme concluded in 2008 with participants taking up roles during September in investment management teams. The scheme provided delegates with specialist knowledge and work experience across the business in both investment and support functions. It is expected that the knowledge gained and the appreciation of the business as a whole will be beneficial not only for the individuals concerned but also the wider team in which they work.

Management Development Programmes

Rathbones has continued with its commitment to improving networking, knowledge of the business and engagement with staff through a formal development programme sponsored by our chief executive. The Rathbone Development Programme, now in its third year, brings together cross functional, multi-location groups of staff to facilitate their development in skills such as negotiation, presentation and team working. A significant element of the programme involves delegates working on live business projects. Projects are identified by senior managers or are business improvement ideas suggested by the employees on the programme.

IT training

There is now a dedicated IT training team in place, focusing on improving IT skills across the business, both on Rathbones' specific investment systems and the widely used Microsoft packages.

Rewards and benefits

Employees are encouraged to identify and to become involved with the financial performance of the Group. We have used equity as part of the package for investment managers bringing business into the firm and, in 2001, Rathbones was one of the first companies in the country to launch a Share Incentive Plan (SIP). Under the SIP, which is open to all employees, the Company matches every share purchased by individual employees with another free of charge. Shares are also given free of charge if earnings growth conditions are achieved. Take-up of the SIP is high, with employees at all levels and in all locations participating. A member of staff who has been in the SIP since launch and has made the maximum monthly contributions now owns 4,428 shares, which were valued at £36,907 as at 31 December 2008.

To encourage the use of public transport, we offer interest-free loans for season tickets to all staff on satisfactory completion of their probationary period. We have introduced a Cycle to Work scheme in 2008 and 19 employees have taken up the option.

Rathbones recognises its responsibility to assist in the financial welfare of its employees when they reach retirement age and pays contributions to provide death in service cover and benefits on retirement. The opportunity to sacrifice profit share payments into pension arrangements is now available to staff.

We believe that the benefits provided are generous and worthwhile, and are valued by all permanent employees eligible to join the schemes available. We continually monitor this area to ensure the provision of benefits and practices remain up-to-date and in line with rapidly changing legislative requirements.

Employee involvement

Communication with staff takes place through a variety of means including internal email, and a quarterly internal newsletter to which all staff are actively encouraged to contribute both information and news about business issues, as well as articles on social, environmental and community issues. Employees have easy access to policies, procedures, organisation charts, announcements and company news through a web-based shared workspace. Presentations to staff on full and half year results are given by Board members.

All investment managers across Rathbone Investment Management's ten offices in the UK and in Jersey are linked by telephone for a daily morning meeting to hear key market news and by telephone and video conference weekly for a more in-depth discussion of market trends, asset allocation and individual investment matters. Non-investment management staff are also welcome to attend these meetings.

Consultation with staff takes place when major changes to benefits such as pensions are being considered and a range of internal committees and working parties draw in participation from across the firm on key issues such as IT, training, business continuity and marketing. We were named as a runner up as Employer of the Year for 2008 by Executive PA magazine.

Community

Rathbones continues to review community activities, both on a group and a local scale, and supports employees' participation in a wide range of activities involving both local and international charities.

We encourage employees to take up voluntary and charitable positions, and the Board supports participation in such activities. For example, the chairman is deputy chairman of Fight for Sight and the chief executive is involved with an educational charity. Many of our staff are involved with schools, colleges, charities, civic, youth and religious groups in various capacities.

Donations and fundraising

During the year, the Group made charitable donations of £165,478, representing 0.39% of continuing Group pre-tax profits (2007: £205,079, representing 0.43% of continuing Group pre-tax profits). This included £45,000 as part of a four year commitment totalling £150,000 made to support four Liverpool secondary schools in their bids for Specialist Schools and Academies Trust status.

In addition to this financial support, a number of individuals from our Liverpool office sit on the governing bodies of the four schools, thus helping to forge strong working relationships with each school whilst bringing a range of skills to their committees. It also provides the members of staff involved with the opportunity to develop their wider professional and management skills.

A number of initiatives have been implemented with the individual schools to cater to their particular needs and we have agreed to provide two work experience places for each school annually. Additionally, as part of our contribution to the celebrations for the 2008 Liverpool Capital of Culture, we hosted a Summer Exhibition of artistic works in conjunction with the four schools.

In 2008, Help for Heroes and the Roy Castle Lung Cancer Foundation were selected by employee ballot as the charities we would support for 2008 and 2009. Payments of £250 each were made to 20 charities that were not selected. Employees were encouraged to support the charities through participating in various events such as sweepstakes, an Oktoberfest celebration and Christmas party raffles, and in 2008 raised £7,000.

Staff are encouraged to donate to charity in a tax efficient manner through the Give As You Earn (GAYE) payroll giving scheme. In 2008, Rathbone staff made regular payments totalling £107,783 (2007: £66,879) through this scheme, which is administered by the Charities Aid Foundation. The Company matched staff donations of up to £200 per month made through GAYE and in 2008 donated £77,843 (2007: £40,729) to causes chosen by employees through this method. Following the active promotion of GAYE to staff 115 UK staff (16%) now use this way of donating to charity.

Sponsorships

As well as direct charitable donations, Rathbones provides support in the form of sponsorship, advertising and attendance at events organised by charities and arts organisations. Rathbone Greenbank Investments continues to support Schumacher UK in its aims to promote sustainable development through its co-sponsorship of the organisation's Bristol series of lectures. Rathbone Greenbank Investments has also maintained its sponsorship of The Funding Network, a UK-based organisation which brings people together in a marketplace to help fund charitable projects.

Directors' responsibilities

The directors are responsible for preparing the Annual Report and the Group and Company financial statements, in accordance with law and regulations.

Company law requires the directors to prepare Group and parent Company financial statements for each financial year. Under that law the directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards as adopted by the EU (IFRS) and have elected to prepare the parent company financial statements in accordance with UK accounting standards. The Group financial statements are required by law and IFRS as adopted by the EU to present fairly the financial position and performance of the Group; the Companies Act 1985 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

The parent company financial statements are required by law to give a true and fair view of the state of affairs of the parent company.

In preparing each of the Group and parent Company 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;
- for the Group financial statements, state whether they have been prepared in accordance with IFRS as adopted by the EU;
- for the parent company financial statements, state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the parent company financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the parent Company will continue in business.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a Directors' report, Remuneration report and Corporate governance statement that comply with that law and those regulations.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

In the case of persons who were directors of the Company at the date when this report was approved:

- so far as each of the directors is aware, there is no relevant audit information (as defined in the Companies Act 1985) of which the Company's auditors are unaware; and
- each of the directors has taken all the steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information (as defined) and to establish that the Company's auditors are aware of that information.

Responsibility Statement

We confirm that to the best of our knowledge:

(1) the financial statements, prepared in accordance with IFRS, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and

(2) the Directors' report, together with information provided in the Chairman's and Chief executive's statements, Strategy and KPIs and Business review includes a fair view of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with the description of the principal risks and uncertainties they face.

By Order of the Board

A D Pomfret
Chief executive

3 March 2009

Consolidated accounts

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Independent auditors' report to the members of Rathbone Brothers Plc

We have audited the Group financial statements of Rathbone Brothers Plc for the year ended 31 December 2008, which comprise the Consolidated income statement, the Consolidated balance sheet, the Consolidated cash flow statement, the Consolidated statement of recognised income and expense and the related notes. These Group financial statements have been prepared under the accounting policies set out therein.

We have reported separately on the parent company financial statements of Rathbone Brothers Plc for the year ended 31 December 2008 and on the information in the Remuneration report that is described as having been audited.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the Group financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of directors' responsibilities.

Our responsibility is to audit the Group financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, 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.

We report to you our opinion as to whether the Group financial statements give a true and fair view and whether the Group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation. We also report to you whether in our opinion the information given in the Directors' report is consistent with the Group financial statements. The information given in the Directors' report includes that specific information presented in the Business review, which is cross referenced from the Business review section of the Directors' report.

In addition we report to you if, in our opinion, 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 review whether the Corporate governance statement reflects the Company's compliance with the nine provisions of the Combined Code (2006) specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read other information contained in the Annual Report and consider whether it is consistent with the audited Group financial statements. The other information comprises only the Chairman's statement, Chief executive's statement, Business review, Directors' report, Corporate governance report and all of the other information listed on the contents page. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Group financial statements. Our responsibilities do not extend to any other information.

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 Group financial statements and the part of the Remuneration report to be audited. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the Group financial statements, and of whether the accounting policies are appropriate to the Group'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 Group 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 Group financial statements.

Opinion

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 31 December 2008 and of its profit and cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation; and
- the information given in the Directors' report is consistent with the Group financial statements.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London

3 March 2009

Consolidated income statement

for the year ended 31 December 2008

	Note	2008 £'000	2007 £'000 restated (note 1)
Interest and similar income	5	**69,095**	51,573
Interest expense and similar charges	5	**(38,035)**	(32,282)
Net interest income		**31,060**	19,291
Fee and commission income	6	**106,656**	122,130
Fee and commission expense	6	**(8,565)**	(11,499)
Net fee and commission income		**98,091**	110,631
Dividend income	7	**134**	67
Net trading income	8	**480**	1,676
Net income from sale of available for sale securities		**–**	1,297
Other operating income		**1,986**	1,518
Operating income		**131,751**	134,480
Operating expenses	9	**(88,995)**	(87,178)
Additional levy for Financial Services Compensation Scheme		**(1,404)**	–
Other operating expenses		**(87,591)**	(87,178)
Profit before income tax from continuing operations		**42,756**	47,302
Income tax expense	11	**(13,489)**	(14,212)
Profit after income tax from continuing operations		**29,267**	33,090
Discontinued operations			
Profit before income tax from discontinued operations		**2,215**	4,922
Income tax credit/(charge) on profit from discontinued operations		**198**	(632)
Loss recognised on remeasurement of assets of the disposal group		**(12,680)**	–
Net (loss)/profit from discontinued operations	12	**(10,267)**	4,290
Profit for the year attributable to equity holders of the Company		**19,000**	37,380
Dividends paid and proposed for the year per ordinary share (p)	13	**42.00p**	41.00p
Dividends paid and proposed for the year (£'000)	13	**17,984**	17,479
Earnings per share for the year attributable to equity holders of the Company:	14		
Basic (p)		**44.45p**	87.88p
Diluted (p)		**44.09p**	86.46p
Earnings per share from continuing operations for the year attributable to equity holders of the Company:	14		
Basic (p)		**68.47p**	77.79p
Diluted (p)		**67.90p**	76.54p

Consolidated balance sheet

as at 31 December 2008

	Note	2008 £'000	2007 £'000
Assets			
Cash and balances at central banks	15	**351**	275
Settlement balances		**15,751**	21,573
Loans and advances to banks	16	**175,973**	250,103
Loans and advances to customers	17	**39,412**	39,380
Investment securities			
– available for sale	18	**81,991**	6,948
– held to maturity	18	**874,979**	765,274
Assets of disposal groups classified as held for sale	12	**5,813**	–
Intangible assets	19	**68,232**	85,734
Property, plant and equipment	20	**6,816**	8,131
Deferred tax asset	21	**2,483**	3,528
Prepayments, accrued income and other assets	22	**38,646**	45,677
Total assets		**1,310,447**	1,226,623
Liabilities			
Deposits by banks	23	**9,201**	12,460
Settlement balances		**14,048**	19,926
Due to customers	25	**1,044,351**	946,608
Accruals, deferred income, provisions and other liabilities	26	**42,450**	49,637
Current tax liabilities		**6,035**	6,790
Liabilities of disposal groups classified as held for sale	12	**4,008**	–
Long term employee benefits	28	**5,723**	6,452
Total liabilities		**1,125,816**	1,041,873
Equity			
Share capital	29	**2,143**	2,134
Share premium	29	**28,957**	27,758
Other reserves	30	**34,740**	54,181
Retained earnings	30	**118,791**	100,677
Total equity		**184,631**	184,750
Total equity and liabilities		**1,310,447**	1,226,623

Approved by the Board of directors on 3 March 2009 and signed on its behalf by

A D Pomfret
Chief executive

R P Stockton
Finance director

Consolidated cash flow statement

for the year ended 31 December 2008

	Note	2008 £'000	2007 £'000 restated (note 1)
Cash flows from operating activities			
Profit before income tax from continuing operations		**42,756**	47,302
Net interest income		**(31,060)**	(19,291)
Net income from sale of available for sale securities		**–**	(1,297)
Impairment losses on loans and advances to customers		**58**	–
Profit on disposal of property, plant and equipment		**(45)**	(3)
Depreciation and amortisation		**4,614**	4,150
Net unrealised gains on foreign exchange		**(361)**	(91)
Defined benefit pension scheme charges		**1,942**	2,554
Share based payment charges		**1,299**	2,692
Interest paid		**(38,617)**	(31,525)
Interest received		**69,150**	46,985
		49,736	51,476
Changes in operating assets and liabilities			
– net decrease in loans and advances to banks and customers		**33,735**	15,276
– net decrease/(increase) in settlement balance debtors		**5,822**	(1,945)
– net decrease/(increase) in prepayments, accrued income and other assets		**5,360**	(2,129)
– net increase in amounts due to customers and deposits by banks		**89,287**	280,980
– net (decrease)/increase in settlement balance creditors		**(5,878)**	1,848
– net (decrease)/increase in accruals, deferred income, provisions and other liabilities		**(3,302)**	8,537
Cash generated from operations		**174,760**	354,043
Defined benefit pension contributions paid		**(2,715)**	(6,595)
Tax paid		**(10,950)**	(12,730)
Discontinued operations		**2,145**	3,481
Net cash inflow from operating activities		**163,240**	338,199
Cash flows from investing activities			
Acquisition of businesses, net of cash acquired		**(734)**	(422)
Disposal of businesses, net of cash transferred		**16,340**	–
Purchase of property, equipment and intangible assets		**(11,311)**	(9,775)
Proceeds from sale of property and equipment		**151**	29
Purchase of investment securities		**(2,545,080)**	(1,276,420)
Proceeds from sale and redemption of investment securities		**2,435,375**	1,070,811
Discontinued operations		**(266)**	(409)
Net cash used in investing activities		**(105,525)**	(216,186)
Cash flows from financing activities			
Purchase of shares for share-based schemes		**(1,728)**	(3,210)
Issue of ordinary shares	35	**1,208**	2,963
Dividends paid	13	**(17,503)**	(15,914)
Net cash used in financing activities		**(18,023)**	(16,161)
Net increase in cash and cash equivalents		**39,692**	105,852
Cash and cash equivalents at the beginning of the year		**214,220**	108,343
Amounts reclassified as assets of businesses held for sale		**(791)**	–
Effect of exchange rate changes on cash and cash equivalents		**1,109**	25
Cash and cash equivalents at the end of the year	35	**254,230**	214,220

Consolidated statement of recognised income and expense

for the year ended 31 December 2008

	Note	2008 £'000	2007 £'000
Profit for the year		**19,000**	37,380
Exchange translation differences		**1,001**	14
Actuarial (loss)/gain on long term employment benefits	28	**(44)**	270
Revaluation of available for sale investment securities:			
– net (loss)/gain from changes in fair value	18	**(3,957)**	2,069
– net profit on disposal transferred to income during the period	18	**–**	(1,297)
		(3,957)	772
Deferred tax on equity items:			
– available for sale investment securities		**1,108**	(93)
– actuarial gains and losses		**12**	34
– share-based payments		**(515)**	694
	21	**605**	635
Net (expense)/income recognised directly in equity		**(2,395)**	1,691
Recognised income and expense for the year attributable to equity holders of the Company		**16,605**	39,071

Notes to the consolidated accounts

1 Principal accounting policies

Rathbone Brothers Plc (the 'Company') is a public company incorporated in Great Britain.

The consolidated accounts have been prepared in accordance with International Financial Reporting Standards as adopted by the EU (IFRS). The Company has elected to prepare its individual accounts in accordance with generally accepted accounting principles in the UK (UK GAAP); these are presented on pages 116 to 123.

Changes in accounting policies and disclosure

The comparative balances have been restated in the Income statement, Cash flow statement and the related notes where applicable to reflect the presentation of certain subsidiary entities as disposal groups in accordance with IFRS 5, 'Non-current assets held-for-sale and discontinued operations'. Further details, including the impact on the financial statements, are given in note 12.

Developments in reporting standards and interpretations

The following interpretations issued by the International Financial Reporting Interpretations Committee ('IFRIC') are effective for the first time in the current financial year and have been adopted by the Group, although there was no impact on the consolidated results or financial position:

- IFRIC 11, 'IFRS 2 – Group and treasury share transactions'.
- IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction'.

The following standards and interpretations issued by the International Accounting Standards Board ('IASB') or the IFRIC that are mandatory for the Group's accounting periods beginning on or after 1 January 2009 or later periods but which the Group has not early adopted and which may, in the opinion of the directors, materially impact the financial statements in the period of initial application:

- IFRS 8, 'Operating segments' (effective from 1 January 2009). The new standard requires segment information to be presented on the same basis as that used for internal reporting purposes. Some amendments to the disclosures made for segmental performance are likely although it is not expected that the number of reportable segments will change.
- IAS 1 (revised), 'Presentation of financial statements' (effective from 1 January 2009 subject to endorsement by the EU). This requires changes to the presentation of financial statements and adopts revised titles for the primary statements, although companies may continue to use the existing titles.
- IFRS 3 (revised), 'Business combinations' (effective from 1 January 2009 subject to endorsement by the EU). The changes impact on the initial and subsequent valuation of purchase consideration, the calculation of goodwill and the treatment of transaction costs. The impact of the standard on future acquisitions is not readily determinable.
- IAS 36 (amendment), 'Impairment of assets' (effective from 1 January 2009 subject to endorsement by the EU). This amendment requires additional disclosures to be provided where fair value less costs to sell is calculated on the basis of discounted cash flows.
- IAS 19 (amendment), 'Employee benefits' (effective from 1 January 2009 subject to endorsement by the EU). This clarifies and amends certain aspects of accounting for defined benefit schemes. The impact of this amendment on the consolidated results or financial position has not yet been determined.

The following standards and interpretations issued by the IASB or the IFRIC that are also mandatory for the Group's accounting periods beginning on or after 1 January 2009 or later periods but which the Group has not early adopted but which are not likely, in the opinion of the directors, to impact materially the financial statements in the period of initial application:

- IAS 23 (amendments), 'Borrowing costs' (effective from 1 January 2009).
- IFRS 2 (amendment), 'Share-based payment' (effective from 1 January 2009).
- IAS 32 (amendment), 'Financial Instruments: Presentation'/IAS 1 (amendment), 'Presentation of financial statements – Puttable financial instruments and obligations arising on liquidation' (effective from 1 January 2009).
- IAS 27 (revised), 'Consolidated and separate financial statements' (effective from 1 July 2009).
- IFRS 5 (amendment), 'Non-current assets held-for-sale and discontinued operations' (effective from 1 July 2009).
- IAS 28 (amendment), 'Investments in associates' (effective from 1 January 2009).

- IAS 39 (amendment), 'Financial Instruments: Recognition and measurement' (effective from 1 January 2009).
- IAS 1 (amendment), 'Presentation of financial instruments' (effective from 1 January 2009).

