Rathbone Brothers Plc
Report and accounts 2009

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 2009, Rathbones managed £13.10 billion of client funds of which £12.16 billion are managed by Rathbone Investment Management.

Relationships
We do not sell products – we offer a service. For us, that is an important distinction.
Page 13

Independence
Rathbones is an independent, listed company.
Page 15

Operational excellence
We are focused on providing high-quality, personalised investment management and wealth management services to private clients, charities and trustees.
Page 17

Stability
Rathbones is a long-established, leading investment manager that has built a strong reputation for quality and permanence.
Page 19

Skill
The Rathbone Investment Process provides structure and well-researched guidance for investment managers to draw on.
Page 21

Financial highlights

	2009	2008	% change
Funds under management	**£13.10bn**	£10.46bn	**25.2%**
Operating income (continuing operations)[1]	**£116.8m**	£131.2m	**(11.0)%**
Profit before tax (continuing operations)[1]	**£29.5m**	£42.3m	**(30.3)%**
Basic earnings per share (continuing operations)[1]	**46.87p**	67.57p	**(30.6)%**
Basic earnings per share	**45.55p**	44.45p	**2.5%**
Dividends per share	**42.0p**	42.0p	**–**

1 Continuing operations exclude businesses disposed of and classified as held for sale (see note 10 to the consolidated financial statements)

Chairman's statement

Mark Powell
Chairman

In this very challenging environment, Rathbones has achieved net organic growth in funds under management of 6.7%. In the last quarter of the year we entered into an agreement with Lloyds Banking Group which had, to 31 December 2009, brought some 2,000 clients and £381 million of funds under management to Rathbones.

Total growth in funds under management, excluding market movements was 12.5% in the year.

Results and dividends

Profit before tax from continuing operations for the year to 31 December 2009 were £29.5 million compared with £42.3 million in 2008. This figure is struck after charging £0.8 million in connection with the Lloyds Banking Group transaction in 2009 and a Financial Services Compensation Scheme levy cost of £0.2 million (2008: £1.4 million). 2009 basic earnings per share were 45.55p compared with 44.45p in 2008. Basic earnings per share from continuing operations were 46.87p (2008: 67.57p) reflecting the sale of our overseas businesses in that year.

The Board recommends that a second interim dividend of 26.0p per share be paid in place of a final dividend. This makes an unchanged total dividend per share of 42.0p for the year and reflects our strong balance sheet and regulatory capital position. The second interim dividend will be paid on 31 March 2010, and there will be no final dividend.

Market and environment

Financial markets ended on a high in 2009, after experiencing extreme volatility during the year. Having fallen by 31.3% in 2008, the FTSE 100 Index fell by a further 13.6% by early March. It had subsequently recovered by 41.3% at the year end, a rise of 22.1% year on year. Interest rates have remained at extremely low levels despite the alarming increase in the Public Sector Borrowing Requirement and the uncertainty of an election year in 2010.

Funds under management in Rathbone Investment Management (including Rathbone Investment Management International) rose by 29.0% to £12.16 billion (2008: £9.43 billion). This compares with a rise in the FTSE APCIMS Balanced Index of 12.7% and the FTSE 100 Index of 22.1%. The average level of the FTSE 100 Index on Rathbones' key quarterly charging dates was 4706 compared with 5227 in 2008, down 10.0%.

Extremely low base rates make it very difficult for Rathbones to benefit from net interest income on client deposits. During the year, net interest income fell by 40.3% from £31.0 million in 2008 to £18.5 million in 2009.

In the same period, funds under management in Rathbone Unit Trust Management fell 8.7% from £1.03 billion at the beginning of the year to £0.94 billion at 31 December 2009 as net redemptions outweighed positive market movements.

Composition of the Board

In our interim statement we announced that Peter Pearson Lund, a director of the Company and chief executive of Rathbone Unit Trust Management Limited, was planning to retire in 2010. He will leave us on 31 March 2010 when Mike Webb takes charge as chief executive of Rathbone Unit Trust Management Limited. Peter has led the establishment of our unit trust business over the last ten years and has done so with great flair. He leaves a business which has contributed to the growth and reputation of Rathbones and has the potential to develop further.

James Barclay who has been a non-executive director for the past six years has decided that he will not stand for re-election. Mark Robertshaw has decided that he can no longer devote the time he considers is appropriate and will also not stand for re-election.

Peter, James and Mark have made important and valuable contributions to our Board and we thank them.

In January we announced the appointment of Kate Avery and Kathryn Matthews as new non-executive directors who bring valuable and relevant experience of investment management and the financial sector generally.

Outlook

The outlook for 2010 remains uncertain as the UK faces an environment of exceptionally low interest rates and a general election before June 2010. The considerable benefits of the transaction with Lloyds Banking Group are expected to arise in 2011 and meanwhile Rathbones continues to grow organically and remains well-capitalised.

Mark Powell
Chairman
23 February 2010

Chief executive's statement

Key highlights

Given a background of a FTSE 100 Index at 4434 at the start of 2009 and the considerable uncertainty regarding the future of the UK economy, our full year profit from continuing operations of £29.5 million is of great credit to the hard work of all our staff.

Importantly in these difficult times we have continued to grow our business both organically and through a reasonably substantial transaction with Lloyds Banking Group towards the end of the year. We first considered this transaction back in 2008, which gives some indication of just how long it can be before some growth opportunities come to fruition. The transaction demonstrates our ability to make acquisitions that fit with our overall strategy and allow us to spread operational and regulatory costs across a larger business.

We have continued to watch our cost base very closely, and for the second year running we have limited overall pay inflation such that our 2010 payroll will increase by less than 2.0% annualised compared to 2009. We believe it is important to maintain our focus on costs and to reward people through awards linked to profit and growth.

We continue to invest in the business so that we are better placed to take advantage of growth opportunities as they arise. Early in 2010, we opened a new office in Aberdeen, and this, coupled with the significant increase in the size of our Edinburgh office as a result of the Lloyds Banking Group transaction, will substantially enlarge our presence in Scotland. The Edinburgh office is now our second largest office (as measured by funds under management) and we anticipate moving to larger premises in Edinburgh during 2010.

In addition to the ever-increasing cost of regulation, we also continue to invest in improving our systems and greatly improving our online offering to Independent Financial Advisers.

Although corporate acquisitions tend to make the headlines, we have continued quietly to recruit individual investment managers and their clients. What we call net acquired growth (either from new investment managers or acquisitions) was £546 million in 2009. This, together with net organic growth (where our existing investment managers attract additional client funds) of £631 million, represents a total growth rate of over 12%.

With profit attributable to equity holders of £19.6 million (2008: £19.0 million) the dividend of 42.0p per share is 1.1 times covered, reflecting our confidence in the business.

Financial performance

Net operating income fell to £116.8 million in 2009 from £131.2 million in 2008. Fees in the second half recovered from a very difficult first half and commission levels were in line with 2008. The most noticeable income shortfall was on interest margin. Following the dramatic fall in interest rates in 2008 it is no surprise that the interest margin in 2009 was considerably lower than in previous years. Net interest income fell to £18.5 million in 2009 from £31.0 million in 2008 with only £5.7 million earned in the second half of the year. This reflects the full impact of exceptionally low interest rates which have continued into 2010. We have also continued to be very cautious about where we have placed our cash as we have not wanted to take inappropriate counterparty risks. By definition, this limits our ability to achieve high interest rates on the client money that is held by us as banker and placed by us in the money markets.

Operating expenses fell 1.8% from £88.9 million in 2008 to £87.3 million in 2009, but excluding intangible asset amortisation, Financial Services Compensation Scheme levies and Lloyds Banking Group transaction costs, other operating expenses were down 2.2%.

Rathbone Unit Trust Management Limited has continued to experience net outflows of funds, albeit mostly in the first half of 2009 following a period of poor performance. Towards the end of 2009 we have seen some signs of improvement, although it will take a while to rebuild momentum. Mike Webb joined us in February 2010 and will be taking over as chief executive of Rathbone Unit Trust Management with effect from 1 April 2010. We look forward to working with him to develop this important part of Rathbones.

Our overall financial performance has also been impacted by a number of specific items. Government borrowing costs, which largely drive levies payable to the Financial Services Compensation Scheme, have been lower than expected, so the profit and loss charge for 2009 of £0.2 million is much more favourable than the £1.4 million charged in 2008. Operating expenses in 2009 include £0.8 million of costs arising from the Lloyds Banking Group transaction. Intangible asset amortisation was £2.0 million in 2009 compared with £1.3 million in 2008.

Andy Pomfret
Chief executive

Marketing and business development

For four years we have invested selectively in background advertising in the national press to increase awareness of Rathbones nationally. We will continue to use advertising in this way – not least where we make acquisitions. Existing clients remain our best source of referrals and the number of clients for whom we now act has increased by some 8% over the year to just below 34,000 at 31 December 2009.

As indicated last year, the Retail Distribution Review is causing many IFAs to review their arrangements for discretionary investment management, and we have arrangements in place with a number of the larger and more sophisticated IFAs, the most visible with Cavanagh. This relationship alone has added over £90 million to our funds under management, and we are keen to see more relationships develop as the implementation of the RDR moves closer.

We have endeavoured to increase the appeal of our products and our service for IFAs, and launched two unitised multi asset funds (a strategic growth portfolio fund targeting inflation +5%, and a total return fund targeting LIBOR +2%) accessed through a discretionary mandate with Rathbone Investment Management Limited. In line with our aim to be a 'one-stop-shop' for IFAs looking to outsource the investment management of private client portfolios, we have launched new marketing literature for IFAs which outlines the more structured approach we offer to selected firms. In the coming year we will be running more IFA seminars (we held nine during 2009) as we believe this approach has and will bring us business that we might otherwise not have seen.

Our charities team continues to grow, with funds under management increasing to nearly £1.4 billion at 31 December 2009 (2008: £1.1 billion), reflecting a combination of good investment performance, energetic marketing and continued high standards of client service. The charities team won its second Charity Times award and plans to hold its first symposium for existing clients at the Royal Society in London in September 2010.

Our ethical investment service, Rathbone Greenbank Investments, has had a particularly good year, growing funds under management from £0.32 billion to £0.38 billion in the year. It held some successful events in 2009, and sponsored the Schumacher lecture in Bristol to enhance its local profile. Investors continue to become increasingly aware of ethical and green issues, so I expect the business to continue to grow.

In addition to our practitioner-led investment committee structure, we continue to dedicate a small central team to researching both fund of hedge funds and structured products to ensure that those products that we approve for investment are suitable for our clients. As products become more complex, this becomes an increasingly challenging role and one to which additional resources will need to be devoted in the future.

Corporate activity

In October 2009 we acquired some business from Lloyds Banking Group through a transaction consisting of three elements.

The Portfolio Management Service ('PMS') of the Bank of Scotland had been through considerable change over the last few years, as the merger of Halifax and Bank of Scotland to form HBOS was soon followed by the takeover of HBOS by Lloyds TSB late in 2008. The business had some £800 million of funds under management, and over 2,500 former clients have now consented to transfer their portfolios to Rathbones, representing some 65% of the total number and nearly £500 million of funds under management. Of these funds, £381 million are included in reported funds under management at 31 December 2009. We expect to employ at least 12 individuals from the 50 or so who worked at PMS to help provide our new clients with stability and a high quality investment service.

The second part of the transaction was to acquire two legacy books of Lloyds' clients seeking an investment portfolio with a direct investment in securities, something Lloyds no longer wish to provide to clients with less than £2 million invested. These two books of business will migrate to us over the coming year, but no staff will transfer from Lloyds with them. This gives us an opportunity to add funds under management to a number of our offices.

Finally, Lloyds have agreed to refer to us all of their clients who do not wish to subscribe to their unitised service. Initially, this arrangement has a five year term and we are looking forward to developing this relationship with Lloyds.

For all three parts of this acquisition, we will only be paying for clients that sign up to Rathbone standard terms, subject to some minimum consideration levels in respect of the Lloyds legacy business. Our teams have worked hard to ensure that the client migration process runs smoothly. The investment in systems, people and infrastructure that we have made over several years has been validated by the speed with which we have been able to move clients on to our systems.

Other corporate activity involved the completion of the sales of our offshore trust operations in Geneva, Singapore and the BVI – each to their management teams. We are currently finalising the return of the BVI banking licence which was used to facilitate transactions for a small number of offshore trust clients. When that happens early in 2010 we will have completed all disposals relating to our former offshore trust division. The sale of these businesses has proved timely as the continued regulatory pressure on offshore jurisdictions would have made it more difficult for these businesses to thrive under our ownership.

I am pleased that we have been able to expand the UK trust business as part of our overall strategy to develop a family office service for a number of wealthy families. This business continues to provide a means to strengthen our relationships with a number of investment management clients.

Treasury and financing

The acquisition from Lloyds will be funded from our own internal resources. As noted last year, we held significant amounts of surplus regulatory capital following the sale of our Jersey-based trust business and it is helpful from an earnings perspective to put this to good use. Our level of external borrowings was £6.2 million at 31 December 2009 (2008: £9.2 million).

Our treasury team has continued to invest very cautiously, selecting counterparties that have an A rating (or above) from Fitch. Client liquidity has reduced from £1.1 billion to approximately £0.8 billion at 31 December 2009 as investment managers have reinvested funds.

Investing in our business

Staff remain our most important asset; they present the face of Rathbones to our clients. Notwithstanding our pay restraint over the past two years, our staff turnover rate remains low. We operate a Share Incentive Plan into which over 84% of our staff contribute on a monthly basis. We have recently introduced a tax efficient Save As You Earn scheme. This helps to further our underlying desire to increase staff shareholding in the business. We continue to invest in staff training.

As the business has grown, we continue to upgrade and improve the premises we occupy (property being our second largest cost element). During 2009 we moved to a new office in Chichester and in early 2010 we opened in Aberdeen. We anticipate moving to a new office in Edinburgh to accommodate expansion in 2010.

Capital expenditure of £2.3 million on software, property, plant and equipment was 54% down on the £5.0 million spent in 2008 largely as a result of cost focus and project prioritisation in 2009 combined with some £1.0 million of Liverpool office refurbishment costs in 2008. We would expect the level of investment to revert to more normal levels in 2010 and beyond.

Regulation

We work hard to maintain good relationships with our regulators. The burden of regulation is increasing and we are very much aware that we may face additional regulations that are aimed at much larger banks.

Over the year we have worked on a number of 'Treating Clients Fairly' projects – most notably undertaking a survey of our existing clients. Overall, the feedback received was positive but there will be a number of lessons that we can learn so that we are able to improve our services in the future.

Outlook

Overall 2009 was a challenging year for the business, albeit ending on a rather more positive note. Markets in 2010 may well be as volatile and unpredictable.

The business is well capitalised, we have demonstrated we can make acquisitions, and our organic growth continues. We are well placed for the future.

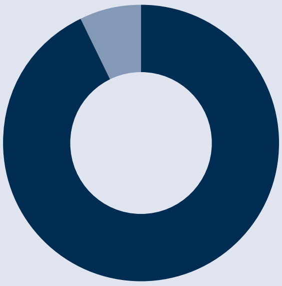
I take this opportunity to thank all our staff who have worked so hard in very difficult circumstances. I also thank our clients who have remained very supportive throughout the year.

Andy Pomfret
Chief executive
23 February 2010

Rathbones at a glance

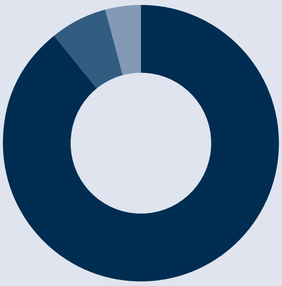
Total Rathbones

Funds under management



	2009 £bn	2008 £bn
Investment Management	**12.16**	9.43
Unit Trusts	**0.94**	1.03
	13.10	10.46

Operating income (continuing operations)



	2009 £m	2008 £m
Investment Management	**104.3**	113.9
Unit Trusts	**7.7**	12.4
Trust and Tax	**4.7**	4.9
	116.7	131.2

Profit before tax (continuing operations)

	2009 £m	2008 £m
Investment Management	**29.2**	39.7
Unit Trusts	**0.1**	2.4
Trust and Tax	**0.2**	0.2
	29.5	42.3

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
- Aberdeen (opened in January 2010)
- Birmingham
- Bristol
- Cambridge
- Chichester
- Edinburgh
- Exeter
- Jersey
- Kendal
- Liverpool
- London
- Winchester

Head of Investment Management
- Richard Lanyon

Websites
- General: www.rathbones.com
- Ethical investment: www.rathbonegreenbank.com

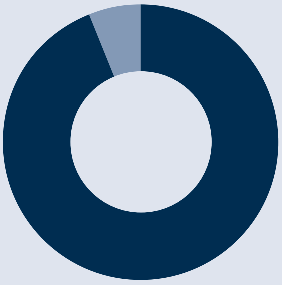
Top ten UK private client wealth managers (ranked by discretionary assets under management)

£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 (the latest published edition)

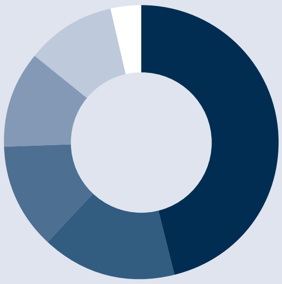
Client base breakdown

Discretionary vs non-discretionary (by funds under management)



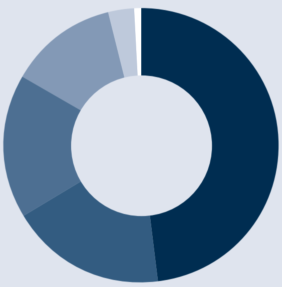
As at 31 Dec 2009	%
Discretionary	93.9
Non-discretionary	6.1

Account type (by funds under management)



As at 31 Dec 2009	%
Private client	46.2
Trust and settlements	16.0
ISAs	12.3
Charities	11.4
Pensions, including SIPPs	10.7
Other	3.4

Account size (by value)



As at 31 Dec 2009	%
Over £1million	48.1
£500,000 – £1million	18.4
£250,000 – £499,999	17.0
£100,000 – £249,999	12.7
£50,000 – £99,999	3.0
Up to £50,000	0.8

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)
- 24

Offices
- London

Head of Unit Trusts
- Peter Pearson Lund (until 31 March 2010)
- Mike Webb (from 1 April 2010)

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)
- 40

Offices
- Liverpool
- London

Head of Trust and Tax
- Ian Buckley

Website
- www.rathbones.com

Strategy and business performance

Clients

Our aim is to be a leading provider of high-quality, personalised investment management, trust, tax and pension advisory services to private individuals, charities and trustees

How we achieve it

- Continued focus on providing discretionary investment services to clients at a competitive cost
- Selecting from the full range of available investment opportunities, minimising investment costs for clients
- Structured investment processes which provide support to investment managers in making their investment decisions
- In-house control of client cash balances using our UK banking licence
- Continual investment in systems and people to enhance client service, improve business efficiency and manage regulatory change
- Receiving encouraging regular feedback from our clients
- A complementary range of unit trusts tailored to private client investment
- Tax, trust and financial planning services offered to our private clients

Shareholders

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

How we achieve it

- Deliver on client acquisition opportunities which enhance earnings per share within two years and fit our culture
- Aspire to earn average revenue margins of approximately 1% on funds under management
- Closely manage cost growth in line with steady growth in the business over time
- Continue to invest in systems and IT to deliver ongoing cost efficiency
- Conservatively manage treasury assets within clear risk based guidelines
- Maintain optimal capital levels having regard to market and regulatory pressures and growth opportunities

Employees

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

How we achieve it

- Implement executive and investment manager remuneration structures which are structured to manage business risk and deliver shareholder value
- Offer share-based incentives to staff across the business
- Provide extensive training for all levels of staff seeking the highest professional standards
- Share ideas and best practice throughout the organisation through timely consultation and communication
- Act as a fair employer to all staff

Highlights in 2009

- Total funds under management as at 31 December 2009 were £13.10 billion, up 25.2% compared with 31 December 2008
- Funds managed by Rathbone Investment Management Limited were £12.16 billion as at 31 December 2009, up 29.0% from 31 December 2008 (FTSE 100 Index up 22.1% and FTSE APCIMS Balanced Index up 12.7%)
- Total net organic and acquired growth rates of 12.5% in Rathbone Investment Management in spite of difficult market conditions in the first half
  – Net organic growth of 6.7%
  – Acquired funds under management growth of 5.8% including £381 million from a transaction with Lloyds Banking Group
- Growth of 8.3% in the number of Rathbone Investment Management clients to just under 34,000
- Appointment of Mike Webb as chief executive of Rathbone Unit Trust Management with effect from 1 April 2010

Key performance indicators

Net organic growth in investment management funds under management[1]
%

2009: 6.7
2008: 7.4
2007: 7.8
2006: 7.2
2005: 5.8

Total net organic and acquired growth in investment management funds under management[2]
%

2009: 12.5
2008: 11.0
2007: 9.2
2006: 18.1
2005: 5.8

Investment management funds under management
£bn

2009: 12.16
2008: 9.43
2007: 11.23
2006: 10.38
2005: 8.28

Highlights in 2009

- Completed a transaction with Lloyds Banking Group in October
- Achieved an operating margin of 25.2% in 2009 vs 32.3% in 2008 following an expected reduction in net interest margin
- Reduced other operating expenses by £1.8 million from £86.1 million in 2008 to £84.3 million
- Restructured defined benefit pension benefits to a Career Average Prevalued Earnings basis for service after 1 July 2009 and moved the normal retirement date to 65
- Invested £3.3 million in capital expenditure to support business efficiency and client service
- Earnings per share from continuing operations down 30.6% to 46.87p in 2009 from 67.57p in 2008
- Maintained dividend per share at 42p in spite of market volatility

Key performance indicators

Profit before tax from continuing operations
£'000

2009: 29,468
2008: 42,306
2007: 47,302*
2006: 44,720*
2005: 35,298*

Operating margin[3]
%

2009: 25.2
2008: 32.3
2007: 35.2*
2006: 33.5*
2005: 31.2*

Earnings per share from continuing operations
Pence

2009: 46.87
2008: 67.57
2007: 77.79*
2006: 76.62*
2005: 60.13*

Dividend per share
Pence

2009: 42
2008: 42
2007: 41
2006: 35
2005: 30

Highlights in 2009

- Staff turnover of 3% in 2009 vs 6% in 2008
- 11,000 hours of training delivered in 2009, consistent with 2008
- Introduced an SAYE scheme in addition to the existing Share Incentive Plan (SIP)
- Continuing very low investment manager turnover

Key performance indicators

Number of shares held by SIP participants

2009: 1,346,948
2008: 1,290,392
2007: 1,270,641
2006: 1,136,132
2005: 986,463

Investment manager staff turnover[4]
%

2009: 0.0
2008: 1.8
2007: 1.3
2006: 3.4
2005: 2.7

All staff turnover
%

2009: 3
2008: 6
2007: 8
2006: 11
2005: 11

1 Net organic new funds under management as a % of opening funds under management
2 Net new funds under management as a % of opening funds under management
3 Profit before tax from continuing operations as a % of operating income
4 Staff leavers, excluding redundancies and retirements as a % of opening full time equivalent staff

* 2007 includes results of operations discontinued in 2009, 2005 and 2006 include results of operations discontinued in 2008 and 2009

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

	2009	2008
Underlying rate of net organic growth in investment management funds under management[1]	**6.7%**	7.4%
Funds under management at 31 December[1]	**£12.16bn**	£9.43bn
Average net operating income basis point return[2]	**95bps**	104bps

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

Business environment

As an investment manager, Rathbone Investment Management's results are correlated with trends in financial markets. The first half of 2009 was highly volatile as markets struggled to digest the uncertainties of the banking crisis. The FTSE 100 Index reached highs of around 4600 and lows around 3500 in the period. The second half of 2009 proved more positive with a strong market rally driving the FTSE 100 Index to 5413 at 31 December 2009.

