

Rathbone Brothers Plc Interim statement 2008



RATHBONES
Established 1742

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

As at 30 June 2008, it managed £12.0 billion of client funds, including £1.5 billion managed by Rathbone Unit Trust Management.

Highlights to 30 June 2008

7 January

Three investment managers join Rathbone Investment Management International.

1 April

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

7 May

Rathbones announces it is to open a new office in Birmingham.

13 May

New finance director Paul Stockton's appointment (from late summer 2008) is announced.

21 May

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

6 June

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

Rathbones announces the third senior investment professional joins the charity team in the last six months.

Financial highlights

	Half year 2008	Half year 2007	% change	Full year 2007
Funds under management	£12.0bn	£13.3bn	-8.4%*	£13.1bn
Operating income (continuing)	£70.2m	£67.9m	+3.4%	£138.7m
Profit before tax (continuing)	£24.0m	£23.4m	+2.6%	£47.5m
Underlying profit before tax**	£24.0m	£23.4m	+2.6%	£46.2m
Basic earnings per share (continuing)	41.0p	40.0p	+2.5%	78.3p
Dividends per share	16.0p	16.0p	–	41.0p

* % change from 2007 full year

** Underlying profit before tax is calculated as profit from continuing operations before tax excluding gains on disposal of London Stock Exchange Plc shares of £nil (30 June 2007: £nil, 31 December 2007: £1.3 million).

Chairman's statement

Our results for the half year to 30 June 2008 show further progress for Rathbones, and at 8.2%, the highest underlying rate of net organic growth in funds under management in our core business that we have reported, in what has developed into volatile and difficult conditions in financial markets.

Profits before tax from continuing operations were £24.0 million, compared with £23.4 million in the same period in 2007, an increase of 2.6%. Full year profits from continuing operations for 2007 were £47.5 million, including profits arising from a part disposal of our investment in London Stock Exchange Group Plc of £1.3 million.

Reported basic earnings per share from continuing operations for the period are 40.97p, compared with 40.04p in the first half of 2007. The interim dividend is maintained at 16p per share and will be payable on 8 October 2008.

At the start of the year markets were preoccupied with the difficulties associated with losses being incurred by banks, arising from sub-prime mortgages in the USA and the subsequent lack of liquidity in money markets. The subsequent increase in short-term money market rates in the UK and elsewhere, and a sharp deterioration in property values has led to fears of further losses for banks; several of which have sought to raise substantial amounts of additional equity capital in order to restore their financial ratios.

Rises in commodity prices have contributed to a rise in the reported rate of inflation and to expectations of still higher inflation, at a time of weakening economic activity.

The strength of the euro against sterling and political uncertainties in the UK have contributed to a growing sense of unease in financial markets.

These market conditions have provided challenging conditions for all investors and investment managers. However, at the half year the total funds under management in Rathbone Investment Management were £10.5 billion, a decrease of 6.3% compared with a decrease of 9.8% in the FTSE/APCIMS Balanced Index and 12.9% in the FTSE 100 Index.



During this period net new funds under management, measured as the value of new funds less the value of withdrawn funds, of £525 million were attracted and our growing charities investment management team has been especially successful in attracting new client accounts.

The volatile market conditions have resulted in an increase in the proportion of clients' assets held as cash; with client deposits increasing by 16.5% to £1.1 billion. This in turn has led to an increase in the funds that we have invested in the money markets, as a provider of liquidity. Market conditions have created higher interest margins. These two factors together have increased interest income by 57.6% to £34.2 million leading to a rise in net interest income of 65.9% to £13.9 million.

Our policy of investing only in high quality and readily realisable assets, issued by institutions rated 'A' or higher, has ensured that the strength of our balance sheet has not been adversely affected by market conditions. We continue to hold a level of capital that provides appropriate headroom over the regulatory minimum.

We have selectively sought to expand our network of offices by the acquisition of Citywall Financial Management to create a new Rathbones presence in Exeter and recruitment of investment managers to enable us to open a new office in Birmingham. Later in the year we expect to open in Aberdeen. We have extended our specialist ethical investment service by launching Rathbone Greenbank Investments from our office in Liverpool to work alongside the existing team in Bristol.

Our unit trust management company has, in common with other unit trust managers, experienced net redemptions of £110 million reflecting market conditions and a downturn in performance in some of our funds.

Potential disposal

On 17 July 2008 we announced our intention to dispose of our trust businesses in Jersey and Singapore. This disposal reflects the changing climate for the use of offshore structures and services, and a belief that these businesses are best owned offshore by their management.