The following standards and interpretations issued by the IASB or the IFRIC that are also mandatory for the Group's accounting periods beginning on or after 1 January 2009 or later periods but which, in the opinion of the directors, are not relevant to the operations of the Group:

- IFRS 1 and IAS 27 (amendment), 'First-time Adoption' and 'Consolidated and Separate Financial Statements'. This amendment is relevant to the Company.
- IAS 38 (amendment), 'Intangible assets'.
- IAS 16 (amendment), 'Property, plant and equipment'.
- IFRIC 16 , 'Hedges of a net investment in a foreign operation'.
- IAS 27 (amendment), 'Consolidated and separate financial statements'.
- IAS 29 (amendment), 'Financial Reporting in hyperinflationary economies'.
- IAS 31 (amendment), 'Investment in joint ventures'.
- IAS 40 (amendment), 'Investment Property'.
- IAS 41 (amendment), 'Agriculture'.
- IAS 20 (amendments), 'Accounting for government grants'.
- IAS 39 (amendment), 'Financial instruments: Recognition and measurement' (effective 1 July 2008).
- IFRS 7 (amendment), 'Financial instruments: Disclosures', on the 'Reclassification of financial assets' (effective 1 July 2008).
- IFRIC 15, 'Agreements for construction of real estates'.
- IFRIC 17, 'Distributions of non cash assets to owners' (effective 1 July 2009).
- IFRIC 18, 'Transfer of assets from customers' (effective 1 July 2009).

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries), together the 'Group', made up to 31 December each year.

Subsidiaries are all entities in which the Company has a controlling interest, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether an entity is a subsidiary of the Company. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

1 Principal accounting policies continued

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The consolidated financial statements incorporate the financial statements of Rathbone International Finance B.V., which is effectively controlled by the Company, although the Company does not own any of the entity's share capital.

Basis of presentation

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments. The principal accounting policies adopted, which are set out below, have, unless otherwise stated, been applied consistently to all periods presented in the consolidated accounts.

Impairment

Goodwill and other intangible assets with indefinite useful lives are tested for impairment both when there is an indication of impairment and annually. Other financial assets are assessed at the reporting date or if there is objective evidence of impairment during the accounting period. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Held to maturity investment securities and loans and receivables are considered individually for impairment. Where an asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

The recoverable amount of non-financial assets is the higher of fair value less any cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present values using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. The recoverable amount of held to maturity investment securities and loans and receivables is calculated as the present value of estimated future cash flows, discounted at the effective interest rate of the asset on recognition. Impairment of available for sale securities is calculated as the cumulative loss that has been previously recognised directly in equity at the time that objective evidence of impairment is identified.

If the recoverable amount of an asset or cash generating unit is estimated to be less than its carrying amount, the carrying amount of the asset, except for equity instruments, or cash generating unit is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately. Where an impairment loss (excluding goodwill) subsequently reverses, the carrying amount of the asset or cash generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset or cash generating unit in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

An impairment loss in respect of a held to maturity security or loans and receivables is reversed if the subsequent increase can be related objectively to an event occurring after the impairment loss was recognised.

An impairment loss in respect of an investment in equity instruments classified as available for sale is not reversed through profit or loss. If the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment is reversed through profit or loss.

Interest income and expense

Interest income and expense are recognised as earned in the income statement for all instruments measured at amortised cost and for available for sale debt instruments using the effective interest method. Interest payable and receivable on derivative financial instruments and dividends receivable from money market funds are included within net interest income.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees and interest paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Dividend income

Dividend income from final dividends on equity securities is accounted for on the date the security becomes ex-dividend. Interim dividends are recognised when paid.

Operating leases

Payments made under operating leases are recognised in the income statement on a straight line basis over the term of the lease. Lease incentives are recognised in the income statement as an integral part of the total lease expense.

Fees and commissions

Portfolio and other management advisory and service fees are recognised over the period the service is provided. Asset management fees are recognised rateably over the period the service is provided.

Commissions receivable and payable are accounted for in the period in which they are earned.

To the extent that retained initial charge income received on the sale of units arises from an identifiable brokerage service, the income is recognised on the performance of that service. Other retained initial charges are deferred and recognised as income on a straight line basis over the estimated average life of the unit holding.

Property, plant and equipment

All property, plant and equipment is stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is charged so as to write off the cost of assets to their estimated residual value over their estimated useful lives, using the straight line method, on the following bases:

Leasehold property:	over the lease term
Plant, equipment and computer hardware:	over three to five years

The assets' residual lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the income statement.

Intangible assets

a Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of a subsidiary at the date of acquisition.

Goodwill is recognised as an asset and is reviewed for impairment at least annually, or when other occasions or changes in circumstances indicate that it might be impaired. Any impairment is recognised immediately in the profit and loss and is not subsequently reversed. Goodwill arising on acquisition is allocated to groups of cash generating units that correspond with the Group's segments, as these represent the lowest level within the Group at which management monitor goodwill for purposes of impairment testing. Cash generating units are identified as the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

On disposal of a subsidiary the attributed amount of goodwill that has not been subject to impairment is included in the determination of the profit or loss on disposal.

Goodwill arising on acquisitions before the date of transition to IFRS has been retained at the previous UK GAAP amounts subject to being tested for impairment at that date.

b Computer software and software development costs

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised on the basis of the expected useful lives (three to four years).

Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, which are expected to generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Computer software development costs recognised as assets are amortised using the straight line method over their useful lives (not exceeding four years).

1 Principal accounting policies continued

Intangible assets continued

Costs associated with developing or maintaining computer software programs that are not recognised as assets are recognised as an expense as incurred.

c Client relationships

Client relationships acquired are shown at historical cost. Those in respect of business combinations are initially recognised at fair value. Client relationships have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight line method to allocate the cost of the client lists over their estimated useful lives (five to fifteen years).

Financial assets

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held to maturity investments and available for sale financial assets. The classification of financial assets is determined at initial recognition.

a Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated. Derivatives are also categorised as held for trading and are reported within other assets or other liabilities.

b Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services to a debtor or purchases a loan with no intention of trading the receivable.

c Held to maturity

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity, other than those that meet the definition of loans and receivables or that the Group has classified as available for sale or fair value through profit or loss.

d Available for sale

Available for sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. Available for sale investments are those intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

Purchases and sales of financial assets at fair value through profit or loss, held to maturity and available for sale are recognised on trade date – the date on which the Group commits to purchase or sell the asset. Loans are recognised when cash is advanced to the borrowers. Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or been effectively transferred, or where the Group has transferred substantially all risks and rewards of ownership.

Available for sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held to maturity investments are carried at amortised cost using the effective interest method. Gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the income statement in the period in which they arise. Gains and losses arising from changes in the fair value of available for sale financial assets are recognised directly in equity (except for changes arising from fluctuations in foreign exchange rates, which are recognised as income or expenditure in the income statement for monetary assets and directly in equity for non-monetary assets), until the financial asset is sold, derecognised or impaired at which time the cumulative gain or loss previously recognised in equity should be recognised in the income statement. However, interest calculated using the effective interest method is recognised in the income statement.

The fair values of quoted financial instruments in active markets are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants.

Deposits and borrowings

All deposits and borrowings are initially recognised at the fair value of the consideration received. After initial recognition, deposits and borrowings are subsequently measured at amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account any issue costs and any discounts or premia on settlement. Borrowing costs are recognised as an expense in the period in which they are incurred.

Work in progress

Trust work in progress is included within other assets and is valued at the expected recoverable amount, including an appropriate portion of profit, calculated by reference to the stage of completion of the service rendered. The corresponding income is recognised within fees and commissions receivable.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event which it is probable will result in an outflow of economic benefits that can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised within interest expense.

Provisions for restructuring costs are recognised when the Group has a detailed formal plan for the restructuring which has been notified to affected parties.

Foreign currencies

The Group's functional and presentational currency is sterling. Transactions in currencies other than the relevant Group entity's functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary financial assets carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined.

Gains and losses arising on retranslation are included in net profit or loss for the period, except for exchange differences arising on non-monetary assets and liabilities where the changes in fair value are recognised directly in equity.

On consolidation, the assets and liabilities of the Group's overseas operations are translated into the Group's presentational currency at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in equity within the Group's translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Gains and losses arising on translation are taken to the Group's translation reserve. The Group has elected to treat goodwill and fair value adjustments denominated in a currency other than the Group's functional currency arising on acquisitions before the date of transition to IFRS as non-monetary foreign currency items and they are translated using the exchange rate applied on the date of acquisition.

Retirement benefit costs

The cost of providing benefits under defined benefit plans are determined using the projected unit credit method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses are recognised in full in the period in which they occur. They are recognised outside of profit and loss and are presented in the statement of recognised income and expense.

Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight line basis over the average period until the amended benefits become vested.

The amount recognised in the balance sheet represents the present value of the defined benefit obligation reduced by the fair value of plan assets. Any asset resulting from this calculation is limited to the present value of available refunds and reductions in future contributions to the plan.

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

1 Principal accounting policies continued

Income tax

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit. In principle, deferred tax liabilities are recognised for all temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences may be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill (or negative goodwill) for which amortisation is not deductible for tax purposes or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction, which affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amounts of deferred tax assets are reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the liability is settled or when the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Cash and cash equivalents

Cash comprises cash on hand and demand deposits which may be accessed without penalty.

Cash equivalents comprise short-term highly liquid investments with a maturity of less than three months from the date of acquisition.

For the purposes of the Consolidated cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Share-based payments

The Group has applied the requirements of IFRS 2 Share-based Payment. In accordance with the transitional provisions, IFRS 2 has been applied to all grants of equity instruments after 7 November 2002 that had not vested as of 1 January 2005.

The Group engages in equity settled share-based payment transactions in respect of services received from certain employees. The fair value of the services received is measured by reference to the fair value of the shares or share options granted on the date of the grant. The cost of the employee services received in respect of the shares or share options granted is recognised in the income statement over the vesting period, with a corresponding credit to equity.

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. Except for those which include terms related to market conditions, vesting conditions included in the terms of the grant are not taken into account in estimating fair value. Non-market vesting conditions are taken into account by adjusting the number of shares or share options included in the measurement of the cost of employee services so that ultimately the amount recognised in the income statement reflects the number of vested shares or share options, with a corresponding adjustment to equity. Where vesting conditions are related to market conditions, the charges for the services received are recognised regardless of whether or not the market related vesting condition is met, provided that the non-market vesting conditions are met. Shares purchased and issued are charged directly to equity.

1 Principal accounting policies continued

Segmental reporting

A business segment is a group of assets and operations engaged in providing services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments. Direct costs are allocated to the segment that generated the cost. Indirect costs are allocated to reporting segments so as to reflect the proportion of the cost that each segment has generated, on a pro rata basis.

Fiduciary activities

The Group commonly acts as trustee and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions. These assets and income arising thereon are excluded from these financial statements, as they are not assets of the Group.

The Group holds money on behalf of some clients in accordance with the Client Money Rules of the Financial Services Authority. Such monies and the corresponding liability to clients are not shown on the face of the balance sheet as the Group is not beneficially entitled thereto.

Financial guarantees

Financial guarantees issued by the Group are initially recognised in the balance sheet at fair value. Guarantees are subsequently measured at the higher of the best estimate of any amount to be paid to settle the guarantee and the amount initially recognised less cumulative amortisation, which is recognised over the life of the contract.

2 Critical accounting judgements and key sources of estimation and uncertainty

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Retirement benefit obligations

The Group makes estimates about a range of long-term trends and market conditions to determine the value of the deficit on its retirement benefit schemes, based on the Group's expectations of the future and advice taken from qualified actuaries. The principal assumptions underlying the reported deficit of £5,723,000 are given in note 28.

Long-term forecasts and estimates are necessarily highly judgemental and subject to risk that actual events may be significantly different to those forecast. If actual events deviate from the assumptions made by the Group then the reported surplus or deficit in respect of retirement benefit obligations may be materially different. The history of experience adjustments and information on the sensitivity of the retirement benefit obligation to changes in underlying estimates is set out in note 28.

Impairment of goodwill

The Group makes estimates in relation to the value in use of the cash generating units to which goodwill has been allocated in determining whether goodwill is impaired. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. The carrying amount of goodwill at the balance sheet date was £47,023,000. The assumptions underlying the value in use calculation are set out in note 19.

Share-based payments

In determining the fair value of equity settled share-based awards and the related charge to the income statement, the Group makes assumptions about future events and market conditions. In particular, judgements must be formed as to the likely number of shares that will vest, and the fair value of each award granted. The fair value of awards is determined using a valuation model which is dependent on further estimates, including the Group's future dividend policy, employee turnover, the timing with which options will be exercised and future volatility in the price of the Group's shares. Such assumptions are based on publicly available information, where available, and reflect market expectations and advice taken from qualified actuaries. Different assumptions about these factors to those made by the Group could materially affect the reported value of share-based payments. The assumptions used are set out in note 29.

2 Critical accounting judgements and key sources of estimation and uncertainty continued

Income recognition

Revenue in the Trust and Tax business is calculated by reference to the estimated stage of completion of the service rendered. Estimates are also made as to the recoverability of work in progress and debtors in relation to this income. At the year end, total work in progress and debtors for Trust and Tax services, net of related provisions for impairment, amounted to £6,300,000, of which £4,545,000 was included within disposal groups (2007: £13,363,000).

Conversely, very little judgement is required in the recognition of income arising from the Investment Management and Unit Trusts businesses due to the close proximity of billing dates to the year end and the inherently non-judgemental nature of interest accrual calculations.

3 Segmental information

a Business segments

For management purposes, the Group is currently organised into three operating divisions: Investment Management, Unit Trusts and Trust and Tax. These divisions are the basis on which the Group reports its primary segment information.

Transactions between the business segments are on normal commercial terms and conditions. Intra-segment income constitutes trail commission. Revenues and expenses are allocated to the business segment that originated the transaction. Revenues and expenses that are not directly originated by a business segment are reported as unallocated. Centrally incurred expenses are allocated to business segments on an appropriate pro-rata basis. Segment assets and liabilities comprise operating assets and liabilities, being the majority of the balance sheet, but exclude items such as taxation and borrowings.

At 31 December 2008	Investment Management £'000	Unit Trusts £'000	Trust and Tax (continuing) £'000	Central Shared Services £'000	Total (continuing) £'000	Trust and Tax (discontinued) £'000	Total £'000
Gross external revenues	151,723	20,337	6,291	–	178,351	18,643	196,994
Fee, commission and interest expense	(39,130)	(6,738)	(732)	–	(46,600)	–	(46,600)
Revenues from other segments	1,284	(1,160)	(124)	–	–	–	–
Operating income	113,877	12,439	5,435	–	131,751	18,643	150,394
Operating expenses	(50,589)	(8,305)	(3,711)	(26,390)	(88,995)	(16,428)	(105,423)
Recharges	(22,847)	(1,771)	(1,089)	25,707	–	–	–
Profit before tax	40,441	2,363	635	(683)	42,756	2,215	44,971
Taxation					(13,489)	198	(13,291)
Impairment charge					–	(12,680)	(12,680)
Profit for the year					29,267	(10,267)	19,000
Total assets	1,231,678	10,611	31,125	31,220	1,304,634	5,813	1,310,447
Total liabilities	1,076,507	5,950	17,155	22,196	1,121,808	4,008	1,125,816
Other segment items:							
Capital expenditure	11,018	97	196	–	11,311	487	11,798
Depreciation and amortisation	4,407	72	135	–	4,614	529	5,143
Other non-cash expenses	1,010	71	145	131	1,357	745	2,102
Provisions charged in the period	298	–	52	–	350	–	350
Provisions utilised in the period	4,622	–	–	–	4,622	480	5,102

3 Segmental information continued

a Business segments continued

At 31 December 2007 (restated – note 1)	Investment Management £'000	Unit Trusts £'000	Trust and Tax (continuing) £'000	Central Shared Services £'000	Total (continuing) £'000	Trust and Tax (discontinued) £'000	Total £'000
Gross external revenues	141,075	30,303	5,586	1,297	178,261	20,331	198,592
Fee, commission and interest expense	(33,368)	(9,943)	(470)	–	(43,781)	(286)	(44,067)
Revenues from other segments	1,606	(1,606)	–	–	–	–	–
Operating income	109,313	18,754	5,116	1,297	134,480	20,045	154,525
Operating expenses	(47,810)	(10,205)	(4,011)	(25,152)	(87,178)	(15,123)	(102,301)
Recharges	(21,411)	(1,669)	(1,019)	24,099	–	–	–
Profit before tax	40,092	6,880	86	244	47,302	4,922	52,224
Taxation					(14,212)	(632)	(14,844)
Profit for the year					33,090	4,290	37,380
Total assets	1,115,899	27,837	19,828	23,165	1,186,729	39,894	1,226,623
Total liabilities	974,760	21,390	13,121	27,261	1,036,532	5,341	1,041,873
Other segment items:							
Capital expenditure	9,043	262	593	–	9,898	319	10,217
Depreciation and amortisation	3,711	148	290	–	4,149	574	4,723
Other non-cash expenses	1,852	256	159	406	2,673	149	2,822
Provisions charged in the period	1,080	–	58	–	1,138	853	1,991
Provisions utilised in the period	5,512	–	121	–	5,633	801	6,434

Unallocated external revenues comprise gains on disposal of available for sale securities.

b Geographical segments

During 2008, the Group's operations were 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 gross revenues by geographical market

	2008 £'000	2007 £'000
United Kingdom	**170,924**	171,556
Jersey	**17,581**	21,686
Rest of the world	**8,489**	5,350
	196,994	198,592

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

	2008 £'000	2007 £'000
United Kingdom	**1,245,186**	1,145,684
Jersey	**8,070**	37,123
Rest of the world	**25,971**	20,651
	1,279,227	1,203,458

3 Segmental information continued

b Geographical segments continued

Additions to property, plant and equipment and intangible assets

	2008 £'000	2007 £'000
United Kingdom	**11,297**	9,790
Jersey	**445**	301
Rest of the world	**70**	126
	11,812	10,217

c Total gross revenues

	2008 £'000	2007 £'000 restated (note 1)
Interest and similar income	**69,095**	51,573
Fee and commission income	**106,656**	122,130
Dividend income	**134**	67
Net trading income	**480**	1,676
Net income from sale of available for sale securities	**–**	1,297
Other operating income	**1,986**	1,518
Discontinued operations	**18,643**	20,331
Total gross revenues	**196,994**	198,592
Interest expense and similar charges	**(38,035)**	(32,282)
Fee and commission expense	**(8,565)**	(11,499)
Discontinued operations	**–**	(286)
Total operating income (including discontinued operations)	**150,394**	154,525

4 Business combinations

On 1 April 2008, the Group acquired the entire share capital of Citywall Financial Management Limited for cash consideration of £1,214,000. Contingent, deferred consideration is also payable dependent on the value of discretionary funds under management introduced by the business at 5 April 2009 and 30 September 2009. 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	480	–	480
Other current assets	115	–	115
Property, plant and equipment	10	–	10
Client relationships	565	565	–
Current liabilities	(225)	–	(225)
Net identifiable assets acquired	945	565	380
Goodwill on acquisition	664		
Purchase consideration	**1,609**		

Included within the Consolidated income statement for the year is a loss before tax, including acquisition costs, of £62,000 relating to the acquired business. If the business had been acquired on 1 January 2008, consolidated operating income from continuing operations would have been £131,986,000 and consolidated profit before income tax from continuing operations would have been £42,779,000.

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

5 Net interest income

Interest income

	2008 £'000	2007 £'000 restated (note 1)
Investment securities	**48,937**	34,327
Other	**20,158**	17,246
	69,095	51,573

Interest expense

	2008 £'000	2007 £'000 restated (note 1)
Banks and customers	**38,035**	32,282

6 Net fee and commission income

Fee and commission income

	2008 £'000	2007 £'000 restated (note 1)
Investment Management	**83,168**	90,166
Unit Trusts	**18,589**	27,057
Trust and Tax	**4,899**	4,907
	106,656	122,130

Fee and commission expense

	2008 £'000	2007 £'000
Investment Management	**1,827**	1,559
Unit Trusts	**6,738**	9,940
	8,565	11,499

7 Dividend income

Dividend income comprises income from available for sale equity securities of £134,000 (2007: £67,000).