Investment Management funds under management grew 29.0% over the year to £12.16 billion, recovering back to levels last seen at the beginning of 2008. This compares to 22.1% and 12.7% increases in the FTSE 100 and the FTSE APCIMS Balanced Indices respectively.

Table 2. Investment Management – funds under management

	2009 £bn	2008 £bn
As at 1 January	**9.43**	11.23
Inflows[1]	**1.86**	1.97
– organic	**1.31**	1.56
– acquired	**0.55**	0.41
Outflows[1]	**(0.68)**	(0.73)
Market adjustment[2]	**1.55**	(3.04)
As at 31 December	**12.16**	9.43
Net organic new business[3]	**0.63**	0.83
Underlying rate of net organic growth[4]	**6.7%**	7.4%

1 Value 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

Organic inflows represent the amount of new funds brought in by existing investment managers, either from existing clients or from new clients. Gross organic inflows of £1.31 billion were 16.0% down on the £1.56 billion in 2008 which was a very creditable performance given market conditions. 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 £631 million, which translates into an annualised growth rate of 6.7%. Acquired growth from investment managers who joined us recently added £165 million (2008: £413 million) of funds under management during the year, in addition to the £381 million from the Lloyds Banking Group transaction. Outflows of funds continued at normal levels and account closures were also at expected levels in spite of the challenging market conditions.

We are continuing to see growth across all parts of our business. Charity funds under management were £1.5 billion at 31 December 2009 compared to £1.1 billion at the same time last year.

IFA-sourced growth continued to be strong, with the number of IFA-linked accounts growing to 4,276 from 3,406 at the end of 2008.

SIPP business was undoubtedly impacted by changes to taxation rules for high earners in the Budget, however the number of portfolios managed grew by 4.4% in the year ended 31 December 2009. The value of SIPP funds held with Rathbone Investment Management under the Rathbone SIPP increased by 24.0% to £279 million at 31 December 2009 from £225 million at the start of the year. Growth remains positive and our participation in a number of key provider panels remains an important part of our growth strategy in this area. Rathbone Pension & Advisory Services saw the number of new SIPPs upon which it has advised increase by 4.2% to 941 (2008: 903).

The overall basis point return on funds under management decreased in 2009. This is largely as a result of exceptionally high net interest income in 2008 which, as expected, has not repeated in 2009.

Financial performance

Table 3. Investment Management – financial performance

	2009 £m	2008 £m
Net fee income[1]	**55.8**	54.3
Commission	**28.7**	28.2
Interest and other income[2]	**19.8**	31.4
Net operating income	**104.3**	113.9
Underlying operating expenses[3]	**(72.1)**	(71.5)
Underlying profit before tax	**32.2**	42.4
Amortisation of client relationships	**(2.0)**	(1.3)
Transaction costs	**(0.8)**	–
Financial Services Compensation Scheme levy	**(0.2)**	(1.4)
Profit before tax	**29.2**	39.7
Underlying operating % margin[4]	**30.9%**	37.2%

1 Net fee income is stated after deducting fees and commission expenses paid to introducers
2 Interest and other income is presented net of interest expense paid on client accounts
3 See Table 5
4 Investment Management profit before tax and exceptional items divided by net operating income

Net fee income increased by 2.8% from £54.3 million in the year ended 31 December 2008, to £55.8 million in 2009. This largely resulted from positive net inflows of funds under management throughout the year which offset lower market levels. The average FTSE 100 Index of 4706 in 2009 (based on when clients are billed) was 10.0% down on the average of 5227 in 2008, whilst average funds under management on the same quarterly billing dates was £10.55 billion, some 4.0% up compared to £10.14 billion in 2008.

Table 4. Investment Management – average funds under management

	2009 £bn	2008 £bn
Valuation dates for billing		
– 5 April	**9.11**	10.75
– 30 June	**9.69**	10.49
– 30 September	**11.23**	9.87
– 31 December	**12.16**	9.43
– Average	**10.55**	10.14

Commission income of £28.7 million in 2009 was marginally higher than last year (2008: £28.2 million) with both years seeing the sort of volatility that generates a greater number of trading opportunities.

Interest income in the first half of 2009 remained strong, benefiting from the three emergency base rate cuts made by the Bank of England. Second half income was exceptionally low though reflecting the unprecedented interest rate environment we continue to see. Client liquidity fell to £0.8 billion at 31 December 2009 compared to £1.1 billion at 31 December 2008 and returns on shareholder cash remain very low.

Investment Management continued

Cash represented 6.3% of client portfolios at 31 December 2009 compared to 10.4% at 31 December 2008 as cash was reinvested into other asset classes in the latter half of the year.

Net operating income for 2009 of £104.3 million decreased 8.4% from £113.9 million in 2008 almost wholly as a result of lower net interest income.

Table 5. Investment Management – operating expenses

	2009 £m	2008 £m
Staff costs[1]		
– fixed	**25.2**	24.6
– variable	**13.9**	13.6
Total staff costs[1]	**39.1**	38.2
Other operating expenses	**33.0**	33.3
Underlying operating expenses	**72.1**	71.5
Financial Services Compensation Scheme levy	**0.2**	1.4
Amortisation of client relationships	**2.0**	1.3
Transaction costs	**0.8**	–
Operating expenses	**75.1**	74.2
Underlying cost/income ratio[2]	**69.1%**	62.8%

1 Represents the costs of investment managers and teams directly involved in client facing activities
2 Operating expenses before Financial Services Compensation Scheme levy, amortisation of client relationships and transaction costs divided by operating income

Total operating expenses in Rathbone Investment Management for 2009 were £75.1 million, compared to £74.2 million in 2008, an increase of 1.2%. Costs in 2009 included £0.8 million of transaction costs associated with the Lloyds transaction, and a £0.7 million increase in the intangible asset amortisation charge resulting from strong acquired growth levels in 2008. 2008 costs included £1.4 million in respect of FSCS levies (2009: £0.2 million). Adjusting for these items means that underlying business costs have been kept at 2008 levels in spite of business growth.

Controls over salary increases have restricted fixed staff cost increases to minimal levels as increases year-to-year reflect business expansion. Some variable staff costs decreased as expected in line with lower profit levels, however this positive effect was offset by higher awards in schemes designed to reward strong levels of organic growth and outperformance against the FTSE APCIMS Index. Funds-based growth awards include a performance element against the FTSE APCIMS Index. In 2008, performance was lower than expected as a result of difficult corporate bond markets in the last quarter which materially reduced bond values against gilts. This effect has largely reversed in 2009, which has increased the cost of the scheme.

Average full time equivalent headcount was 438 in 2009 compared to 429 in 2008.

Other operating expenses include property, depreciation, settlement, IT, finance and other central support services costs. These are largely fixed and were 43.9% of total operating expenses in 2009 (2008: 44.9%).

Financial Services Compensation Scheme costs were lower in 2009 following additional guidance on expected levies for the 2008/9 and 2009/10 years, which disclosed lower costs of Government borrowing than was originally expected. Further levy charges are likely to be incurred in future years and the ultimate cost remains uncertain.

Outlook

In spite of recent market conditions, the business remains strong and continues to benefit from solid growth. Rathbone Investment Management's reputation as one of the leading providers of discretionary investment management services to private investors, charities and trustees remains an important asset. Whilst 2010 will undoubtedly be a challenging year given interest rate conditions, we continue to see opportunities for growth organically. The full effect of the recent transaction with Lloyds Banking Group will be seen in 2011.

Unit Trusts

Table 6. Key performance indicators for Unit Trusts

	2009	2008
Funds under management at 31 December	**£0.94bn**	£1.03bn
Underlying rate of net growth in funds under management[1]	**(22.3)%**	(12.2)%

1 See Table 7

Business environment

The retail asset management sector continued to suffer in the early part of 2009 as redemption levels remained high and investors lost a lot of confidence in equity markets. However, the market recovered somewhat significantly in the second half as asset values climbed.

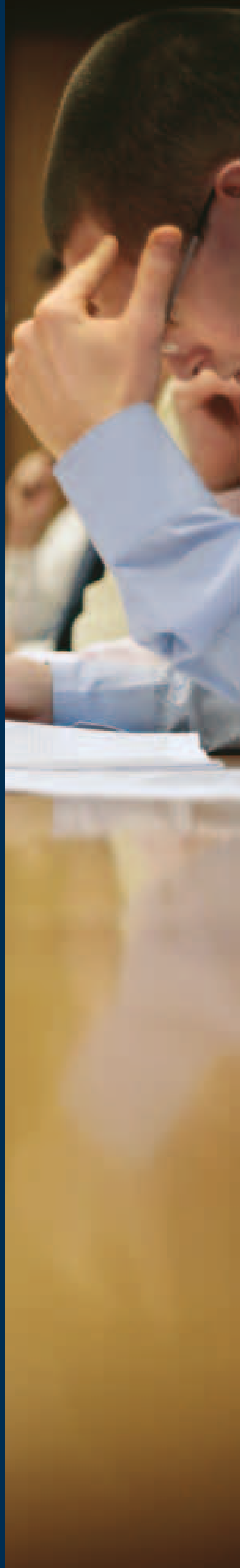
Relationships

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

"Private clients want to be treated as individuals and trust us to manage their investments in their best interests.

"We strongly believe that clients value having direct access to the person who is managing their investments and we aim to build long-term relationships with individuals, their families and advisers."

Rathbones' 2009 advertising campaign
Rathbones' advertising campaign in 2009 aimed to build on this theme with a range of executions in The Times, The Daily Telegraph, Charity Finance and the Financial Times that featured investment managers and their views on Rathbones' key strengths.



Unit Trusts continued

Table 7. Unit Trusts – funds under management

	2009 £bn	2008 £bn
As at 1 January	**1.03**	1.89
Net outflows	**(0.23)**	(0.23)
– inflows[1]	**0.11**	0.15
– outflows[1]	**(0.34)**	(0.38)
Market adjustments[2]	**0.14**	(0.63)
As at 31 December	**0.94**	1.03
Underlying rate of net growth[3]	**(22.3)%**	(12.2)%

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 8.7% to £0.94 billion at 31 December 2009 from £1.03 billion at the start of the year. Positive market movements of £0.1 billion offset some £0.2 billion of net redemptions, which largely occurred in the first half following the loss of two mandates totalling £130 million.

Table 8. Unit Trusts – fund details

	Morningstar Fund Stars	**31 Dec 2009 £m**	31 Dec 2008 £m
Ethical Bond Fund	1	**42**	36
Global Opportunities Fund	3	**76**	52
Income Fund	3	**503**	544
High Income Fund			16
Income and Growth Fund			34
Blue Chip Income and Growth Fund	4	**52**	
Smaller Companies Fund			24
Special Situations Fund			54
Recovery Fund	n/a	**69**	
Other	n/a	**193**	269
		935	1,029

Performance of the largest fund (the Rathbone Income Fund) improved slightly, demonstrating second quartile performance for the one year period.

In the summer, the funds were restructured and rebalanced. The Rathbone High Income Fund was merged into the Rathbone Blue Chip Income and Growth Fund. The Rathbone Smaller Companies Fund and the Rathbone Special Situations Fund were merged to create the relaunched Rathbone Recovery Fund. The fund restructurings were well received by the market, and performance overall is showing some early signs of improvement.

Table 9. Unit Trusts – fund performance

Quartile ranking over:	1 year	3 years	5 years
Blue Chip Income and Growth Fund	2	3	3
Ethical Bond Fund	1	4	4
Global Opportunities Fund	1	1	1
Income Fund	2	4	4
Recovery Fund*	n/a	n/a	n/a

* Performance data for the Rathbone Recovery Fund is not yet available as the fund was launched on 13 July 2009

Financial performance

Table 10. Unit Trusts – financial performance

	2009 £m	2008 £m
Initial charges net of discounts	**1.0**	0.9
Annual management charges	**11.6**	17.7
Net dealing profits	**0.4**	0.5
Interest and other income	**0.1**	1.3
	13.1	20.4
Initial commission payable	**(0.1)**	(0.1)
Rebates and trail commission payable	**(5.3)**	(7.8)
Net operating income	**7.7**	12.5
Operating expenses	**(7.6)**	(10.1)
Profit before tax	**0.1**	2.4
Operating % margin[1]	**1.3%**	19.2%

1 Unit Trusts profit before tax divided by net operating income

Annual management charges fell 34.5% from £17.7 million in the year ended 31 December 2008 to £11.6 million in 2009. This change is in line with the 39.3% reduction in average funds under management to £0.88 billion in 2009 from £1.45 billion in 2008. Annual management charges as a percentage of average funds under management rose slightly to 1.3% (2008: 1.2%) reflecting the loss of the mandates in the first half of 2009.

Rebates and trail commission payable as a percentage of annual management charge income was 45.7% compared to 44.1% in 2008, reflecting the continued pricing pressure from fund supermarkets. Managers' box dealing profits constituted 5.2% of net operating income in the year (2008: 4.0%) as a consequence of continued redemptions in the funds. Net operating income as a percentage of average funds under management was 0.9% in 2009 compared to 0.9% in 2008.

Table 11. Unit Trusts – operating expenses

	2009 £m	2008 £m
Staff costs[1]		
– fixed	**2.1**	2.8
– variable	**1.8**	3.4
Total staff costs	**3.9**	6.2
Other operating expenses	**3.7**	3.9
Operating expenses	**7.6**	10.1
Cost/income ratio[2]	**98.7%**	80.8%

1 Represents the costs of investment managers and teams directly involved in investment or distribution activities
2 Operating expenses as a % of net operating income (see Table 10)

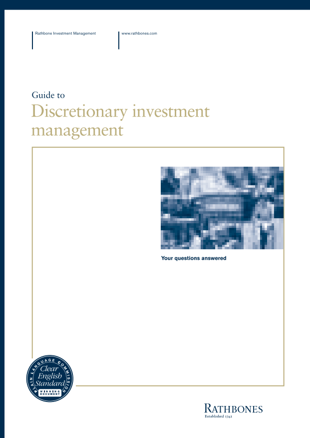
Independence

"Rathbones is an independent, listed company.

"This independent status is key to our philosophy.

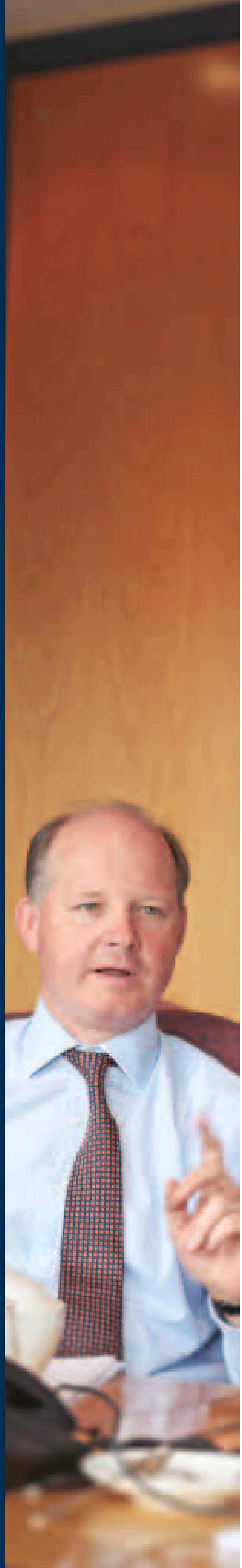
"We pride ourselves on being free to make investment decisions on our clients' behalf with no obligation to buy them particular products.

" 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."


Guide to
Discretionary investment management
Your questions answered
RATHBONES

Guide to Discretionary Investment Management
Unrestricted investment choice will continue to be a key theme for the provision of investment services in 2010 as the issues raised by the Retail Distribution Review highlight which firms have a genuine ability to offer this.

Rathbones' offers a Guide to Discretionary Investment Management that explains what the options for investors are – and it has been awarded the Clear English Standard seal of approval.



Unit Trusts continued

Fixed staff costs of £2.1 million for the year ended 2009 were 25% lower than the £2.8 million in 2008, largely as a result of redundancies made in the latter part of 2008 and the early part of 2009. Average full time equivalent headcount was 24 during 2009 compared to 31 last year.

Variable staff costs include costs in relation to prior year profit share schemes which are spread over the service periods of relevant employees. The effect has been to distort 2009 costs as awards were significantly higher in previous years when profits were greater. The following table demonstrates the impact of deferred profit share awards on 2009 variable costs.

The effect of spreading prior year awards is expected to reduce after 2009 as most of the cost of awards from more profitable years had been recognised by the end of 2009.

Table 12. Unit Trusts – variable staff costs

	2009 £m	2008 £m
Total variable staff costs	**1.8**	3.4
Deferred profit share adjustment	**(1.4)**	(1.7)
Variable staff costs excluding deferred profit share	**0.4**	1.7
Variable staff costs excluding deferred profit share as a % of profit before tax and total variable staff costs	**21.1%**	29.3%

Other operating expenses in 2009, which have reduced by 5.1% from £3.9 million in 2008, include £0.5 million of costs in relation to fund mergers, redundancies and recruitment fees in the year. Excluding these items, other operating costs have fallen 17.9% compared to 2008.

Outlook

Successful actions have been taken in the business in 2009 to manage profitability in line with revenue loss and the business is now on a stable footing to develop. The appointment of Mike Webb as chief executive with effect from 1 April 2010 is an exciting new development for the business which has the ability to grow in the medium-term.

Trust and Tax

Table 13. Key performance indicators for Trust and Tax

	2009 %	2008 %
Operating % margin[1]	**4.3**	4.1

1 Trust and Tax profit before tax from continuing operations divided by Trust and Tax net operating income (see Table 14)

Business environment

The sale of our Geneva trust operation to its management was completed on 10 February 2009 and the sale of the Singapore and British Virgin Islands trust operations were completed on 31 March 2009.

On 12 November 2009, the Group ceased to control Rathbone International Finance B.V. and the loan book contained within Rathbone International Finance B.V. was disposed of.

The continuing business is concentrated wholly in the UK and closely aligned with our core discretionary investment management business. It comprises:

- the family office service based in London which provides advisory services to substantial family groups including trustee administration and taxation planning;
- the taxation services business, based in Liverpool which prepares tax returns for individuals and trusts, provides income and capital tax planning services.

Both of these businesses have performed satisfactorily in 2009.

Table 14. Trust and Tax – financial performance

	2009 £m	2008 £m
Net operating income	**4.7**	4.9
Operating expenses	**(4.5)**	(4.7)
Profit before tax from continuing operations	**0.2**	0.2
Discontinued operations	**(0.6)**	(10.0)
Loss before tax	**(0.4)**	(9.8)
Operating % margin[1]	**4.3%**	4.1%

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

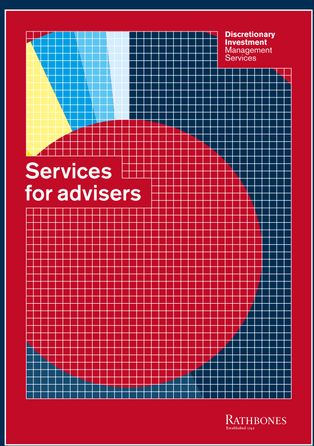
Operating income fell from £4.9 million in 2008 to £4.7 million in 2009 reflecting slightly lower levels of activity based fees.

Operational excellence

"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. We believe that high-quality administration underpins successful long-term client relationships and meeting client expectations efficiently at a reasonable cost to the client remains a challenge and one in which we continue to invest."



A flexible service
Managing our administration in house allows us a greater degree of control over the way we serve our clients and the maintenance of high quality standards. We have been able to adapt rapidly to changing needs of the marketplace, such as working with an increasing number of third party SIPP and bond providers which are important for the growth of our IFA relationships.

Trust and Tax continued

Table 15. Trust and Tax – operating expenses

	2009 £m	2008 £m
Staff costs[1]		
– fixed	**2.5**	2.8
– variable	**0.3**	0.4
Total staff costs[1]	**2.8**	3.2
Other operating expenses	**1.7**	1.5
Operating expenses	**4.5**	4.7
Cost/income ratio	**95.7%**	95.9%

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

Fixed staff costs of £2.5 million for 2009 compare to costs of £2.8 million in 2008. Average full time equivalent headcount was 40 compared to 43 in 2008. Other operating expenses represent property, depreciation, settlement, finance, IT and other support costs which are largely fixed, and were 37.8% of total operating expenses in 2009 (2008: 31.9%).

Outlook

We anticipate continuing to develop and invest in family office services and seek to grow our taxation services business organically.

Taxation

The effective tax rate for the year is 31.5% (2008: 31.7%), calculated as the total tax charge on continuing operations of £9.3 million (2008: £13.4 million) divided by the profit before income tax on continuing operations of £29.5 million (2008: £42.3 million).

The effective rate of tax in 2009 is higher than the composite UK standard rate of 28.0% due principally to the effect of disallowable expenditure, arising on the acquisition of client funds from Lloyds and adjustments in respect of prior years.

A full reconciliation of income tax expense is included in note 9 to the consolidated accounts.

Dividend

An interim dividend of 16.0p per share was paid to shareholders on 7 October 2009 and the Board is recommending that a second interim dividend of 26.0p be paid on 31 March 2010 which will replace the final dividend. This results in a total payment of 42.0p (2008: 42.0p) for the year. This dividend is covered 1.1 times by reported basic earnings per share and 1.2 times by underlying earnings per share (see note 12).