Discussions are also taking place on the most appropriate ownership structure of Rathbones' Swiss and BVI trust businesses.

These disposal plans do not in any way affect our trust and tax services in the UK which we are confident will continue to form an important part of our offering to clients, through all of our offices in the UK. Nor does it affect our offshore investment management business in Jersey (Rathbones Investment Management International).

Composition of the Board

In May we announced the recruitment of Paul Stockton as finance director with effect from August this year. He will join us with extensive and relevant experience in our sector and as a finance director.

Outlook

The uncertainties and volatilities created by the crisis in credit markets and the consequent effect on property values and the reported rises in inflation seem likely to create challenging markets for the rest of this calendar year. These conditions will also provide attractive investment opportunities for the longer-term and call for precisely the investment management skills that we seek to provide to all of our clients. We face the medium and long-term future with guarded optimism.



Mark Powell
Chairman
23 July 2008

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.

Group activities

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 also 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. Activities of other overseas subsidiary companies, which trade as Rathbone Trust International, currently comprise trust and company formation and administration services undertaken from offices in Jersey, Geneva, Singapore and the British Virgin Islands.

On 17 July 2008 the Group announced the planned sale (by way of management buy out) of the Jersey and Singapore trust businesses.

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



Key events

A summary of the operational highlights and their impact on the performance and financial position of the Group is given in the Chairman's statement.

Related parties

Related party disclosures are given in note 16.

Principal risks

The principal risks that face the Group are described in the Chairman's statement and in section 6 of the Business review in the Group's Report and accounts prepared as at 31 December 2007. There have been no changes to the principal risks during the six months ended 30 June 2008.

Capital resources

Under the Capital Requirements Directive, the Group is required to make Pillar 3 disclosure of additional information on its risk management framework, capital resources and individual risks. These disclosures will be published on the Group's website (www.rathbones.com) in October 2008.

Forward looking statements

This interim statement 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 interim statement. Forward looking statements contained within the interim statement should be treated with some caution due to the inherent uncertainties, including economic, regulatory and business risk factors, underlying any such forward looking statements. We undertake no obligation to update any forward looking statements whether as a result of new information, future events or otherwise.

The interim statement 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.


Statement of directors' responsibilities

The directors' confirm that:

- this condensed set of financial statements has been prepared in accordance with IAS 34 as adopted by the European Union;
- the interim management report, incorporating the Chairman's statement and other information where referenced, includes a fair view of the information required by the Disclosure and Transparency Rules of the UK Financial Services Authority (DTR) 4.2.7 (indication of important events during the first six months and description of principal risks for the remaining six months of the year); and
- the interim management report, incorporating the Chairman's statement and other information where referenced, includes a fair view of the information required by DTR 4.2.8 (disclosures of related parties' transactions and changes therein).

The directors of Rathbone Brothers Plc are listed in the Group's report and accounts prepared as at 31 December 2007. There have been no changes to the directors in the six months ended 30 June 2008.

By order of the Board



Andy Pomfret
Chief Executive
23 July 2008

Consolidated interim income statement

for the six months ended 30 June 2008

	Note	Unaudited Six months to 30 June 2008 £'000	Unaudited Six months to 30 June 2007 £'000 (restated – note 1)	Audited Year to 31 December 2007 £'000 (restated – note 1)
Interest and similar income		34,196	21,703	51,583
Interest expense and similar charges		(20,317)	(13,339)	(32,282)
Net interest income		13,879	8,364	19,301
Fee and commission income		59,677	63,701	126,284
Fee and commission expense		(4,593)	(5,687)	(11,499)
Net fee and commission income		55,084	58,014	114,785
Dividend income		48	19	67
Net trading income		272	812	1,676
Net income from sale of available for sale securities		–	–	1,297
Other operating income		940	723	1,555
Operating income		70,223	67,932	138,681
Operating expenses		(46,222)	(44,546)	(91,152)
Profit before tax from continuing operations		24,001	23,386	47,529
Taxation	4	(6,504)	(6,398)	(14,218)
Profit after tax from continuing operations		17,497	16,988	33,311
Discontinued operations				
Profit before tax from discontinued operations		1,815	2,473	4,695
Tax credit/(charge) on profit before tax from discontinued operations		106	(624)	(626)
Loss recognised on re-measurement of assets of the disposal group		(5,690)	–	–
Net (loss)/profit from discontinued operations	5	(3,769)	1,849	4,069
Profit for the period attributable to equity holders of the Company		13,728	18,837	37,380
Dividends proposed for the period per ordinary share	6	16.00p	16.00p	41.00p
Dividends (£'000)		6,839	6,817	17,479
Earnings per share for the period attributable to equity holders of the Company:	7			
– Basic		32.15p	44.40p	87.88p
– Diluted		31.92p	43.64p	86.46p
Earnings per share from profit from continuing operations for the period attributable to equity holders of the Company:	7			
– Basic		40.97p	40.04p	78.31p
– Diluted		40.68p	39.36p	77.05p