8 Net trading income

	2008 £'000	2007 £'000
Unit Trusts net dealing profits	**458**	1,721
Increase/(decrease) in value of derivative financial instruments (note 24)	**22**	(45)
	480	1,676

9 Operating expenses

	2008 £'000	2007 £'000 restated (note 1)
Staff costs (note 10)	**57,859**	59,378
Depreciation of property, plant and equipment (note 20)	**2,122**	2,161
Amortisation of internally generated intangible assets included in operating expenses (note 19)	**276**	228
Amortisation of purchased intangible assets included in operating expenses (note 19)	**2,216**	1,760
Auditor's remuneration (see below)	**525**	550
Impairment losses on loans and advances (note 17)	**58**	–
Operating lease rentals	**4,173**	3,572
Other	**20,362**	19,529
Other operating expenses	**87,591**	87,178
Additional levy for Financial Services Compensation Scheme(i)	**1,404**	–
Total operating expenses	**88,995**	87,178

(i) The recent arrangements put in place by the Financial Services Compensation Scheme ('FSCS') to protect the depositors of Bradford & Bingley and other failed deposit-taking institutions will result in a significant increase in the levies made by the FSCS on the industry. The Group has accrued £1.4 million in 2008 in respect of its share of the cost of FSCS borrowings; this additional charge is expected to be billed as part of the 2008/9 and 2009/10 levy years. Further charges are likely to be incurred in future years although the ultimate cost remains uncertain (note 33).

A more detailed analysis of auditor's remuneration is provided below:

	2008 £'000	2007 £'000 restated (note 1)
Fees payable to the Company's auditor for the audit of the Company's annual accounts	**127**	122
Fees payable to the Company's auditor and their associates for other services to the Group:		
– audit of the Company's subsidiaries pursuant to legislation	**248**	228
– other services pursuant to legislation	**95**	94
– tax services	**23**	–
– other services	**32**	106
Total auditor's remuneration for continuing operations	**525**	550
Discontinued operations	**77**	114
Total	**602**	664

10 Staff costs

	2008 £'000	2007 £'000 restated (note 1)
Wages and salaries	**48,165**	47,708
Social security costs	**5,472**	5,686
Share based payments	**1,299**	2,692
Pension costs (note 28):		
– defined benefit schemes	**1,942**	2,554
– defined contribution schemes	**981**	738
	2,923	3,292
	57,859	59,378

10 Staff costs continued

The average number of employees during the year was as follows:

	2008	2007 restated (note 1)
Investment Management	**438**	409
Unit Trusts	**31**	31
Trust and Tax	**43**	47
Central Shared Services	**172**	157
Continuing operations	**684**	644
Discontinued operations	**126**	150
	810	794

11 Income tax expense

	2008 £'000	2007 £'000 restated (note 1)
Current tax	**11,434**	11,942
Adjustments in respect of previous years	**(178)**	(32)
Deferred tax (note 21)	**2,233**	2,302
	13,489	14,212

The tax charge on profit from continuing operations for the year is higher (2007: higher) than the standard rate of corporation tax in the UK of 28.5% (2007: 30%). The differences are explained below:

	2008 £'000	2007 £'000 restated (note 1)
Tax on profit from ordinary activities at the standard rate of 28.5% (2007 – 30%)	**12,185**	14,190
Effects of:		
Disallowable expenses	**388**	596
Share-based payments	**273**	(854)
Tax on overseas earnings	**64**	(311)
Underprovision for tax in previous years	**579**	45
Effect of change in corporation tax rate	**–**	546
Income tax expense	**13,489**	14,212

In addition to the amount charged to the income statement, deferred tax relating to actuarial gains and losses, share-based payments and gains and losses arising on available for sale investment securities amounting to £605,000 has been credited directly to equity (2007: £635,000 credited to equity).

The standard rate of corporation tax in the UK applicable for the accounting year ended 31 December 2008 takes account of the reduction in the UK tax rate to 28% from 30% effective on 6 April 2008.

12 Disposal groups and discontinued operations

On 17 July 2008, the Group announced its intention to exit its international trust businesses.

On 15 October 2008 the Group disposed of its subsidiaries Rathbone Trust Company Jersey Limited and Rathbone Jersey Limited. On 10 February 2009, the Group disposed of its subsidiary Rathbone Trust Company SA.

On 30 January 2009, agreement was reached regarding the sale of Rathbone Trust (Singapore) Pte. Limited and non-binding heads of terms were signed with the management of Rathbone Trust Company (BVI) Limited. The sales of these companies have conditions precedent that remain unfulfilled.

12 Disposal groups and discontinued operations continued

The results of the discontinued operations, which have been included in the consolidated income statement, were as follows:

	2008 £'000	2007 £'000
Operating income	**18,643**	20,045
Operating expenses	**(16,428)**	(15,123)
Profit before tax from discontinued operations	**2,215**	4,922
Attributable tax credit/(expense)	**198**	(632)
Profit after tax from discontinued operations	**2,413**	4,290
Loss recognised on remeasurement of assets of the disposal group	**(12,680)**	–
Attributable tax expense	**–**	–
Loss from discontinued operations	**(10,267)**	4,290

The operations of these businesses are included within Trust and Tax in the segmental analysis in note 3.

The major classes of assets and liabilities comprising the operations classified as held for sale are as follows:

	2008 £'000
Cash and balances at central banks	**21**
Loans and advances to banks	**790**
Loans and advances to customers	**4,153**
Intangible assets	**46**
Property, plant and equipment	**148**
Prepayments, accrued income and other assets	**655**
Non-current assets held for sale	**5,813**
Accruals, deferred income, provisions and other liabilities	**4,008**
Non-current liabilities held for sale	**4,008**
Net assets of the disposal group	**1,805**

13 Dividends

	2008 £'000	2007 £'000
Amounts recognised as distributions to equity holders in the year:		
– final dividend for the year ended 31 December 2007 of 25.0p (2006: 21.5p) per share	**10,662**	9,107
– interim dividend for the year ended 31 December 2008 of 16.0p (2007: 16.0p) per share	**6,841**	6,807
	17,503	15,914
Proposed final dividend for the year ended 31 December 2008 of 26.0p (2007: 25.0p) per share	**11,143**	10,672

The interim dividend of 16.0p per share was paid on 8 October 2008 to shareholders on the register at the close of business on 19 September 2008.

The final dividend declared of 26.0p per share is payable on 13 May 2009 to shareholders on the register at the close of business on 17 April 2009. The final dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements.

14 Earnings per share

Basic earnings per share has been calculated by dividing the profits attributable to shareholders of £19,000,000 (2007: £37,380,000) by the weighted average number of shares in issue throughout the year of 42,745,197 (2007: 42,536,821).

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).

	2008	2007
Weighted average number of ordinary shares in issue during the year – basic	**42,745,197**	42,536,821
Effect of ordinary share options	**172,845**	461,167
Effect of dilutive shares issuable under the Share Incentive Plan	**7,998**	85,535
Effect of contingently issuable ordinary shares under the Long Term Incentive Plan	**172,823**	148,431
Diluted weighted average number of ordinary shares	**43,098,863**	43,231,954

Earnings per share from discontinued operations and underlying earnings per share were as follows.

	2008	2007
Earnings per share from discontinued operations for the year attributable to equity holders of the Company:		
Basic (p)	**(24.02)p**	10.09p
Diluted (p)	**(23.82)p**	9.92p
Underlying earnings per share from continuing operations for the year attributable to equity holders of the Company:		
Basic (p)	**70.81p**	75.66p
Diluted (p)	**70.23p**	74.44p

Underlying earnings per share has been calculated with reference to the profits after tax from continuing operations, excluding the post-tax charge arising from the additional levy for the Financial Services Compensation Scheme of £1,004,000 (2007: £nil) and post-tax gains on disposal of London Stock Exchange Plc shares of £nil (2007: £908,000).

15 Cash and balances at central banks

	2008 £'000	2007 £'000
Cash in hand (note 35)	**3**	4
Mandatory reserve deposits	**348**	271
	351	275

Mandatory reserve deposits, which are held with central banks, are not available for use in the Group's day to day operations. Cash in hand, balances with central banks and mandatory reserve deposits are non-interest bearing.

16 Loans and advances to banks

	2008 £'000	2007 £'000
Repayable:		
– on demand or at short notice	**25,900**	101,774
– 3 months or less excluding on demand or at short notice	**150,073**	143,329
– 1 year or less but over 3 months	**–**	5,000
	175,973	250,103
Amounts include loans with:		
– variable interest rates	**27,188**	38,794
– fixed interest rates	**148,614**	211,014
– non interest bearing	**171**	295
	175,973	250,103

The fair value of loans and advances is not materially different to their carrying amount. Fair value has been calculated as the discounted amount of estimated future cash flows expected to be received using current market rates.

Loans and advances to banks included in cash and cash equivalents at 31 December 2008 were £175,227,000 (2007: £214,216,000).

The Group's exposure to credit risk arising from loans and advances to banks is described in note 31.

17 Loans and advances to customers

	2008 £'000	2007 £'000
Repayable:		
– on demand or at short notice	**11,243**	20,402
– 3 months or less excluding on demand or at short notice	**5,883**	11,268
– 1 year or less but over 3 months	**14,823**	7,835
– 5 years or less but over 1 year	**7,155**	514
– over 5 years	**483**	–
Less: allowance for losses on loans and advances	**(175)**	(639)
	39,412	39,380
Amounts include loans with:		
– variable interest rates	**25,695**	21,510
– fixed interest rates	**5,887**	4,918
– non interest bearing	**7,830**	12,952
	39,412	39,380

The fair value of loans and advances is not materially different from their carrying amount. Fair value has been calculated as the discounted amount of estimated future cash flows expected to be received using current market rates. Debtors arising from the Group's trust and pensions advisory activities are non interest bearing.

No banking loans and advances to customers were impaired as at 31 December 2008 (2007: none impaired). The allowance for losses on loans and advances relate to debtors for trust and pension services. The total debtors in relation to trust and pension services included in loans and advances to customers as at 31 December 2008 amount to £1,021,000 (2007: £11,034,000).

Included within loans and advances to customers repayable within 5 years but after more than 1 year are vendor loan notes ('notes') with a nominal value of £5,000,000 that were issued on disposal of the Company's holding of two subsidiaries (see note 12) under a management buy-out (MBO). The notes are repayable on the occurrence of certain events, principally the refinancing of the businesses disposed of under the MBO.

The notes bear no interest for three years from issue. Interest is then receivable at the Bank of England base rate on half of the notes' nominal value (currently £2,500,000) for the following two years. Thereafter, interest is receivable on the notes' full nominal value at the Bank of England base rate. The carrying value of the notes has been discounted to £3,268,000 at 31 December 2008 and interest income is recognised over the expected life of the notes under the effective interest rate method.

Allowance for losses on loans and advances

	2008 £'000	2007 £'000
At 1 January	**639**	690
Exchange rate adjustment	**130**	13
Amounts written off	**(350)**	(194)
Charge to the income statement		
– continuing operations	**58**	–
– discontinued operations	**732**	130
Transferred on disposal of business	**(427)**	–
Transferred to non-current assets held for sale	**(607)**	–
At 31 December	**175**	639

The Group's exposure to credit risk arising from loans and advances to customers is described in note 31.

18 Investment securities

Available for sale securities

	2008 £'000	2007 £'000
Equity securities – at fair value:		
– listed	**1,529**	5,934
– unlisted	**1,462**	1,014
Money market funds		
– unlisted	**79,000**	–
	81,991	6,948

Held to maturity securities

	2008 £'000	2007 £'000
Debt securities – at amortised cost:		
– listed	**1,001**	10,061
– unlisted	**873,978**	755,213
	874,979	765,274

Maturity of debt securities

	2008 £'000	2007 £'000
Due within 1 year	**849,979**	765,274
Due after more than 1 year	**25,000**	–
	874,979	765,274

Debt securities comprise bank and building society certificates of deposit, Gilts and treasury bills. Certificates of deposit and Gilts have fixed coupons. Treasury bills are non interest bearing. The fair value of debt securities at 31 December 2008 was £894,968,000 (2007: £780,444,000). Fair value for held to maturity assets is based on market bid prices.

Available for sale securities include money market funds and direct holdings in equity securities. Equity securities do not bear interest. Money market funds, which declare daily dividends that are in the nature of interest at a variable rate and which are realisable on demand, have been included within cash equivalents (note 35).

The Group has not reclassified any financial asset from being measured at amortised cost to being measured at fair value through profit and loss during the year (2007: none reclassified). The Group has not designated at initial recognition any financial asset as at fair value through profit or loss.

Realised gains on disposal of available for sale securities in the year were £nil (2007: £1,297,000, arising from the sale of 100,000 shares of London Stock Exchange Group Plc). The Group continues to hold 300,000 shares in London Stock Exchange Group Plc.

The movement in investment securities may be summarised as follows:

	Available for sale £'000	Held to maturity £'000	Total £'000
At 1 January 2007	6,152	558,368	564,520
Exchange rate adjustment	24	–	24
Additions	–	1,276,420	1,276,420
Disposals (sale and redemption)	(1,297)	(1,069,514)	(1,070,811)
Gain from changes in fair value	2,069	–	2,069
At 1 January 2008	6,948	765,274	772,222
Additions	369,000	2,545,080	2,914,080
Disposals (sale and redemption)	(290,000)	(2,435,375)	(2,725,375)
Loss from changes in fair value	(3,957)	–	(3,957)
At 31 December 2008	**81,991**	**874,979**	**956,970**

19 Intangible assets

	2008 £'000	2007 £'000
Goodwill	**47,023**	70,536
Other intangible assets	**21,209**	15,198
	68,232	85,734

Goodwill

	2008 £'000	2007 £'000
Cost		
At 1 January	**70,536**	69,965
Exchange rate adjustment	**247**	20
Adjustment to goodwill	**–**	(17)
Transferred to assets held for sale	**(887)**	–
Additions	**677**	568
Disposals	**(23,550)**	–
	47,023	70,536
Accumulated impairment losses		
At 1 January	**–**	–
Impairment charge recognised in the year	**887**	–
Transferred to assets held for sale	**(887)**	–
	–	–
Net carrying amount of goodwill at 31 December	**47,023**	70,536

Additions to goodwill include £664,000 arising on the acquisition of Citywall Financial Management Limited (see note 4) and £13,000 of additional deferred consideration paid following the acquisition of Rathbone Trust Singapore Pte. Limited on 2 April 2007.

The net book value of goodwill transferred to assets held-for-sale was £nil (note12).

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units (CGUs) that are expected to benefit from that business combination. The carrying amount of goodwill had been allocated as follows:

	2008 £'000	2007 £'000
Investment Management	**45,069**	44,405
Trust and Tax (UK)	**1,954**	1,954
Trust and Tax (Jersey)	**–**	23,550
Trust and Tax (Rest of the World)	**–**	627
	47,023	70,536

The recoverable amounts of goodwill allocated to the CGUs are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates and growth rates during the period. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on industry growth forecasts. The Group prepares cash flow forecasts derived from the most recent financial budgets approved by management, covering the forthcoming year, extrapolated based on a medium to long term growth rate of 2% (2007: 3%). The pre-tax rate used to discount the forecast cash flows is 11.50% (2007: 10.55%).

19 Intangible assets continued

Other intangible assets

	Acquired client relationships £'000	Software development costs £'000	Purchased software £'000	Total £'000
Cost				
At 1 January 2007	10,023	1,100	8,125	19,248
Exchange adjustment	4	–	–	4
Internally developed in year	–	325	–	325
Purchased in year	4,261	–	1,235	5,496
Acquired through business combinations	93	–	–	93
At 31 December 2007	14,381	1,425	9,360	25,166
Exchange adjustment	(8)	–	–	(8)
Internally developed in year	–	433	–	433
Purchased in year	6,317	–	1,268	7,585
Acquired through business combinations (note 4)	565	–	–	565
Disposals	–	–	(46)	(46)
Transferred to non-current assets held for sale (note 12)	(87)	–	–	(87)
At 31 December 2008	**21,168**	**1,858**	**10,582**	**33,608**
Amortisation				
At 1 January 2007	507	643	6,815	7,965
Charge for the year				
– continuing	974	228	786	1,988
– discontinued	15	–	–	15
At 31 December 2007	1,496	871	7,601	9,968
Charge for the year				
– continuing	1,310	276	906	2,492
– discontinued	26	–	–	26
Disposals	–	–	(46)	(46)
Transferred to non-current assets held for sale (note 12)	(41)	–	–	(41)
At 31 December 2008	**2,791**	**1,147**	**8,461**	**12,399**
Carrying amount at 31 December 2008	**18,377**	**711**	**2,121**	**21,209**
Carrying amount at 31 December 2007	12,885	554	1,759	15,198
Carrying amount at 1 January 2007	9,516	457	1,310	11,283

Purchased software with a cost of £6,756,000 (2007: £5,948,000) has been fully amortised but is still in use.

20 Property, plant and equipment

	Short term leasehold property £'000	Plant and equipment £'000	Total £'000
Cost			
At 1 January 2007	5,184	17,439	22,623
Exchange adjustments	7	44	51
Additions	2,429	1,967	4,396
Acquired through business combinations	–	9	9
Disposals	(245)	(4,776)	(5,021)
At 31 December 2007	7,375	14,683	22,058
Exchange adjustment	74	454	528
Additions	1,415	2,365	3,780
Acquired through business combinations (note 4)	–	116	116
Transferred to non-current assets held for sale (note 12)	(245)	(1,541)	(1,786)
Disposals	(1,982)	(2,442)	(4,424)
At 31 December 2008	**6,637**	**13,635**	**20,272**
Depreciation			
At 1 January 2007	2,020	14,140	16,160
Exchange adjustments	4	38	42
Charge for the year			
– continuing	882	1,279	2,161
– discontinued	38	521	559
Disposals	(243)	(4,752)	(4,995)
At 31 December 2007	2,701	11,226	13,927
Exchange adjustments	56	419	475
Charge for the year			
– continuing	697	1,425	2,122
– discontinued	72	431	503
Acquired through business combinations	–	106	106
Transferred to non-current assets held for sale (note 12)	(198)	(1,440)	(1,638)
Disposals	(407)	(1,632)	(2,039)
At 31 December 2008	**2,921**	**10,535**	**13,456**
Carrying amount at 31 December 2008	**3,716**	**3,100**	**6,816**
Carrying amount at 31 December 2007	4,674	3,457	8,131
Carrying amount at 1 January 2007	3,164	3,299	6,463

All property included above is occupied by the Group for its own activities. The fair value of property, plant and equipment is not materially different from its carrying value.

21 Deferred tax asset

Deferred income taxes are calculated on all temporary differences under the liability method using an effective tax rate of 28% (2007: 28%).

The movement on the deferred tax account is as follows:

	2008 £'000	2007 £'000
At 1 January	**3,528**	5,321
Adjustments in respect of prior years:		
– charged to the income statement	**(87)**	(4)
– (charged)/credited directly to equity	**(419)**	160
Other movements in deferred tax:		
– amounts charged to the income statement	**(1,656)**	(1,977)
– actuarial gains and losses	**12**	(75)
– share based payments	**(96)**	588
– available for sale securities:		
– fair value measurement	**1,108**	(621)
– transfer to net profit	**–**	389
Effect of change in corporation tax rate on deferred tax:		
– charged to the income statement	**–**	(447)
– credited directly to equity	**–**	194
Disposals	**93**	–
At 31 December	**2,483**	3,528

Deferred tax assets

	2008 £'000	2007 £'000
Excess of depreciation	**709**	220
Share based payments	**658**	1,833
Staff related costs	**1,627**	2,381
Pensions	**1,602**	1,807
Deferred income	**396**	461
	4,992	6,702

Deferred tax liabilities

	2008 £'000	2007 £'000
Available for sale securities	**824**	1,926
Intangible assets	**1,346**	848
Unremitted overseas earnings	**339**	400
	2,509	3,174

The deferred tax charge in the income statement comprises the following temporary differences:

	2008 £'000	2007 £'000 restated (note 1)
Excess of depreciation	**(489)**	854
Share based payments	**661**	117
Staff related costs	**754**	(449)
Pensions	**217**	1,131
Unremitted overseas earnings	**339**	–
Intangible assets	**678**	136
Other provisions	**73**	(34)
Effect of change in corporation tax rate	**–**	547
	2,233	2,302
Discontinued operations	**(490)**	126
	1,743	2,428

21 Deferred tax asset continued

Deferred income tax liabilities of £684,000 (2007: £554,000) have not been recognised in respect of unremitted earnings of certain subsidiaries as such amounts are not expected to be remitted to the UK. Unremitted earnings totalled £3,804,000 at 31 December 2008 (2007: £3,080,000).