Capital

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 remains well capitalised and does not rely on the wholesale market to fund its operations.

Intangible assets created by the acquisition of funds under management, such as for the Lloyds Banking Group transaction, are not allowable for capital resource purposes so do reduce capital headroom as soon as they are reported in the balance sheet. Intangible assets of £11.7 million have been recorded at 31 December 2009 in respect of the acquisition of £381 million of funds under management from Lloyds Banking Group.

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

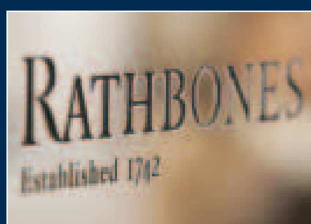
Stability

“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.”



Established 1742
Rathbones continues to benefit from an extremely low turnover of both investment management professionals and clients. We believe that the strength of Rathbones’ brand has served us well in a period of uncertainty and volatility and that investors are attracted by the quality of our name.

Treasury and financing

As a licensed deposit taker, Rathbone Investment Management holds the Group's surplus liquidity on its balance sheet together with any clients' cash not held on a segregated client money basis.

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 28 to the consolidated financial statements.

The treasury department invests in 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 ensure ratings remain appropriate.

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 £6.2 million at 31 December 2009 from Barclays Bank PLC (2008: £9.2 million). The balance is repayable in six-monthly equal instalments ending on 4 April 2011.

Cash flow

As fee income is largely collected 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 £18.1 million (2008: £17.5 million)
- £3.3 million of capital expenditure (2008: £11.3 million)

Pensions

Rathbones operates two defined benefit pension schemes (both of which are closed to new members) and a defined contribution pension scheme. At 31 December 2009, the combined accounting deficit for the two defined benefit schemes totalled £9.4 million (2008: £5.7 million). Spreads on 15 year AA rated corporate bonds were very high at the end of 2008, which artificially reduced the reported IFRS deficits. Spreads are at more normal levels currently, such that valuations prepared for both reporting and funding purposes are more closely aligned. The deficit at 31 December 2009 has benefited from the significant equity market recovery in the second half of 2009. Details of the assumptions supporting the accounting valuation and associated sensitivities are included in note 25 to the accounts on page 88.

The Board has approved a schedule of contributions of £3.1 million annually for the next seven years to fund the scheme's deficit, in addition to £0.4 million per annum over the next four years previously committed. During the year, the Group made regular contributions of £3.6 million (2008: £2.3 million) into the Rathbone 1987 Scheme.

In order to manage the increasing costs of the 1987 defined benefit scheme, scheme benefits were amended with effect from 1 July 2009. From that date benefits for future service will no longer accrue based upon a member's final salary, but on a Career Average Revalued Earnings (CARE) basis. The normal retirement age of the scheme was also changed from 60 to 65. Benefits in relation to service prior to 1 July 2009 were unaffected by the changes.

A triennial valuation of the Laurence Keen Scheme was substantially completed in the year and forms the basis of assumptions used at 31 December 2009.

Skill

"The Rathbone Investment Process provides structure and well-researched guidance for investment managers to draw on, but is non prescriptive allowing investment managers the latitude to decide on the best structure for individual clients.

"The Process supports managers in their choice of a growing range of investment options, including alternative investments as well as more traditional investment choices.

"Internal performance monitoring and risk control processes ensure that the appropriate quality of service and fulfilment of client objectives are achieved."

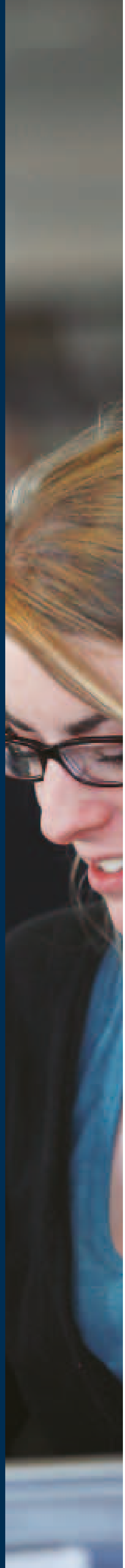
Strategic asset allocation committee

Stock selection committee
- UK equities
- Fixed income

Management funds committee
- Investment trusts
- Unit trusts

Alternative assets committee
- Hedge funds
- Structured products
- Commodities
- Private equity
- Property

The Rathbone Investment Process
We have continued to invest in the Rathbone Investment Process which combines the intellectual capital of all our investment managers.



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, were upgraded significantly in 2009 to provide capacity for business expansion and increased data demands on the system.

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:

- MS Office 2007 – a major project to upgrade core Microsoft systems across the business
- Dealing Infrastructure Review – the successful introduction of new dealing mechanisms (DMA and Algorhythmic trading) with new counterparties, which keep us up with an evolving market
- Significant background work on a new client documentation management system
- A telephone recording capability to meet FSA requirements
- Infrastructure support for the launch of our new unitised multi asset service
- Investment into client reporting, with new layout, charts, e-mail capacity, and more facilities for IFAs
- Increasing investment in data security by locking down USB access and improving firewalls
- Upgrading our Sun accounting system.

Operations teams have been working hard to ensure that the transfer of new clients from the Portfolio Management Service of Lloyds Banking Group into Rathbones happens smoothly, and our thanks go out to all involved in this project for their continued commitment.

Rathbones offers bespoke solutions for different client needs, and does not aim to generate 'index' returns over short periods. This means that we 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. Operationally, we continue to support the ever increasing complexity associated with this approach to ensure that we are able to provide clients with a whole of market investment choice.

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 2010 we plan to complete a major upgrade in our Voice over IP telephone technology in London and Liverpool and significantly upgrade our Microsoft Exchange server capacity.

We will continue to work hard to secure optimal use of space as part of our overall plans to manage costs carefully. Having relocated our Chichester office in June, we expect to consider our London location in 2010 in advance of lease break opportunities in 2012.

Risks and uncertainties

Financial risks, together with the policies and procedures for the monitoring and management of those risks, are set out in note 28 to the consolidated financial statements.

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 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.

Going concern basis

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the business review. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are also described in the business review on pages 10 to 23. In addition, note 29 to the financial statements includes the Group's objectives and policies for managing its capital and note 28 to the financial statements explains the Group's financial risk management objectives, details of its financial instruments and its exposure to credit risk and liquidity risk.

The Company is regulated by the FSA and performs annual capital adequacy assessments which include the modelling of certain extreme stress scenarios. The Company publishes Pillar 3 disclosures annually. Note 21 to the financial statements shows that the Company has an unsecured term loan of £6.2 million at 31 December 2009 which represents 3.4% of total equity (2008: £9.2 million). The Company is not reliant on the renewal of debt facilities to continue to finance its operations.

In 2009, the Group has continued to generate organic growth in client funds under management in spite of the recent market turmoil, and this is expected to continue. The directors believe that the company is well placed to manage its business risks successfully despite the current uncertain economic and political outlook.

As the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future, they continue to adopt the going concern basis of accounting in preparing the annual financial statements. In forming their view, the directors have considered the Company's prospects for a period exceeding 12 months.

Directors

Directors at 31 December 2009

Chairman

1 Mark Powell

Mark Powell, aged 64, 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 49, 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 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 59, is chief executive of the Group's Trust and Tax business and the director responsible for its pensions and advisory business. He is the director responsible for risk management and marketing and is also chairman of the Group's IT Steering Committee. 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 a committee member of Family Assurance Friendly Society and chairman of NXT Plc.

4 Paul Chavasse*

Paul Chavasse, aged 45, 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 58, 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. He 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 45, is the director responsible for Rathbones' Investment Management business in Aberdeen, Birmingham, Edinburgh, Kendal and Liverpool. 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 Business Continuity and Training and Competence Committees.

7 Peter Pearson Lund

Peter Pearson Lund, aged 62, 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 in 1999, he worked for Gartmore for 14 years where he was a group director and managing director of Gartmore Fund Managers, the unit trust division. He is retiring from the Board on 31 March 2010.

8 Richard Smeeton

Richard Smeeton, aged 45, 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 44, 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 in September 2008.

* Members of the Executive Committee

Non-executive directors

10 David Harrel

David Harrel, aged 61, 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 in December 2008.

11 James Barclay

James Barclay, aged 64, has many years' experience in the financial services and banking sector as chairman and chief executive of Cater Allen Holdings Plc. In 2000 he was appointed as an adviser to the UK Debt Management Office and was chairman of its audit committee for four years. 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. He was appointed to the Board in November 2003 and is considered to be independent. He will be retiring from the Board after the Annual General Meeting on 5 May 2010.

12 Caroline Burton

Caroline Burton, aged 60, 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.

13 Oliver Corbett

Oliver Corbett, aged 45, 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, where he was managing director, emerging companies, before joining Novae Group 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 in December 2008.

14 John May

John May, aged 54, 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.

15 Mark Robertshaw

Mark Robertshaw, aged 41, 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. He will be stepping down from the Board after the Annual General Meeting on 5 May 2010.

Governance

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, charities and trusts carried out by Rathbone Investment Management Limited from eleven offices in the UK and by 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 seven authorised unit trusts through Rathbone Unit Trust Management Limited and is the Authorised Corporate Director of a number of Open Ended Investment Companies (OEICs) including the Rathbone Multi Asset Portfolio, a Non UCITS Retail Scheme.

Rathbone Trust Company Limited provides a wide range of trust, company management and taxation services in the UK. The sale of Rathbones' offshore trust businesses was completed in early 2009 with completion of the sale of the offshore trust businesses in Geneva on 10 February 2009 and in Singapore and BVI on 31 March 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 23. Information about environmental, employee and social and community issues are set out in the Corporate responsibility report on pages 47 to 55.

Post balance sheet events

Details of events after the balance sheet date are set out in note 33 to the accounts on page 106.

Group results and Company dividends

The Group profit after taxation for the year ended 31 December 2009 was £19,628,000 (2008: £19,000,000).

The directors do not recommend the payment of a final dividend (2008: 26.0p). The first interim dividend of 16p (2008: 16.0p) was paid on 7 October 2009 and a second interim dividend of 26.0p (2008: 0.0p) is payable on 31 March 2010 to shareholders on the register on 5 March 2010. This results in total dividends of 42.0p (2008: 42.0p) per ordinary share for the year. These dividends amount to £18,159,000 (2008: £17,984,000) – see note 11 on page 78.

Capital structure

The Company's share capital is comprised of one class of ordinary shares of 5p each. At 31 December 2009, 43,296,330 shares were in issue (2008: 42,858,196). 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 one-third of the issued share capital at 3 March 2009) with the authority to allot a further 14.0 million shares by way of fully pre-emptive rights issues in line with guidance issued by the Association of British Insurers on 31 December 2008. The Board currently has the authority to buy back up to 2.0 million shares under certain stringent conditions.

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 2009 and 23 February 2010. Details of directors' share options are shown in Table 6 on page 41.

Table 1. Directors' shareholdings

	Number of 5p ordinary shares at 1 January 2009*		Number of 5p ordinary shares at 31 December 2009	
	Beneficial	Non-beneficial	Beneficial	Non-beneficial
Chairman				
G M Powell	302,350	12,500	251,397	12,500
Executive				
I M Buckley	31,055	–	33,056	–
P D G Chavasse	40,865	–	51,411	–
R P Lanyon	211,505	–	212,052	–
A T Morris	41,523	–	50,070	–
P G Pearson Lund	11,612	–	27,159	–
A D Pomfret	68,443	–	91,490	–
R I Smeeton	115,928	–	116,475	–
R P Stockton	–	–	379	–
Non-executive				
J C Barclay	2,674	–	3,183	–
C M Burton	2,674	–	3,183	–
O R P Corbett	1,008	–	1,437	–
D T D Harrel	8	–	8	–
J M May	1,480	–	1,480	–
M Robertshaw	2,008	–	2,437	–

* 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. Their biographies are on page 25. Peter Pearson Lund is to retire from the Board on 31 March 2010.

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.

Kate Avery and Kathryn Matthews were appointed to the Board on 6 January 2010 whilst James Barclay and Mark Robertshaw are to step down from the Board at the Annual General Meeting on 5 May 2010.

Kate Avery's career began with Barclays Plc, where she worked for some eighteen years, and was managing director of Barclays Bank Trust Company and Barclays Stockbrokers. She subsequently joined Legal and General Group Plc and served on its main board for eight years until January 2009, latterly as group executive director for wealth management. She also served as a non-executive director with Kelda Group plc until its sale to an infrastructure fund in 2008. She is currently chairman of Openwork Holdings Limited.

Kathryn Matthews' entire career has been in investment management, most recently as chief investment officer, Asia Pacific (ex Japan) for Fidelity International. Prior to that, she held senior appointments with William M Mercer, AXA Investment Managers, Santander Global Advisers and Baring Asset Management. She is a non-executive director of Hermes Fund Managers Limited and of Fidelity Asian Values Plc.

The senior independent director is David Harrel 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

Caroline Burton, Richard Lanyon Andrew Morris, Andy Pomfret and Richard Smeeton retire by rotation at the next Annual General Meeting and, being eligible, offer themselves for re-election.

Substantial shareholdings

At 23 February 2010, 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 voting rights of the Company.

Table 2. Substantial shareholdings at 23 February 2010

Notifier	Date of notification	Ordinary shares	% of voting rights
BlackRock Inc.	2 February 2010	6,358,765	14.69%
Caledonia Investments plc	9 December 2009	3,817,000	8.82%
Lindsell Train Ltd.	17 November 2009	2,173,950	5.04%
Legal & General Group Plc	23 January 2009	1,700,574	3.96%
Lloyds Banking Group plc	15 March 2007	1,477,812	3.50%
Mawer Investment Management Ltd.	13 October 2009	1,344,818	3.12%
BlackRock UK Emerging Companies Hedge Fund	18 February 2010	1,314,465	3.04%
Royal Bank of Scotland plc as Trustee of the BlackRock UK Special Situations Fund	2 October 2007	1,290,701	3.02%

Political and charitable donations

No contributions were made for political purposes during the year (2008: nil). Details of the Company's charitable donations can be found in the Corporate responsibility report on page 55.

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 53 to 55.

The Company encourages the involvement of its employees in its performance through both a Share Incentive Plan launched in 2001 and a Save As You Earn Scheme which was approved by shareholders on 19 November 2009.

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 2009 represented 13 days of annual purchases (2008: 30 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 28 to the accounts on pages 93 to 104.

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 2009 was £8.00 (2008: £8.335) and the range during the year was £6.68 to £9.60 (2008: £6.965 to £11.34).

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 7 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, KPMG Audit Plc be reappointed.

KPMG Audit Plc were appointed as auditors following the resignation of PricewaterhouseCoopers LLP on 27 May 2009 KPMG Audit Plc 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 2010 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 2010 Annual General Meeting will be held on Wednesday 5 May 2010 at 12.00 noon at 159 New Bond Street, London, W1S 2UD. The notice of the meeting is on pages 114 to 120 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 14.2 million shares (with an aggregate nominal amount of up to £710,000) and to allot up to a further 14.2 million shares for fully pre-emptive rights issues.

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). The annual special resolution seeking the authority to convene a general meeting (other than the AGM) with not less than 14 days' notice is proposed as is the adoption of new Articles of Association following the full implementation of the Companies Act 2006.

A technical irregularity regarding the historic payment of dividends by the Company has been identified.

Distributions made by a company must not exceed the distributable profits as reported in the last set of 'relevant accounts' of the company. For the purposes of the Companies Acts the 'relevant accounts' are either a company's last annual audited accounts or its latest interim accounts. In order to rely on interim accounts to pay a dividend a company must file those interim accounts with the Registrar of Companies. Whilst the Company has always been satisfied that it had sufficient reserves at the date of the payment of the dividend to shareholders, it has not always filed the requisite interim accounts with the Registrar of Companies. The appropriate 'relevant accounts' for each dividend payment would therefore be deemed to be the Company's prior annual accounts and a number of dividend payments made have exceeded the distributable profits of the Company reported in those annual accounts.

This technical non-compliance with the terms of the Companies Acts could, in theory, result in a right for the Company to claim for repayment of the relevant dividends from shareholders who received those dividend payments and/or from the directors who approved the payments. In order to put the shareholders and directors into the position in which they were always intended to be the Company proposes to release and waive any such claims. Resolutions will be put to shareholders at the AGM to approve such release and waiver and to protect directors and shareholders against any future claim.

To avoid a similar issue with the payment of the second interim dividend for 2009 on 31 March 2010, interim accounts of the Company to 28 February 2010 will be filed at Companies House in accordance with Section 838 of the Companies Act 2006.

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

23 February 2010

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 23 February 2010.

The Combined Code compliance statement

The revised Combined Code on Corporate Governance ('the Code') was issued in June 2008 by the Financial Reporting Council ('FRC') and applies for reporting periods beginning on or after 29 June 2008. 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 which applied throughout the year:

Independence of the chairman on appointment (Provision A.2.2)

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 (Provision A.3.2)

There are currently 17 directors, of which seven (41%) 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 eight 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 its development of strategy and the chief executive for the running of the business and implementation of Board strategy and policy.

The Board considers that seven of the nine 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 David Harrel who 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 2009, an internal questionnaire was used. This was developed and executed with assistance from Lintstock Limited, a London based corporate advisory firm. This year's questionnaire followed up on points raised in the 2008 review as well as considering the acquisition of business from the Lloyds Banking Group and the oversight of the board during the 'credit crunch' of late 2008 and early 2009.

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. 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), Kate Avery, James Barclay, Caroline Burton, David Harrel, Kathryn Matthews 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), Kate Avery, James Barclay, Oliver Corbett, David Harrel, Kathryn Matthews 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), Kate Avery, James Barclay, Caroline Burton, Oliver Corbett, David Harrel, Kathryn Matthews, Andy Pomfret and Mark Robertshaw. Full details of its role are set out in the Nomination Committee report.

Conflicts of interest

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 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 2009

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

* Scheduled bi-monthly meeting
# Scheduled monthly meeting

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 webcasts 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.

Ian Buckley is the director with specific responsibility for risk management. He chairs the Risk Management Committee which reports to the Board and comprises all 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 23 February 2010.

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 2009 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 company's business activities, financial performance in 2009 and the financial position at 31 December 2009 are summarised in the business review on page 23. Note 28 summarises how the Group manages its financial risk.

The directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future (at least 12 months from the date the accounts are signed). For this reason, they continue to adopt the going concern basis in preparing the accounts.

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 International Limited is regulated by the Jersey Financial Services Commission.

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

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

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 2009.

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.

2009 saw the publication of 'A review of corporate governance in UK banks and other financial industry entities' by Sir David Walker and a FSA policy statement titled 'Reforming remuneration practices in financial services'. The Remuneration Committee (the Committee) has reviewed current remuneration arrangements in light of these reports and is making some changes for 2010 onwards which are explained below.

Remuneration packages

Remuneration packages are designed to include fixed and variable elements, and to provide rewards for both the long and short term. The Committee considers that the key objectives of a remuneration package are to motivate directors to generate long-term shareholder value and to increase 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 proposed introduction of a deferred profit share element supports both objectives.

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, with the changes to the profit share proposed, 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 trading conditions experienced in late 2008 and in 2009, directors' basic salaries were not increased on 1 January 2009 or 1 January 2010.

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.

In addition Rathbones provides a range of benefits including life, private medical and permanent health insurance. The provision of company cars is being phased out as lease contracts end.

Profit share

For 2009, the following arrangements were in place:

- Paul Chavasse, Richard Lanyon, Andy Pomfret and Paul Stockton were eligible for a discretionary profit share payment from a pool 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 was anticipated that in a typical year the payment would normally be 1.75% of Group profits.

  In 2009 £502,000 was paid representing 1.7% of continuing Group pre-tax profit (2008: £591,000, 1.4%)

- Directors with direct responsibility for investment management, unit trust or trust and tax departments (Ian Buckley, Andrew Morris, Peter Pearson Lund and Richard Smeeton) received a profit share payment based on the profits of the department concerned which may be supplemented by a payment from the pool referred to above.

  In 2009 £345,000 was paid representing 1.2% of continuing Group pre-tax profit (2008: £591,000, 1.4%)

Profit share continued

For 2010, changes to the structure will be made. The Committee's view was that payments based on a share of current year profits (and not revenue) remained appropriate and in accordance with best practice. Whilst the danger of excessive risk taking in generating those profits was considered low, it was agreed that a significant element of deferral should be introduced.

Awards to all executive directors will be made from one pool of profits of 3-5% of Group profit before tax with an expectation that in a normal year the percentage would be around 4%. This compares with the total award of 2.9% for 2009, the increase recognising that up to two-thirds of the award will be paid in Rathbone Brothers Plc shares three years after the end of the relevant accounting period. The cash element may be increased but the total award will be reduced by up to a maximum of one-third if the total award is taken in cash. Individual awards will be capped at 200% of basic salary.

No performance criteria are attached to the deferred award. The Committee's view was that share price movements reflect the performance of the business and that further performance conditions were not necessary. Half of the deferred award will lapse if a director is a bad leaver whilst deferred shares will attract the monetary equivalent of declared dividends over the deferral period.

The Committee is comfortable that the overall remuneration opportunity is moderate when compared with the market.

Table 1. Directors' remuneration (audited information)

	Salary or fee[1] £'000	Payments in lieu of pension contributions £'000	Profit sharing £'000	Benefits[2] £'000	2009 total £'000	2008 total £'000	2009 Pension contributions[3] £'000	2008 Pension contributions[3] £'000
Chairman								
G M Powell	165	–	–	1	166	166	–	–
Executive								
A D Pomfret (chief executive)	311	–	155	1	467	549	37	37
I M Buckley	212	–	57	1	270	276	24	24
P D G Chavasse	232	–	76	1	309	333	–	–
R P Lanyon	231	–	195	1	427	474	–	–
A T Morris	182	–	85	18	285	314	–	–
P G Pearson Lund	134	19	–	1	154	378	–	–
R I Smeeton	212	–	203	1	416	446	–	–
R P Stockton	219	–	76	1	296	113	21	8
Non-executive								
J C Barclay	35	–	–	–	35	35	–	–
C M Burton	40	–	–	–	40	40	–	–
O R P Corbett	43	–	–	–	43	35	–	–
D T D Harrel	40	–	–	–	40	35	–	–
J M May	35	–	–	–	35	35	–	–
M Robertshaw	35	–	–	–	35	35	–	–
Former executive directors	–	–	–	–	–	–	–	–
Former non-executive directors	–	–	–	–	–	40	–	–
	2,126	19	847	26	3,018	3,304	82	69

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 (2008: three)

Equity incentives

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. New arrangements (which will require shareholder approval) are currently being developed.