Consolidated interim balance sheet

as at 30 June 2008

	Note	Unaudited 30 June 2008 £'000	Unaudited 30 June 2007 £'000	Audited 31 December 2007 £'000
Assets				
Cash and balances at central banks		279	280	275
Settlement balances		33,001	41,169	21,573
Loans and advances to banks		248,103	213,334	250,103
Loans and advances to customers		33,833	38,593	39,380
Investment securities				
– available for sale		53,541	6,374	6,948
– held to maturity		875,783	568,401	765,274
Non-current assets held for sale	5	32,432	–	–
Intangible assets		62,982	84,260	85,734
Property, plant and equipment	8	6,316	7,834	8,131
Deferred tax asset		4,265	2,810	3,528
Prepayments, accrued income and other assets		48,786	45,624	45,677
Total assets		1,399,321	1,008,679	1,226,623
Liabilities				
Deposits by banks	9	12,211	13,803	12,460
Settlement balances		40,489	46,657	19,926
Due to customers		1,102,432	724,968	946,608
Accruals, deferred income and other liabilities		39,479	31,615	41,478
Current tax liabilities		4,515	6,327	6,790
Provisions for liabilities and charges	10	3,716	9,484	8,159
Non-current liabilities held for sale	5	3,673	–	–
Retirement benefit obligations	11	12,540	2,100	6,452
Total liabilities		1,219,055	834,954	1,041,873
Equity				
Share capital	12	2,137	2,130	2,134
Share premium	12	28,169	27,115	27,758
Other reserves	13	51,723	53,566	54,181
Retained earnings	13	98,237	90,914	100,677
Total equity		180,266	173,725	184,750
Total equity and liabilities		1,399,321	1,008,679	1,226,623

Approved by the Board of Directors on 23 July 2008

Consolidated interim cash flow statement

for the six months ended 30 June 2008

	Note	Unaudited Six months to 30 June 2008 £'000	Unaudited Six months to 30 June 2007 £'000 (restated – note1)	Audited Year to 31 December 2007 £'000 (restated – note1)
Cash flows from operating activities				
Profit before tax		24,001	23,386	47,529
Net interest income		(13,879)	(8,364)	(19,301)
Net income from sale of available for sale securities		–	–	(1,297)
Impairment losses on loans and advances		139	139	102
Profit on disposal of plant and equipment		(51)	(13)	(2)
Depreciation and amortisation		2,135	1,931	4,230
Defined benefit pension scheme charges		1,375	1,250	2,554
Share based payment charges		759	1,458	2,692
Interest paid		(21,910)	(14,246)	(31,525)
Interest received		51,468	34,280	46,994
		44,037	39,821	51,976
Changes in operating assets and liabilities:				
– net decrease in loans and advances to banks and customers		12,092	17,541	14,867
– net (increase) in settlement balance debtors		(11,428)	(21,541)	(1,945)
– net (increase) in prepayments, accrued income and other assets		(21,694)	(16,999)	(2,109)
– net increase in amounts due to customers and deposits by banks		154,164	61,858	280,791
– net increase in settlement balance creditors		20,563	28,579	1,848
– net (decrease)/increase in accruals, deferred income, provisions and other liabilities		(4,180)	1,201	9,001
Cash generated from operations		193,554	110,460	354,429
Defined benefit pension contributions paid		(1,379)	(4,897)	(6,595)
Tax paid		(5,361)	(6,302)	(12,736)
Discontinued operations		1,639	1,511	3,101
Net cash inflow from operating activities		188,453	100,772	338,199
Cash flows from investing activities				
Acquisition of businesses, net of cash acquired		(734)	(298)	(422)
Purchase of property, equipment and intangible assets		(2,551)	(5,682)	(9,815)
Proceeds from sale of property and equipment		121	13	29
Purchase of investment securities		(1,292,026)	(495,489)	(1,276,420)
Proceeds from sale and redemption of investment securities		1,181,519	485,455	1,070,811
Discontinued operations		(74)	(181)	(369)
Net cash (used in) investing activities		(113,745)	(16,182)	(216,186)
Cash flows from financing activities				
Purchase of shares for share based schemes		(1,453)	(3,033)	(3,210)
Issue of ordinary shares	15	414	2,316	2,963
Dividends paid		(10,662)	(9,107)	(15,914)
Net cash (used in) financing activities		(11,701)	(9,824)	(16,161)
Net increase/(decrease) in cash and cash equivalents		63,007	74,766	105,852
Cash and cash equivalents at the beginning of the period		214,220	108,343	108,343
Effect of exchange rate changes on cash and cash equivalents		58	(63)	25
Cash and cash equivalents at the end of the period	15	277,285	183,046	214,220