22 Prepayments, accrued income and other assets

	2008 £'000	2007 £'000
Trust work in progress	**664**	3,661
Prepayments	**5,475**	9,629
Accrued income	**32,507**	32,387
	38,646	45,677

23 Deposits by banks

The Group has drawn down £9,201,000 (2007: £12,267,000) of an unsecured term loan which is repayable in six six-monthly instalments ending on 4 April 2011. Interest is payable on the loan at 0.7% above the London Inter-Bank Offer Rate. At 31 December 2007, deposits by banks also included short term overdraft balances totalling £193,000.

The fair value of deposits by banks was not materially different from the carrying value. Fair value has been calculated as the discounted amount of estimated future cash flows expected to be paid using current market rates.

24 Derivative financial instruments

From time to time, the Group uses over the counter Forward Rate Agreements (FRAs) to manage its net exposure to interest rate risk. The Group's interest in these contracts does not meet the requirements of IAS 39 to qualify for hedge accounting.

No FRAs were outstanding at 31 December 2008 (2007: FRAs with a nominal value of £10,000,000). The total liability recognised in relation to contracts with a negative fair value at 31 December 2008 was £nil (2007: £22,000) (note 26).

25 Due to customers

	2008 £'000	2007 £'000
Repayable:		
– on demand or at short notice	**677,056**	639,880
– 3 months or less excluding on demand or at short notice	**349,751**	305,381
– 1 year or less but over 3 months	**13,656**	1,302
– 5 years or less but over 1 year	**3,888**	45
	1,044,351	946,608
Amounts include:		
– variable interest rates	**639,197**	554,640
– fixed interest rates	**394,678**	382,931
– non interest bearing	**10,476**	9,037
	1,044,351	946,608

The fair value of amounts due to customers was not materially different from their carrying value. The estimated fair value of deposits with no stated maturity, which includes non interest bearing deposits, is the amount repayable on demand. The estimated fair value of fixed-interest bearing deposits is based on discounted cash flows using interest rates for new debts with similar remaining maturity.

26 Accruals, deferred income, provisions and other liabilities

	2008 £'000	2007 £'000
Creditors	**8,295**	10,097
Derivative financial instruments (note 24)	**–**	22
Accruals and deferred income	**25,191**	31,359
Other provisions (note 27)	**8,964**	8,159
	42,450	49,637

On 5 November 2008, Rathbone Unit Trust Management Limited, a subsidiary of the Group, issued 22,225 'B' Shares. The 'B' Shares entitle the holder to require another subsidiary of the Group to purchase the 'B' Shares at a value determined with reference to the growth in value of Rathbone Unit Trust Management Limited, compared to its value at 31 December 2007. At 31 December 2008, £65,000 was included in Creditors, representing the estimated present value of the future liability. The fair value of the 'B' Shares will be updated at each reporting date with changes in value being taken to profit or loss.

27 Other provisions

	Deferred contingent consideration £'000	Client compensation and other £'000	Litigation related £'000	Total £'000
At 1 January 2008	5,843	1,975	341	8,159
Exchange adjustments	–	35	8	43
Charged to the income statement – continuing	–	298	52	350
Unused amount credited to the income statement – continuing	–	(940)	–	(940)
Net credit to the income statement[(i)]	–	(642)	52	(590)
Capitalised during the year[(ii)]	6,712	–	–	6,712
Utilised/paid during the year	(4,628)	(210)	(264)	(5,102)
Transferred to non-current liabilities held for sale (note 12)	–	(76)	(13)	(89)
Transferred on disposal of business	–	(75)	(94)	(169)
At 31 December 2008	**7,927**	**1,007**	**30**	**8,964**
Current	5,705	1,007	30	6,742
Non-current	2,222	–	–	2,222
	7,927	**1,007**	**30**	**8,964**

(i) In addition to the net credit of £590,000 (2007: charge on continuing operations of £1,184,000) to the income statement in the above table, a net charge of £nil (2007: credit from continuing operations of £119,000) has been recognised in the income statement during the period in relation to expected insurance recoveries resulting in a net credit to the income statement for other provisions of £590,000 (2007: charge on continuing operations of £1,065,000).

(ii) Amounts capitalised during the period comprise £395,000 deferred consideration in relation to the acquisition of Citywall Financial Management Limited (see note 4) and £6,317,000 in relation to deferred payments to investment managers under earn-out schemes. The amount of the deferred consideration arising on earn-out schemes is contingent on the value of funds attracted and is payable in cash.

At 31 December 2008, anticipated insurance recoverables relating to client compensation and litigation related provisions of £450,000 (2007: £477,000) were included within other assets.

In the ordinary course of business, the Group receives complaints from clients in relation to the services provided. Complaints are assessed on a case by case basis and provisions for compensation are made where judged necessary.

Provisions have also been made in relation to a number of cases where legal proceedings are expected to result in loss to the Group.

28 Long term employee benefits

The Group operates a defined contribution group personal pension scheme and contributes to various other personal pension arrangements for certain directors and employees. The total of contributions made to this scheme during the year was £952,000 (2007: £697,000). The Group also operates defined contribution schemes for overseas employees, for which the total contributions were £518,000 (2007: £581,000) of which £489,000 relates to discontinued operations (2007: £540,000).

The Group operates two funded pension schemes providing benefits based on final pensionable pay for executive directors and staff employed by the Company in the UK (the Rathbone 1987 Scheme and the Laurence Keen Scheme). The schemes are currently both clients of Rathbone Investment Management Limited, with investments managed on a discretionary basis, in accordance with the statement of investment principles agreed by the trustees. Scheme assets are held separately from those of the Group.

The trustees of the fund are required to act in the best interest of the fund's beneficiaries. The appointment of trustees to the fund is determined by the schemes' trust documentation and legislation. The Group has a policy that one third of all trustees should be nominated by members of the fund.

The scheme operated by Rathbone Stockbrokers Limited (the Laurence Keen Scheme) was closed to new entrants and future pension accrual for the current membership with effect from 1 October 1999. As from that date all the active members of the Laurence Keen Scheme were included under the Rathbone 1987 Scheme for accrual of retirement benefits for further service. The Rathbone 1987 Scheme was closed to new entrants with effect from 31 March 2002. Both schemes continue on a closed basis with the existing assets remaining invested thereunder.

The Group provides death in service benefits to all employees through the 1987 pension scheme. Third party insurance is purchased for the benefits where available and £864,000 of related insurance premia were expensed to the income statement in the year (2007: £624,000). The estimated present value of the uninsured death in service benefits is included in long term employee benefits liabilities.

The schemes are valued by independent actuaries every three years using the projected unit credit method which looks at the value of benefits accruing over the years following the valuation date based on projected salary to the date of termination of services, discounted to a present value using a rate that reflects the characteristics of the liability. The valuations are updated at each balance sheet date in between full valuations. The latest full actuarial valuations were carried out as follows:

Rathbone 1987 Scheme	31 December 2007
Laurence Keen Scheme	31 December 2005

The assumptions used by the actuaries are the best estimates chosen from a range of possible actuarial assumptions which, due to the timescale covered, by the liability, may not necessarily be borne out in practice. The principal actuarial assumptions used, which reflect the different membership profiles of the schemes, were:

	2008 Laurence Keen Scheme %	2007 Laurence Keen Scheme %	**2008 Rathbone 1987 Scheme %**	2007 Rathbone 1987 Scheme %
Rate of increase in salaries	**4.05**	4.55	**4.05**	4.55
Rate of increase in pensions in payment	**3.40**	*3.60	**2.80**	*3.20
Rate of increase in deferred pensions	**2.80**	3.30	**2.80**	3.30
Discount rate	**6.15**	5.70	**6.15**	5.70
Expected return on scheme assets	**5.30**	6.10	**6.40**	7.10
Inflation assumption	**2.80**	3.30	**2.80**	3.30

* 5% for service prior to April 2001

The assumed duration of the liabilities for both schemes is 25 years (2007: 25 years). The overall expected return on scheme assets is a weighted average of the returns expected on each class of asset held by the scheme, as disclosed below.

Normal retirement age is 65 for members of the Laurence Keen Scheme and 60 for members of the Rathbone 1987 Scheme. The assumed life expectancy for the membership of both schemes is based on the PA00 actuarial tables. In 2008, the assumption for life expectancy was updated to take account of recent and expected future improvements in life expectancy by using the 'Medium Cohort' projection, with a 0.75% underpin for males and a 0.5% underpin for females. The assumed life expectations on retirement were:

28 Long term employee benefits continued

		2008 Males	2008 Females	2007 Males	2007 Females
Retiring today	– aged 60	**26.7**	**29.0**	24.7	27.7
	– aged 65	**21.9**	**24.1**	20.0	22.9
Retiring in 20 years	– aged 60	**28.4**	**30.3**	25.9	28.7
	– aged 65	**23.5**	**25.3**	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:

	2008 Laurence Keen Scheme £'000	2008 Rathbone 1987 Scheme £'000	2008 Total £'000	2007 Laurence Keen Scheme £'000	2007 Rathbone 1987 Scheme £'000	2007 Total £'000
Present value of defined benefit obligations	**(9,750)**	**(54,243)**	**(63,993)**	(10,301)	(60,274)	(70,575)
Fair value of scheme assets	**8,760**	**50,551**	**59,311**	9,708	54,415	64,123
Deficit in schemes	**(990)**	**(3,692)**	**(4,682)**	(593)	(5,859)	(6,452)
Death in service benefit reserve (unfunded)	**–**	**(1,041)**	**(1,041)**	–	–	–
Total deficit	**(990)**	**(4,733)**	**(5,723)**	(593)	(5,859)	(6,452)

The amounts recognised in the income statement, within operating expenses, are as follows:

	2008 Laurence Keen Scheme £'000	2008 Rathbone 1987 Scheme £'000	2008 Total £'000	2007 Laurence Keen Scheme £'000	2007 Rathbone 1987 Scheme £'000	2007 Total £'000
Current service cost	**–**	**2,556**	**2,556**	–	3,083	3,083
Interest cost	**579**	**3,435**	**4,014**	532	2,897	3,429
Expected return on scheme assets	**(615)**	**(4,013)**	**(4,628)**	(551)	(3,407)	(3,958)
	(36)	**1,978**	**1,942**	(19)	2,573	2,554

Actuarial gains and losses have been reported in the statement of recognised income and expense. The actual return on scheme assets was a fall in value of £1,100,000 (2007: £621,000 increase in value) for the Laurence Keen Scheme and a fall in value of £7,750,000 (2007: £3,317,000 increase in value) for the Rathbone 1987 Scheme.

The cumulative actuarial gains and losses reported in the statement of recognised income and expense since the adoption of IFRS is as follows:

	2008 Laurence Keen Scheme £'000	2008 Rathbone 1987 Scheme £'000	2008 Total £'000	2007 Laurence Keen Scheme £'000	2007 Rathbone 1987 Scheme £'000	2007 Total £'000
At 1 January	**593**	**123**	**716**	245	201	446
Actuarial (losses)/gains recognised in the year	**(888)**	**844**	**(44)**	348	(78)	270
At 31 December	**(295)**	**967**	**672**	593	123	716

Movements in the present value of defined benefit obligations were as follows:

	2008 Laurence Keen Scheme £'000	2008 Rathbone 1987 Scheme £'000	2008 Total £'000	2007 Laurence Keen Scheme £'000	2007 Rathbone 1987 Scheme £'000	2007 Total £'000
At 1 January	**10,301**	**60,274**	**70,575**	10,423	53,982	64,405
Service cost (employer's part)	**–**	**2,556**	**2,556**	–	3,083	3,083
Interest cost	**579**	**3,435**	**4,014**	532	2,897	3,429
Contributions from members	**–**	**1,267**	**1,267**	–	1,030	1,030
Actuarial gains	**(827)**	**(11,521)**	**(12,348)**	(278)	(12)	(290)
Benefits paid	**(303)**	**(727)**	**(1,030)**	(376)	(706)	(1,082)
At 31 December	**9,750**	**55,284**	**65,034**	10,301	60,274	70,575

28 Long term employee benefits continued

Movements in the fair value of scheme assets were as follows:

	2008 Laurence Keen Scheme £'000	2008 Rathbone 1987 Scheme £'000	2008 Total £'000	2007 Laurence Keen Scheme £'000	2007 Rathbone 1987 Scheme £'000	2007 Total £'000
At 1 January	**9,708**	**54,415**	**64,123**	8,996	44,646	53,642
Expected return on scheme assets	**615**	**4,013**	**4,628**	551	3,407	3,958
Actuarial gains/(losses)	**(1,715)**	**(10,677)**	**(12,392)**	70	(90)	(20)
Contributions from the sponsoring companies	**455**	**2,260**	**2,715**	467	6,128	6,595
Contributions from scheme members	**–**	**1,267**	**1,267**	–	1,030	1,030
Benefits paid	**(303)**	**(727)**	**(1,030)**	(376)	(706)	(1,082)
At 31 December	**8,760**	**50,551**	**59,311**	9,708	54,415	64,123

The analysis of the scheme assets, measured at bid prices, and expected rates of return on those assets at the balance sheet date was as follows:

Laurence Keen Scheme

	1.1.08 Expected return %	1.1.07 Expected return %	2008 Fair value £'000	2007 Fair value £'000	2008 Current allocation %	2007 Current allocation %
Equity instruments	**7.35**	7.60	**3,494**	5,180	**40**	53
Debt instruments	**4.10**	4.40	**4,694**	4,161	**54**	43
Cash	**2.00**	4.40	**572**	367	**6**	4
			8,760	9,708		

Rathbone 1987 Scheme

	1.1.08 Expected return %	1.1.07 Expected return %	2008 Fair value £'000	2007 Fair value £'000	2008 Current allocation %	2007 Current allocation %
Equity instruments	**7.35**	7.60	**33,232**	42,099	**67**	77
Debt instruments	**6.15**	5.70	**5,431**	9,323	**11**	17
Interest rate swap funds	**4.10**	n/a	**9,135**	–	**16**	–
Cash	**2.00**	4.40	**2,753**	2,993	**6**	6
			50,551	54,415		

On 15 May 2008, the Rathbone 1987 Scheme acquired 496 shares in an interest rate swap fund for £5,000,000. The fund is invested in long dated interest rate swaps, the duration of which is intended to broadly align with the duration of the scheme's liabilities.

The expected return on equities was assumed to be 3.25% above the return on long dated Gilts (2007: 3.20% above). The expected rate of return on debt instruments is based on long-term yields at the start of the year, with an adjustment for the risk of default and future downgrade in relation to corporate bonds. Cash has been assumed to generate a similar return to short dated government bonds.

The statement of investment principles set by the trustees requires that the assets of the scheme are invested in a balanced portfolio in the following sectors and proportions:

	Laurence Keen Scheme	Rathbone 1987 Scheme
UK equities	35% – 55%	43% – 57%
Overseas equities	0% – 15%	21% – 35%
Fixed interest stocks	45% – 65%*	14% – 28%
Cash deposits	45% – 65%*	0% – 8%

* The total allocation of assets in the Laurence Keen Scheme to fixed interest stocks and cash deposits is expressed as a combined percentage of the two asset classes in the statement of investment principles.

In the Rathbone 1987 Scheme, not more than 85% of the assets may be held in equities. A maximum of 5% of UK equities may be invested in companies outside the FTSE 350 and not more than 5% of total equity assets can be invested in hedge funds.

28 Long term employee benefits continued

The sensitivities regarding the principal assumptions used to measure the schemes' liabilities are set out below:

	Combined Impact on Schemes' Liabilities	
	(Decrease)/Increase £'000	(Decrease)/Increase %
0.5% increase to:		
– Discount rate	(6,071)	(9.5)
– Rate of inflation	4,701	7.3
– Rate of salary growth	2,923	4.6
1 year increase to longevity at 60	1,620	2.5

The history of experience adjustments is as follows:

Laurence Keen Scheme

	2008	2007	2006	2005	2004
Present value of defined benefit obligations (£'000)	**(9,750)**	(10,301)	(10,423)	(11,697)	(9,552)
Fair value of scheme assets (£'000)	**8,760**	9,708	8,996	8,118	6,836
Deficit in the scheme (£'000)	**(990)**	(593)	(1,427)	(3,579)	(2,716)
Experience adjustments on scheme liabilities:					
– amount (£'000)	**248**	104	1,592	1,864	466
– percentage of scheme liabilities	**3%**	1%	15%	16%	5%
Experience adjustments on scheme assets:					
– amount (£'000)	**1,715**	70	85	539	359
– percentage of scheme assets	**20%**	1%	1%	7%	5%

Rathbone 1987 Scheme

	2008	2007	2006	2005	2004
Present value of defined benefit obligations (£'000)	**(55,284)**	(60,274)	(53,982)	(50,501)	(38,214)
Fair value of scheme assets (£'000)	**50,551**	54,415	44,646	35,370	25,947
Deficit in the scheme (£'000)	**(4,733)**	(5,859)	(9,336)	(15,131)	(12,267)
Experience adjustments on scheme liabilities:					
– amount (£'000)	**2,937**	1,264	3,038	7,138	1,881
– percentage of scheme liabilities (%)	**5%**	2%	6%	14%	5%
Experience adjustments on scheme assets:					
– amount (£'000)	**10,677**	90	753	4,297	1,132
– percentage of scheme assets (%)	**21%**	–	2%	12%	4%

The total regular contributions made by the Group to the Rathbone 1987 Scheme during the year were £2,260,000 (2007: £2,238,000) based on 13.9% of pensionable salaries (2007: 13.9%). No additional lump sum contributions were paid in 2008 (2007: £3,890,000). Following the triennial valuation of the Rathbone 1987 Scheme, the Group has committed to make additional contributions to the scheme of £2,750,000 per year until 2016. After 31 March 2002 the Rathbone 1987 Scheme was closed to new entrants and, consequently, the current pension cost will increase as the members of the Scheme approach retirement.

The total contributions made by the Group to the Laurence Keen Scheme during the year were £455,000 (2007: 467,000). Annual contributions of £420,000 will continue to be made to the Laurence Keen Scheme. As the scheme was closed to new entrants with effect from 1 October 1999, the current pension cost will increase as the members of the scheme approach retirement.

29 Share capital

The total authorised number of ordinary shares at 31 December 2008 was 100,000,000 (2007: 100,000,000) with a par value of £0.05 per share. All issued shares are fully paid.

The following movements in share capital occurred during the period:

	Number of shares	Exercise price Pence	Share capital £'000	Share premium £'000	Total £'000
At 1 January 2007	42,276,852		2,114	24,518	26,632
Issue of shares in relation to:					
– share incentive plan	55,693	1,174.0	3	651	654
– exercise of options	357,397	372.0 – 1,172.0	17	2,589	2,606
At 1 January 2008	42,689,942		2,134	27,758	29,892
Issue of shares in relation to:					
– exercise of options	168,254	415.0 – 852.0	9	1,199	1,208
At 31 December 2008	42,858,196		2,143	28,957	31,100

Share incentive plan and long term incentive plan

The Group operates a share incentive plan (SIP), which is available to all employees. Employees can contribute up to £125 per month to acquire shares which are acquired twice a year at the end of six month accumulation periods. The Group currently matches employee contributions on a one for one basis to acquire matching shares.