Under the current LTIP arrangements, 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, 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. In all other circumstances, any provisional award would lapse on cessation of employment.

For all awards made since 2005, relative TSR performance has been measured against 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.

On 31 December 2008, the trustee held 47,193 Rathbone Brothers Plc ordinary shares. On 12 March 2009, 4,500 shares were awarded to 2006/08 Plan participants. 42,693 shares were held as at 31 December 2009. Dividend entitlements in respect of this holding have been waived and voting rights will not be exercised.

Table 2. 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%

2007/09 plan cycle

No actual awards were made for the 2007/09 plan cycle. The TSR for the three-year period was -24.84%, which ranked the Company at the 38th percentile relative to the constituents of the FTSE All Share Index. Basic EPS decreased from 76.62p in 2006 to 45.55p in 2009.

2008/10, 2009/11 and 2010/12 plan cycles

Details of the provisional awards for the 2007/09, 2008/10 and 2009/11 plan cycles are also set out in Table 3. Were the maximum possible provisional awards to be made in shares to current and former directors, 393,346 ordinary shares (2008: 354,142) would be awarded, representing 0.9% (2008: 0.8%) of the issued share capital at 31 December 2009. In practice, awards under the LTIP are intended to be satisfied using market purchased shares held in trust. Expected actual awards are difficult to predict with any accuracy.

Equity incentives continued

Table 3. LTIP actual and provisional awards of ordinary shares (audited information)

Plan cycle Status Date of provisional award End of performance	2007/09 Actual award 31 December 2006 31 December 2009	2008/10 Maximum provisional award 31 December 2007 31 December 2010	2009/11 Maximum provisional award 31 December 2008 31 December 2011	2010/12 Maximum provisional award 31 December 2009 31 December 2012
I M Buckley	–	14,825	18,905	16,904
P D G Chavasse	–	16,220	20,685	21,187
R P Lanyon	–	16,220	20,685	21,187
A T Morris	–	12,697	16,192	16,585
A D Pomfret	–	22,151	28,247	28,933
R I Smeeton	–	14,825	18,905	19,365
R P Stockton	–	11,259	18,460	18,909
Total	–	108,197	142,079	143,070
Market value of shares at date of provisional award	£11.95	£10.75	£8.43	£8.23

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

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

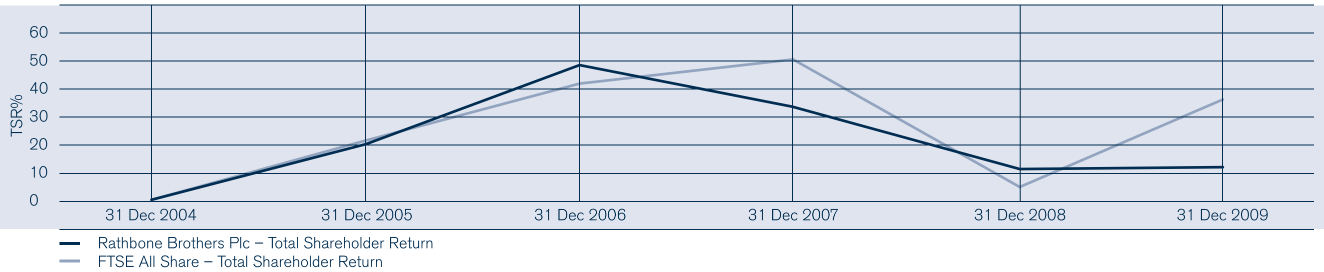


Chart 1 shows the Company's TSR against the FTSE All Share Index. TSR is calculated assuming that dividends are reinvested on receipt. The FTSE All Share Index has been selected as a comparator as it is a suitably broad market index and has been used as a performance comparator for LTIP plan cycles since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

Long-term incentive 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 4. Awards held by Peter Pearson Lund under the RUTM Deferred Bonus Plan (audited information)

			Awards vesting in 2009			
Year of award	**Awards outstanding at 1 January 2009 (£value on award)**	**Award made in 2009 (£value on award)**	**Awards vesting in 2009 (£value on award)**	**(£value of funds released)**	**Awards outstanding at 31 December 2009 (£value on award)**	**Release dates**
2005	**109,338**	**–**	**109,338**	**127,306**	**–**	**2008/09**
2006	**317,317**	**–**	**158,658**	**176,178**	**158,659**	**2009/10**
2007	**462,557**	**–**	**–**	**–**	**462,557**	**2010/11**
2008	**191,950**	**–**	**–**	**–**	**191,950**	**2011/12**
2009	**–**	**48,050**	**–**	**–**	**48,050**	**2012/13**
Total	**1,081,162**	**48,050**	**267,996**	**303,484**	**861,216**	

Equity incentives continued

Share Incentive Plan (SIP) and Savings Related Share Option Plan (Save As You Earn)

All directors are entitled to take part in the 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. SIP shares are included in the table of directors' share interests on page 29.

Executive directors may also participate in the HM Revenue & Customs approved Rathbones Savings Related Share Option Plan (commonly know as a Save As You Earn or SAYE Plan) which was approved by shareholders on 19 November 2009. An option grant was made on 23 December 2009 at £6.96 (being the closing mid-market price on the three dealing days preceding the date of invitation less a 20% discount). Details of grants to directors are shown in Table 5.

Table 5. The Rathbone Brothers Savings Related Share Option Plan 2009 (audited information)

	At 1 January 2009*	Granted in 2009	Exercised in 2009	Lapsed in 2009	At 31 December 2009	Date of grant	Earliest exercise date	Latest exercise date	Exercise price
I M Buckley	–	1,303	–	–	1,303	23/12/09	01/02/13	01/08/13	696.00p
P D G Chavasse	–	1,303	–	–	1,303	23/12/09	01/02/13	01/08/13	696.00p
R P Lanyon	–	1,303	–	–	1,303	23/12/09	01/02/13	01/08/13	696.00p
A T Morris	–	651	–	–	651	23/12/09	01/02/13	01/08/13	696.00p
A D Pomfret	–	1,303	–	–	1,303	23/12/09	01/02/13	01/08/13	696.00p
R I Smeeton	–	1,303	–	–	1,303	23/12/09	01/02/13	01/08/13	696.00p
R P Stockton	–	651	–	–	651	23/12/09	01/02/13	01/08/13	696.00p
	–	7,817	–	–	7,817				

Share options

Option grants are only now be made in exceptional circumstances and 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 6. The terms and conditions of all options have remained unchanged during the year.

Equity incentives continued

Table 6. Outstanding share options and movements in the year (audited information)

	At 1 Jan 2009*	Exercised in 2009	Lapsed in 2009	At 31 Dec 2009	Date of grant	Earliest exercise date	Latest exercise date	Exercise price	Exercise date	Market value at date of exercise
Grant prior to Board appointment										
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	06/11/09	£8.720
P G Pearson Lund	10,000	10,000		–	14/03/03	14/03/06	14/03/13	415.00p	24/03/09	£7.440
P G Pearson Lund	10,000	10,000		–	16/03/04	16/03/07	16/03/14	743.50p	06/11/09	£8.720
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	8,000	8,000		–	14/03/03	14/03/06	14/03/13	415.00p	31/07/09	£7.315
P D G Chavasse	25,334	25,334		–	14/03/03	14/03/06	14/03/13	415.00p	26/11/09	£8.790
A T Morris	16,667	16,667		–	14/03/03	14/03/06	14/03/13	415.00p	24/03/09	£7.440
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	08/05/09	£8.805
A D Pomfret	62,500	62,500		–	14/03/03	14/03/06	14/03/13	415.00p	24/03/09	£7.440
	267,817	**187,501**	**8,350**	**71,966**						

* or date of appointment if later

(a) The mid-market closing price of the Company's shares on 31 December 2009 was £8.00 (2008: £8.335) and the range during the year was £6.68 to £9.60 (2008: £6.965 to £11.34)

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 (including the SAYE Plan) and not more than 5% to shares allotted under both the LTIP and SIP.

In the ten years to 31 December 2009, options over 2,508,122 ordinary shares (2008: 2,649,537) have been granted, which represents 5.8% of the issued share capital at that date (2008: 6.2%). 1,071,167 ordinary shares (2008: 905,367) have been allotted in respect of the SIP, representing 2.5% of the issued share capital at 31 December 2009 (2008: 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%). With effect from 1 July 2009, future service benefits will be based on career average revalued earnings (CARE) with a normal retirement age of 65 rather than 60.

Details of the Company's contributions are set out in note 25 to the accounts.

Since 1 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, 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 cash payments are now made by way of a salary supplement in lieu with no overall increase in cost to the Company. These are disclosed separately in Table 1.

Pension arrangements continued

The changes in pension entitlements arising in the financial year, required to be disclosed by the UK Listing Authority, are shown in Table 7. 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. The increases in transfer values are mainly due to changed assumptions for inflation, post-retirement discount rates and future mortality.

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

	Age at 31.12.09 Years	Years of service at 31.12.09	Accrued benefit at 31.12.09[1]	Increase in accrued benefits excluding inflation[2]	Increase in accrued benefits including inflation[3]	Transfer value of 2 less directors' contributions	Transfer value of accrued benefits at 31.12.09	Transfer value of accrued benefits at 31.12.08	Increase in transfer value less directors' contributions[4]
P D G Chavasse	45	9	32,271	5,306	5,938	52,095	429,967	206,971	204,396
R P Lanyon	58	18	65,992	6,373	7,770	139,834	1,640,578	1,036,507	585,471
A T Morris	45	21	60,896	4,060	5,392	49,095	954,767	542,270	397,937
P G Pearson Lund	62	10	23,772	–	528	–	496,949	413,073	83,876
R I Smeeton	45	21	69,933	7,014	8,489	78,278	949,965	507,028	425,937

During 2009, five directors (2008: five) 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 or 65 based on service to 31 December 2009 (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 2009, Ian Buckley received fees of £41,250 from NXT Plc (2008: £25,000). Following his appointment as a committee member of the Family Assurance Friendly Society on 14 December 2009, whilst he retains the fee paid of £27,350 per annum, his Rathbones salary has been reduced accordingly.

Remuneration Committee

The current members of the Remuneration Committee are the independent non-executive directors Caroline Burton (chairman), James Barclay, Oliver Corbett, David Harrel, Mark Robertshaw, Kate Avery and Kathryn Matthews (who both joined the Committee on their appointment to the Board on 6 January 2010).

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 met on five occasions in 2009 (2008: seven). Details of attendance at meetings are shown on page 34.

Advisers to the Remuneration Committee

The Remuneration Committee has appointed Deloitte 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 provides occasional ad-hoc advice, particularly on share scheme issues, and supplies tax compliance software. 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 2009 was £35,000 per annum with additional payments of £7,500 and £5,000 per annum to the chairmen of the Audit and Remuneration Committees respectively. An additional fee of £5,000 per annum is payable to the senior independent director where he or 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 2009. Notice of the AGM is on pages 114 to 120.

Approved by the Board on 23 February 2010 and signed on its behalf by

Caroline Burton
Chairman of the Remuneration Committee

Audit committee report

Committee members

The members of the Audit Committee who served throughout 2009 are the independent non-executive directors Oliver Corbett (chairman), James Barclay, Caroline Burton, David Harrel, and Mark Robertshaw. Kate Avery and Kathryn Matthews joined the Committee on their appointment to the Board on 6 January 2010.

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 financial matters.

The Committee met on seven occasions in 2009 (2008: six). 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 ensure 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 the assessment 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 2009, the Committee considered an independent review by Grant Thornton of risk governance arrangements and the risk governance framework. It reviewed the Group structure and a programme of rationalisation; and the accounting policy for acquisitions. Committee members visited offices in Bristol, Edinburgh, Liverpool and Winchester (as well as London). It also considered new Financial Reporting Council Guidance on challenges for audit committees arising from current economic conditions.

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. The frequency of 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 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.

PricewaterhouseCoopers LLP resigned as auditors on 3 June 2009 as they were unable to agree mutually acceptable audit fees for the 2009 audit with the Company. The Board appointed KPMG Audit Plc to fill the vacancy arising on the resignation of PricewaterhouseCoopers LLP on the recommendation of the Audit Committee. A full tender process was not undertaken as a full review had been undertaken in 2006. The Committee's view was that there were a limited number of firms with the skill and experience needed to audit a Group with a banking subsidiary.

The Audit Committee reviews the independence and the nature of non-audit services supplied by the auditors 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 expected 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 7 on page 75. The Committee also reviews the audit engagement letters each year and has discussions with the auditors with no management present.

Regarding the 2009 audit, presentations were received from the auditors on audit progress, findings and recommendations and unadjusted errors.

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

The members of the Nomination Committee who served throughout 2009 are Mark Powell (chairman), James Barclay, Caroline Burton, Oliver Corbett, David Harrel, Andy Pomfret and Mark Robertshaw. Kate Avery and Kathryn Matthews joined the Committee on their appointment to the Board on 6 January 2010.

The Committee met formally on two occasions in 2009 (2008: two). 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.

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. Towards the end of 2009, a firm of headhunters was approached regarding the recruitment of new non-executive directors. From a long list, a shortlist of candidates was then produced and interviewed. Three candidates were then interviewed by the Committee whose recommendation to the Board was that Kate Avery and Kathryn Matthews be appointed.

The 2008 Board evaluation process highlighted a desire to increase non-executive committee members exposure to senior management below Board level. This has been done by visits to Group offices, the holding of a Board meeting in our Edinburgh office for the first time and the introduction of a programme of Board presentations on important business areas or issues.

Corporate responsibility report

Introduction

This year we have decided to report in accordance with the criteria set in the Connected Reporting Framework, an initiative launched by the Prince of Wales's Accounting for Sustainability Project[1].

In line with the principles outlined in the Framework, we have:

- Reported on sustainability issues that are material to Rathbones
- Discussed our sustainability trends in the short term
- Reported against our 2008 objectives and outlined our objectives for 2010
- Reported our indirect carbon emissions through our supply chain for travel and paper consumption
- Followed international carbon reporting standards to enable comparability
- Estimated our carbon intensity

In future, we hope to be able to consider how sustainability issues can be further integrated into our business model and our sustainability trends in the medium and long term.

Our sustainability issues

As a provider of investment and wealth management services with offices in the UK and Jersey, we consider that our exposure to sustainability issues is relatively small compared to other high impact sectors or larger financial services providers. We consider our sustainability issues to be mainly:

Socially responsible investment

Whilst 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.

Environment – Carbon related costs

Although we do not fall under the Carbon Reduction Commitment legislation, we recognise that increasing energy bills, paper usage, travel costs and waste will reduce profits as well as increasing our carbon footprint and should be minimised.

Employees – Access to skills

As a financial company our employees are our most valued asset. We believe that a motivated and satisfied workforce leads to better financial performance.

Community – Involvement and engagement

Positive engagement with the communities around us is considered important for both the local communities and the employees involved.

The Social & Environmental Committee (SEC) is responsible for ensuring that Rathbones effectively manages its sustainability issues. The Committee is formed by members of staff from key functions such as facilities management, personnel, marketing, IT and investment management. The Committee is chaired by our chief executive, meets on a quarterly basis and reports directly to the Group Executive Committee.

With regard to environmental, social and governance (ESG) matters as they affect our business, the Board believes that the Group Social & Environmental Committee has identified and assessed the significant risks to the Company's short- and long-term value.

Socially responsible investment

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 specialist ethical investment service, Rathbone Greenbank Investments.

Increasing media coverage and general consumer awareness of social and environmental issues (especially climate change) have undoubtedly led to greater awareness of the concept of 'ethical' or 'socially responsible' investment. Whilst a great deal of focus tends to be on products and services such as SRI unit or investment trusts, ethical banking, or mortgages, less space is given to the opportunity for private investors to invest in companies at the forefront of climate change mitigation through bespoke portfolio management.

1 For more information go to: www.accountingforsustainability.org

Socially responsible investment continued

Through Rathbone Greenbank Investments and Rathbone Unit Trust Management's Ethical Bond Fund, the Company is able to provide investment services appropriate to clients' interest in these areas. Where appropriate, the Company is also able to participate in new share issues offered by companies offering environmentally and socially beneficial products or services on behalf of clients with specific interests in these areas. As a group, Rathbone Brothers Plc has been a signatory to the Carbon Disclosure Project since 2006 and became a signatory to the UN Principles for Responsible Investment in September 2009.

Environment

From the point of view of commercial risk, Rathbones considers itself to be at limited risk from any change in regulation or government policy on issues such as climate change as they might relate to restrictions on emissions of major greenhouse gases. The Company is not a large emitter of such gases, nor is it an excessive consumer of resources. Unless future regulations impose restrictions on universal business environmental issues such as resource use, building procurement and business travel, then we do not consider that there would be any significant impact on our business.

The need to comply with any future tightening of energy efficiency standards would be of greater impact. However, Rathbones considers that the steps it has already taken in the course of the refurbishment of its Liverpool and London offices have largely addressed any reasonable measures it could be expected to take.

Our direct environmental impacts

Our direct environmental impacts are those typical of an office based business, for example, energy consumption of buildings, travel related emissions, resource consumption and waste generation.

How we manage our environmental impacts

Based on our carbon emissions during baseline year 2007/08, our overall goal is to reduce our carbon footprint where possible. In order to achieve this goal, we have agreed a series of actions focused on addressing carbon intensive activities. These include:

- Monitor and reduce the energy consumption of our offices through improved energy efficiency, management and staff engagement
- Further reduce the need for travel through the use of video conferencing systems

In addition, we are currently evaluating the business case for offsetting some of our carbon emissions.

Our environmental performance

Scope and boundaries

The information provided in this report was approved by the Social & Environmental Committee and the Board on 23 February 2010. It relates to the period from 1 October 2008 to 30 September 2009.

To enable comparability, the scope and boundaries of the data collected are unchanged, covering the UK operations excluding Birmingham and Kendal[2]. This represents approximately 92% of Group employees as at 31 December 2009.

Data collection and calculation[3]

Data has been collected and calculated in accordance with the requirements set in the following standards: the World Resources Institute (WRI) Greenhouse Gas (GHG) Protocol (revised version), DEFRA Guidance on How to Report GHG Emissions (September 2009) and ISO 14064 - part 1.

Our base year is 1 October 2007 to 30 September 2008. Base year figures have been recalculated following the identification of unreported consumption for the London office. We have improved the quality of the energy consumption data reported for our larger offices through the introduction of an energy tracking tool.

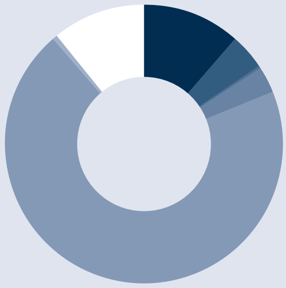
2 Offices under scope are in Bristol, Cambridge, Chichester, Edinburgh, Exeter, London, Liverpool, and Winchester
3 Data sources: most of our electricity and gas use data comes from meter readings or invoices. Data for Exeter was not available; therefore a Government benchmark was used. In most cases data did not account for the full reporting year and had to be extrapolated. In the case of Liverpool, gas data was only available for the whole building and had to be adjusted pro-rata to give estimated figures for the space occupied by Rathbones. Travel data: approximately 40% of train journeys were estimated based on cost. Waste data: The majority of waste data was estimated based on office samples. Paper data: Paper consumption was based on paper purchased and printing records

Our carbon footprint

We have reported our carbon footprint in scopes 1–3 defined by the World Resources Institute (WRI) GHG Protocol in Chart 1 and in Table 1.

Our total carbon footprint for this year is 2,390 tonnes of CO_2e[4]. (2007/08: 2,392 tonnes).

Chart 1 – Tonnes of CO_2e by emissions source



	Tonnes CO_2e
Air	273
Rail	102
Taxis	6
Non-company cars	77
Electricity	1,665
Company cars	13
Gas	254
Total	**2,390**

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

	2008/09	2007/08 (Base year)
Office square metres (m^2)	10,695[5]	10,727
Number of employees as at 31 December	699	704
Scope 1		
Gas use (kWh)	1,243,539	1,455,655
Gas (CO_2e tonnes)	254	300
Company cars (km)	64,889	83,416
Company cars (CO_2e tonnes)	13	19
Total CO_2e (tonnes)	267	319
Scope 2		
Electricity (kWh)	3,060,113	2,984,736[6]
Total CO_2e (tonnes)	1,665	1,603[7]
Scope 3		
Business travel (km)	2,905,584	2,701,346
Total CO_2e (tonnes)	458	470[8]
Total CO_2e (tonnes)	2,390	2,392
CO_2e (tonnes) per employee	3.4	3.4
Electricity and gas CO_2e tonnes/m^2	0.18	0.18
Waste (tonnes)	213	226[9]
Paper (tonnes)	98	98[10]

4 We have expressed our carbon footprint in terms of CO_2 equivalent (CO_2e) to accommodate non-CO_2 greenhouse gas emissions
5 Bristol has moved offices which has resulted in a small change in the total floor area for the group
6 Electricity consumption has been re-baselined for 2007/08. We previously reported 1,999,470 kWh but we have added an additional 985,266 kWh following the identification of unreported consumption in London
7 Data re-baselined (see above). 1,074 tonnes CO_2e was previously reported
8 Data extrapolated to allow comparison with the complete data coverage of flight data for this year and to maintain consistency of approach
9 A small change in the estimated waste volume reflecting better data quality
10 Data re-baselined to include previously excluded envelopes

Our environmental performance continued

For the first time this year, and in line with the Accounting for Sustainability model, we have decided to report our carbon intensity against our operating income and funds under management.

Table 2. Carbon intensity

	2009 (£m)	2008 (£m)	Carbon intensity[1] 2009	Carbon intensity[1] 2008
Operating income	116.8	131.2	20.5	18.2
Funds under management (FUM)	13,100	10,460	0.18	0.23

1 Tonnes CO_2e per £m of operating income or FUM

Performance analysis

Scope 1

Natural gas

Natural gas consumption has decreased by 15% over the past year. Last year, Liverpool gas consumption was calculated using a Government benchmark. Upon the introduction of energy tracking we found out that in fact energy consumption was 24% lower than originally estimated.

Company cars

The phasing out of company cars has continued as leases end.

Scope 2

Electricity

Our total electricity consumption has increased by 3% compared to the previous year. All of our offices with the exception of Liverpool and Bristol reported a drop in consumption. Bristol's increase is due to an office move to new premises that only operates with electricity.