Consolidated interim statement of recognised income and expense

for the six months ended 30 June 2008

	Unaudited Six months to 30 June 2008 £'000	Unaudited Six months to 30 June 2007 £'000	Audited Year to 31 December 2007 £'000
Profit for the period	13,728	18,837	37,380
Exchange translation differences	92	(77)	14
Actuarial (loss)/gain on retirement benefit obligation	(6,092)	5,016	270
Revaluation of available for sale investment securities:			
– net (loss)/gain from changes in fair value	(3,542)	221	2,069
– net profit on disposal transferred to income during the period	–	–	(1,297)
	(3,542)	221	772
Deferred tax on equity items:			
– available for sale investment securities	992	(66)	(93)
– actuarial gains and losses	1,706	(1,505)	34
– share based payments	(426)	517	694
	2,272	(1,054)	635
Net (loss)/income recognised directly in equity	(7,270)	4,106	1,691
Recognised income and expense for the period attributable to equity holders of the Company	6,458	22,943	39,071

Notes to the consolidated interim accounts

for the six months ended 30 June 2008

1 Basis of preparation

The Group's consolidated accounts are prepared in accordance with International Financial Reporting Standards as adopted by the EU (IFRS). These interim accounts are presented in accordance with IAS 34 "Interim Financial Reporting". The interim accounts have been prepared on the basis of the accounting policies, methods of computation and presentation set out in the Group's consolidated accounts for the year ended 31 December 2007. The interim accounts should be read in conjunction with the Group's audited accounts for the year ended 31 December 2007.

Comparative balances have been restated in the Income statement, the 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. Further details are set out in note 5.

The information in this announcement does not comprise Statutory Accounts within the meaning of section 240 of the Companies Act 1985 (section 434 of the Companies Act 2006). The Group's accounts for the year ended 31 December 2007 have been reported on by the auditors and delivered to the Registrar of Companies. The report of the auditors was unqualified and did not draw attention to any matters by way of emphasis. They also did not contain a statement under section 237(2) or (3) of the Companies Act 1985 (section 498 of the Companies Act 2006).

2 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 Services. These divisions are the basis on which the Group reports its primary segment information. A reconciliation of total gross revenues to the Income statement is included in note 2(c).

30 June 2008 (unaudited)	Investment management £'000	Unit trusts £'000	Trust and tax services £'000	Central costs allocated to discontinued operations £'000	Eliminations £'000	Total £'000
External revenues (continuing)	77,952	11,753	5,428		-	95,133
External revenues (discontinued)	-	-	7,650		-	7,650
Revenues from other segments	671	-	-		(671)	-
	78,623	11,753	13,078		(671)	102,783
Unallocated external revenues						-
Total gross revenues (note 2c)						102,783
Segment result (continuing)	21,960	2,152	200	(311)		24,001
Segment result (discontinued)	-	-	(3,875)	-		(3,875)
	21,960	2,152	(3,675)	(311)		20,126
Unallocated items						-
Profit before tax						20,126
Taxation (continuing)						(6,504)
Taxation (discontinued)						106
Profit for the period						13,728
Segment assets	1,303,457	18,818	57,146			1,379,421
Unallocated assets						19,900
Total assets						1,399,321
Segment liabilities	1,157,190	12,742	19,441			1,189,373
Unallocated liabilities						29,682
Total liabilities						1,219,055
Other segment items:						
Capital expenditure	2,061	97	196			2,354
Depreciation and amortisation	1,886	72	177			2,135
Other non-cash expenses	575	38	198			811
Provisions charged in the period	42	-	-			42
Provisions utilised in the period	3,777	-	232			4,009