The Group also provides performance related free shares, with eligible employees receiving shares valued at the rate of £100 per 1% real increase in EPS up to a maximum of £3,000 per annum.

For UK employees, SIP dividends are reinvested and used to purchase shares, whilst for overseas employees dividends are paid in cash.

Details of the general terms of the Long Term Incentive Plan are set out in the Remuneration report on pages 37 to 45.

As at 31 December 2008, the trustees of the Share Incentive Plan held 1,290,392 (2007: 1,275,224) ordinary shares of 5p each in Rathbone Brothers Plc with a total market value of £10,755,417 (2007: £13,389,852). No dividends on these shares have been waived. Of the total number of shares held by the trustees 412,701 (2007: 505,001) have been conditionally gifted to employees.

At 31 December 2008, the trustees of the Long Term Incentive Plan held 47,193 (2007: 74,794) ordinary shares of 5p each in Rathbone Brothers Plc with a total market value of £393,354 (2007: £785,337). Dividends on these shares have been waived by the trustees.

Equity settled share option scheme

The Company has a share option scheme for all employees of the Group. Under the scheme, certain employees hold options to subscribe for shares in the Company at prices ranging from 415p to 1172p under the share option schemes approved by shareholders in 1993 (as amended in 1996), 1996 and 2000. Options are conditional on the employee completing three years' service (the vesting period) and are exercisable three years from grant date. The options have a contractual option term of seven years from the date that they become exercisable. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

29 Share capital continued

Movements in the number of share options outstanding were as follows:

	2008 Number of share options	2008 Weighted average exercise price (£)	2007 Number of share options	2007 Weighted average exercise price (£)
At 1 January	**1,049,099**	**7.64**	1,413,651	7.56
Granted in the year	**30,000**	**8.14**	–	–
Forfeited in the year	**(3,882)**	**9.07**	(7,155)	8.45
Exercised in the year	**(168,254)**	**7.17**	(357,397)	7.29
At 31 December	**906,963**	**7.74**	1,049,099	7.64

The weighted average share price at the dates of exercise for share options exercised during the year was £9.24 (2007: £12.76). The options outstanding at 31 December 2008 had a weighted average contractual life of 4.0 years (2007: 4.9 years). Options exercisable at 31 December 2008 had a weighted average exercise price of £7.11 (2007: £7.12).

Options with an aggregate estimated fair value of £49,000, determined using a binomial valuation model including expected dividends, were granted on 22 August 2008. The inputs into the binomial model for options granted during the year, as at the date of issue, were as follows:

Share price	£8.14
Exercise price	£8.14
Expected volatility	26.0%
Risk free rate	4.6%
Expected dividend yield	5.0%

The number of share options outstanding at the end of the year, the periods in which they were granted and the periods in which they may be exercised are given below:

Year of grant	Exercise price (p)	Exercise period	2008 No.	2007 No.
1998	643.30	2001–2008	**–**	7,000
1999	732.50	2002–2009	**24,550**	34,090
1999	814.17	2002–2009	**58,350**	58,350
2000	932.50	2003–2010	**101,810**	101,810
2001	985.00	2004–2011	**22,500**	22,500
2001	827.50	2004–2011	**66,184**	70,059
2001	915.80	2004–2011	**38,110**	40,004
2001	665.33	2004–2011	**–**	20,000
2002	810.00	2005–2012	**71,351**	77,851
2003	415.00	2006–2013	**181,528**	202,031
2004	743.50	2007–2014	**76,956**	90,084
2004	690.00	2007–2014	**–**	35,000
Exercisable at 31 December 2007				758,779
2005	852.00	2008–2015	**189,676**	243,884
Exercisable at 31 December 2008			**831,015**	
2006	1172.00	2009–2016	**35,948**	36,436
2006	1116.00	2009–2016	**10,000**	10,000
2008	813.50	2011–2018	**30,000**	–
			906,963	1,049,099

The Group recognised total expenses of £1,299,000 in relation to equity settled share based payments transactions in 2008 (2007: £2,692,000).

30 Reserves and retained earnings

	Merger reserve £'000	Available for sale reserve £'000	Translation reserve £'000	Total other reserves £'000	Retained earnings £'000
At 1 January 2007	49,428	4,289	(229)	53,488	79,029
Profit for the year					37,380
Translation differences arising in the year			14	14	
Dividends paid					(15,914)
Actuarial gains and losses					270
Revaluation of investment securities		2,069		2,069	
Net gains transferred to net profit on disposal of available for sale investment securities		(1,297)		(1,297)	
Share based payments					
– value of employee services					2,692
– cost of shares issued/purchased					(3,508)
Tax on equity items		(93)		(93)	728
At 1 January 2008	49,428	4,968	(215)	54,181	100,677
Profit for the year					19,000
Translation differences arising in the year			1,001	1,001	
Dividends paid					(17,503)
Actuarial gains and losses					(44)
Revaluation of investment securities		(3,957)		(3,957)	
Transfer of merger reserve to retained earnings on disposal of subsidiary	(17,593)			(17,593)	17,593
Share based payments					
– value of employee services					1,299
– cost of shares issued/purchased					(1,728)
Tax on equity items		1,108		1,108	(503)
At 31 December 2008	**31,835**	**2,119**	**786**	**34,740**	**118,791**

The Merger Reserve represents share premium that was not recognised on the issue of shares as consideration for an acquisition prior to the adoption of IFRS on 1 January 2004, in accordance with the Companies Act.

31 Financial risk management

The Group has identified the risks arising from its activities and has established policies and procedures to manage these items in accordance with its risk appetite, as described in the Group's Internal Capital Adequacy Assessment Process, prepared in accordance with the requirements of the Financial Services Authority (the FSA) in its application of the Capital Requirements Directive. The Group categorises its financial risks into three areas:

(i) credit risk;
(ii) liquidity risk; and
(iii) market risk (which includes fair value interest rate risk, cash flow interest rate risk, currency risk and price risk).

The sections below outline the Group's risk appetite and explain how it defines and manages each category of financial risk.

The Group's risk management policies are designed to identify and analyse the risks that the Group faces, to set appropriate risk limits and controls and to monitor the risks and adherence to limits by means of reliable and up to date information systems. The Group regularly reviews its risk management policies and systems to reflect changes in the business, counterparties, markets and the range of financial instruments that it utilises.

The Group's overall strategy and policies for monitoring and management of financial risk are set by the board of directors (the Board). The Board has embedded risk management within the business through the boards of directors of the Group's operating subsidiaries and certain of the Board's standing committees. The principal committees that have responsibility for the identification, mitigation and management of risks are the Executive Committee, the Audit Committee, the Risk Management Committee and the Banking Committee, which is a standing committee of the board of directors of Rathbone Investment Management Limited.

31 Financial risk management continued

The Treasury Department, reporting through the Banking Committee, has principal responsibility for monitoring exposure to credit risk, liquidity risk and market risk. Procedures and delegated authorities are documented in a Group Treasury Manual and policy documents are in place to cover the management and monitoring of each type of risk. The primary objective of the Group's treasury policy is to manage short-term liquidity requirements whilst maintaining an appropriate level of exposure to other financial risks in accordance with the Group's risk appetite.

(i) Credit risk

The Group takes on exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due, through its Banking, Treasury, Trust and Pensions advisory activities. The principal source of credit risk arises from placing funds with other banks and holding interest bearing securities. The Group also has exposure to credit risk through its loan books and guarantees given on clients' behalf.

It is the Group's policy to place funds generated internally and from deposits by clients with a range of high quality financial institutions. Investments are spread to avoid excessive exposure to any individual counterparty. Loans made to clients are secured against clients' assets that are held and managed by Group companies.

Exposure to credit risk is managed through setting appropriate ratings requirements and lending limits. Limits are reviewed regularly, taking into account the ability of borrowers and potential borrowers to meet repayment obligations.

The Group categorises its exposures based on the long-term ratings awarded to counterparties by Fitch Ratings Ltd ('Fitch') or Moody's Corporation ('Moody's'). Each exposure is assessed individually, both at inception and in ongoing monitoring. In addition to formal external ratings, the banking committee also utilises market intelligence information to assist its ongoing monitoring.

Settlement balances

Settlement risk arises in any situation where a payment in cash or transfer of a security is made in the expectation of a corresponding delivery of a security or receipt of cash. The majority of transactions are carried out on a delivery versus payment basis, which results in securities and cash being exchanged within a very close timeframe. Settlement balances outside standard terms are monitored on a daily basis.

The Investment Management and Unit Trust businesses have exposure to market counterparties in the settlement of trades. Settlement balances of £6,322,000 were past due but not impaired at 31 December 2008 (2007: £1,123,000). No settlement balances were impaired at the balance sheet date (2007: nil).

Loans and advances to banks and debt and other securities

The Group has exposures to a wide range of financial institutions through its treasury portfolio, which includes bank deposits, certificates of deposit, money market funds and government bonds. These exposures principally arise from the placement of surplus investment management client cash, which is held under a banking relationship, and the Group's own reserves.

The Group's policy requires that all such exposures are only taken with counterparties that have been awarded a minimum long-term rating of 'A' by Fitch or equivalent rating by Moody's. Counterparty limits are also in place to limit exposure to an individual counterparty or connected group of counterparties. Counterparty exposures are monitored on a daily basis and reviewed by the Banking Committee on a monthly basis. The Banking Committee may suspend dealing in a particular counterparty, or liquidate specific holdings, in the light of adverse market information.

Loans and advances to customers

The Group provides loans to clients through its Investment Management operations (the Investment Management loan book) and via Rathbone International Finance B.V. (the Rathbone International Finance loan book). The Group is also exposed to credit risk on trade debtors arising from the trust and tax and pensions advisory businesses (Trust and Pension debtors).

(a) Overdrafts

Overdrafts on clients' investment management accounts arise from time to time due to short-term timing differences between the purchase and sale of assets on clients' behalf. Overdrafts are actively monitored and reported to the banking committee on a monthly basis.

(i) Credit risk continued

(b) Investment Management loan book

Loans and short term overdrafts are provided as a service to Investment Management clients who are generally asset rich but have short to medium term cash requirements. Such loans are normally made on a fully secured basis against portfolios held in Rathbones' nominee name and are advanced for a maximum of one year. Extensions to the initial loan period may be granted if required.

The lending exposure limit for the Investment Management loan book is £25m. The Banking Committee reviews all loans on a monthly basis and approves all loan extensions. Where necessary, repayment plans are established with clients before the loan becomes overdue or uncovered.

At 31 December, the total lending exposure limit for the Investment Management loan book was £25,000,000 (2007: £25,000,000) of which £12,459,000 had been advanced (2007: £11,889,000) and a further £4,555,000 had been committed (2007: £4,492,000).

(c) Rathbone International Finance loan book

Loans are also provided to non-UK borrowers to assist trust structures where the Group acts as trustee or provides some form of advisory role. Such loans are backed by loans to the Group from third parties which are on identical repayment and interest rate repricing terms. Loans are secured either by a legal charge over client cash or other assets under the Group's control, or by waiver of right of recall from the third party lender in the event that the borrower is unable to repay.

New loan applications and applications to extend existing facilities under the Rathbone International Finance loan book are reviewed by the directors of Rathbone International Finance B.V. and require pre-approval by the chief executive of the trust and tax business.

At 31 December loans outstanding in the Rathbone International Finance loan book totalled £18,323,000 (2007: £14,343,000).

(d) Trust and Pension debtors

Trust and Pension debtors relate to fees which have been invoiced but not yet settled by clients. The collection and ageing of Trust and Pension debtors are reviewed on a monthly basis by the management committees of the Group's trust and pension advisory companies. Impairment provisions are made for any debts which are considered to be doubtful for collection.

(e) Other debtors

Other loans and advances to customers is constituted by a vendor loan note made to Hawksford International Holdings Limited on its acquisition of Rathbone Trust Company Jersey Limited and Rathbone Jersey Limited from the Group on 15 October 2008 (see note 12).

Derivatives

The Group makes limited use of derivative financial instruments exclusively to manage interest rate risk and not for speculative purposes (see note 24). The Group maintains control limits on net open derivative positions (i.e. the difference between purchase and sale contracts), by both amount and term. At any one time, the amount subject to credit risk is limited to the current fair value of instruments that are favourable to the Group (i.e. contracts with a positive fair value), which in relation to derivatives is only a small fraction of the notional value of the contract.

Impairment and provisioning policies

Impairment provisions are recognised for financial reporting purposes only for losses that have been incurred at the balance sheet date, based on objective evidence of impairment.

All credit exposures are reviewed individually, at least annually or more regularly when individual circumstances require. Impairment allowances on credit exposures are determined by an evaluation of the incurred loss at balance sheet date on a case-by-case basis. The assessment considers, where applicable, the value of any collateral held, any changes to the external credit rating and the anticipated receipts for each individual exposure.

Impairment provisions for credit risk, which relate solely to Trust and Pension debtors, are set out in note 17.

31 Financial risk management continued

(i) Credit risk continued

Maximum exposure to credit risk

	2008 £'000	2007 £'000
Credit risk relating to on balance sheet exposures:		
Settlement balances	**15,751**	21,573
Loans and advances to banks	**175,973**	250,103
Loans and advances to customers		
– Overdrafts	**4,492**	2,753
– Investment Management loan book	**12,483**	11,889
– International Finance loan book	**18,323**	14,343
– Trust and pension debtors	**1,021**	11,034
– Other debtors	**5,000**	–
Investment securities		
– Unlisted debt securities and money market funds	**952,978**	755,213
– Listed debt securities	**1,001**	10,061
Other financial assets	**31,731**	35,871
Credit risk relating to off balance sheet exposures:		
Loan commitments	**4,555**	4,492
Financial guarantees	**859**	724
	1,224,167	1,118,056

The above table represents the gross credit risk exposure of the Group at 31 December 2008 and 2007, without taking account of any collateral held or other credit enhancements attached. For on balance sheet assets, the exposures set out above are based on net carrying amounts as reported in the balance sheet.

As shown above, 17.8% of the total maximum exposure is derived from loans and advances to banks and customers (2007: 25.9%) and 77.9% represents investments in debt securities (2007: 68.4%).

Loans and advances

Loans and advances are summarised as follows:

	2008 Loans and advances to banks £'000	2008 Loans and advances to customers £'000	2007 Loans and advances to banks £'000	2007 Loans and advances to customers £'000
Neither past due nor impaired	**175,973**	**38,627**	250,103	35,241
Past due but not impaired	**–**	**716**	–	3,792
Impaired	**–**	**244**	–	986
Gross carrying value	**175,973**	**39,587**	250,103	40,019
Less: allowance for impairment (note 17)	**–**	**(175)**	–	(639)
Net carrying value	**175,973**	**39,412**	250,103	39,380

No loans and advances have been renegotiated (2007: nil).

31 **Financial risk management** continued

(i) **Credit risk** continued

(a) Neither past due nor impaired

The credit quality of loans and advances to customers that were neither past due nor impaired at 31 December, which are all externally unrated, is analysed below between those loans that remain within the standard lending criteria required at the inception of the loan, which are described on page 99, and those loans that no longer meet the initial lending criteria. An exposure is reported as past due when the contractual due date for settlement has passed and the balance has not been repaid, except in the case of Trust and Pension debtors where a normal settlement period of seven days is expected.

At 31 December 2008	**Overdrafts £'000**	**Investment Management loan book £'000**	**International Finance loan book £'000**	**Trust and Pension debtors £'000**	**Other debtors £'000**	**Total loans and advances to customers £'000**
Standard lending criteria	4,492	12,483	14,878	282	–	32,135
Outside standard lending criteria	–	–	3,224	–	3,268	6,492
	4,492	**12,483**	**18,102**	**282**	**3,268**	**38,627**

At 31 December 2007	Overdrafts £'000	Investment Management loan book £'000	International Finance loan book £'000	Trust and Pension debtors £'000	Other debtors £'000	Total loans and advances to customers £'000
Standard lending criteria	2,753	11,889	11,725	6,424	–	32,791
Outside standard lending criteria	–	–	2,450	–	–	2,450
	2,753	11,889	14,175	6,424	–	35,241

The credit quality of loans and advances to banks that were neither past due nor impaired at 31 December is analysed below by reference to the long-term credit rating awarded by Fitch, or equivalent rating by Moody's as at the balance sheet date.

	2008 £'000	2007 £'000
AA– to AA+	**71,074**	159,970
A to A+	**104,481**	89,999
Other	**418**	134
	175,973	250,103

31 Financial risk management continued

(i) Credit risk continued

(b) Past due but not impaired

Loans and advances that are past due are not considered impaired unless other information is also available to indicate the contrary. The gross amount of loans and advances by class to customers that were past due but not impaired at 31 December were:

At 31 December 2008	Overdrafts £'000	Investment Management loan book £'000	International Finance loan book £'000	Trust and Pension debtors £'000	Other debtors £'000	Total loans and advances to customers £'000
<90 days overdue	–	–	–	221	–	221
90–180 days overdue	–	–	–	81	–	81
180–270 days overdue	–	–	–	56	–	56
270–365 days overdue	–	–	–	25	–	25
>365 days overdue	–	–	221	112	–	333
	–	**–**	**221**	**495**	**–**	**716**

At 31 December 2007	Overdrafts £'000	Investment Management loan book £'000	International Finance loan book £'000	Trust and Pension debtors £'000	Other debtors £'000	Total loans and advances to customers £'000
<90 days overdue	–	–	–	1,478	–	1,478
90–180 days overdue	–	–	–	1,016	–	1,016
180–270 days overdue	–	–	168	491	–	659
270–365 days overdue	–	–	–	392	–	392
>365 days overdue	–	–	–	247	–	247
	–	–	168	3,624	–	3,792

(c) Impaired

Allowance has been made for individually impaired Trust and Pension debtors. The balance of individually impaired Trust and Pension debtors is £244,000 (2007: £986,000). There were no other impaired credit exposures at 31 December 2008 (2007: none).

Debt securities

The table below presents an analysis of debt securities by rating agency designation, as at 31 December, based on Fitch's or Moody's long-term rating designation.

	2008 Government securities £'000	2008 Money market funds £'000	2008 Certificates of deposit £'000	2008 Total £'000	2007 Government securities £'000	2007 Money market funds £'000	2007 Certificates of deposit £'000	2007 Total £'000
AAA	**25,759**	**79,000**	**95,351**	**200,110**	10,061	–	–	10,061
AA– to AA+	**–**	**–**	**529,853**	**529,853**	–	–	455,201	455,201
A to A+	**–**	**–**	**224,016**	**224,016**	–	–	300,012	300,012
	25,759	**79,000**	**849,220**	**953,979**	10,061	–	755,213	765,274

Concentration of credit risk

The Group has counterparty concentration risk within its treasury assets in that exposure is to a number of similar credit institutions. The banking committee actively monitors counterparties and may reduce risk by either suspending dealing or liquidating investments in the light of adverse market information, for example in anticipation of or in response to any formal Fitch or Moody's rating downgrade. This may happen in relation to specific banks or banks within a particular country or sector.

(i) Credit risk continued

(a) Geographical sectors

The following table analyses the Group's credit exposures, at their carrying amounts, by geographical region as at the balance sheet date. In this analysis, exposures are categorised based on the country of domicile of the counterparty.