Scope 3

Business travel (excluding company cars)

Overall, we have reported a decrease of 2% in CO_2e emissions from the baseline year. We are pleased to report that we have completed our consolidation of business travel bookings which has resulted in increased confidence in the quality of data we report, although the full benefits will be recognised in 2009/10.

Flights

Our travel CO_2e emissions are dominated by flights which generate 60% of emissions. We are pleased to report a reduction of 4% in both kilometres travelled and CO_2e emissions in 2008/09.

Rail

National rail travel increased by 23% in 2008/09 from 1.36m km to 1.67m km due in part to the expansion of the regional office network in Exeter, Birmingham and Edinburgh.

Taxis and non-company cars

Our use of taxis has decreased by 11% to 25,391 km. However, relative CO_2e emissions have increased by 1 tonne CO_2e due to changes in DEFRA emission factors. Non-company car use has decreased significantly.

Objectives for 2010

We will continue to encourage the use of public transport where practical.

Landfill waste and recycling

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 305kg of waste produced per employee per annum, it is estimated that 254kg 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.

We have carried out wide sampling of our waste streams in our main offices and have improved the quality of data received from our suppliers. We continue to improve our recycling level, achieving an estimated average 83% recycling level across the business.

In London and Liverpool we have also seen waste to energy initiatives implemented and now send half of our non-recycled waste to energy production. As a result, in London we have achieved our objective of sending no waste to landfill.

Table 3. Waste and recycling data

	Mass collected (2008–09) (tonnes)	%	Mass collected (2007–08) (tonnes)	%
Paper and cardboard	64	30%	79	35%
Secure shredding	104	48%	68	30%
Other materials	9	4%	14	6%
Total recycling	177	82%	161	71%
Waste to energy	18	9%	–	0%
Residual landfill waste	18	9%	65	29%
Total waste	213	100%	226	100%
Per employee	0.3		0.3	

Paper usage

Total paper consumption amounts to 98 tonnes, which is approximately equivalent to 14.1 million A4 sheets. Paper is an energy and carbon intensive product to produce. We aim, where possible, to reduce usage, to purchase recycled paper and to work with our print suppliers to reduce waste in the printing of our reports and brochures.

Table 4. Paper usage

Paper weight (tonnes)	2008–09 Stationery	2008–09 Print	2008-09 Total	2007–08 Stationery	2007–08 Print	2007–08 Total
Recycled paper	27	50	77	37	40	77
Virgin paper	5	16	21	6	15	21
	32	66	98	43	55	98

65% of our paper consumption by weight is recycled stock. The majority of the stationery paper purchased is Evolve brand, a 100% recycled product made exclusively from UK post consumer waste.

We have managed to reduce our stationery paper use by approximately 3 million sheets. Paper use for printing has increased from year to year due in part to printing layout changes for client valuation packs and increased demand for other printed stationery.

We have estimated that our paper consumption this year has caused emissions of 208 tonnes CO_2e. However, as no agreed standard currently exists for GHG emissions for paper, we have excluded this from the overall carbon footprint.

Objectives for 2010

We remain focused on improved paper management in our offices and will increase efforts to reduce our printed paper use. Where possible, a summary of deals is now sent to clients with their periodic valuations rather than posting a contract note at the time of each deal. We will also continue to seek cost effective ways to reduce use of virgin stock where possible.

Table 5. Performance versus our objectives

Our objective for 2009	Performance	Comment	Our objective for 2010
Review energy intensive offices	On track	Energy audit for Liverpool office in November 2009	Energy audit in Bristol
Reduce our travel carbon footprint by encouraging the use of rail rather than flights	Achieved	We have reported an increase in the number of rail journeys and a reduction in the number of flights. Our scope 3 emissions have decreased by 2.6%	We will review our travel policy and seek ways of increasing the use of video conferencing
Implement a zero-to-landfill policy in our London and Liverpool offices	Achieved	Our zero-to-landfill programme has been successfully initiated in our London and Liverpool offices	Seek ways of reducing waste in other offices
Paper use: Reduce paper use in our offices and for client communication	Not achieved	We have seen a significant decrease (2 million A4 sheets) in our office paper use. However we have seen a large increase in printed paper	Seek ways to reduce printed stationery use, particularly for client communication
Improve data collection systems for energy, flights and rail	On track	Our data quality has improved. However 40% of rail data is estimated based on cost data	Enhance the central travel booking system with on-line access

Carbon Smart Opinion Statement

This statement provides Rathbones and its stakeholders with a third party assessment of the quality and reliability of Rathbones' carbon footprint data for the reporting period 1 October 2008 to 30 September 2009. It does not represent an independent third party assurance of Rathbones' management approach to sustainability.

Carbon Smart has been commissioned by Rathbone Brothers Plc to measure Rathbones' carbon footprint for selected UK offices for its 2009 Corporate responsibility report. 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 ISO 14064 – part 1 standard and verified against the WRI GHG Protocol principles of completeness, consistency and accuracy.

Our work has included interviews with key Rathbones' personnel, a review of internal and external documentation, interrogation of source data and data collection systems including comparisons with the previous year and a site visit to Liverpool.

We have concluded the following:

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 over 90% of total employees including all entities that meet the criteria of being subject to control or significant influence of the reporting organisation. We recommend that Rathbones continues to improve data collection efforts for its most material emissions.

Consistency
In order to ensure comparability, we have used the same calculation methodologies and assumptions as last year. We have re-baselined data to account for changes in the emissions under scope.

Transparency
Where relevant, we have included appropriate references to the accounting and calculation methodologies, assumptions, estimations and re-baselining performed.

Accuracy
To our knowledge, 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 3.2, an improvement compared to last year (2.6). Rathbones' goal is to increase this rating to 4 by 2010 by strengthening its data gathering systems.

Our environmental performance continued

Scope	Data quality rating 2008-09	% Carbon footprint 2008-09	Data quality rating 2007-08	Comments
Overall	3.2		2.6	
Scope1	2	11%	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	4	70%	3	Majority of electricity related data is free from assumptions and estimations. There are some minor extrapolations and pro rata calculations
Scope 3	3	19%	2	Flight data quality was good with minor assumptions and estimates. Rail and car data required moderate extrapolation. Taxi data was based on cost benchmarks
Paper	4	n/a	4	High level of good quality data coverage
Waste and recycling	3	n/a	2	Waste data has improved significantly in key London and Liverpool offices

About Carbon Smart

Carbon Smart is a carbon and sustainability consultancy headquartered in London. Our team of sustainability, environmental, business and academic experts meet the IRCA criteria for Lead Sustainability Assurance Practitioner.

London, 23 February 2010.

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 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

Rathbones recognises the importance of an appropriate work-life balance both to the health and welfare of employees and to the business. Holiday entitlements are 25 days increasing to 30 days after five years' service. Employees are able to buy up to five additional days of leave with the agreement of their manager.

Maternity benefits remain in excess of those required under statutory provisions. 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. 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

It is vital that all staff continuously improve their skills, keep up to date with developments in their area of expertise and meet regulatory requirements. We support this by helping individuals to find the most appropriate development opportunities. There are a number of options provided including attending external courses or conferences, internal seminars, development programmes, on the job training and coaching.

During 2009 we have continued to develop some long term development programmes as well as launching some new initiatives.

New initiatives

A two day refresher course, 'The Application of Financial Ratios to Stock Selection' was attended by the majority of our fund managers. This course was tailored for our business and designed to be immediately relevant back at the desk. We aim to deliver more of this type of training during 2010.

A new long term programme was launched to help to further improve business development skills with an initial focus on handling client meetings. The aim of this is to ensure that the Rathbone proposition is fully and persuasively explained.

Retail Distribution Review – professional standards

The professional standards element of the FSA's Retail Distribution Review (RDR) aims to raise the professional standards of those giving financial advice across the sector. As a result a small number of our staff will have to complete an additional qualification. The RDR also places a greater emphasis on continuous professional development (CPD) and whilst Rathbones has a long standing CPD process we will look to enhance this and ensure that targeted development opportunities continue to be available.

Rathbone Development Programme

The Rathbone Development Programme has continued this year with the aim of improving networking, professional skills and increasing involvement in the business. A significant part of this has involved working on live business issues including:

- A client survey to ensure that we are treating clients fairly
- Standardising documentation across the business to ensure a consistent image
- Implementation of a single provider for business travel

This has proved to be a good opportunity for delegates to get to know more about the business outside of their area of responsibility and to develop project management skills.

At the conclusion of this programme the delegates create individual development plans with the help of feedback from senior managers and fellow participants.

Management Skills

At the beginning of the year 15 of our managers and team leaders successfully completed an introductory level qualification awarded by the Chartered Management Institute. This was the culmination of a nine month training programme focusing on the techniques of management. Eight delegates have chosen to take higher level qualifications and will complete these during 2010.

Secretarial Training Programme

Now in its second year, the programme of quarterly meetings comprise communication of key business initiatives, training in new skills, networking and input from a range of staff to enable greater understanding of roles across the business. This initiative has increased the engagement of this group of staff.

IT Skills

A very comprehensive training programme involving all staff was implemented to support the upgrade to a new version of Microsoft Office. This enabled a smooth transition and provided an opportunity for many to upgrade their skills.

Investment

Rathbones continues to invest in staff training. In 2009 we spent £326,790 on development, an average of £476 per person. An average of 2.3 days per person was spent attending training courses.

Employees continued

Rewards and benefits

Employees are encouraged to identify and to become involved with the financial performance of the Group. The Share Incentive Plan (SIP) remains popular with 670 employees participating at 31 December 2009 holding an average of 2,010 shares. 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. A member of staff who has been in the SIP since its launch and who has made the maximum monthly contributions now owns 4,975 shares, which were valued at £39,800 as at 31 December 2009.

On 19 November 2009, shareholders approved the launch of an approved Savings Related Share Option Plan. This was launched on 26 November 2009 with an option exercise price of £6.96. Take-up was strong with 238 employees participating saving an average of £156 per month.

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 and offer a cycle to work scheme.

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. Following a consultation process, the future accrued benefits of employees in the defined benefit scheme were reduced by an increase in the retirement age from 60 to 65 and a move to career average revalued earnings (CARE) with effect from 1 July 2009. The changes were made to reduce the cost of the scheme and to bring the cost more into line with that of the defined contribution scheme.

Employee involvement

Communication with staff takes place through a variety of means including internal email and an internal newsletter. 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 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.

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.

During the year, 20 employees assisted at Personal Finance Education Group (PFEG) events for school children in London and Liverpool whilst 16 employees in Liverpool worked on-site for a day helping build 32 award winning Habitat for Humanity homes in Liverpool.

Donations and fundraising

During the year, the Group made total charitable donations of £174,098, representing 0.59% of continuing Group pre-tax profits (2008: £165,478, representing 0.39% of continuing Group pre-tax profits).

Staff are encouraged to donate to charity in a tax efficient manner through the Give As You Earn (GAYE) payroll giving scheme. In 2009, Rathbone employees made payments totalling £384,273 (2008: £107,783) 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 2009 donated £81,109 (2008: £77,843) to causes chosen by employees through this method.

£30,000 was donated as part of a four year commitment made to support four Liverpool secondary schools in their bids for Specialist Schools and Academies Trust status. A number of employees from our Liverpool office sit on the respective governing bodies, helping to maintain working relationships with each school whilst bringing a wide range of skills and business experience to the various committees. The members of staff involved are, as a result, given opportunities to develop their wider professional and management skills. A number of initiatives have been implemented with the individual schools including CV workshops, Business Enterprise days and pupil mentoring, all designed to enhance capability and future employability. We also provide two work experience places for each school each year and offer a small number of sixth form pupils paid summer work.

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. During 2009, £9,497 has been raised by staff for these two charities.

Statement of directors' responsibilities in respect of the report and accounts

The directors are responsible for preparing the Annual Report and the Group consolidated accounts and Company accounts, in accordance with applicable law and regulations.

Company law requires the directors to prepare Group consolidated accounts and Company accounts for each financial year. Under that law the directors are required to prepare the Group consolidated accounts in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the Company accounts in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of their profit or loss for that period. In preparing each of the Group and 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 consolidated accounts, state whether they have been prepared in accordance with IFRS as adopted by the EU;
- for the Company accounts, state whether applicable UK Accounting Standards have been followed,
- subject to any material departures disclosed and explained in the Company accounts; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act 2006. 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 2006) 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 the relevant financial reporting framework, 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, Rathbones at a glance, Strategy and business performance and the 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

23 February 2010

Consolidated accounts

Independent auditors' report to the members of Rathbone Brothers Plc

We have audited the financial statements of Rathbone Brothers Plc for the year ended 31 December 2009 set out on pages 60 to 113. The financial reporting framework that has been applied in the preparation of the Group accounts is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU. The financial reporting framework that has been applied in the preparation of the Company accounts is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' responsibilities statement set out on page 56, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/UKP.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Company's affairs as at 31 December 2009 and of the Group's profit for the year then ended;
- the Group accounts have been properly prepared in accordance with IFRSs as adopted by the EU;
- the Company accounts have been properly prepared in accordance with UK Generally Accepted Accounting Practice;
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006; and, as regards the Group accounts, Article 4 of the IAS Regulation.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Company financial statements and the part of the Remuneration report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the directors' statement, set out on page 56, in relation to going concern; and
- the part of the Corporate governance report relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review.

I Cummings (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountants

8 Salisbury Square, London EC4Y 8BB

23 February 2010

Consolidated income statement

for the year ended 31 December 2009

	Note	2009 £'000	2008 £'000 restated (note 1)
Interest and similar income		**21,502**	68,115
Interest expense and similar charges		**(3,006)**	(37,140)
Net interest income	4	**18,496**	30,975
Fee and commission income		**103,735**	106,656
Fee and commission expense		**(7,351)**	(8,565)
Net fee and commission income	5	**96,384**	98,091
Dividend income	6	**80**	134
Net trading income	6	**358**	480
Other operating income	6	**1,439**	1,486
Operating income		**116,757**	131,166
Additional levy for Financial Services Compensation Scheme	7	**(229)**	(1,404)
Amortisation of client relationships	17	**(1,967)**	(1,310)
Transaction costs	17	**(782)**	–
Other operating expenses		**(84,311)**	(86,146)
Operating expenses	7	**(87,289)**	(88,860)
Profit before tax from continuing operations		**29,468**	42,306
Taxation	9	**(9,271)**	(13,421)
Profit after tax from continuing operations		**20,197**	28,885
Discontinued operations			
(Loss)/profit before tax from discontinued operations		**(391)**	2,666
Income tax credit on (loss)/profit before tax from discontinued operations		**33**	129
Loss recognised on re-measurement of assets of the disposal group		**(211)**	(12,680)
Net loss from discontinued operations	10	**(569)**	(9,885)
Profit for the period attributable to equity holders of the Company		**19,628**	19,000
Dividends paid and proposed for the year per ordinary share (p)	11	**42.00p**	42.00p
Dividends paid and proposed for the year (£'000)		**18,159**	17,984
Earnings per share for the period attributable to equity holders of the Company:	12		
– basic		**45.55p**	44.45p
– diluted		**45.53p**	44.09p
Earnings per share from profit from continuing operations for the period attributable to equity holders of the Company:	12		
– basic		**46.87p**	67.57p
– diluted		**46.85p**	67.02p

The accompanying notes form an integral part of the Consolidated accounts.

Consolidated statement of comprehensive income

for the year ended 31 December 2009

	Note	2009 £'000	2008 £'000
Profit for the year		**19,628**	19,000
Other comprehensive income:			
Exchange translation differences		**(182)**	1,001
Actuarial loss on retirement benefit obligation	25	**(8,626)**	(44)
Revaluation of available for sale investment securities:			
– net loss from changes in fair value	16	**(59)**	(3,957)
Deferred tax relating to components of other comprehensive income:	19		
– available for sale investment securities		**17**	1,108
– actuarial gains and losses		**2,415**	12
Other comprehensive income for the year, net of tax		**(6,435)**	(1,880)
Total comprehensive income for the year, net of tax attributable to equity holders of the Company		**13,193**	17,120

Consolidated statement of changes in equity

for the year ended 31 December 2009

	Note	Share capital £'000	Share premium £'000	Merger reserve £'000	Available for sale reserve £'000	Translation reserve £'000	Total other reserves £'000	Retained earnings £'000	Total equity £'000
At 1 January 2008		2,134	27,758	49,428	4,968	(215)	54,181	100,677	184,750
Total comprehensive income for the period					(2,849)	1,001	(1,848)	18,968	17,120
Dividends paid	11							(17,503)	(17,503)
Issue of share capital	26	9	1,199						1,208
Share-based payments:									
– value of employee services	8							1,299	1,299
– costs of shares issued/purchased								(1,728)	(1,728)
– tax on share-based payments	19							(515)	(515)
Transfer of merger reserve to retained earnings on disposal of subsidiary				(17,593)			(17,593)	17,593	–
At 1 January 2009		**2,143**	**28,957**	**31,835**	**2,119**	**786**	**34,740**	**118,791**	**184,631**
Total comprehensive income for the period					**(42)**	**(182)**	**(224)**	**13,417**	**13,193**
Dividends paid	11							**(18,066)**	**(18,066)**
Issue of share capital	26	**22**	**2,799**						**2,821**
Reclassification of translation reserve on disposal of subsidiaries						**(359)**	**(359)**	**359**	**–**
Share-based payments:									
– value of employee services	8							**1,219**	**1,219**
– transfer to liabilities for cash settled awards								**(119)**	**(119)**
– costs of shares issued/purchased								**(1,096)**	**(1,096)**
– tax on share-based payments	19							**(94)**	**(94)**
At 31 December 2009		**2,165**	**31,756**	**31,835**	**2,077**	**245**	**34,157**	**114,411**	**182,489**

Consolidated balance sheet

as at 31 December 2009

	Note	2009 £'000	2008 £'000
Assets			
Cash and balances at central banks	13	**315**	351
Settlement balances		**17,305**	15,751
Loans and advances to banks	14	**92,661**	175,973
Loans and advances to customers	15	**26,745**	39,412
Investment securities			
– available for sale	16	**86,932**	81,991
– held to maturity	16	**694,000**	874,979
Assets of disposal groups classified as held for sale	10	**–**	5,813
Intangible assets	17	**81,973**	68,232
Property, plant and equipment	18	**5,676**	6,816
Deferred tax asset	19	**1,603**	2,483
Prepayments, accrued income and other assets	20	**29,878**	38,646
Total assets		**1,037,088**	1,310,447
Liabilities			
Deposits by banks	21	**7,379**	9,201
Settlement balances		**22,157**	14,048
Due to customers	22	**766,361**	1,044,351
Accruals, deferred income, provisions and other liabilities	23	**46,875**	42,450
Current tax liabilities		**2,414**	6,035
Liabilities of disposal groups classified as held for sale	10	**–**	4,008
Retirement benefit obligations	25	**9,413**	5,723
Total liabilities		**854,599**	1,125,816
Equity			
Share capital	26	**2,165**	2,143
Share premium	26	**31,756**	28,957
Other reserves		**34,157**	34,740
Retained earnings		**114,411**	118,791
Total equity		**182,489**	184,631
Total liabilities and equity		**1,037,088**	1,310,447

Approved by the Board of Directors on 23 February 2010

A D Pomfret
Chief executive

R P Stockton
Finance director

Company registed number: 1000403.

The accompanying notes form an intergral part of the Consolidated accounts.

Consolidated cash flow statement

for the year ended 31 December 2009

	Note	2009 £'000	2008 £'000 restated (note1)
Cash flows from operating activities			
Profit before income tax from continuing operations		**29,468**	42,306
Net interest income		**(18,496)**	(30,975)
Impairment losses on loans and advances	15	**22**	52
Profit on disposal of plant and equipment		**(20)**	(45)
Depreciation and amortisation		**5,340**	4,614
Defined benefit pension scheme charges	8	**1,852**	1,942
Share-based payment charges	8	**1,219**	1,299
Interest paid		**(3,889)**	(37,970)
Interest received		**33,819**	68,147
		49,315	49,370
Changes in operating assets and liabilities:			
– net (increase)/decrease loans and advances to banks and customers		**(42,557)**	33,169
– net (increase)/decrease in settlement balance debtors		**(1,554)**	5,822
– net decrease prepayments, accrued income and other assets		**3,436**	4,914
– net (decrease)/increase in amounts due to customers and deposits by banks		**(265,751)**	90,162
– net increase/(decrease) in settlement balance creditors		**8,109**	(5,878)
– net decrease in accruals, deferred income, provisions and other liabilities		**(8,723)**	(2,911)
Cash (used in)/generated from operations		**(257,725)**	174,648
Defined benefit pension contributions paid	25	**(6,788)**	(2,715)
Tax paid		**(9,625)**	(10,940)
Discontinued operations		**(1,522)**	2,247
Net cash (outflow)/inflow from operating activities		**(275,660)**	163,240
Cash flows from investing activities			
Acquisition of businesses, net of cash acquired		**–**	(734)
Disposal of businesses, net of cash transferred	32	**(1,341)**	16,340
Purchase of property, equipment and intangible assets		**(3,319)**	(11,311)
Proceeds from sale of property and equipment		**65**	151
Purchase of investment securities	16	**(1,796,282)**	(2,545,080)
Proceeds from sale and redemption of investment securities	16	**1,977,261**	2,435,375
Discontinued operations		**(4)**	(266)
Net cash generated from/(used in) investing activities		**176,380**	(105,525)
Cash flows from financing activities			
Purchase of shares for share-based schemes		**(468)**	(1,728)
Issue of ordinary shares	32	**2,193**	1,208
Dividends paid	11	**(18,066)**	(17,503)
Net cash used in financing activities		**(16,341)**	(18,023)
Net (decrease)/increase in cash and cash equivalents		**(115,621)**	39,692
Cash and cash equivalents at the beginning of the period		**255,021**	214,220
Effect of exchange rate changes on cash and cash equivalents		**(356)**	1,109
Cash and cash equivalents at the end of the period	32	**139,044**	255,021

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 108 to 115.

Changes in accounting policies and disclosure

The comparative balances have been restated in the Consolidated income statement, Consolidated cash flow statement and the related notes where applicable to reflect the disposal or planned discontinuation of certain subsidiary entities in accordance with IFRS 5. As required by the Standard, the comparative balances for the Consolidated balance sheet have not been restated. Further details, including the impact on the financial statements, are given in note 10.

Developments in reporting standards and interpretations

In the current year the following new and revised standards have been adopted and have affected the amounts reported in these financial statements.