30 June 2007 (unaudited)
(restated – note 1)

	Investment management £'000	Unit trusts £'000	Trust and tax services £'000	Central costs allocated to discontinued operations £'000	Eliminations £'000	Total £'000
External revenues (continuing)	67,278	15,015	4,665		–	86,958
External revenues (discontinued)	–	–	7,788		–	7,788
Revenues from other segments	822	–	–		(822)	–
	68,100	15,015	12,453		(822)	94,746
Unallocated external revenues						–
Total gross revenues (note 2c)						94,746
Segment result (continuing)	20,275	3,719	(140)	(468)		23,386
Segment result (discontinued)	–	–	2,473	–		2,473
	20,275	3,719	2,333	(468)		25,859
Unallocated items						–
Profit before tax						25,859
Taxation (continuing)						(6,398)
Taxation (discontinued)						(624)
Profit for the period						18,837
Segment assets	907,034	23,882	56,971			987,887
Unallocated assets						20,792
Total assets						1,008,679
Segment liabilities	776,336	16,624	17,972			810,932
Unallocated liabilities						24,022
Total liabilities						834,954
Other segment items:						
Capital expenditure	5,287	152	293			5,732
Depreciation and amortisation	1,705	71	155			1,931
Other non-cash expenses	1,012	129	200			1,341
Provisions charged in the period	210	–	628			838
Provisions utilised in the period	2,383	–	–			2,383

2 Segmental information continued**(a) Business segments** continued

31 December 2007 (audited) (restated – note 1)	Investment management £'000	Unit trusts £'000	Trust and tax services £'000	Central costs allocated to discontinued operations £'000	Eliminations £'000	Total £'000
External revenues (continuing)	141,078	30,303	9,784		–	181,165
External revenues (discontinued)	–	–	16,130		–	16,130
Revenues from other segments	1,606	–	–		(1,606)	–
	142,684	30,303	25,914		(1,606)	197,295
Unallocated external revenues						1,297
Total gross revenues (note 2c)						198,592
Segment result (continuing)	40,091	6,880	58	(797)		46,232
Segment result (discontinued)	–	–	4,695	–		4,695
	40,091	6,880	4,753	(797)		50,927
Unallocated items (continuing)						1,297
Profit before tax						52,224
Taxation (continuing)						(14,218)
Taxation (discontinued)						(626)
Profit for the year						37,380
Segment assets	1,115,899	27,837	59,722			1,203,458
Unallocated assets						23,165
Total assets						1,226,623
Segment liabilities	974,760	21,390	18,462			1,014,612
Unallocated liabilities						27,261
Total liabilities						1,041,873
Other segment items:						
Capital expenditure	8,718	262	616			9,596
Depreciation and amortisation	3,724	148	358			4,230
Other non-cash expenses	1,852	256	349			2,457
Provisions charged in the period	1,080	–	813			1,893
Provisions utilised in the period	5,512	–	801			6,313

(b) Geographical segments

The Group's operations are located in the United Kingdom, Jersey, Switzerland, the British Virgin Islands and Singapore.

The following table provides an analysis of the Group's revenues by geographical market, by origin of the services:

Total gross revenues by geographical market

	Unaudited Six months to 30 June 2008 £'000	Unaudited Six months to 30 June 2007 £'000	Audited Year to 31 December 2007 £'000
United Kingdom	89,185	82,051	171,556
Jersey	10,475	10,410	21,686
Rest of the world	3,123	2,285	5,350
Total gross revenues (note 2c)	102,783	94,746	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

	Unaudited Six months to 30 June 2008 £'000	Unaudited Six months to 30 June 2007 £'000	Audited Year to 31 December 2007 £'000
United Kingdom	1,325,121	937,467	1,145,684
Jersey	33,298	31,733	37,123
Rest of the world	21,002	18,687	20,651
	1,379,421	987,887	1,203,458

Additions to property, plant and equipment and intangible assets

	Unaudited Six months to 30 June 2008 £'000	Unaudited Six months to 30 June 2007 £'000	Audited Year to 31 December 2007 £'000
United Kingdom	2,340	5,724	9,790
Jersey	58	168	296
Rest of the world	17	8	23
	2,415	5,900	10,109

(c) Total gross revenues

	Unaudited Six months to 30 June 2008 £'000	Unaudited Six months to 30 June 2007 £'000	Audited Year to 31 December 2007 £'000
Interest and similar income	34,196	21,703	51,583
Fee and commission income	59,677	63,701	126,284
Dividend income	48	19	67
Net trading income	272	812	1,676
Net income from sale of available for sale securities	–	–	1,297
Other operating income	940	723	1,555
Revenue from discontinued operations	7,650	7,788	16,130
Total gross revenues	102,783	94,746	198,592

3 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	1,000		
Total net assets acquired	1,945		

Included within the consolidated income statement for the six months ended 30 June 2008 is a profit before tax of £103,000 relating to the acquired business. If the business had been acquired on 1 January 2008, consolidated operating income from continuing operations would have been £70,223,000 and consolidated profit before tax from continuing operations would have been £24,023,000.