At 31 December 2008	United Kingdom £'000	Jersey £'000	Rest of the World £'000	Total £'000
Settlement balances	11,664	–	4,087	15,751
Loans and advances to banks	47,554	–	128,419	175,973
Loans and advances to customers				
– Overdrafts	3,482	470	540	4,492
– Investment Management loan book	11,874	–	609	12,483
– International Finance loan book	–	–	18,323	18,323
– Trust and pension debtors	846	–	–	846
– Other debtors	–	3,268	–	3,268
Investment securities				
– Unlisted debt securities and money market funds	476,961	–	476,017	952,978
– Listed debt securities	1,001	–	–	1,001
Other financial assets	19,435	68	12,228	31,731
	572,817	**3,806**	**640,223**	**1,216,846**

At 31 December 2007	United Kingdom £'000	Jersey £'000	Rest of the World £'000	Total £'000
Settlement balances	20,109	–	1,464	21,573
Loans and advances to banks	147,387	1,881	100,835	250,103
Loans and advances to customers				
– Overdrafts	1,623	329	801	2,753
– Investment Management loan book	9,329	359	2,201	11,889
– International Finance loan book	–	–	14,343	14,343
– Trust and pension debtors	1,271	6,176	2,948	10,395
– Other debtors	–	–	–	–
Investment securities				
– Unlisted debt securities and money market funds	316,328	–	438,885	755,213
– Listed debt securities	10,061	–	–	10,061
Other financial assets	25,813	80	9,978	35,871
	531,921	8,825	571,455	1,112,201

31 Financial risk management continued

(i) Credit risk continued

(b) Industry sectors

The Group's credit exposures at the balance sheet date, analysed by the primary industry sectors in which our counterparties operate, were:

At 31 December 2008	Public sector £'000	Financial institutions £'000	Private clients and other £'000	Total £'000
Settlement balances	–	15,751	–	15,751
Loans and advances to banks	–	175,973	–	175,973
Loans and advances to customers				
– Overdrafts	–	–	4,492	4,492
– Investment Management loan book	–	–	12,483	12,483
– International Finance loan book	–	–	18,323	18,323
– Trust and pension debtors	–	–	846	846
– Other debtors	–	3,268	–	3,268
Investment securities				
– Unlisted debt securities and money market funds	24,758	928,220	–	952,978
– Listed debt securities	1,001	–	–	1,001
Other financial assets	211	18,027	13,493	31,731
	25,970	**1,141,239**	**49,637**	**1,216,846**

At 31 December 2007	Public sector £'000	Financial institutions £'000	Private clients and other £'000	Total £'000
Settlement balances	–	21,573	–	21,573
Loans and advances to banks	–	250,103	–	250,103
Loans and advances to customers				
– Overdrafts	–	–	2,753	2,753
– Investment Management loan book	–	–	11,889	11,889
– International Finance loan book	–	–	14,343	14,343
– Trust and pension debtors	–	–	10,395	10,395
– Other debtors	–	–	–	–
Investment securities				
– Unlisted debt securities and money market funds	–	755,213	–	755,213
– Listed debt securities	10,061	–	–	10,061
Other financial assets	87	19,713	16,071	35,871
	10,148	1,046,602	55,451	1,112,201

(ii) Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its payment obligations associated with its financial liabilities when they fall due.

The primary objective of the Group's treasury policy is to manage short-term liquidity requirements. The treasury department has primary responsibility for ensuring compliance with the Group's liquidity policy, which requires that Rathbone Investment Management (the Bank) maintains a surplus of immediately realisable assets over its liabilities such that all known and potential cash obligations can be met. Liquidity mismatches are monitored on a daily basis against the liquidity limits set by the banking committee and the Financial Services Authority's liquidity mismatch guidelines. Liquidity risk is primarily managed by holding cash and marketable instruments which are realisable at short notice. The Group operates a strict set of criteria for counterparties to ensure that investments are liquid and are with high quality counterparties, defined as those who have been awarded a long-term rating of 'A' or above by Fitch or equivalent by Moody's.

The Group does not rely on external funding for its activities. Current market conditions have resulted in an increase in the level of liquidity in investment management clients' portfolios as investment managers position assets more defensively. Consequently, the Group is increasingly a net provider of liquidity to the banking markets.

(ii) Liquidity risk continued

Non-derivative cash flows

The table below presents the cash flows receivable and payable by the Group under non-derivative financial assets and liabilities by remaining contractual maturities at the balance sheet date. The amounts disclosed in the table are the contractual, undiscounted cash flows, whereas the Group manages the inherent liquidity risk based on expected undiscounted cash flows.

At 31 December 2008	On demand £'000	Not more than 3 months £'000	After 3 months but not more than 1 year £'000	After 1 year but not more than 5 years £'000	After 5 years £'000	Total £'000
Cash flows arising from financial assets						
Cash and balances at central banks	3	350	–	–	–	353
Settlement balances	–	15,751	–	–	–	15,751
Loans and advances to banks	25,908	151,614	–	–	–	177,522
Loans and advances to customers	10,497	6,936	12,838	11,522	1,765	43,558
Investment debt securities and money market funds	79,022	631,817	240,792	28,078	–	979,709
Other financial assets	103	13,792	6	23	–	13,924
Cash flows arising from financial assets	115,533	820,260	253,636	39,623	1,765	1,230,817
Cash flows arising from financial liabilities						
Deposits by banks	–	1,533	1,901	6,516	–	9,950
Settlement balances	–	14,048	–	–	–	14,048
Due to customers	677,488	352,961	12,685	5,857	–	1,048,991
Other financial liabilities	9	25,615	343	11,869	–	37,836
Cash flows arising from financial liabilities	677,497	394,157	14,929	24,242	–	1,110,825
Net liquidity gap	**(561,964)**	**426,103**	**238,707**	**15,381**	**1,765**	**119,992**

At 31 December 2007	On demand £'000	Not more than 3 months £'000	After 3 months but not more than 1 year £'000	After 1 year but not more than 5 years £'000	After 5 years £'000	Total £'000
Cash flows arising from financial assets						
Cash and balances at central banks	4	274	–	–	–	278
Settlement balances	–	21,573	–	–	–	21,573
Loans and advances to banks	102,001	145,154	5,132	–	–	252,287
Loans and advances to customers	7,190	16,946	12,328	5,494	856	42,814
Investment debt securities and money market funds	11,606	509,601	269,238	–	–	790,445
Other financial assets	142	17,352	193	360	–	18,047
Cash flows arising from financial assets	120,943	710,900	286,891	5,854	856	1,125,444
Cash flows arising from financial liabilities						
Deposits by banks	193	1,534	2,061	10,094	–	13,882
Settlement balances	–	19,926	–	–	–	19,926
Due to customers	637,991	300,551	5,765	5,166	–	949,473
Other financial liabilities	38	27,610	340	10,152	–	38,140
Cash flows from financial liabilities	638,222	349,621	8,166	25,412	–	1,021,421
Net liquidity gap	(517,279)	361,279	278,725	(19,558)	856	104,023

Included within the amounts due to customers due on demand disclosed above are balances that are repayable on demand or that do not have a contractual maturity date, which historical experience shows are unlikely to be called in the short-term.

Derivative cash flows (derivatives settled on a net basis)

As described in note 24 the Group employs Forward Rate Agreements in managing interest rate risk. The Group's liquidity risk in relation to net settled derivative contracts is limited to the fair value of unsettled contracts. There were no unsettled contracts at 31 December 2008.

31 Financial risk management continued

(ii) Liquidity risk continued

Off balance sheet items

Cash flows arising from the Group's off balance sheet financial liabilities (note 33) are summarised in the table below.

The contractual value of the Group's commitments to extend credit to clients and maximum potential value of financial guarantees are analysed by the duration of the commitment. Future minimum lease payments under non-cancellable operating leases are reported by their contractual payment dates. Capital commitments are summarised by the earliest expected date of payment.

At 31 December 2008	Not more than 3 months £'000	After 3 months but not more than 1 year £'000	After 1 year but not more than 5 years £'000	After 5 years £'000	Total £'000
Loan commitments	4,555	–	–	–	4,555
Financial guarantees	850	–	9	–	859
Operating lease commitments	1,263	3,774	14,813	11,984	31,834
Capital commitments	150	–	–	–	150
Total off balance sheet items	**6,818**	**3,774**	**14,822**	**11,984**	**37,398**

At 31 December 2007	Not more than 3 months £'000	After 3 months but not more than 1 year £'000	After 1 year but not more than 5 years £'000	After 5 years £'000	Total £'000
Loan commitments	4,492	–	–	–	4,492
Financial guarantees	709	–	15	–	724
Operating lease commitments	286	4,438	14,000	9,037	27,761
Capital commitments	1,189	–	–	–	1,189
Total off balance sheet items	6,676	4,438	14,015	9,037	34,166

Total liquidity requirement

At 31 December 2008	On demand £'000	Not more than 3 months £'000	After 3 months but not more than 1 year £'000	After 1 year but not more than 5 years £'000	After 5 years £'000	Total £'000
Cash flows arising from financial liabilities	677,497	394,157	14,929	24,242	–	1,110,825
Net derivative cash outflows	–	–	–	–	–	–
Total off balance sheet items	–	6,818	3,774	14,822	11,984	37,398
	677,497	**400,975**	**18,703**	**39,064**	**11,984**	**1,148,223**

At 31 December 2007	On demand £'000	Not more than 3 months £'000	After 3 months but not more than 1 year £'000	After 1 year but not more than 5 years £'000	After 5 years £'000	Total £'000
Cash flows arising from financial liabilities	638,222	349,621	8,166	25,412	–	1,021,421
Net derivative cash outflows	–	22	–	–	–	22
Total off balance sheet items	–	6,676	4,438	14,015	9,037	34,166
	638,222	356,319	12,604	39,427	9,037	1,055,609

(iii) Market risk

Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates.

The Group's principal exposure to cash flow interest rate risk arises from the mismatch between the repricing of its financial assets and liabilities. In particular, customer accounts and loan balances are repriced very shortly after changes in base rates, whereas the yield on the Group's interest bearing assets is correlated to the future expectation of base rates and varies depending on the maturity profile of the Group's treasury portfolio. The average maturity mismatch is controlled by the banking committee, which generally lengthens the mismatch when the yield curve is rising and shortens it when the yield curve is falling.

The tables below and overleaf show the consolidated repricing profile of the Group's financial assets and liabilities, stated at their carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

At 31 December 2008	Not more than 3 months £'000	More than 3 months but not more than 6 months £'000	More than 6 months but not more than 1 year £'000	More than 1 year but not more than 5 years £'000	More than 5 years £'000	Non-interest bearing £'000	Total £'000
Assets							
Cash and balances at central banks	348	–	–	–	–	3	351
Settlement balances	–	–	–	–	–	15,751	15,751
Loans and advances to banks	175,803	–	–	–	–	170	175,973
Loans and advances to customers	23,525	6,911	–	663	483	7,830	39,412
Investment securities							
– equity securities	–	–	–	–	–	2,991	2,991
– debt securities and money market funds	672,217	246,762	10,000	25,000	–	–	953,979
Other financial assets	–	–	–	–	–	31,731	31,731
Total financial assets	871,893	253,673	10,000	25,663	483	58,476	1,220,188
Liabilities							
Deposits by banks	1,533	–	1,533	6,135	–	–	9,201
Settlement balances	–	–	–	–	–	14,048	14,048
Due to customers	1,017,440	15,341	–	663	483	10,424	1,044,351
Other financial liabilities	–	–	–	–	–	37,998	37,998
Total financial liabilities	1,018,973	15,341	1,533	6,798	483	62,470	1,105,598
Nominal value of interest rate derivatives	–	–	–	–	–	–	–
Interest rate repricing gap	**(147,080)**	**238,332**	**8,467**	**18,865**	**–**	**(3,994)**	**114,590**

31 Financial risk management continued

(iii) Market risk continued

At 31 December 2007	Not more than 3 months £'000	More than 3 months but not more than 6 months £'000	More than 6 months but not more than 1 year £'000	More than 1 year but not more than 5 years £'000	More than 5 years £'000	Non-interest bearing £'000	Total £'000
Assets							
Cash and balances at central banks	271	–	–	–	–	4	275
Settlement balances	–	–	–	–	–	21,573	21,573
Loans and advances to banks	244,808	5,000	–	–	–	295	250,103
Loans and advances to customers	25,439	602	67	320	–	12,952	39,380
Investment securities							
– equity securities	–	–	–	–	–	6,948	6,948
– debt securities and money market funds	500,085	214,173	51,016	–	–	–	765,274
Other financial assets	–	–	–	–	–	35,871	35,871
Total financial assets	770,603	219,775	51,083	320	–	77,643	1,119,424
Liabilities							
Deposits by banks	12,460	–	–	–	–	–	12,460
Settlement balances	–	–	–	–	–	19,926	19,926
Due to customers	934,542	2,372	245	45	367	9,037	946,608
Other financial liabilities	–	–	–	–	–	40,447	40,447
Total financial liabilities	947,002	2,372	245	45	367	69,410	1,019,441
Nominal value of interest rate derivatives	10,000	–	–	–	–	–	10,000
Interest rate repricing gap	(166,399)	217,403	50,838	275	(367)	8,233	109,983

The banking committee has set an overall pre-tax interest rate exposure limit of £5,000,000 (2007: £5,000,000) for the total profit or loss resulting from an unexpected, immediate and sustained 2% movement in sterling interest rates for the Bank, the principal operating subsidiary. The potential total profit or loss is calculated on the basis of the average number of days to repricing of the interest bearing liabilities compared with the period to repricing on a corresponding amount of interest bearing assets.

At 31 December 2008, the Bank had £993.4 million (2007: £902.3 million) of sterling interest bearing liabilities averaging 4 days (2007: 3 days) to repricing which were matched by sterling assets averaging 52 days (2007: 50 days) to repricing, creating an exposure of 48 days (2007: 47 days). The total potential impact on profit after tax and equity was £1,894,000 (2007: £1,650,000) at the balance sheet date for a 2% decrease or increase in interest rates. The Group held no forward rate agreements at 31 December 2008. The impact of the Group's forward rate agreements at 31 December 2007 was to reduce this exposure by £35,000.

(iii) Market risk continued

Foreign exchange risk

The Group monitors its currency exposures that arise in the ordinary course of business on a daily basis and significant exposures are managed through the use of spot contracts so as to reduce any currency exposure to a minimal amount. At 31 December 2008, the Group was also subject to a structural currency exposure on its net investments in overseas subsidiaries, primarily in Switzerland, Singapore and the British Virgin Islands.

The Group does not have any material exposure to transactional foreign currency risk and, therefore, no sensitivity analysis is presented. The table below summarises the Group's exposure to foreign currency translation risk at 31 December. Included in the table are the Group's financial assets and liabilities, at carrying amounts, categorised by currency.

At 31 December 2008	Sterling £'000	US Dollar £'000	Euro £'000	Other £'000	Total £'000
Assets					
Cash and balances at central banks	3	348	–	–	351
Settlement balances	14,689	579	392	91	15,751
Loans and advances to banks	148,478	12,994	11,158	3,343	175,973
Loans and advances to customers	20,338	99	18,972	3	39,412
Investment securities					
– equity securities	1,534	–	1,457	–	2,991
– debt securities and money market funds	953,979	–	–	–	953,979
Other financial assets	30,906	20	801	4	31,731
	1,169,927	14,040	32,780	3,441	1,220,188
Liabilities					
Deposits by banks	9,201	–	–	–	9,201
Settlement balances	13,395	232	216	205	14,048
Due to customers	1,002,126	10,696	28,653	2,876	1,044,351
Other financial liabilities	36,680	103	1,202	13	37,998
	1,061,402	11,031	30,071	3,094	1,105,598
Net on balance sheet position	**108,525**	**3,009**	**2,709**	**347**	**114,590**
Loan commitments	4,555	–	–	–	4,555

At 31 December 2007	Sterling £'000	US Dollar £'000	Euro £'000	Other £'000	Total £'000
Total financial assets	1,077,642	9,869	26,142	5,771	1,119,424
Total financial liabilities	982,139	6,333	28,408	2,561	1,019,441
Net on balance sheet position	95,503	3,536	(2,266)	3,210	99,983
Loan commitments	4,492	–	–	–	4,492

Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk). The Group is exposed to price risk through its holdings of equity investment securities, which are reported at their fair value (note 18).

At 31 December 2008, the fair value of equity securities recognised on the balance sheet was £2,991,000 (2007: £6,948,000). A 10% fall in global equity markets would, in isolation, result in a pre-tax impact on net assets of £299,000 (2007: £695,000) there would be no impact on profit after tax.

Fair values

The fair values of the Group's financial assets and liabilities are not materially different from their carrying values, with the exception of held to maturity investment securities (note 18).

32 Capital management

Accounting capital is defined as the total of share capital, share premium, retained earnings and other reserves. Total capital at 31 December 2008 was £184,631,000 (2007: £184,750,000).

Regulatory capital is derived from the Group Internal Capital Adequacy Assessment Process (ICAAP), which is a requirement of the Capital Requirements Directive. The ICAAP draws on the Group's risk management process which is embedded within the individual businesses, function heads and executive committees within the Group.

The Group's objectives when managing capital are:

- to comply with the capital requirements set by the regulators of the banking and other regulated markets where the entities within the Group operate;
- to safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- to maintain a strong capital base to support the development of its business.

The Group's regulatory capital is monitored by the treasury department and is divided into two tiers:

- Tier 1 capital, which is the total of issued share capital, retained earnings and reserves created by appropriations of retained earnings, net of the book value of goodwill and other intangible assets; and
- Tier 2 capital, which is unrealised gains arising on the fair valuation of equity instruments held as available for sale. In calculating the capital requirement, the Group has adopted the standardised approach to credit risk and the basic indicator approach to operational risk.

The ICAAP was approved by the Rathbone Brothers Plc board in December 2008 and was formally reviewed and agreed with the Financial Services Authority in February 2009. There have been no capital requirement breaches during the course of the year.

33 Contingent liabilities and commitments

(a) Indemnities are provided to a number of directors and employees in our Trust and Tax division in connection with them acting as directors on client structures in the normal course of business.

(b) Capital expenditure authorised and contracted for at 31 December 2008 but not provided in the accounts amounted to £150,000 (2007: £1,189,000).

(c) The contractual amounts of the Group's commitments to extend credit to its clients are as follows:

	2008 £'000	2007 £'000
Guarantees	**859**	724
Undrawn commitments to lend of 1 year or less	**4,555**	4,492
	5,414	5,216

The fair value of the guarantees is £nil (2007: £nil).

(d) The Group leases various offices under non-cancellable operating lease agreements. The leases have varying terms and renewal rights. The future minimum lease payments under non-cancellable operating leases were as follows:

	2008 £'000	2007 £'000
No later than 1 year	**5,037**	4,724
Later than 1 year and no later than 5 years	**14,813**	14,000
Later than 5 years	**11,984**	9,037
	31,834	27,761

(e) In addition to the Financial Services Compensation Scheme levies accrued in the year (note 9) further levy charges are likely to be incurred in future years although the ultimate cost remains uncertain.

34 Related party transactions

Certain of the directors of Rathbone Trust Company Jersey Limited (disposed of on 15 October 2008, see note 12) are also partners of Nigel Harris & Partners. During the year £808,000 (2007: £685,000) was paid to Nigel Harris & Partners for services supplied to Rathbone Trust Company Jersey Limited for the year ended 31 December 2008.

Certain of the directors of Rathbone Trust Company Jersey Limited (disposed of on 15 October 2008, see note 12) are also partners of Galsworthy & Stones. During the year, £270,000 (2007: £336,000) was received from Galsworthy & Stones for services supplied by Rathbone Trust Company Jersey Limited.

The remuneration of the key management personnel of the Group, who are defined as the Company's directors, is set out in the audited part of the Remuneration report on pages 37 to 45. At 31 December 2008 key management and their close family members had gross outstanding deposits of £635,000 (2007: £381,000) and gross outstanding loans of £396,000 (2007: £181,000), of which £281,000 (2007 £181,000) was secured against portfolios held in Rathbones' nominee name, that 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.

One of the Group's non-executive directors is an executive director of Novae Group plc, a related entity of which underwrites part of the Group's professional indemnity insurance policy.

During the year, an estate, of which one of the Group's directors is an executor, received and repaid in full a loan of £511,000 from Rathbone Investment Management Limited on normal business terms.

The Group's transactions with the pension funds are described in note 28. At 31 December 2008 no monies were owed to or due from the pension schemes (2007: £3,230, due from the pension schemes).