- IAS 1 (revised 2007), 'Presentation of financial statements'. IAS 1(2007) has introduced a number of changes in the format and content of the financial statements. As a result the Group presents in the Consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income.
- IFRS 8, 'Operating segments'. The new standard requires segment information to be determined and presented on the same basis as the information that internally is reported to the Group Executive Committee, which is the Group's chief operating decision maker. The new standard has not required the Group to change its reported operating segments.
- Amendments to IFRS 7, 'Financial instruments disclosures'. The amendments to IFRS 7 expand the disclosure required in respect of fair value measurements and liquidity risk.

The following standards and interpretations 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:

- IAS 36 (amendment), 'Impairment of assets'
- IAS 23 (amendments), 'Borrowing costs'
- IFRS 2 (amendment), 'Share based payments'
- IAS 32 (amendment), 'Financial Instruments: Presentation'/ IAS 1 (amendment). Presentation of financial statements – 'Puttable financial instruments and obligations arising on liquidation'
- IAS 39 (amendment), 'Financial Instruments: Recognition and measurement'
- IFRIC 15, 'Agreements for the construction of real estate'
- IFRIC 16, 'Hedges of a net investment in a foreign operation'

The following standards and interpretations are also mandatory for the Group's accounting periods beginning on or after 1 January 2010 or later periods and have not been early adopted by the Group. They are not likely, in the opinion of the directors, to impact materially the financial statements in the period of initial application:

- IFRS 3 (revised 2008), 'Business combinations'
- IAS 27 (revised 2008), 'Consolidated and separate financial statements'

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 2010 or later periods but which, in the opinion of the directors, are not relevant to the operations of the Group:

- IFRIC 17, 'Distributions of non-cash assets to owners'
- IFRIC 18, 'Transfers of assets from customers'

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.

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 was effectively controlled by the Company, through representation on the board, until 12 November 2009. The Company did not own, directly or indirectly, 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 are set out below. The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in the consolidated accounts.

The directors have, at the time of approving the financial statements, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements. Further detail is contained in the business review on page 23.

Impairment

Goodwill and other intangible assets with indefinite useful lives are tested for impairment both when there is an indication of impairment and annually. Intangible assets with finite lives are tested for impairment where there is an indication of impairment.

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 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, except for equity instruments, 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 held to maturity securities 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.

Net interest income

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

Lease agreements which do not transfer substantially all of the risks and rewards of ownership of the leased assets to the Group are classified as 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 expense recognised in the income statement is adjusted for the impact of any lease incentives.

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 are recognised as intangible assets when the recognition requirements of IAS 38 are met. Computer software development costs recognised as assets are amortised using the straight-line method over their useful lives (not exceeding four years).

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 initially recognised 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 relationships over their estimated useful lives (ten 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. Financial assets are initially recognised at fair value.

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, which are categorised as fair value through profit or loss, are also categorised as held for trading and 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. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

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. Held to maturity investments are measured at amortised cost using the effective interest method, less any impairment, with revenue recognised on an effective yield basis.

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, 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.

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 Company's functional and the Group's 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 transferred to equity 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 obligations

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, in the statement of comprehensive income.

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.

Death in service benefits are provided to all employees through the pension schemes. The amount recognised in the balance sheet for death in service benefits represents the present value of the estimated obligation, reduced by the extent to which any future liabilities will be met by insurance policies.

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

Taxation

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:

(a) from the initial recognition of goodwill for which amortisation is not deductible for tax purposes; or

(b) from the initial recognition of other assets and liabilities in a transaction, which affects neither the tax profit nor the accounting profit, other than in a business combination.

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 the Group's intention not to reverse the temporary difference 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 substantively 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 engages in share-based payment transactions in respect of services received from certain employees. In relation to equity settled share-based payments, 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.

For cash settled share-based payments, a liability is recognised for the services received, measured initially at the fair value of the liability. At the date on which the liability is settled, and at each balance sheet date between grant date and settlement, the fair value of the liability is remeasured with any changes in fair value recognised in profit or loss for the year.

Segmental reporting

The Group determines and presents operating segments based on the information that is provided internally to the Group Executive Committee, which is the Group's chief operating decision maker. An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components, whose operating results are reviewed regularly by the Group Executive Committee to make decisions about resources allocated to the segment and assess its performance, and for which discrete financial information is available.

Operating segments are organised around the services provided to clients, a description of the services provided by each segment is given in Rathbones at a glance on page 6. No operating segments have been aggregated in the Group's financial statements. Transactions between operating segments are reported within the income or expenses for those segments. Indirect costs are allocated between segments in proportion to the principal cost driver for each category of indirect costs that is generated by each segment.

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. Such 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 amounts due 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.

Vendor loan notes

As described in note 15, the Group has issued vendor loan notes (‘notes’) with a nominal value of £5,000,000 to the acquirer of the Group’s Jersey trust operations in 2008. The notes are repayable on the occurrence of certain events, principally the refinancing of the operations disposed of.

The carrying value of the notes has been calculated as £3,267,000 using a discounted cash flow model based on the estimated repayment date. In the year, management’s estimate of the likely repayment date has been put back from 2013 to 2015, based on the likely impact of the economic turmoil on the Jersey business. Changing the estimated repayment date of the notes by one year would result in a change in their carrying value of approximately £140,000.

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 £9,413,000 are given in note 25.

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 25.

3 Segmental information

a Operating segments

For management purposes, the Group is currently organised into three operating divisions: Investment Management, Unit Trusts and Trust and Tax Services. These segments are the basis on which the Group reports its performance to the Executive Committee. Certain items of income are presented within different categories of operating income in the financial statements compared to the presentation for internal reporting. The information presented in this note follows the presentation for internal reporting to the Group Executive Committee.

31 December 2009	Investment Management £'000	Unit Trusts £'000	Trust and Tax Services £'000	Total (continuing) £'000
Net fee income	55,784	7,590	4,657	68,031
Net commission	28,740	–	–	28,740
Net interest and other income	19,789	130	67	19,986
Operating income	104,313	7,720	4,724	116,757
Staff costs – fixed	(25,170)	(2,086)	(2,483)	(29,739)
Staff costs – variable	(13,900)	(1,852)	(315)	(16,067)
Total staff costs	(39,070)	(3,938)	(2,798)	(45,806)
Other direct expenses	(12,686)	(2,155)	(465)	(15,306)
Allocation of indirect expenses	(23,406)	(1,479)	(1,292)	(26,177)
Operating expenses	(75,162)	(7,572)	(4,555)	(87,289)
Profit before tax from continuing operations	29,151	148	169	29,468
Discontinued operations	–	–	(602)	(602)
Profit/(loss) before tax attributable to equity holders of the Company	29,151	148	(433)	28,866
Income tax expense from continuing operations				(9,271)
Income tax credit from discontinued operations				33
Profit for the year attributable to equity holders of the Company				19,628

	Investment Management £'000	Unit Trusts £'000	Trust and Tax Services £'000	Total (continuing) £'000
Segment total assets	1,002,284	15,947	9,472	1,027,703
Unallocated assets				9,385
Total assets				1,037,088

3 Segmental information continued

a Operating segments continued

31 December 2008 restated (note 1)	Investment Management £'000	Unit Trusts £'000	Trust and Tax Services £'000	Total (continuing) £'000
Net fee income	54,313	11,149	4,882	70,344
Net commission	28,157	–	–	28,157
Net interest and other income	31,375	1,290	–	32,665
Operating income	113,845	12,439	4,882	131,166
Staff costs – fixed	(24,586)	(2,799)	(2,792)	(30,177)
Staff costs – variable	(13,558)	(3,412)	(368)	(17,338)
Total staff costs	(38,144)	(6,211)	(3,160)	(47,515)
Other direct expenses	(12,444)	(2,094)	(435)	(14,973)
Allocation of indirect expenses	(23,513)	(1,770)	(1,089)	(26,372)
Operating expenses	(74,101)	(10,075)	(4,684)	(88,860)
Profit before tax from continuing operations	39,744	2,364	198	42,306
Discontinued operations	–	–	(10,014)	(10,014)
Profit/(loss) before tax attributable to equity holders of the Company	39,744	2,364	(9,816)	32,292
Income tax expense from continuing operations				(13,421)
Income tax credit from discontinued operations				129
Profit for the year attributable to equity holders of the Company				19,000

	Investment Management £'000	Unit Trusts £'000	Trust and Tax Services £'000	Total (continuing) £'000
Segment total assets	1,231,678	10,611	36,938	1,279,227
Unallocated assets				31,220
Total assets				1,310,447

Included within Investment Management net commission income is £1,028,000 (31 December 2008: £1,160,000) of commission receivable from Unit Trusts. Intersegment sales are charged at prevailing market prices.

Centrally incurred indirect expenses are allocated to operating segments on the basis of the cost drivers that generate the expenditure.

b Geographic analysis

The following is an analysis of operating income analysed by the geographical location of the Group entity providing the service:

	2009 £'000	2008 £'000 restated (note 1)
United Kingdom	**113,121**	126,772
Jersey	**3,636**	4,394
	116,757	131,166

The following is an analysis of the carrying amount of non-current assets analysed by the geographical area in which the assets are located:

	2009 £'000	2008 £'000
United Kingdom	**87,645**	73,059
Jersey	**4**	1,989
	87,649	75,048

c Major clients

The Group is not reliant on any one client or group of connected clients for generation of revenues.

4 Net interest income

	2009 £'000	2008 £'000 restated (note 1)
Interest income		
Held to maturity investment securities	**16,250**	46,833
Available for sale investment securities	**1,583**	2,104
Loans and advances to banks and customers	**3,669**	19,178
	21,502	68,115
Interest expense		
Banks and customers	**(3,006)**	(37,140)
Net interest income	**18,496**	30,975

5 Net fee and commission income

	2009 £'000	2008 £'000
Fee and commission income		
Investment Management	**86,577**	83,168
Unit Trusts	**12,587**	18,589
Trust and Tax	**4,571**	4,899
	103,735	106,656
Fee and commission expense		
Investment Management	**(3,023)**	(1,827)
Unit Trusts	**(4,328)**	(6,738)
	(7,351)	(8,565)
Net fee and commission income	**96,384**	98,091

6 Dividend, net trading and other income

Dividend income

Dividend income comprises income from available for sale equity securities of £80,000 (2008: £134,000).

Net trading income

Net trading income comprises the following:

	2009 £'000	2008 £'000
Unit Trust net dealing profits	**358**	458
Increase in value of derivative financial instruments	**–**	22
	358	480

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 2009 (2008: £nil) and the total liability recognised in the accounts at 31 December 2009 was £nil (2008: £nil).

Other income

Other operating income of £1,439,000 (2008: £1,486,000) is comprised of rental income from sub-leases on certain properties leased by Group companies and sundry income.

7 Operating expenses

	2009 £'000	2008 £'000 restated (note 1)
Staff costs (note 8)	**56,594**	57,859
Depreciation of property, plant and equipment (note 18)	**2,180**	2,122
Amortisation of internally generated intangible assets included in operating expenses (note 17)	**278**	276
Amortisation of intangible assets, excluding client lists (note 17)	**915**	906
Auditors' remuneration (see below)	**545**	525
Impairment losses on loans and advances (note 15)	**22**	52
Operating lease rentals	**5,039**	4,173
Other	**18,738**	20,233
Other operating expenses	**84,311**	86,146
Additional levy for Financial Services Compensation Scheme(i)	**229**	1,404
Amortisation of client relationship intangible assets (note 17)	**1,967**	1,310
Transaction costs(ii)	**782**	–
Total operating expenses	**87,289**	88,860

(i) The arrangements put in place by the Financial Services Compensation Scheme ('FSCS') to protect depositors of failed deposit-taking institutions resulted in significant FSCS levies on the industry. In 2008 a charge to the profit and loss account of £1,404,000 was made in relation to estimated liabilities in respect of 2008/09 and 2009/10. As lower interest rates reduced the government's cost of borrowing in 2009, the net charge for the year is £229,000 which includes a provision for the 2010/11 year. Further charges are likely to be to be incurred in future years and the ultimate cost remains uncertain (note 30).

(ii) During the year, the Group entered into an agreement to acquire certain discretionary investment management assets and operations (note 17). Legal and professional fees totalling £782,000 were recognised during the year in relation to this.

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

	Pricewaterhouse Coopers £'000	KPMG £'000	2009 £'000	2008 £'000 restated (note 1)
Fees payable to the Company's auditors for the audit of the Company's annual accounts	–	85	**85**	127
Fees payable to the Company's auditors and their associates for other services to the Group:				
– audit of the Company's subsidiaries pursuant to legislation	–	203	**203**	248
– other services pursuant to legislation	–	104	**104**	95
– tax services	7	–	**7**	23
– other services	6	62	**68**	32
Fees payable to the Company's auditors in respect of the prior year audit	78	–	**78**	–
Total auditors remuneration for continuing operations	91	454	**545**	525
Discontinued operations	–	–	**–**	77
Total	91	454	**545**	602

8 Staff costs

	2009 £'000	2008 £'000
Wages and salaries	**47,063**	48,165
Social security costs	**5,407**	5,472
Share-based payments	**1,219**	1,299
Pension costs (note 25)		
– defined benefit schemes	**1,852**	1,942
– defined contribution schemes	**1,053**	981
	2,905	2,923
	56,594	57,859

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

	2009	2008
Investment Management	**438**	429
Unit Trusts	**24**	31
Trust and Tax	**40**	43
Shared services	**179**	172
	681	675

9 Income tax expense

	2009 £'000	2008 £'000 restated (note1)
Current tax	**5,899**	11,366
Adjustments in respect of previous years	**154**	(178)
Deferred tax (note 19)	**3,218**	2,233
	9,271	13,421

The tax charge on profit from continuing operations for the year is higher (2008: higher) than the standard rate of corporation tax in the UK of 28.0% (2008: 28.5%). The differences are explained below:

	2009 £'000	2008 £'000 restated (note1)
Tax on profit from ordinary activities at the standard rate of 28.0% (2008 – 28.5%)	**8,251**	12,057
Effects of:		
Disallowable expenses[1]	**566**	388
Share-based payments	**30**	273
Tax on overseas earnings	**(22)**	80
Under provision for tax in previous years	**446**	623
	9,271	13,421

1 The tax effect of disallowable expenses included £219,000 in respect of the Lloyds Banking Group transaction (note 17)

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 £2,338,000 has been credited directly to equity (2008: £605,000).

10 Disposal groups and discontinued operations

During 2008, the Group announced its intention to exit its international trust businesses and 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 S.A., on 31 March 2009 the Group disposed of its subsidiaries Rathbone Trust Company (BVI) Limited and Rathbone Trust (Singapore) Pte. Limited and on 17 November 2009 the Group disposed of its subsidiary Rathbone Trust International B.V..

On 12 November 2009, the Group ceased to be represented on the Board of Rathbone International Finance B.V., the Group's trading agreements with that company were terminated and the Group ceased to have effective control over it. The Group ceased to consolidate the results of Rathbone International Finance B.V. with effect from that date.

At 31 December 2009, plans to liquidate Rathbone Trust Company B.V. and Rathbone Bank (BVI) Limited were well advanced, representing the final stage in the Group's exit from overseas trust activities.

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

	2009 £'000	2008 £'000 restated (note 1)
Operating income	**959**	19,228
Operating expenses	**(1,350)**	(16,562)
(Loss)/profit before tax from discontinued operations	**(391)**	2,666
Attributable tax credit	**33**	129
(Loss)/profit after tax from discontinued operations	**(358)**	2,795
Loss recognised on re-measurement of assets of the disposal group	**(211)**	(12,680)
Attributable tax expense	**–**	–
Loss from discontinued operations	**(569)**	(9,885)

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

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

	2009 £'000	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
Total assets of the disposal group	**–**	5,813
Accruals, deferred income and other liabilities	**–**	4,008
Total liabilities of the disposal group	**–**	4,008
Net assets of the disposal group	**–**	1,805

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

Cash flows arising from discontinued operations, which have been included in the Consolidated cash flow statement, were as follows:

	2009 £'000	2008 £'000
Net cash (outflow)/inflow from operating activities	**(1,522)**	2,247
Net cash used in investing activities	**(4)**	(266)
Net (decrease)/increase in cash and cash equivalents	**(1,526)**	1,981

As a result of the disposal in the year of subsidiaries described above, £359,000 was transferred from the translation reserve to retained earnings.

11 Dividends

	2009 £'000	2008 £'000
Amounts recognised as distributions to equity holders in the year:		
– final dividend for the year ended 31 December 2008 of 26.0p (2007: 25.0p) per share	**11,164**	10,662
– first interim dividend for the year ended 31 December 2009 of 16.0p (2008: 16.0p) per share	**6,902**	6,841
	18,066	17,503
Proposed second interim dividend for the year ended 31 December 2009 of 26.0p (2008: final dividend of 26.0p) per share	**11,257**	11,143

A first interim dividend of 16.0p per share was paid on 7 October 2009 to shareholders on the register at the close of business on 18 September 2009.

A second interim dividend of 26.0p per share is payable on 31 March 2010 to shareholders on the register at the close of business on 5 March 2010. No final dividend is proposed.

Further details regarding historical dividend payments are included in the Directors' report on page 28.

12 Earnings per share

Earnings used to calculate earnings per share on the bases reported in these financial statements were:

	2009 Pre tax £'000	2009 Taxation £'000	2009 Post tax £'000	2008 Pre tax £'000	2008 Taxation £'000	2008 Post tax £'000
Underlying profit attributable to shareholders	**32,446**	**(9,886)**	**22,560**	45,020	(14,194)	30,826
Additional levy for Financial Services Compensation Scheme	**(229)**	**64**	**(165)**	(1,404)	400	(1,004)
Amortisation of client relationships	**(1,967)**	**551**	**(1,416)**	(1,310)	373	(937)
Transaction costs	**(782)**	**–**	**(782)**	–	–	–
Profit from continuing operations	**29,468**	**(9,271)**	**20,197**	42,306	(13,421)	28,885
Loss from discontinued operations	**(602)**	**33**	**(569)**	(10,014)	129	(9,885)
Profit attributable to shareholders	**28,866**	**(9,238)**	**19,628**	32,292	(13,292)	19,000

Basic earnings per share has been calculated by dividing earnings by the weighted average number of shares in issue throughout the period of 43,087,369 (2008: 42,745,197).

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).

	2009	2008
Weighted average number of ordinary shares in issue during the period – basic	**43,087,369**	42,745,197
Effect of ordinary share options	**15,948**	172,845
Effect of dilutive shares issuable under the Share Incentive Plan	**7,977**	7,998
Effect of contingently issuable ordinary shares under the long-term incentive plan	**–**	172,823
Diluted ordinary shares	**43,111,294**	43,098,863

12 Earnings per share continued

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

	2009	2008 restated (note 1)
Earnings per share from discontinued operations for the year attributable to equity holders of the Company:		
– basic (p)	**(1.32)p**	(23.12)p
– diluted (p)	**(1.32)p**	(22.93)p
Underlying earnings per share from continuing operations for the year attributable to equity holders of the Company:		
– basic (p)	**52.36p**	72.12p
– diluted (p)	**52.33p**	71.52p

13 Cash and balances at central banks

	2009 £'000	2008 £'000
Cash in hand (note 32)	**5**	3
Mandatory reserve deposits	**310**	348
	315	351

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.

14 Loans and advances to banks

	2009 £'000	2008 £'000
Repayable:		
– on demand or at short notice	**52,036**	25,900
– 3 months or less excluding on demand or at short notice	**40,003**	150,073
– 1 year or less but over 3 months	**622**	–
	92,661	175,973
Amounts include loans with:		
– variable interest rates	**51,873**	27,188
– fixed interest rates	**40,625**	148,614
– non-interest bearing	**163**	171
	92,661	175,973

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 2009 were £55,039,000 (note 32) (2008: £175,227,000).

The Group's exposure to credit risk arising from loans and advances to banks is described in note 28.

15 Loans and advances to customers

	2009 £'000	2008 £'000
Repayable:		
– on demand or at short notice	**4,043**	11,243
– 3 months or less excluding on demand or at short notice	**6,670**	5,883
– 1 year or less but over 3 months	**12,015**	14,823
– 5 years or less but over 1 year	**831**	7,155
– over 5 years	**3,268**	483
Less: allowance for losses on loans and advances	**(82)**	(175)
	26,745	39,412
Amounts include loans with:		
– variable interest rates	**21,387**	25,695
– fixed interest rates	**–**	5,887
– non-interest bearing	**5,358**	7,830
	26,745	39,412

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. Debtors arising from the Trust and Pensions businesses are non-interest bearing.

No banking loans and advances to customers were impaired as at 31 December 2009 (2008: 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 2009 amount to £850,000 (2008: £1,021,000).

Included within loans and advances to customers repayable after more than five years are vendor loan notes ('notes') with a fair value of £3,267,000 at 31 December 2009 (2008: £3,268,000). The notes have a nominal value of £5,000,000 and were issued by the acquirer of the Group's Jersey trust operations in 2008. The notes are subordinated and unsecured, and are repayable on the occurrence of certain events, principally the refinancing of the operations disposed of.

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 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 calculated based on a discounted cash flow model and interest income is recognised over the expected life of the notes under the effective interest rate method. The expected repayment date of the notes was reassessed during the year and extended by two years to 2015.

Included within loans and advances to customers repayable within five years but after more than one year is a Swiss Franc denominated loan to the acquirer of the Group's Geneva trust operations with a nominal value equivalent to £831,000 at 31 December 2009 (2008: £nil). The loan does not bear interest and is repayable in three approximately equal annual instalments ending in 2012.

Allowance for losses on loans and advances

	2009 £'000	2008 £'000 restated (note1)
At 1 January	**175**	639
Exchange rate adjustment	**(3)**	130
Amounts written off	**(112)**	(350)
Charge to the income statement		
– continuing operations	**22**	52
– discontinued operations	**–**	738
Transferred on disposal of business	**–**	(427)
Transferred to non-current assets held for sale	**–**	(607)
	82	175

The Group's exposure to credit risk arising from loans and advances to customers is described in note 28.

16 Investment securities

Available for sale securities

	2009 £'000	2008 £'000
Equity securities – at fair value		
– listed	**2,153**	1,529
– unlisted	**779**	1,462
Money market funds – at fair value		
– unlisted	**84,000**	79,000
	86,932	81,991

Held to maturity securities

	2009 £'000	2008 £'000
Debt securities – at amortised cost		
– listed	**–**	1,001
– unlisted	**694,000**	873,978
	694,000	874,979

Maturity of debt securities

	2009 £'000	2008 £'000
Due within 1 year	**654,000**	849,979
Due after more than 1 year	**40,000**	25,000
	694,000	874,979

Debt securities comprise bank and building society certificates of deposit, which have fixed coupons. In 2008, debt securities also included Gilts and treasury bills.