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

4 Taxation

The current tax expense for the six months ended 30 June 2008 was calculated based on the estimated average annual effective tax rate. The overall effective tax rate for this period was 31.8% (30 June 2007: 27.2%; 31 December 2007: 28.4%).

The taxation charge for the period comprises:

	Unaudited Six months to 30 June 2008 £'000	Unaudited Six months to 30 June 2007 £'000 (restated – note 1)	Audited Year to 31 December 2007 £'000 (restated – note 1)
United Kingdom taxation	4,454	4,954	11,669
Overseas taxation	(67)	146	246
Deferred taxation	2,117	1,298	2,303
	6,504	6,398	14,218

5 Disposal groups

On 16 July 2008 Rathbone Brothers Plc signed a heads of terms to sell Rathbone Trust Company Jersey Limited, Rathbone Jersey Limited and Rathbone Trust (Singapore) Pte. Limited. The sale has conditions precedent that remain unfulfilled.

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

	Unaudited Six months to 30 June 2008 £'000	Unaudited Six months to 30 June 2007 £'000	Audited Year to 31 December 2007 £'000
Operating income	7,650	7,711	15,844
Operating expenses	(5,835)	(5,238)	(11,149)
Profit before tax from discontinued operations	1,815	2,473	4,695
Attributable tax credit/(expense)	106	(624)	(626)
Profit after tax from discontinued operations	1,921	1,849	4,069
Loss recognised on re-measurement of assets of the disposal group	(5,690)		
Attributable tax expense	-		
Loss from discontinued operations	(3,769)		

The operations of these businesses are included within Trust and Tax Services in the segmental analysis in note 2.

The assets and liabilities of the disposal group were re-measured according to IFRS principles at the date of held for sale classification and the carrying amount of goodwill was reduced by £5,690,000.

The major classes of assets and liabilities comprising the operations classified as held for sale as at 30 June 2008 are as follows:

	Unaudited Six months to 30 June 2008 £'000	Unaudited Six months to 30 June 2007 £'000	Audited Year to 31 December 2007 £'000
Cash and balances at central banks	1	–	1
Loans and advances to banks	3,172	1,737	2,249
Loans and advances to customers	4,432	3,988	6,250
Intangible assets	18,574	24,184	24,219
Property, plant and equipment	2,112	2,351	2,287
Deferred tax asset	(284)	(795)	(807)
Prepayments, accrued income and other assets	4,425	3,890	1,564
Total assets of the disposal group	32,432	35,355	35,763
Accruals, deferred income and other liabilities	2,901	2,652	1,623
Current tax liabilities	595	1,042	1,078
Provisions for liabilities and charges	177	432	322
Total liabilities of the disposal group	3,673	4,126	3,023
Net assets of the disposal group	28,759	31,229	32,740

Comparative balances have not been restated to show assets and liabilities held for sale, in accordance with IFRS 5.

6 Dividend

The interim dividend of 16.0p per share is payable on 8 October 2008 to shareholders on the register at the close of business on 19 September 2008 (30 June 2007: 16.0p). The interim dividend has not been included as a liability in this interim report. The 2007 final dividend of 25.0p per share was paid on 14 May 2008.

7 Earnings per share

Basic earnings per share has been calculated by dividing the profits attributable to shareholders of £13,728,000 (30 June 2007: £18,837,000; 31 December 2007: £37,380,000) by the weighted average number of shares in issue throughout the period of 42,703,432 (30 June 2007: 42,422,960; 31 December 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).

	Unaudited Six months to 30 June 2008	Unaudited Six months to 30 June 2007	Audited Year to 31 December 2007
Weighted average number of ordinary shares in issue during the period – basic	42,703,432	42,422,960	42,536,821
Effect of ordinary share options	235,019	502,377	461,167
Effect of dilutive shares issuable under the Share Incentive Plan	14,528	70,109	85,535
Effect of contingently issuable ordinary shares under the Long Term Incentive Plan	59,231	167,385	148,431
Diluted ordinary shares	43,012,210	43,162,831	43,231,954

8 Property, plant and equipment

During the six months ended 30 June 2008, the Group acquired assets with a cost of £1,577,000 (six months ended 30 June 2007: £2,673,000; year ended 31 December 2007: £4,405,000), including assets acquired through business combinations of £10,000 (six months ended 30 June 2007 and year ended 31 December 2007: £9,000).

Assets with a net book value of £70,000 were disposed of in the six months ended 30 June 2008 (30 June 2007: £nil; 31 December 2007: £26,000), resulting in a gain on disposal of £51,000 (30 June 2007: £13,000; 31 December 2007: £2,000).