Rathbone Trust Company Jersey Limited (disposed of on 15 October 2008, see note 12) was the tenant of a property in St Helier, Jersey, the freehold of which is owned by a number of the directors of the Company. The lease expired on 31 December 2008.

Unless otherwise specified, 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.

35 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.

	2008 £'000	2007 £'000
Cash and balances at central banks (note 15)	**3**	4
Loans and advances to banks (note 16)	**175,227**	214,216
Available for sale investment securities (note 18)	**79,000**	–
	254,230	214,220

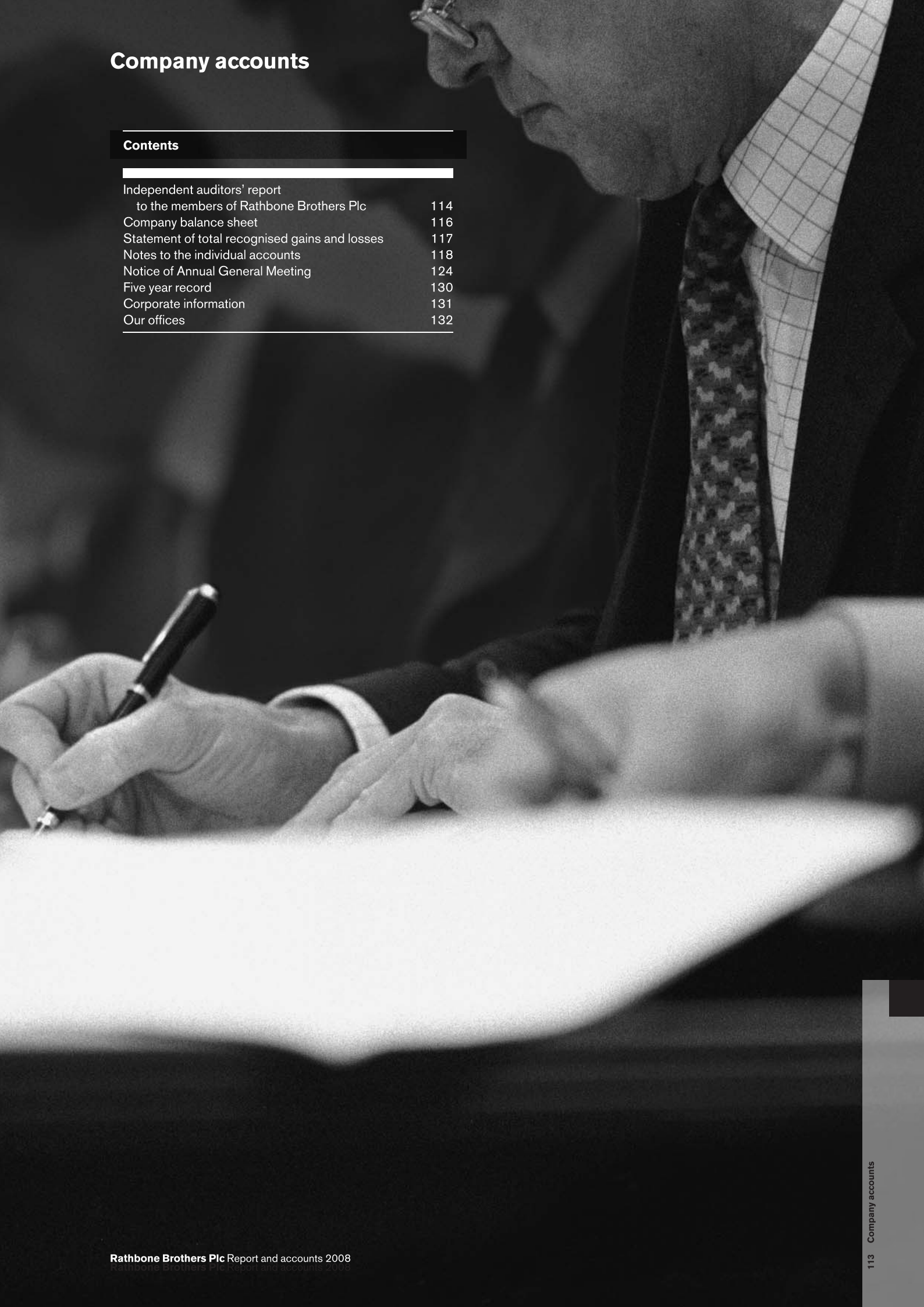
Cash flows arising from the issue of ordinary shares in the year comprise:

	2008 £'000	2007 £'000
Share capital issued (note 29)	**9**	20
Share premium on issue of ordinary shares (note 29)	**1,199**	3,240
Shares issued in relation to share based schemes for which no consideration recieved	**–**	(297)
Net cash inflow from issue of shares	**1,208**	2,963

36 Events after the balance sheet date

On 10 February 2009, the Group completed the disposal of Rathbone Trust Company SA, for cash consideration of £98,000 and deferred consideration, receivable after two years, of up to £98,000. On 10 February 2009, the Group made an interest free loan to Rathbone Trust Company SA of £1,111,000 which is repayable over three years. At 10 February 2009, the net assets of Rathbone Trust Company SA were £9,000.

Company accounts



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Independent auditors' report to the members of Rathbone Brothers Plc

We have audited the Company financial statements of Rathbone Brothers Plc for the year ended 31 December 2008, which comprise the Company balance sheet, Statement of total recognised gains and losses and the related notes. These Company financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Remuneration report that is described as having been audited.

We have reported separately on the Group financial statements of Rathbone Brothers Plc for the year ended 31 December 2008.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report, the Remuneration report and the Company 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 Company financial statements and the part of the Remuneration report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, 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.

We report to you our opinion as to whether the Company financial statements give a true and fair view and whether the Company financial statements and the part of the Remuneration report to be audited have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' report is consistent with the Company financial statements. The information given in the Directors' report includes that specific information presented in the Business review, which is cross referenced from the Business review section of the Directors' report.

In addition we 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 read other information contained in the Annual Report and consider whether it is consistent with the audited Company financial statements. The other information comprises only the Chairman's statement, Chief executive's statement, Business review, Directors' report, Corporate governance report, the unaudited part of the Remuneration report and all other information listed on the contents page. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Company financial statements. Our responsibilities do not extend to any other information.

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 Company financial statements and the part of the Remuneration report to be audited. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the Company 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 Company financial statements and the part of the Remuneration report to be audited 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 Company financial statements and the part of the Remuneration report to be audited.

Opinion

In our opinion:

- the Company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 December 2008;
- the Company financial statements and the part of the Remuneration report to be audited have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' report is consistent with the Company financial statements.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London

3 March 2009

Company balance sheet

for the year ended 31 December 2008

	Note	2008 £'000	2007 £'000
Fixed assets			
Tangible fixed assets	40	**–**	7,478
Investments in subsidiaries	41	**22,562**	30,856
Available for sale equity securities	41	**2,991**	6,948
Total fixed assets		**25,553**	45,282
Current assets			
Debtors			
Amounts owed by subsidiary undertakings		**30,103**	12,639
Other debtors	42	**3,966**	2,680
Prepayments and accrued income		**841**	81
		34,910	15,400
Cash at bank and in hand		**13**	54
Total current assets		**34,923**	15,454
Creditors: amounts falling due within one year			
Bank loans	43	**(9,201)**	(12,267)
Amounts owed to subsidiary undertakings		**(182)**	(96)
Other taxes and social security costs		**(906)**	(1,127)
Accruals and deferred income		**(330)**	(605)
Total current liabilities		**(10,619)**	(14,095)
Net current assets		**24,304**	1,359
Total assets less current liabilities		**49,857**	46,641
Pension liability	44	**(4,121)**	(4,645)
Net assets		**45,736**	41,996
Called up share capital	45	**2,143**	2,134
Share premium account	46	**28,957**	27,758
Available for sale reserve	46	**2,943**	6,900
Profit and loss account	46	**11,693**	5,204
Equity shareholders' funds		**45,736**	41,996

Approved by the Board of directors on 3 March 2009 and signed on its behalf by

A D Pomfret
Chief executive

R P Stockton
Finance director

Statement of total recognised gains and losses

for the year ended 31 December 2008

	Note	2008 £'000	2007 £'000
Profit after taxation for the year	38	**24,968**	7,288
Actuarial (losses)/gains	44	**(44)**	270
Share based payments	46	**(429)**	(816)
(Loss)/gain from change in fair value of available for sale equity securities	41	**(3,957)**	2,069
Deferred tax taken (charged)/credited directly to equity shareholders' funds		**(503)**	728
Total recognised gains and losses		**20,035**	9,539

37 Significant accounting policies

Basis of accounting

The separate financial statements of the Company are presented as required by the Companies Act 1985. They have been prepared under the historical cost convention, as modified by the revaluation of certain financial instruments, and in accordance with applicable United Kingdom accounting standards and law.

The Company has taken advantage of the exemption conferred by FRS 29 not to present the disclosures required by that standard relating to financial risks in the Company's solus accounts.

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year.

Impairment

Tangible fixed assets are subject to review for impairment in accordance with FRS 11: 'Impairment of fixed assets and goodwill'. The carrying values of tangible fixed assets are written down by the amount of any permanent impairment and the loss is charged as an operating cost to the profit and loss account in the period in which this occurs. The carrying value of tangible fixed assets may be written up to a value no higher than the original depreciated cost, should an external event reverse the effects of a previous impairment.

At each balance sheet date the Company reviews the carrying amount of its financial assets to determine whether there is any indication that those assets have suffered an impairment loss. Where there is objective evidence that an available for sale security is impaired the cumulative loss that has been recognised in reserves is removed from reserves and recognised in the profit and loss account. An impairment loss in respect of an investment in equity instruments classified as available for sale is not reversed through profit or loss. If the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the profit and loss account, the impairment is reversed through the profit and loss account.

Fixed assets

Fixed assets are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less estimated residual value, of each asset on a straight line basis over its expected useful life, as follows:

Leasehold premises:	over the lease term
Plant, equipment and computer hardware:	over three to five years

Investments in subsidiaries

Investments in subsidiaries are carried at cost less provisions for impairment.

Available for sale equity securities

Available for sale investments are those intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

Equity investments are initially recognised at fair value. For unlisted securities, the Company establishes fair value by using valuation techniques, including the use of recent arm's length transactions, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or been effectively transferred, or where the Company has transferred substantially all risks and rewards of ownership.

Equity investments are subsequently carried at fair value. Gains and losses arising from changes in the fair value are recognised directly in equity (except for changes arising from fluctuations in foreign exchange rates, which are recognised as income or expenditure in the profit and loss account for monetary assets and directly in equity for non-monetary assets), until the financial asset is derecognised or impaired at which time the cumulative gain or loss previously recognised in equity should be recognised in profit or loss.

37 Significant accounting policies continued

Share based payments

The Company's equity settled share option programme allows employees to acquire shares of the Company. The fair value of options and share awards in relation to the Company's Share Incentive Plan and Long Term Incentive Plan granted to employees after 7 November 2002 and not vested as at 1 January 2005 is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using an option pricing model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is only due to share prices not achieving the threshold for vesting. Share based payment costs in relation to subsidiaries' directors and staff are recharged to those subsidiaries.

Post-retirement benefits

The Company operates pension schemes providing benefits based on final pensionable pay. The assets of the schemes are held separately from those of the Company. Pension scheme assets are measured using market values. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. The pension scheme surplus (to the extent that it is recoverable) or deficit is recognised in full, net of any related deferred tax asset or liability. The movement in the scheme surplus/deficit is split between operating charges, finance items and actuarial gains and losses.

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

Deferred taxation

Full provision, without discounting, is made for deferred taxation arising from timing differences which have arisen but not reversed at the balance sheet date, except where otherwise required by accounting standards. Deferred tax assets are recognised to the extent that it is more certain than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Guarantees

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of subsidiaries, the Company considers these to be insurance arrangements, and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

Loans and receivables

Loans and receivables are initially measured at fair value and subsequently carried at amortised cost using the effective interest rate method.

38 Profit for the year

As permitted by Section 230 of the Companies Act 1985 the Company has elected not to present its own profit and loss account for the year. Rathbone Brothers Plc reported a profit after tax for the financial year ended 31 December 2008 of £24,968,000 (2007: £7,288,000).

Auditor's remuneration for audit and other services to the Company is set out in note 9.

The average number of employees during the year was as follows:

	2008	2007
Investment Management	**430**	398
Unit Trusts	**31**	31
Trust and Tax	**43**	47
Central Shared Services	**172**	157
	676	633

39 Dividends

Details of the Company's dividends paid and proposed for approval at the Annual General Meeting are set out in note 13.

40 Tangible fixed assets

	Short term leasehold property £'000	Plant and equipment £'000	Total £'000
Cost at 1 January 2008	5,619	20,984	26,603
Disposals	(5,619)	(20,984)	(26,603)
Cost at 31 December 2008	**–**	**–**	**–**
Depreciation at 1 January 2008	2,520	16,605	19,125
Disposals	(2,520)	(16,605)	(19,125)
Depreciation at 31 December 2008	**–**	**–**	**–**
Net book value at 31 December 2008	**–**	**–**	**–**
Net book value at 1 January 2008	3,099	4,379	7,478

With effect from 1 January 2008, the Company transferred all of its tangible fixed assets to its subsidiary undertaking, Rathbone Investment Management Limited.

41 Investments

	Investments in subsidiaries £'000	Available for sale equity securities £'000	Total £'000
At 1 January 2008	30,856	6,948	37,804
Disposals	(8,294)	–	(8,294)
Net loss from change in fair value	–	(3,957)	(3,957)
At 31 December 2008	**22,562**	**2,991**	**25,553**

On 15 October 2008 the Company disposed of its entire holding in Rathbone Trust Company Jersey Limited and Rathbone Jersey Limited to the management of those businesses for £23,500,000 cash and £5,000,000 in vendor loan notes (see note 42).

At 31 December 2008, the principal subsidiary undertakings, all of which were wholly owned, were as follows:

Subsidiary undertaking	Country of incorporation	Activity and operation
Rathbone Investment Management Limited	Great Britain	Investment management and banking services
Rathbone Bank (BVI) Limited*	British Virgin Islands	Banking
Rathbone Investment Management (C.I.) Limited*	Jersey	Investment management
Rathbone Trust Company Limited	Great Britain	Trust services
Rathbone Stockbrokers Limited*	Great Britain	Stockbroking
Rathbone Unit Trust Management Limited*	Great Britain	Unit trust management
Rathbone Trust Company B.V.	The Netherlands	Trust services
Rathbone Trust Company SA*	Switzerland	Trust services
Rathbone Trust Company (BVI) Limited*	British Virgin Islands	Trust services
Rathbone Pension & Advisory Services Limited	Great Britain	Pension advisory services
Rathbone Trust (Singapore) Pte. Limited*	Singapore	Trust services

* held by subsidiary undertaking

A full list of the Company's subsidiaries will be included in the Company's annual return to Companies House.

42 Other debtors

	2008 £'000	2007 £'000
Deferred tax asset	**658**	2,539
Corporation tax debtor	**40**	141
Loans and receivables	**3,268**	–
	3,966	2,680

Deferred income taxes are calculated on all temporary differences under the liability method using an effective tax rate of 28% (2007: 28%).

The movement on the deferred tax account is as follows:

	2008 £'000	2007 £'000
At 1 January	**2,539**	2,103
Charged to the profit and loss account	**(1,366)**	(258)
Taken to equity – share based payments	**(515)**	694
	658	2,539

The deferred tax asset is attributable to the following items:

	2008 £'000	2007 £'000
Excess of depreciation	**–**	705
Share based payments	**658**	1,834
	658	2,539

Loans and receivables comprise vendor loan notes ('notes') with a nominal value of £5,000,000 that were issued on disposal of the Company's holding of two subsidiaries (see note 41) under a management buy out (MBO). The notes are repayable on the occurrence of certain events, principally the refinancing of the businesses disposed of under the MBO. The notes are expected to be repaid after more than one year.

The notes bear no interest for three years from issue. Interest is then receivable at the Bank of England base rate on half of the notes' nominal value (currently £2,500,000) for the following two years. Thereafter, interest is receivable on the notes' full nominal value at the Bank of England base rate.

43 Bank loans

The Company has drawn down a term loan of £9,201,000 (2007: £12,267,000) which is repayable in six six-monthly instalments ending on 4 April 2011. Interest is payable on the loan at 0.7% above the London Inter-Bank Offer Rate.

44 Pension liability

Details of the defined benefit pension schemes operated by the Company and changes thereto are materially similar to those of the Group, which are provided in note 28 to the consolidated accounts.

The pension liability reported for the Company is stated net of related deferred tax.

	2008 £'000	2007 £'000
Gross pension liability (note 28)	**5,723**	6,452
Related deferred tax (note 21)	**(1,602)**	(1,807)
	4,121	4,645

45 Share capital

Details of the share capital of the Company together with changes thereto, options thereon and share based payments are provided in note 29 to the consolidated accounts.

46 Reserves

	Share premium £'000	Available for sale reserve £'000	Profit and loss account £'000
At 1 January 2008	27,758	6,900	5,204
Profit for the year			24,968
Dividends paid			(17,503)
Shares issued	1,199		
Actuarial gains and losses			(44)
Revaluation of investment securities		(3,957)	
Share based payments			
– value of employee services			1,299
– cost of shares issued/purchased			(1,728)
Tax on equity items			(503)
At 31 December 2008	**28,957**	**2,943**	**11,693**

47 Reconciliation of movements in shareholders' funds

	2008 £'000	2007 £'000
Opening shareholders' funds	**41,996**	46,408
Profit for the year	**24,968**	7,288
Dividends paid	**(17,503)**	(15,914)
Other recognised gains and losses relating to the year	**(4,504)**	1,076
Share based payments	**(429)**	(122)
Share capital issued	**1,208**	3,260
Net addition to/(reduction in) shareholders' funds for the year	**3,740**	(4,412)
Closing shareholders' funds	**45,736**	41,996

48 Contingent liabilities and commitments

The Company's obligations under operating leases are borne by a subsidiary undertaking.

49 Related party transactions

The Company has taken advantage of the exemption given by FRS 8 not to disclose transactions and balances with its subsidiaries.

The remuneration of the key management personnel of the Company, who are defined as the directors, is set out in the audited part of the Remuneration report on pages 37 to 45. At 31 December 2008, key management and their close family members had gross outstanding deposits of £635,000 (2007: £381,000) and gross outstanding loans of £396,000 (2007: £181,000), of which £281,000 (2007: £181,000) was secured against portfolios held in Rathbones nominee name, that 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.

One of the Company's non-executive directors is an executive director of Novae Group plc, a related entity of which underwrites part of the Company's professional indemnity insurance policy.

During the year, an estate, of which one of the Company's directors is an executor, received and repaid in full a loan of £511,000 from Rathbone Investment Management Limited on normal business terms.

The Company's transactions with the pension funds are described in note 28 to the consolidated financial statements. At 31 December 2008 no monies were owed to or due from the pension schemes (2007: £3,230, due from the pension schemes).

Unless otherwise specified, 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.

Notice of Annual General Meeting

Notice is hereby given that the thirty-eighth Annual General Meeting of the Company will be held at 159 New Bond Street, London W1S 2UD on Thursday 7 May 2009 at 12.00 noon to consider and, if thought fit, pass the following resolutions.

Resolutions 1 to 10 are ordinary resolutions requiring a majority of more than 50%. Resolution 10 is an ordinary resolution but is classified by Article 61 of the Articles of Association of the Company as non-routine, special business.

Resolutions 11 to 14 are special resolutions requiring a majority of 75% or more.

2008 Report and Accounts

1 To adopt the Report of the directors and the Audited Accounts for the year ended 31 December 2008.

2 To approve the Remuneration report for the year ended 31 December 2008.

The Remuneration report can be found on pages 37 to 45 . Part 15 of the Companies Act 2006 requires the preparation of this report which must be approved by shareholders in general meeting. This does not affect the directors' entitlements to remuneration and the result of this resolution is advisory only.