The fair value of debt securities at 31 December 2009 was £699,881,000 (2008: £894,968,000). 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 32).

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 (2008: none reclassified). The Group has not designated at initial recognition any financial asset as 'at fair value through profit or loss'.

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 2008	6,948	765,274	772,222
Additions	369,000	2,545,080	2,914,080
Disposal (sales and redemption)	(290,000)	(2,435,375)	(2,725,375)
Loss from changes in fair value	(3,957)	–	(3,957)
At 1 January 2009	**81,991**	**874,979**	**956,970**
Additions	**606,000**	**1,796,282**	**2,402,282**
Disposals (sales and redemption)	**(601,000)**	**(1,977,261)**	**(2,578,261)**
Loss from changes in fair value	**(59)**	**–**	**(59)**
At 31 December 2009	**86,932**	**694,000**	**780,932**

17 Intangible assets

	2009 £'000	2008 £'000
Goodwill	**47,241**	47,023
Other intangible assets	**34,732**	21,209
	81,973	68,232

Goodwill

	2009 £'000	2008 £'000
Cost		
At 1 January	**47,023**	70,536
Exchange adjustment	**–**	247
Transferred to assets held for sale	**–**	(887)
Additions	**218**	677
Disposals	**–**	(23,550)
At 31 December	**47,241**	47,023
Accumulated impairment losses		
At 1 January	**–**	–
Impairment charge recognised in the year	**–**	887
Transferred to assets held for sale	**–**	(887)
At 31 December	**–**	–
Net carrying amount of goodwill at 31 December	**47,241**	47,023

Additions to goodwill represent an adjustment to the goodwill acquired with Citywall Financial Management Limited in 2008 following determination of the final consideration payment.

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:

	2009 £'000	2008 £'000
Investment Management	**45,287**	45,069
Trust and Tax	**1,954**	1,954
	47,241	47,023

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 for up to 10 years based on a medium- to long-term growth rate of 3% for the Investment Management CGU and 2% for the Trust and Tax CGU (2008: 2% in both cases) based on management's expectation of future industry growth rates. The pre-tax rate used to discount the forecast cash flows is 10% for Investment Management and 12% for Trust and Tax (2008: 11.5% in both cases) based on a risk adjusted weighted average cost of capital and reflecting the relatively small size of the Trust and Tax CGU.

Other intangible assets

	Acquired client relationships £'000	Software development costs £'000	Purchased software £'000	Total £'000
Cost				
At 1 January 2008	14,381	1,425	9,360	25,166
Exchange adjustment	(8)	–	–	(8)
Internally developed in the year	–	433	–	433
Purchased in the year	6,317	–	1,268	7,585
Acquired through business combinations	565	–	–	565
Transferred to non-current assets held for sale (note 10)	–	–	(46)	(46)
Disposals	(87)	–	–	(87)
At 1 January 2009	**21,168**	**1,858**	**10,582**	**33,608**
Internally developed in the year	**–**	**378**	**–**	**378**
Purchased in the year	**15,130**	**–**	**1,175**	**16,305**
At 31 December 2009	**36,298**	**2,236**	**11,757**	**50,291**
Amortisation				
At 1 January 2008	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 10)	(41)	–	–	(41)
At 1 January 2009	**2,791**	**1,147**	**8,461**	**12,399**
Charge for the year	**1,967**	**278**	**915**	**3,160**
At 31 December 2009	**4,758**	**1,425**	**9,376**	**15,559**
Carrying amount at 31 December 2009	**31,540**	**811**	**2,381**	**34,732**
Carrying amount at 31 December 2008	18,377	711	2,121	21,209
Carrying amount at 1 January 2008	12,885	554	1,759	15,198

On 20 October 2009, the Group agreed terms with Lloyds Banking Group for the transfer of elements of Lloyds TSB's legacy discretionary investment management assets and HBOS's discretionary investment management activities.

As at 31 December 2009, acquired client relationships of £11,683,000 had been recognised in relation to new relationships with those former Bank of Scotland Portfolio Management Service clients from whom consent had been received and portfolio transfer values determined. Consideration payments for Portfolio Management Service clients will be made in instalments shortly after 30 June 2010 and 31 December 2010 in proportion to the total value of funds under management for clients who have agreed to transfer to the Group at those dates.

Plans to migrate discretionary private client portfolios from Lloyds TSB during 2010 are at an advanced stage. As at 31 December 2009 no assets had been recognised in relation to new relationships with such clients as no clients had transferred to the Group at that time. The agreement includes a floor on the minimum total consideration payable, which is 50% of the maximum purchase consideration, in recognition of assistance from Lloyds Banking Group with the transfer of clients and a cap on the maximum consideration payable. Funds under management for those clients who elect to remain with Lloyds Banking Group are excluded from the calculation of the maximum purchase consideration. At 31 December 2009, the theoretical maximum consideration payable under the floor, if more than 50% of clients elect not to remain with Lloyds Banking Group nor transfer to Rathbones, was £8,382,000. An advance payment of up to £8,382,000 will be made on 26 February 2010, which is recoverable if the total consideration ultimately payable is below this value.

Transaction costs of £782,000 have been recognised in the Consolidated income statement in connection with the Lloyds Banking Group transaction. No goodwill arose in relation to the transaction.

On 25 September 2009 the Group acquired the trade of Trust Financial Limited for £125,000 in cash consideration. A further £60,000 of consideration is payable on 25 September 2010. Intangible assets for client relationships with a fair value totalling £185,000 have been recognised as a result of the transaction. No other assets were acquired.

Purchased software with a cost of £7,732,000 (2008: £6,756,000) has been fully amortised but is still in use.

18 Property, plant and equipment

	Short term leasehold improvements £'000	Plant and equipment £'000	Total £'000
Cost			
At 1 January 2008	7,375	14,683	22,058
Exchange adjustments	74	454	528
Additions	1,415	2,365	3,780
Acquired through business combinations	–	116	116
Transferred to non-current assets held for sale (note 10)	(245)	(1,541)	(1,786)
Disposals	(1,982)	(2,442)	(4,424)
At 1 January 2009	**6,637**	**13,635**	**20,272**
Additions	**403**	**682**	**1,085**
Disposals	**–**	**(453)**	**(453)**
At 31 December 2009	**7,040**	**13,864**	**20,904**
Depreciation			
At 1 January 2008	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 10)	(198)	(1,440)	(1,638)
Disposals	(407)	(1,632)	(2,039)
At 1 January 2009	**2,921**	**10,535**	**13,456**
Charge for the year	**761**	**1,419**	**2,180**
Disposals	**–**	**(408)**	**(408)**
At 31 December 2009	**3,682**	**11,546**	**15,228**
Carrying amount at 31 December 2009	**3,358**	**2,318**	**5,676**
Carrying amount at 31 December 2008	3,716	3,100	6,816
Carrying amount at 1 January 2008	4,674	3,457	8,131

19 Deferred tax asset

Deferred income taxes are calculated on all temporary differences under the liability method using an effective tax rate of 28% (2008: 28%).

The movement on the deferred tax account is as follows:

	2009 £'000	2008 £'000
At 1 January	**2,483**	3,528
Adjustments in respect of prior years:		
– charged to the income statement	**(234)**	(87)
– credited/(charged) directly to equity	**41**	(419)
Other movements in deferred tax:		
– amounts charged to the income statement	**(2,984)**	(1,656)
– actuarial gains and losses	**2,415**	12
– share-based payments	**(135)**	(96)
– fair value measurement of available for sale securities	**17**	1,108
Disposals	**–**	93
	1,603	2,483

Deferred tax asset

	2009 £'000	2008 £'000
Excess of depreciation	**638**	709
Share-based payments	**298**	658
Staff related costs	**–**	1,627
Pensions	**3,434**	1,602
Deferred income	**188**	396
	4,558	4,992

Deferred tax liabilities

	2009 £'000	2008 £'000
Available for sale securities	**807**	824
Intangible assets	**1,728**	1,346
Staff related costs	**151**	–
Unremitted overseas earnings	**269**	339
	2,955	2,509

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

	2009 £'000	2008 £'000
Excess of depreciation	**71**	(489)
Share-based payments	**266**	661
Staff related costs	**1,778**	754
Pensions	**583**	217
Unremitted overseas earnings	**(70)**	339
Intangible assets	**382**	678
Other provisions	**208**	73
	3,218	2,233
Discontinued operations	**–**	(490)
	3,218	1,743

Deferred income tax liabilities of £648,000 (2008: £684,000) 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 £3,601,000 at 31 December 2009 (2008: £3,804,000).

20 Prepayments, accrued income and other assets

	2009 £'000	2008 £'000
Trust work in progress	**620**	664
Prepayments	**6,023**	5,475
Accrued income	**23,235**	32,507
	29,878	38,646

21 Deposits by banks

The Group has drawn down £6,155,000 (2008: £9,201,000) of an unsecured term loan which is repayable in four, six-monthly instalments ending on 4 April 2011. Interest is payable on the loan at 0.7% above the London Inter-Bank Offer Rate. On 31 December 2009, deposits by banks included overnight overdraft balances of £1,224,000 (2008: nil).

The fair value of deposits by banks was not materially different to 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.

22 Due to customers

	2009 £'000	2008 £'000
Repayable:		
– on demand or at short notice	**705,071**	677,056
– 3 months or less excluding on demand or at short notice	**59,736**	349,751
– 1 year or less but over 3 months	**1,554**	13,656
– 5 years or less but over 1 year	**–**	3,888
	766,361	1,044,351
Amounts include:		
– variable interest rates	**702,705**	639,197
– fixed interest rates	**59,060**	394,678
– non-interest bearing	**4,596**	10,476
	766,361	1,044,351

The fair value of amounts due to customers was not materially different to 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.

23 Accruals, deferred income, provisions and other liabilities

	2009 £'000	2008 £'000
Creditors	**5,601**	8,295
Accruals and deferred income	**23,525**	25,191
Other provisions (note 24)	**17,749**	8,964
	46,875	42,450

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 2009, £55,000 was included in Creditors representing the estimated present value of the future liability (2008: £65,000). The fair value of the B Shares will be updated at each reporting date with changes in value being taken to profit or loss.

24 Other provisions

	Other payables £'000	Client compensation £'000	Litigation related and other £'000	Total £'000
At 1 January 2009	7,927	1,007	30	8,964
Charged to the income statement	–	545	140	685
Unused amount credited to profit or loss	–	(107)	–	(107)
Net charge to the income statement	–	438	140	578
Other movements	14,667	–	–	14,667
Utilised/paid during the period	(5,777)	(644)	(39)	(6,460)
	16,817	**801**	**131**	**17,749**
Current	16,588	801	131	17,520
Non-current	229	–	–	229
	16,817	**801**	**131**	**17,749**

Other movements in provisions relate to deferred payments to investment managers and third parties for the introduction of client relationships, which have been capitalised and include £11,486,000 in relation to the agreement to acquire certain discretionary investment management activities from Lloyds Banking Group (note 17).

At 31 December 2009, anticipated insurance recoverables relating to client compensation and litigation related provisions of £nil (2008: £450,000) were included within other assets.

In the ordinary course of business, the Group can receive 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.

The timing of settlement of provisions for client compensation or litigation is dependent, in part, on the duration of negotiations with third parties. Non-current provisions are expected to be settled within 24 months of the balance sheet date.

25 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 £1,033,000 (2008: £952,000). The Group also operates defined contribution schemes for overseas employees, for which the total contributions were £52,000 (2008: £518,000) of which £32,000 relates to discontinued operations (2008: £489,000).

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 statements 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. With effect from 1 July 2009 all future accrual is based on Career Average Revalued Earnings.

The Group provides death in service benefits to all employees through the Rathbone 1987 Scheme. Third party insurance is purchased for the benefits where possible and £547,000 of related insurance premia were expensed to the income statement in the year (2008: £864,000).The estimated present value of the uninsured death in service benefits is included in long-term employee benefits liabilities.

25 Long-term employee benefits continued

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 at the following dates:

Rathbone 1987 Scheme	31 December 2007
Laurence Keen Scheme	31 December 2008

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:

	2009 Laurence Keen Scheme %	2008 Laurence Keen Scheme %	**2009 Rathbone 1987 Scheme %**	2008 Rathbone 1987 Scheme %
Rate of increase in salaries	**4.85**	4.05	**4.85**	4.05
Rate of increase of pensions in payment	**3.70**	3.40	**3.50**	2.80
Rate of increase of deferred pensions	**3.60**	2.80	**3.60**	2.80
Discount rate	**5.70**	6.15	**5.70**	6.15
Expected return on scheme assets	**6.00**	5.30	**7.00**	6.40
Inflation	**3.60**	2.80	**3.60**	2.80

The assumed duration of the liabilities for the Laurence Keen Scheme is 18 years (2008: 25 years) and the assumed duration for the Rathbone 1987 Scheme is 24 years (2008: 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 for members of the Rathbone 1987 Scheme the normal age of retirement increased from 60 to 65 during the year. The assumed life expectancy for the membership of both schemes is based on the PNA00 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:

		2009 Males	**2009 Females**	2008 Males	2008 Females
Retiring today	– aged 60	**26.8**	**29.1**	26.7	29.0
	– aged 65	**22.0**	**24.2**	21.9	24.1
Retiring in 20 years	– aged 60	**28.5**	**30.3**	28.4	30.3
	– aged 65	**23.6**	**25.4**	23.5	25.3

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

	2009 Laurence Keen Scheme £'000	**2009 Rathbone 1987 Scheme £'000**	**2009 Total £'000**	2008 Laurence Keen Scheme £'000	2008 Rathbone 1987 Scheme £'000	2008 Total £'000
Present value of defined benefit obligations	**(11,086)**	**(74,491)**	**(85,577)**	(9,750)	(54,243)	(63,993)
Fair value of scheme assets	**10,299**	**66,955**	**77,254**	8,760	50,551	59,311
Deficit in schemes	**(787)**	**(7,536)**	**(8,323)**	(990)	(3,692)	(4,682)
Death in service benefit reserve - unfunded	**–**	**(1,090)**	**(1,090)**	–	(1,041)	(1,041)
Total deficit	**(787)**	**(8,626)**	**(9,413)**	(990)	(4,733)	(5,723)

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

	2009 Laurence Keen Scheme £'000	**2009 Rathbone 1987 Scheme £'000**	**2009 Total £'000**	2008 Laurence Keen Scheme £'000	2008 Rathbone 1987 Scheme £'000	2008 Total £'000
Current service cost	**–**	**1,740**	**1,740**	–	2,556	2,556
Interest cost	**590**	**3,462**	**4,052**	579	3,435	4,014
Expected return on scheme assets	**(463)**	**(3,477)**	**(3,940)**	(615)	(4,013)	(4,628)
	127	**1,725**	**1,852**	(36)	1,978	1,942

Actuarial gains and losses have been reported in the statement of comprehensive income. The actual return on scheme assets was a rise in value of £1,403,000 (2008: £1,100,000 fall) for the Laurence Keen Scheme and a rise in value of £9,791,000 (2008: £7,750,000 fall) for the Rathbone 1987 Scheme.

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

	2009 Laurence Keen Scheme £'000	2009 Rathbone 1987 Scheme £'000	2009 Total £'000	2008 Laurence Keen Scheme £'000	2008 Rathbone 1987 Scheme £'000	2008 Total £'000
At 1 January	(295)	967	672	593	123	716
Actuarial (losses)/gains recognised in year	(110)	(8,516)	(8,626)	(888)	844	(44)
At 31 December	**(405)**	**(7,549)**	**(7,954)**	(295)	967	672

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

	2009 Laurence Keen Scheme £'000	2009 Rathbone 1987 Scheme £'000	2009 Total £'000	2008 Laurence Keen Scheme £'000	2008 Rathbone 1987 Scheme £'000	2008 Total £'000
At 1 January	9,750	55,284	65,034	10,301	60,274	70,575
Service cost (employer's part)	–	1,740	1,740	–	2,556	2,556
Interest cost	590	3,462	4,052	579	3,435	4,014
Contributions from members	–	1,245	1,245	–	1,267	1,267
Actuarial loss/(gain)	1,050	14,830	15,880	(827)	(11,521)	(12,348)
Benefits paid	(304)	(980)	(1,284)	(303)	(727)	(1,030)
At 31 December	**11,086**	**75,581**	**86,667**	9,750	55,284	65,034

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

	2009 Laurence Keen Scheme £'000	2009 Rathbone 1987 Scheme £'000	2009 Total £'000	2008 Laurence Keen Scheme £'000	2008 Rathbone 1987 Scheme £'000	2008 Total £'000
At 1 January	8,760	50,551	59,311	9,708	54,415	64,123
Expected return on scheme assets	463	3,477	3,940	615	4,013	4,628
Actuarial gains/(losses)	940	6,314	7,254	(1,715)	(10,677)	(12,392)
Contributions from the sponsoring companies	440	6,348	6,788	455	2,260	2,715
Contributions from scheme members	–	1,245	1,245	–	1,267	1,267
Benefits paid	(304)	(980)	(1,284)	(303)	(727)	(1,030)
At 31 December	**10,299**	**66,955**	**77,254**	8,760	50,551	59,311

25 Long-term employee benefits continued

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

	1.1.09 Expected return %	1.1.08 Expected return %	**2009 Fair value £'000**	2008 Fair value £'000	**2009 Current allocation %**	2008 Current allocation %
Equity instruments	**7.75**	7.35	**5,252**	3,494	**51**	40
Debt instruments	**4.90**	4.10	**4,204**	4,694	**41**	54
Cash	**0.50**	2.00	**843**	572	**8**	6
At 31 December			**10,299**	8,760		

Rathbone 1987 Scheme

	1.1.09 Expected return %	1.1.08 Expected return %	**2009 Fair value £'000**	2008 Fair value £'000	**2009 Current allocation %**	2008 Current allocation %
Equity instruments	**7.75**	7.35	**52,219**	33,232	**78**	67
Debt instruments	**4.90**	6.15	**8,843**	5,431	**13**	11
Interest rate swap funds	**4.50**	4.10	**4,537**	9,135	**7**	16
Cash	**0.50**	2.00	**1,356**	2,753	**2**	6
At 31 December			**66,955**	50,551		

At 31 December 2009 the Rathbone 1987 Scheme held 335 shares (2008: 496) with a nominal value of £3,812,000 (2008: £5,000,000) in an interest rate swap fund. 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 (2008: 3.25% 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% – 20%	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 80% 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.

In the Laurence Keen Scheme, not more than 55% of the assets may be held in equities. A maximum of 15% of UK equities may be invested in companies outside the FTSE 350 and not more than 15% of the assets may be held in alternative assets.

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

	Combined impact on schemes' liabilities	
	(Decrease)/increase £'000	**(Decrease)/increase %**
0.5% increase to:		
– discount rate	(9,119)	(10.5)
– rate of inflation	4,086	4.7
– rate of salary growth	3,283	3.8
1 year increase to longevity at 60	2,440	2.8

25 **Long-term employee benefits** continued

The history of experience adjustments is as follows:

Laurence Keen Scheme

	2009	2008	2007	2006	2005
Present value of defined benefit obligations (£'000)	**(11,086)**	(9,750)	(10,301)	(10,423)	(11,697)
Fair value of scheme assets (£'000)	**10,299**	8,760	9,708	8,996	8,118
Deficit in the scheme (£'000)	**(787)**	(990)	(593)	(1,427)	(3,579)
Experience adjustments on scheme liabilities:					
– amount (£'000)	**395**	248	104	1,592	1,864
– percentage of scheme liabilities (%)	**4%**	3%	1%	15%	16%
Experience adjustments on scheme assets:					
– amount (£'000)	**940**	1,715	70	85	539
– percentage of scheme assets (%)	**9%**	20%	1%	1%	7%

Rathbone 1987 Scheme

	2009	2008	2007	2006	2005
Present value of defined benefit obligations (£'000)	**(75,581)**	(55,284)	(60,274)	(53,982)	(50,501)
Fair value of scheme assets (£'000)	**66,955**	50,551	54,415	44,646	35,370
Deficit in the scheme (£'000)	**(8,626)**	(4,733)	(5,859)	(9,336)	(15,131)
Experience adjustments on scheme liabilities:					
– amount (£'000)	**305**	2,937	1,264	3,038	7,138
– percentage of scheme liabilities (%)	**0%**	5%	2%	6%	14%
Experience adjustments on scheme assets:					
– amount (£'000)	**6,314**	10,677	90	753	4,297
– percentage of scheme assets (%)	**9%**	21%	0%	2%	12%

The total regular contributions made by the Group to the Rathbone 1987 Scheme during the year were £3,598,000 (2008: £2,260,000) based on 22.6% of pensionable salaries (2008: 13.9%). Additional lump sum contributions of £2,750,000 were paid in 2009 (2008: £nil) and the Group has committed to make additional annual contributions to the scheme of £2,750,000 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 £420,000 (2008: £455,000). Additional lump sum contributions of £20,000 were paid in 2009 (2008: £nil). Annual contributions of £420,000 will continue to be made to the Laurence Keen Scheme. Following the 2008 triennial valuation further annual contributions of £336,000 will also be made from 2010 until 2017. 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.

26 **Share capital**

The total authorised number of ordinary shares at 31 December 2009 was 100,000,000 (2008: 100,000,000) with a par value of £0.05 per share. All issued shares are fully paid.

The following movements in issued share capital occurred during the period:

	Number of shares	**Exercise price Pence**	**Share capital £'000**	**Share premium £'000**	**Total £'000**
At 1 January 2008	42,689,942		2,134	27,758	29,892
Shares issued on exercise of options	168,254	415.0 – 852.0	9	1,199	1,208
At 1 January 2009	42,858,196		2,143	28,957	31,100
Shares issued:					
– to share incentive plan	165,800	795.0 – 796.0	8	1,311	1,319
– on exercise of options	272,334	415.0 – 852.0	14	1,488	1,502
At 31 December 2009	**43,296,330**		**2,165**	**31,756**	**33,921**

27 Share-based payments

Share 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.

As at 31 December 2009, the trustees of the SIP held 1,356,417 (2008: 1,290,392) ordinary shares of 5p each in Rathbone Brothers Plc with a total market value of £10,851,336 (2008: £10,755,417). No dividends on these shares have been waived. Of the total number of shares held by the trustees 341,138 (2008: 412,701) have been conditionally gifted to employees.