9 Deposits by banks

Included within deposits by banks is a term loan of £10,734,000 which is repayable in seven, six-monthly instalments ending on 4 April 2011 (30 June 2007: £13,800,000; 31 December 2007: £12,267,000). Interest is payable on the loan at 0.7% above the London Inter-Bank Offer Rate.

10 Provisions for liabilities and charges

	Deferred contingent consideration £'000	Client compensation £'000 (restated – note 1)	Litigation related and other £'000 (restated – note 1)	Total £'000 (restated – note 1)
At 1 January 2008	5,843	1,842	153	7,838
Exchange adjustments	–	6	–	6
Charged to the income statement		42	–	42
Unused amount credited to profit or loss		(499)	–	(499)
Net credit to the income statement (i)		(457)	–	(457)
Capitalised during the period (ii)	730			730
Amounts released (iii)	(392)			(392)
Utilised/paid during the period	(3,800)	(104)	(105)	(4,009)
	2,381	1,287	48	3,716
Current	1,929	990	48	2,967
Non-current	452	297	–	749
	2,381	1,287	48	3,716

- (i) In addition to the net credit of £457,000 in the above table, a net charge of £102,000 has been recognised in the income statement during the period in relation to expected insurance recoveries – an overall credit of £355,000.
- (ii) Amounts capitalised as intangible assets during the period represent deferred consideration in relation to the acquisition of Citywall Financial Management Limited (see note 3).
- (iii) Amounts released represent a reduction in the estimated cost of previously capitalised deferred payments to Investment Managers under earn-out schemes.

11 Retirement benefit obligations

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

	Unaudited 30 June 2008 % p.a.	Unaudited 30 June 2007 % p.a.	Audited 31 December 2007 % p.a.
Rate of increase in salaries	5.20	4.45	4.55
Rate of increase of pensions in payment:			
– Laurence Keen Scheme	*3.95	*3.60	*3.60
– Rathbones 1987 Scheme	*3.80	*3.10	*3.20
Rate of increase of deferred pensions	3.95	3.20	3.30
Discount rate	6.30	5.80	5.70
Inflation assumption	3.95	3.20	3.30

* 5% for service prior to April 2001

Normal retirement age is 65 for members of the Laurence Keen Scheme and 60 for members of the Rathbone 1987 Scheme. The assumed life expectations on retirement were:

	Unaudited 30 June 2008 Males	Unaudited 30 June 2008 Females	Unaudited 30 June 2007 Males	Unaudited 30 June 2007 Females	Audited 31 December 2007 Males	Audited 31 December 2007 Females
Retiring today – aged 60	25.0	27.9	24.7	27.6	24.7	27.7
– aged 65	20.3	23.1	20.0	22.9	20.0	22.9
Retiring in 20 years – aged 60	26.0	28.8	25.9	28.7	25.9	28.7
– aged 65	21.3	24.0	21.1	23.9	21.1	23.9

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

	Unaudited 30 June 2008 £'000	Unaudited 30 June 2007 £'000	Audited 31 December 2007 £'000
Present value of defined benefit obligations	(72,809)	(63,455)	(70,575)
Fair value of scheme assets	60,269	61,355	64,123
	(12,540)	(2,100)	(6,452)

The Group made a special contribution of £35,000 during the period (30 June 2007: £3,500,000 and 31 December 2007: £3,890,000) into its pension schemes.

12 Share capital

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
Shares issued:					
– for share incentive plan	55,693	1,174.0	3	651	654
– on exercise of options	275,237	372.0 – 1,172.0	13	1,946	1,959
At 30 June 2007	42,607,782		2,130	27,115	29,245
Shares issued on exercise of options	82,160	415.0 – 985.0	4	643	647
At 31 December 2007	42,689,942		2,134	27,758	29,892
Shares issued on exercise of options	54,973	643.3 – 852.0	3	411	414
At 30 June 2008	42,744,915		2,137	28,169	30,306