Final dividend

3 To approve the final dividend of 26p per share for the year ended 31 December 2008.

The payment of the final dividend requires the approval of shareholders in general meeting.

Election and re-election of directors

4 To elect Mr R P Stockton as a director of the Company.

5 To re-elect Mr O R P Corbett as a director of the Company.

6 To re-elect Mr M Robertshaw as a director of the Company.

Biographical details of the directors seeking election or re-election can be found on pages 24 to 26 . Paul Stockton was appointed to the Board on 24 September 2008. Article 95 of the Articles of Association of the Company requires that each director who has not been elected or re-elected by the members at either of the two immediately previous Annual General Meetings shall retire from office and seek election or re-election. Following formal performance evaluation by the Board and individual appraisal by the Chairman, the Board confirms that all directors seeking election or re-election continue to be effective and demonstrate commitment to the role.

Auditors

7 To appoint PricewaterhouseCoopers LLP as auditors until the conclusion of the next Annual General Meeting before which accounts are laid.

8 To authorise the directors to agree the remuneration of the auditors.

The auditors of a public company must be appointed for each financial year at the meeting at which the accounts for the previous financial year are laid.

Political donations

9 That in accordance with section 366 of the Companies Act 2006 the Company and any company which is or becomes a subsidiary of the Company during the period to which this resolution relates be and is hereby authorised:
(a) to make political donations to political parties, political organisations or independent election candidates; and
(b) to incur political expenditure,

Political donations continued

Provided that:

(i) the authority conferred by this resolution shall commence on the date on which it is passed and expire 15 months after the passing of this resolution or, if earlier, on the date of the next Annual General Meeting (or adjournment thereof) after the passing of this resolution;

(ii) the aggregate amount of such donations and expenditure shall not exceed £50,000 and the amount authorised under each of paragraphs (a) and (b) above shall also be limited to such amount; and

(iii) in this resolution the expressions 'political donation', 'political parties', 'political organisation', 'political expenditure' and 'independent election candidate' have the meanings set out in Part 14 of the Companies Act 2006.

Part 14 of the Companies Act 2006 prohibits the Company and its subsidiaries from making donations of more than £5,000 in any twelve month period to a political party or other political organisations or to an independent election candidate unless they have been authorised to make donations by the Company's shareholders.

The Company has a policy that it does not make donations to political parties, political organisations or independent election candidates and the Board will not use these authorities, if given, to do so. However, the Companies Act 2006 includes broad and ambiguous definitions of political donations and expenditure, which may have the effect of covering some normal business activities, and therefore presents potential for inadvertent or technical breach. The Board therefore considers that it would be prudent to obtain shareholder approval for the Company to make donations to political parties, political organisations and independent election candidates and to incur political expenditure up to the specified limit in the forthcoming year.

Authority to allot relevant securities

10 (a) That the directors be and they are hereby generally and unconditionally authorised in accordance with section 80 of the Companies Act 1985 (the 'Act') to exercise all the powers of the Company to allot:

(i) relevant securities (as defined in section 80 of the Act) up to an aggregate nominal amount of £700,000; and

(ii) equity securities (as defined in section 94 of the Act) up to a further aggregate nominal amount of £700,000 in connection with an offer by way of a rights issue,

such authorities to expire 15 months after the passing of this resolution or, if earlier, on the date of the next Annual General Meeting (or adjournment thereof) after the passing of this resolution. Notwithstanding such expiry, the authorities shall in each case still permit the Company to make allotments of relevant securities in respect of offers or agreements made before such expiry, which would or might require relevant securities to be allotted after such expiry. All previous authorities to directors pursuant to section 80 of the Act are hereby revoked without prejudice to any allotment of securities pursuant thereto.

(b) For the purposes of this resolution 'rights issue' means an offer to ordinary shareholders in proportion (as nearly as may be practicable) to their existing holdings (and, if applicable, to the holders of any other class of equity security in accordance with the rights attached to such class) to subscribe further securities by means of the issue of a renounceable letter (or other negotiable document) which may be traded for a period before payment for the securities is due, subject to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to (i) fractions of such securities, (ii) the issue, transfer and/or holding of any securities in certificated form or in uncertificated form, (iii) the use of one or more currencies for making payments in respect of such offer, (iv) any such shares or other securities being represented by depositary receipts, (v) treasury shares or (vi) any legal or practical problems arising under the laws of, or the requirements of any regulatory body or any stock exchange, in any territory.

Paragraph (a)(i) of this resolution is proposed annually in order to provide a measure of authority to the directors to allot ordinary shares, limited to approximately 33% of the issued share capital of the Company at 3 March 2009, in circumstances defined by the resolution so as to enable them to respond, in the interests of the Company, to any appropriate opportunities that may arise.

In addition, this resolution seeks to authorise the directors to allot more ordinary shares, limited to the amount set out in paragraph (a)(ii) being approximately a further 33% of the issued share capital of the Company at 3 March 2009. This authority may be used for fully pre-emptive rights issues and is consistent with guidance issued by the Association of British Insurers on 31 December 2008.

Power to waive pre-emption rights

11 (a) That the directors be and they are hereby empowered in accordance with section 95 of the Companies Act 1985 (the 'Act') to allot equity securities (as defined in section 94 of the Act), payment for which is to be wholly in cash:

(i) pursuant to the authority given by paragraph (a)(i) of resolution 10 in the notice of this meeting:

(A) in connection with any rights issue, open offer or other pre-emptive offer, open for acceptance for a period determined by the directors, to the holders of ordinary shares on the register on any fixed record date in proportion to their holdings of ordinary shares (and, if applicable, to the holders of any other class of equity security in accordance with the rights attached to such class), subject to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to (i) fractions of such securities, (ii) the issue, transfer and/or holding of any securities in certificated form or in uncertificated form, (iii) the use of one or more currencies for making payments in respect of such offer, (iv) any such shares or other securities being represented by depositary receipts, (v) treasury shares or (vi) any legal or practical problems arising under the laws of, or the requirements of any regulatory body or any stock exchange in, any territory; and

(B) other than pursuant to paragraph (a)(i)(A) above, up to an aggregate nominal amount of £100,000; and

(ii) pursuant to the authority given by paragraph (a)(ii) of resolution 10 in the notice of this meeting in connection with a rights issue:

as if section 89(1) of the Act did not apply to any such allotment. References herein to the allotment of equity securities shall include the sale of treasury shares (within the meaning of section 162A of the Act).

(b) The powers given by this resolution shall expire 15 months after the passing of this resolution or, if earlier, on the date of the next Annual General Meeting (or adjournment thereof) after the passing of this resolution. Notwithstanding such expiry, the authority shall still permit the Company to make allotments of equity securities in respect of offers or agreements made before such expiry which would or might require equity securities to be allotted after such expiry. All previous disapplications of section 89(1) of the Act are hereby revoked without prejudice to any allotment of securities pursuant thereto.

(c) For the purposes of this resolution 'rights issue' has the same meaning as in resolution 10 in the notice of this meeting.

This first special resolution seeks authority, limited to approximately 5% of the issued share capital of the Company at 3 March 2009, regarding allotments, other than to members proportionately to their respective shareholdings and for which payment is to be wholly in cash. Additionally, the resolution seeks authority for the Company to sell or otherwise deal with treasury shares (being shares acquired and held by the Company) without necessarily involving shareholders. Over the three years to 31 December 2008, shares with a nominal value of £79,594 were allotted for cash, representing 3.7% of the issued share capital at that date. This compares with institutional shareholder guideline limits of 7.5% in any three-year period.

Renewal of this limited authority will enable the directors to issue shares, in the interests of the Company, in response to any appropriate opportunities that may arise. For transactions of a substantial nature involving the allotment of shares, it is normal for the UK Listing Authority or company law to require shareholder approval for the specific transaction notwithstanding this general authority.

Authority to purchase ordinary shares

12 That the directors be and they are hereby granted pursuant to Article 12 of the Articles of Association of the Company general and unconditional authority to make market purchases (as defined by section 163(3) of the Companies Act 1985) of any of its ordinary shares of 5p each upon and subject to the following conditions:

(a) the maximum number of ordinary shares in the Company hereby authorised to be acquired is 2,000,000 shares (being approximately 5% of the issued share capital of the Company at 3 March 2009);

(b) the minimum price which may be paid for an ordinary share is 5p;

Authority to purchase ordinary shares continued

(c) the maximum price which may be paid for an ordinary share is the higher of (i) an amount equal to 105% of the average of the middle market quotations for an ordinary share taken from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the share is purchased and (ii) the amount stipulated by Article 5(i) of the Buy-back and Stabilisation Regulation 2003 (in each case, exclusive of expenses); and

(d) the authority hereby conferred shall (unless previously renewed) expire 15 months after the passing of this resolution or, if earlier, on the date of the next Annual General Meeting (or adjournment thereof) after the passing of this resolution except that the Company may at any time prior to the expiry of such authority enter into a contract for the purchase of ordinary shares which would or might be completed wholly or partly after the expiry of such authority and may complete a purchase of ordinary shares in pursuance of any such contract.

This second special resolution is to renew the authority granted to the directors at the Annual General Meeting on 7 May 2008 to purchase the Company's own ordinary shares under certain stringent conditions. The authority will be used only when the directors consider that it would be advantageous to the Company and the effect would be to enhance earnings per share. Shares purchased will be held as treasury shares as defined in section 162A of the Companies Act 1985.

At 3 March 2009 there were options outstanding to subscribe for 906,963 new ordinary shares in the Company. This represents approximately 2.1% of the issued ordinary share capital of the Company at that date and would represent approximately 2.2% if the authority to buy back shares under this resolution were used in full.

Authority for the convening of general meetings of the Company on 14 clear days' notice

13 That any general meeting of the Company, other than an Annual General Meeting, may be convened by the giving of not less than 14 clear days' notice.

This third special resolution is required to reflect the proposed implementation in August 2009 of the Shareholder Rights Directive. The regulation implementing this Directive will increase the notice period for general meetings of the Company to 21 days. The Company is currently able to call general meetings (other than an Annual General Meeting) on 14 clear days' notice and would like to preserve this ability. In order to be able to do so after the implementation of the Directive, shareholders must have approved the calling of meetings on 14 days' notice. Resolution 13 seeks such approval. The approval will be effective until the Company's next Annual General Meeting, when it is intended that a similar resolution will be proposed. The Company will also need to meet the requirements for electronic voting under the Directive before it can call a general meeting on 14 days' notice.

Amendment to the Articles of Association

14 That with effect from 00.01 a.m. on 1 October 2009:

(a) the Articles of Association of the Company be amended by deleting all the provisions of the Company's Memorandum of Association which, by virtue of section 28 of the Companies Act 2006, are to be treated as provisions of the Company's Articles of Association; and

(b) the Articles of Association produced to the meeting and initialled by the Chairman of the meeting for the purpose of identification be adopted as the Articles of Association of the Company in substitution for, and to the exclusion of, the existing Articles of Association.

It is proposed in special resolution 14 to adopt new Articles of Association (the 'New Articles') in order to update the Company's current Articles of Association to take account of changes in applicable company law brought about by the Companies Act 2006 (the '2006 Act'). The 2006 Act is being implemented in phases with additional provisions being brought into force on 1 October 2009. Accordingly, the resolution adopting the New Articles will only become effective on 1 October 2009. The principal changes introduced in the New Articles are summarised below:

(i) The Company's objects

The provisions regulating the operations of the Company are currently set out in the Company's Memorandum and Articles of Association. The Company's Memorandum contains, among other things, the objects clause which sets out the scope of the activities which the Company is authorised to undertake. This is drafted to give a wide scope.

Amendment to the Articles of Association continued

The 2006 Act significantly reduces the constitutional significance of a company's memorandum. The 2006 Act provides that a memorandum will record only the names of subscribers and the number of shares each subscriber has agreed to take in the company. The objects clause and all other provisions which are currently contained in a company's memorandum will be deemed to be contained in a company's articles of association with effect from 1 October 2009. The Company can remove these provisions by special resolution.

Further, the 2006 Act abolishes the need for companies to have objects clauses. For this reason the Company is proposing to remove its objects clause together with the other provisions of its Memorandum which will be deemed to be contained in its Articles of Association with effect from 1 October 2009. Resolution 14(a) confirms the removal of these provisions for the Company. As the effect of this resolution will be to remove the statement currently in the Company's Memorandum of Association regarding limited liability, the New Articles also contain an express statement regarding the limited liability of the shareholders.

(ii) Authorised share capital and unissued shares

The 2006 Act abolishes the requirement for a company to have an authorised share capital and the New Articles reflect this. Directors will still be limited as to the number of shares they can at any time allot because allotment authority continues to be required under the 2006 Act, save in respect of employee share schemes.

The New Articles showing all the changes to the existing Memorandum and Articles of Association are available for inspection, as noted on page129 of this document.

By Order of the Board

Richard Loader
Company secretary

31 March 2009

Registered Office:
159 New Bond Street
London W1S 2UD

Notes

1 Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001 and subject to the provisions for proxies, the Company specifies that only those shareholders registered in the register of members of the Company as at 6.00pm on 5 May 2009 (or, if the meeting is adjourned, 6.00pm on the day two days prior to the day fixed for the adjourned meeting) shall be entitled to attend or vote at the meeting in respect of the number of shares registered in their name at that time. Subsequent changes to the entries on the register will be disregarded in determining the rights of any person to attend or to vote at the meeting.

2 Members entitled to attend, speak and vote are entitled, if they so wish, to appoint one or more proxies to attend, speak and vote in their stead provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member. A proxy need not be a member. Proxy forms should be completed and returned to the Company's Registrars, Equiniti, at Aspect House, Spencer Road, Lancing, West Sussex BN99 6ZL by no later than 12.00 noon on 5 May 2009. The completion and return of the form of proxy will not prevent you from attending and voting at the Annual General Meeting if you so wish.

The 'vote withheld' option is provided on the proxy card 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 votes 'for' and 'against' a resolution.

3 CREST members who wish to appoint a proxy or proxies through CREST electronic proxy appointment service may do so for the Annual General Meeting to be held on Thursday 7 May 2009 and any adjournment thereof by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider, should refer to their CREST sponsor or voting service provider, who will be able to take the appropriate action on their behalf.

In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a 'CREST Proxy Instruction') must be properly authenticated in accordance with the specifications of CREST's operator, Euroclear UK & Ireland Limited ('Euroclear') and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by Equiniti (ID RA19) by no later than 12.00 noon on 5 May 2009. No message received through the CREST network after this time will be accepted. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which our registrars are able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider, to procure that his CREST sponsor or voting service provider take) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

4 Any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a 'Nominated Person') may, under an agreement between him/her and the shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the Annual General Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.

5 The statement of rights of members in relation to the appointment of proxies in paragraphs 2 and 3 above does not apply to Nominated Persons. The rights described in these paragraphs can only be exercised by shareholders of the Company.

6 As at 4 March 2009 (being the last practicable date prior to the printing of this Notice) the Company's issued share capital consists of 42,858,196 ordinary shares, carrying one vote each. Therefore, the total voting rights in the Company as at 4 March 2009 are 42,858,196.

7 A memorandum of the terms of all contracts of service between Directors and the Company (or any of its subsidiaries) is available for inspection at the Registered Office during business hours on any weekday (public holidays excluded). The memorandum will also be available for inspection at the place of the Annual General Meeting for at least 15 minutes prior to the meeting and during the meeting. In addition, a copy of the proposed new Articles of Association of the Company and a copy of the existing Memorandum and Articles of Association of the Company marked to show the changes being proposed by resolution 14 will be available for inspection at the Registered Office during business hours on any weekday (public holidays excluded) from 31 March 2009 to the date of the meeting, and at the place of the Annual General Meeting for at least 15 minutes prior to the meeting, and during the meeting.

8 In order to facilitate voting by corporate representatives at the meeting, arrangements will be put in place at the meeting so that (i) if a corporate shareholder has appointed the Chairman of the meeting as its corporate representative to vote on a poll in accordance with the directions of all of the other corporate representatives for that shareholder at the meeting, then on a poll those corporate representatives will give voting directions to the Chairman and the Chairman will vote (or withhold a vote) as corporate representative in accordance with those directions; and (ii) if more than one corporate representative for the same corporate shareholder attends the meeting but the corporate shareholder has not appointed the Chairman of the meeting as its corporate representative, a designated corporate representative will be nominated, from those corporate representatives who attend, who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative. Corporate shareholders are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives (www.icsa.org.uk) for further details of this procedure.

Five year record

	IFRS 2008 £'000	IFRS 2007 £'000	IFRS 2006 £'000	IFRS 2005 £'000	IFRS 2004 £'000
Total revenue	**178,351**	178,261	163,348	135,064	110,280
Operating income	**131,751**	134,480	133,686	113,185	95,527
Operating profit	**44,160**	47,302	44,720	36,679	28,492
Exceptional items	**(1,404)**	–	–	(1,381)	–
Profit before tax	**42,756**	47,302	44,720	35,298	28,492
Tax	**(13,489)**	(14,212)	(12,582)	(10,617)	(8,540)
Profit after tax	**29,267**	33,090	32,138	24,681	19,952
Equity dividends paid and proposed	**(17,984)**	(17,479)	(14,786)	(12,351)	(11,221)
Basic earnings per share	**68.47p**	77.79p	76.62p	60.13p	48.99p
Diluted earnings per share	**67.90p**	76.54p	74.71p	58.84p	48.07p
Net dividends per ordinary share	**42.0p**	41.0p	35.0p	30.0p	27.5p
Equity shareholders' funds	**184,631**	184,750	159,149	130,417	117,440
Total funds under management	**£10.46bn**	£13.12bn	£12.24bn	£9.48bn	£7.68bn

The amounts disclosed for 2004 to 2006 include the results of operations that were discontinued in 2008.

Corporate information

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159 New Bond Street
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Registrars and transfer office

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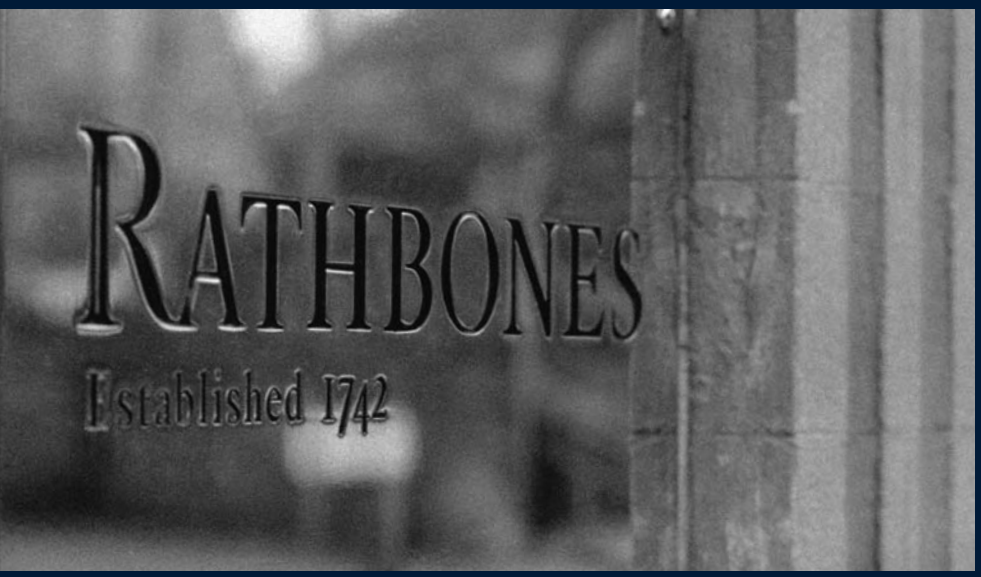
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