13 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 period					18,837
Foreign currency translation			(77)	(77)	
Dividends paid					(9,107)
Actuarial gains and losses					5,016
Revaluation of investment securities		221		221	
Share based payments					
– value of employee services					1,458
– cost of shares issued/purchased					(3,331)
Tax on equity items		(66)		(66)	(988)
At 30 June 2007	49,428	4,444	(306)	53,566	90,914
Profit for the period					18,543
Foreign currency translation			91	91	
Dividends paid					(6,807)
Actuarial gains and losses					(4,746)
Revaluation of investment securities		1,848		1,848	
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					1,234
– cost of shares issued/purchased					(177)
Tax on equity items		(27)		(27)	1,716
At 31 December 2007	49,428	4,968	(215)	54,181	100,677
Profit for the period					13,728
Foreign currency translation			92	92	
Dividends paid					(10,662)
Actuarial gains and losses					(6,092)
Revaluation of investment securities		(3,542)		(3,542)	
Share based payments					
– value of employee services					759
– cost of shares issued/purchased					(1,453)
Tax on equity items		992		992	1,280
At 30 June 2008	49,428	2,418	(123)	51,723	98,237

The Merger reserve represents share premium that was not recognised on the issue of shares as consideration for acquisitions prior to the adoption of IFRS on 1 January 2004.

14 Contingent liabilities and commitments

- (a) Indemnities are provided to a number of directors and employees in our Trust and Tax Services 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 30 June 2008 but not provided in the accounts amounted to £1,027,000 (30 June 2007: £594,000; 31 December 2007: £1,189,000).
- (c) The contractual amounts of the Group's commitments to extend credit to its clients are as follows:

	Unaudited 30 June 2008 £'000	Unaudited 30 June 2007 £'000	Audited 31 December 2007 £'000
Guarantees	758	711	724
Undrawn commitments to lend of 1 year or less	3,065	4,172	4,492
	3,823	4,883	5,216

The fair value of the guarantees is £nil (30 June 2007 and 31 December 2007: £nil).

15 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 until maturity from the date of acquisition:

	Unaudited 30 June 2008 £'000	Unaudited 30 June 2007 £'000	Audited 31 December 2007 £'000
Cash and balances at central banks	8	11	4
Available for sale investment securities	50,000	—	—
Loans and advances to banks	227,277	183,035	214,216
	277,285	183,046	214,220

Available for sale investment securities include £50,000,000 invested in money market funds which are realisable on demand.

Cash flows arising from issue of ordinary shares comprise:

	Unaudited Six months to 30 June 2008 £'000	Unaudited Six months to 30 June 2007 £'000	Audited Year to 31 December 2007 £'000
Cash inflow – share capital	3	16	20
Cash inflow – share premium	411	2,597	3,240
Cash outflow – financing of shares in relation to share-based schemes	—	(297)	(297)
	414	2,316	2,963

16 Related party transactions

Certain directors of Rathbone Trust Company Jersey Limited are also partners of Nigel Harris & Partners. During the period, £537,315 (30 June 2007: £255,138; 31 December 2007: £684,595) was paid to Nigel Harris & Partners for services supplied to Rathbone Trust Company Jersey Limited. At 30 June 2008, £597,458 (30 June 2007: £272,477; 31 December 2007: £365,192) was due from Nigel Harris & Partners.

Certain directors of Rathbone Trust Company Jersey Limited are also partners of Galsworthy & Stones. During the period, £185,070 (30 June 2007: £273,941; 31 December 2007: £335,841) was received from Galsworthy & Stones for services supplied by Rathbone Trust Company Jersey Limited. At 30 June 2008, £852,886 (30 June 2007: £407,550; 31 December 2007: £541,109) was due from Galsworthy & Stones.

At 30 June 2008, key management and their close family members had outstanding deposits of £593,000 (30 June 2007: £339,000; 31 December 2007: £381,000) and outstanding loans of £186,000 (30 June 2007: £175,000; 31 December 2007: £181,000), which were made on normal business terms. A number of the Company's directors and their close family members make use of the services provided by companies within the Group. Charges for such services are made at various staff rates.

Rathbone Trust Company Jersey Limited is the tenant of a property in St Helier, Jersey, the freehold of which is owned by a number of the directors of the company. Annual rental of £150,000 (30 June 2007 and 31 December 2007: £150,000) is payable under the lease, which expires on 31 December 2008.

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.

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

Independent review report to Rathbone Brothers Plc

Introduction

We have been engaged by the company to review the condensed set of financial statements included in the half-yearly financial report for the six months ended 30 June 2008, which comprises the consolidated interim income statement, the consolidated interim balance sheet, the consolidated interim cash flow statement, the consolidated interim statement of recognised income and expense and related notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements included in the half-yearly financial report based on our review. This report, including the conclusion, has been prepared for and only for the company for the purpose of the Disclosure and Transparency Rules of the Financial Services Authority and for no other purpose. We do not, in producing this report, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements included in the half-yearly financial report for the six months ended 30 June 2008 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

PricewaterhouseCoopers LLP

Chartered Accountants
London
23 July 2008



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