Long-term incentive plan

Details of the general terms of the long-term incentive plan (LTIP) are set out in the Remuneration report on pages 36 to 43.

In March 2009, the trustees of the plan elected to settle substantially all of the 2006/08 award in cash as an alternative to shares following changes to capital gains tax rules. As a consequence of this, the Group changed the basis of accounting for the awards under the LTIP to treat them as cash settled rather than equity settled with effect from 31 March 2009. At the year end, a liability of £119,000 has been recognised for the estimated fair value of future awards.

At 31 December 2009, the trustees of the LTIP held 42,693 (2008: 47,193) ordinary shares of 5p each in in Rathbone Brothers Plc with a total market value of £341,544 (2008: £393,354). Dividends on these shares have been waived by the trustees.

Savings related share option plan

During the year, the Group established an HM Revenue & Customs approved savings related share option plan (save as you earn). Under the scheme, employees can contribute up to £250 per month to acquire shares at the end of the three year savings period. At the end of the savings period, employees can elect to acquire shares or receive their savings, including interest, in cash. Further information on the scheme is given in the Remuneration report on page 40.

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 they become exercisable. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

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

	2009 Number of share options	**2009 Weighted average exercise price £**	2008 Number of share options	2008 Weighted average exercise price £
At 1 January	**906,963**	**7.74**	1,049,099	7.64
Granted in the year	**193,585**	**6.96**	30,000	8.14
Forfeited in the year	**(51,000)**	**9.71**	(3,882)	9.07
Exercised in the year	**(272,334)**	**5.52**	(168,254)	7.17
At 31 December	**777,214**	**8.19**	906,963	7.74

The weighted average share price at the dates of exercise for share options exercised during the year was £7.93 (2008: £9.24). The options outstanding at 31 December 2009 had a weighted average contractual life of 3.3 years (2008: 4.0 years). Options exercisable at 31 December 2009 had a weighted average exercise price of £7.53 (2008: £7.11).

Options with an aggregate estimated fair value of £323,000, determined using a binomial valuation model including expected dividends, were granted on 23 December 2009 to directors and staff under the SAYE scheme. 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:

27 Share-based payments continued

	2009	2008
Share price (pence)	**803**	814
Exercise price (pence)	**696**	814
Expected volatility	**32.0%**	26.0%
Risk free rate	**2.1%**	4.6%
Expected dividend yield	**5.3%**	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 Pence	Exercise period	2009 No.	2008 No.
1999	732.50	2002–2009	**–**	24,550
1999	814.17	2002–2009	**–**	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**	66,184
2001	915.80	2004–2011	**38,110**	38,110
2002	810.00	2005–2012	**66,351**	71,351
2003	415.00	2006–2013	**9,622**	181,528
2004	743.50	2007–2014	**61,956**	76,956
2005	852.00	2008–2015	**161,148**	189,676
2006	1,172.00	2009–2016	**15,948**	35,948
2006	1,116.00	2009–2016	**10,000**	10,000
2008	813.50	2011–2018	**30,000**	30,000
2009	696.00	2013	**193,585**	–
Exercisable			**777,214**	906,963

The Group recognised total expenses of £1,219,000 in relation to equity-settled share-based payment transactions in 2009 (2008: £1,299,000).

28 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 (the RIM Board).

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 £4,980,000 were past due by fewer than 90 days but not impaired at 31 December 2009 (2008: £6,322,000). No settlement balances were impaired at the balance sheet date (2008: 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 previously 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 a client's 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 Banking Committee reviews all loans on a monthly basis and approves all loan extensions. Where necessary, repayment plans are established with clients before loans become overdue or uncovered.

At 31 December, the total lending exposure limit for the Investment Management loan book was £30,000,000 (2008: £25,000,000) of which £18,712,000 had been advanced (2008: £12,459,000) and a further £5,260,000 had been committed (2008: £4,555,000).

(c) Rathbone International Finance loan book

The Rathbone International Finance loan book was disposed of on 12 November 2009 (note 10).

(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 are constituted by loans made to the acquirers of the Group's Jersey trust operations in 2008 and its Geneva trust operations in 2009 (note 15).

Derivatives

From time to time, the Group makes use of derivative financial instruments to manage interest rate risk (note 6). 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 15. No other impairment losses arose in the year (2008: none).

(i) **Credit risk** continued

Maximum exposure to credit risk

	2009 £'000	2008 £'000
Credit risk relating to on-balance sheet exposures:		
Settlement balances	**17,305**	15,751
Loans and advances to banks	**92,661**	175,973
Loans and advances to customers		
– Overdrafts	**3,167**	4,492
– Investment Management loan book	**18,712**	12,483
– International Finance loan book	**–**	18,323
– Trust and pension debtors	**850**	1,021
– Other debtors	**6,018**	5,000
Investment securities		
– Unlisted debt securities and money market funds	**778,000**	952,978
– Listed debt securities	**–**	1,001
Other financial assets	**22,663**	31,731
Credit risk relating to off-balance sheet exposures:		
Loan commitments	**5,260**	4,555
Financial guarantees	**5**	859
	944,641	1,224,167

The above table represents the gross credit risk exposure to the Group at 31 December 2009 and 2008, 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.

12.9% of the total maximum exposure is derived from loans and advances to banks and customers (2008: 17.8%) and 82.4% represents investments in debt securities (2008: 77.9%).

Loans and advances

Loans and advances are summarised as follows:

	2009 Loans and advances to banks £'000	2009 Loans and advances to customers £'000	2008 Loans and advances to banks £'000	2008 Loans and advances to customers £'000
Neither past due nor impaired	**92,661**	**26,235**	175,973	38,627
Past due but not impaired	**–**	**510**	–	716
Impaired	**–**	**82**	–	244
Gross carrying value	**92,661**	**26,827**	175,973	39,587
Less: allowance for impairment (note 15)	**–**	**(82)**	–	(175)
Net carrying value	**92,661**	**26,745**	175,973	39,412

No loans and advances have been renegotiated (2008: nil).

(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 2009, 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 95, 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 2009	**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	**3,167**	**18,712**	**–**	**258**	**–**	**22,137**
Outside standard lending criteria	**–**	**–**	**–**	**–**	**4,098**	**4,098**
	3,167	**18,712**	**–**	**258**	**4,098**	**26,235**

(i) **Credit risk** continued

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

The credit quality of loans and advances to banks that were neither past due nor impaired at 31 December 2009 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.

	2009 £'000	2008 £'000
AA- to AA+	**92,661**	71,074
A to A+	**–**	104,481
Other	**–**	418
	92,661	175,973

(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 2009 were:

At 31 December 2009	**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	**–**	**–**	**–**	**201**	**–**	**201**
90–180 days overdue	**–**	**–**	**–**	**120**	**–**	**120**
180–270 days overdue	**–**	**–**	**–**	**91**	**–**	**91**
270–365 days overdue	**–**	**–**	**–**	**40**	**–**	**40**
>365 days overdue	**–**	**–**	**–**	**58**	**–**	**58**
	–	**–**	**–**	**510**	**–**	**510**

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

(c) Impaired

Allowance has been made for individually impaired trust and pension debtors. The balance of individually impaired trust and pension debtors is £82,000 (2008: £244,000). There were no other impaired credit exposures at 31 December 2009 (2008: £nil).

(i) **Credit risk** continued

Debt securities

The table below presents an analysis of debt securities by rating agency designation, as at 31 December 2009, based on Fitch's or Moody's long-term rating designation.

	2009 Goverment securities £'000	2009 Money market funds £'000	2009 Certificates of deposit £'000	2009 Total £'000	2008 Goverment securities £'000	2008 Money market funds £'000	2008 Certificates of deposit £'000	2008 Total £'000
AAA	**–**	**84,000**	**–**	**84,000**	25,759	79,000	95,351	200,110
AA- to AA+	**–**	**–**	**431,000**	**431,000**	–	–	529,853	529,853
A to A+	**–**	**–**	**263,000**	**263,000**	–	–	224,016	224,016
	–	**84,000**	**694,000**	**778,000**	25,759	79,000	849,220	953,979

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.

(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 2009	**United Kingdom £'000**	**Jersey £'000**	**Rest of the World £'000**	**Total £'000**
Settlement balances	**15,621**	**–**	**1,684**	**17,305**
Loans and advances to banks	**40,892**	**289**	**51,480**	**92,661**
Loans and advances to customers				
– Overdrafts	**2,303**	**497**	**367**	**3,167**
– Investment Management loan book	**17,975**	**–**	**737**	**18,712**
– International Finance loan book	**–**	**–**	**–**	**–**
– Trust and pension debtors	**768**	**–**	**–**	**768**
– Other debtors	**–**	**3,268**	**830**	**4,098**
Investment securities				
– Unlisted debt securities and money market funds	**314,000**	**–**	**464,000**	**778,000**
– Listed debt securities	**–**	**–**	**–**	**–**
Other financial assets	**19,168**	**162**	**3,333**	**22,663**
	410,727	**4,216**	**522,431**	**937,374**

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

(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 2009	Public sector £'000	Financial institutions £'000	Private clients and other £'000	Total £'000
Settlement balances	–	**17,305**	–	**17,305**
Loans and advances to banks	–	**92,661**	–	**92,661**
Loans and advances to customers				
– Overdrafts	–	–	**3,167**	**3,167**
– Investment Management loan book	–	–	**18,712**	**18,712**
– International Finance loan book	–	–	–	–
– Trust and pension debtors	–	–	**768**	**768**
– Other debtors	–	–	**4,098**	**4,098**
Investment securities				
– Unlisted debt securities and money market funds	–	**778,000**	–	**778,000**
– Listed debt securities	–	–	–	–
Other financial assets	–	**5,973**	**16,690**	**22,663**
	–	**893,939**	**43,435**	**937,374**

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

(ii) **Liquidity risk**

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

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 FSA'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 undiscounted cash flows receivable and payable by the Group under non-derivative financial assets and liabilities by remaining contractual maturities at the balance sheet date.

At 31 December 2009	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	**5**	**310**	**–**	**–**	**–**	**315**
Settlement balances	**–**	**17,305**	**–**	**–**	**–**	**17,305**
Loans and advances to banks	**52,036**	**40,109**	**628**	**–**	**–**	**92,773**
Loans and advances to customers	**3,198**	**8,050**	**12,151**	**6,250**	**–**	**29,649**
Investment debt securities and money market funds	**101,166**	**368,257**	**272,960**	**40,301**	**–**	**782,684**
Other financial assets	**22**	**17,829**	**6**	**15**	**–**	**17,872**
Cash flows arising from financial assets	**156,427**	**451,860**	**285,745**	**46,566**	**–**	**940,598**
Cash flows arising from financial liabilities						
Deposits by banks	**1,224**	**1,533**	**1,574**	**3,104**	**–**	**7,435**
Settlement balances	**–**	**22,157**	**–**	**–**	**–**	**22,157**
Due to customers	**710,972**	**55,185**	**1,562**	**–**	**–**	**767,719**
Other financial liabilities	**2**	**22,447**	**1,898**	**6,772**	**–**	**31,119**
Cash flows arising from financial liabilities	**712,198**	**101,322**	**5,034**	**9,876**	**–**	**828,430**
Net liquidity gap	**(555,771)**	**350,538**	**280,711**	**36,690**	**–**	**112,168**

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

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 6 the Group employs Forward Rate Agreements in managing interest rate risk from time to time. 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 2009 (2008: nil).

(ii) **Liquidity risk** continued

Off balance sheet items

Cash flows arising from the Group's off balance sheet financial liabilities (note 30) 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 2009	**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	**5,260**	**–**	**–**	**–**	**5,260**
Financial guarantees	**5**	**–**	**–**	**–**	**5**
Operating lease commitments	**1,245**	**3,634**	**13,065**	**10,346**	**28,290**
Capital commitments	**14,002**	**–**	**–**	**–**	**14,002**
Total off balance sheet items	**20,512**	**3,634**	**13,065**	**10,346**	**47,557**

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

Total liquidity requirement

At 31 December 2009	**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	**712,198**	**101,322**	**5,034**	**9,876**	**–**	**828,430**
Total off balance sheet items	**–**	**20,512**	**3,634**	**13,065**	**10,346**	**47,557**
	712,198	**121,834**	**8,668**	**22,941**	**10,346**	**875,987**

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
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

(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.

(iii) Market risk continued

The table below shows the consolidated repricing profile of the Group's financial assets and liabilities, stated at their carrying amounts, categorised by the earlier contractual repricing or maturity dates.

At 31 December 2009	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	Non-interest 5 years £'000	Total £'000
Assets							
Cash and balances at central banks	**310**	**–**	**–**	**–**	**–**	**5**	**315**
Settlement balances	**–**	**–**	**–**	**–**	**–**	**17,305**	**17,305**
Loans and advances to banks	**91,876**	**–**	**622**	**–**	**–**	**163**	**92,661**
Loans and advances to customers	**21,417**	**–**	**–**	**–**	**–**	**5,328**	**26,745**
Investment securities							
– equity securities	**–**	**–**	**–**	**–**	**–**	**2,932**	**2,932**
– debt securities and money market funds	**467,000**	**139,000**	**132,000**	**40,000**	**–**	**–**	**778,000**
Other financial assets	**–**	**–**	**–**	**–**	**–**	**22,663**	**22,663**
Total financial assets	**580,603**	**139,000**	**132,622**	**40,000**	**–**	**48,396**	**940,621**
Liabilities							
Deposits by banks	**2,757**	**–**	**1,533**	**3,089**	**–**	**–**	**7,379**
Settlement balances	**–**	**–**	**–**	**–**	**–**	**22,157**	**22,157**
Due to customers	**760,211**	**932**	**622**	**–**	**–**	**4,596**	**766,361**
Other financial liabilities	**–**	**–**	**–**	**–**	**–**	**31,181**	**31,181**
Total financial liabilities	**762,968**	**932**	**2,155**	**3,089**	**–**	**57,934**	**827,078**
Interest rate repricing gap	**(182,365)**	**138,068**	**130,467**	**36,911**	**–**	**(9,538)**	**113,543**

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	Non-interest 5 years £'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
Interest rate repricing gap	(147,080)	238,332	8,467	18,865	–	(3,994)	114,590

The Banking Committee has set an overall pre-tax interest rate exposure limit of £5,000,000 (2008: £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 2009, the Bank had £738.5 million (2008: £993.4 million) of sterling interest bearing liabilities averaging two days (2008: four days) to repricing which were matched by sterling assets averaging 74 days (2008: 52 days) to repricing, creating an exposure of 72 days (2008: 48 days). The total potential impact on profit after tax and equity was £2,088,000 (2008: £1,894,000) at the balance sheet date for a 2% decrease or increase in interest rates. The Group held no forward rate agreements at 31 December 2009 (2008: none).

(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, from time to time, so as to reduce any currency exposure to a minimal amount. The Group's structural currency exposure was substantially eliminated on the disposal of its Switzerland, Singapore, British Virgin Islands and Dutch operations during the year (note 10).

The Group does not have any material exposure to transactional foreign currency risk. The table below summarises the Group's exposure to foreign currency translation risk at 31 December 2009. Included in the table are the Group's financial assets and liabilities, at carrying amounts, categorised by currency.

At 31 December 2009	Sterling £'000	US Dollar £'000	Euro £'000	Other £'000	Total £'000
Assets					
Cash and balances at central banks	**5**	**310**	**–**	**–**	**315**
Settlement balances	**15,564**	**833**	**686**	**222**	**17,305**
Loans and advances to banks	**66,853**	**9,353**	**13,198**	**3,257**	**92,661**
Loans and advances to customers	**26,060**	**165**	**520**	**–**	**26,745**
Investment securities					
– equity securities	**2,158**	**–**	**774**	**–**	**2,932**
– debt securities and money market funds	**778,000**	**–**	**–**	**–**	**778,000**
Other financial assets	**22,647**	**10**	**6**	**–**	**22,663**
Total financial assets	**911,287**	**10,671**	**15,184**	**3,479**	**940,621**
Liabilities					
Deposits by banks	**7,379**	**–**	**–**	**–**	**7,379**
Settlement balances	**19,376**	**1,671**	**1,070**	**40**	**22,157**
Due to customers	**742,557**	**7,684**	**13,060**	**3,060**	**766,361**
Other financial liabilities	**29,512**	**834**	**649**	**186**	**31,181**
Total financial liabilities	**798,824**	**10,189**	**14,779**	**3,286**	**827,078**
Net on balance sheet position	**112,463**	**482**	**405**	**193**	**113,543**
Loan commitments	**5,260**	**–**	**–**	**–**	**5,260**

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
Total financial assets	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
Total financial liabilities	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

A 10% weakening of the US dollar or Euro against the pound sterling, occurring on 31 December 2009, would have reduced equity and profit after tax by £35,000 or £29,000 respectively (2008: £215,000 and £194,000 respectively). A 10% strengthening of the US dollar or Euro would have had an equal and opposite effect. This analysis assumes that all other variables, in particular other exchange rates, remain constant.

28 Financial risk management continued

(iii) Market risk continued

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 16). At 31 December 2009, the fair value of equity securities recognised on the balance sheet was £2,931,000 (2008: £2,991,000). A 10% fall in global equity markets would, in isolation, result in a pre-tax impact on net assets of £293,000 (2008: £299,000); 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).

The table below analyses financial instruments measured at fair value into a fair value hierarchy based on the valuation technique used to determine the fair value.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3: inputs for the asset or liability that are not based on observable market data

At 31 December 2009	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Assets				
Available for sale securities				
– equity securities	**2,153**	**779**	**–**	**2,932**
– money market funds	**–**	**84,000**	**–**	**84,000**
Total financial assets	**2,153**	**84,779**	**–**	**86,932**

There have been no transfers between levels during the year. Money market funds are demand securities and changes to estimates of interest rates will not affect their fair value.

29 Capital management

Accounting capital is defined as the total of share capital, share premium, retained earnings and other reserves. Total capital at 31 December 2009 was £182,489,000 (2008: £184,631,000).

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. Regulatory capital differs from accounting capital due to the non-consolidation of Rathbone Insurance Limited in regulatory capital values.

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 2009 ICAAP was approved by the Rathbone Brothers Plc Board in February 2010. There have been no capital requirement breaches during the course of the year.

30 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 31 December 2009 but not provided in the accounts amounted to £592,000 (2008: £150,000).

(c) The contractual amounts of the Group's commitments to extend credit to its clients are as follows:

	2009 £'000	2008 £'000
Guarantees	**5**	859
Undrawn commitments to lend of 1 year or less	**5,260**	4,555
	5,265	5,414

The fair value of the guarantees is £nil (2008: £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:

	2009 £'000	2008 £'000
No later than 1 year	**4,879**	5,037
Later than 1 year and no later than 5 years	**13,064**	14,813
Later than 5 years	**10,347**	11,984
	28,290	31,834

(e) In addition to the Financial Services Compensation Scheme levies accrued in the year (note 7) further levy charges are likely to be incurred in future years although the ultimate cost remains uncertain.

(f) The Group made certain commitments in relation to the transaction with Lloyds Banking Group, as disclosed in note 17.

31 Related party transactions

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 36 to 43. At 31 December 2009 key management and their close family members had gross outstanding deposits of £1,178,000 (2008: £635,000) and gross outstanding loans of £193,000 (2008: £396,000) 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.

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.

The Group's transactions with the pension funds are described in note 25. At 31 December 2009 £3,000 was due from the pension schemes (2008: £nil).

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.

32 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:

	2009 £'000	2008 £'000 restated (note1)
Cash and balances at central banks (note 13)	**5**	3
Loans and advances to banks (note 14)	**55,039**	175,227
Available for sale investment securities (note 16)	**84,000**	79,000
Included within assets held for sale (note 10)	**–**	791
	139,044	255,021

Available for sale investment securities are amounts invested in money market funds which are realisable on demand.

Cash flows arising from issue of ordinary shares comprise:

	2009 £'000	2008 £'000
Share capital issued (note 26)	**22**	9
Share premium on shares issued (note 26)	**2,799**	1,199
Shares issued in relation to share-based schemes for which no cash consideration was received	**(628)**	–
	2,193	1,208

The aggregate net assets of entities disposed of during the year (note 10) at the dates of disposal were as follows:

	2009 £'000	2008 £'000
Cash and balances at central banks	**35**	21
Loans and advances to banks	**1,638**	1,171
Loans and advances to customers	**17,374**	22,477
Property, plant and equipment	**123**	148
Prepayments, accrued income and other assets	**1,721**	1,473
Due to customers	**(15,744)**	(18,440)
Accruals, deferred income, provisions and other liabilities	**(4,623)**	(4,941)
	524	1,909
Loss on disposal	**(211)**	
Total consideration receivable	**313**	
Satisfied by:		
Cash and cash equivalents	**313**	
Net cash flow arising on disposal:		
Consideration received in cash and cash equivalents	**313**	
Cash and cash equivalents disposed of	**(1,654)**	
	(1,341)	

33 Events after the balance sheet date

There have been no material events occurring between the balance sheet date and the date of signing this report.

Company accounts

Company balance sheet

as at 31 December 2009

	Note	2009 £'000	2008 £'000
Fixed assets			
Investments in subsidiaries	37	**22,749**	22,562
Available for sale equity securities	37	**2,932**	2,991
Total fixed assets		**25,681**	25,553
Current assets			
Debtors			
Amounts owed by subsidiary undertakings		**27,310**	30,103
Other debtors	38		
– due within one year		**621**	698
– due after more than one year		**4,098**	3,268
Prepayments and accrued income		**686**	841
		32,715	34,910
Cash at bank and in hand		**68**	13
Total current assets		**32,783**	34,923
Creditors: amounts falling due within one year			
Bank loans	39	**(6,155)**	(9,201)
Amounts owed to subsidiary undertakings		**(78)**	(182)
Other taxes and social security costs		**(895)**	(906)
Accruals and deferred income		**(304)**	(330)
Total current liabilities		**(7,432)**	(10,619)
Net current assets		**25,351**	24,304
Total assets less current liabilities		**51,032**	49,857
Pension liability	40	**(5,979)**	(4,121)
Net assets		**45,053**	45,736
Called up share capital	41	**2,165**	2,143
Share premium account	42	**31,756**	28,957
Available for sale reserve	42	**2,884**	2,943
Profit and loss account	42	**8,248**	11,693
Equity shareholders' funds		**45,053**	45,736

Approved by the Board of Directors on 23 February 2010

A D Pomfret
Chief executive

R P Stockton
Finance director

The accompanying notes form an integral part of the Company accounts.

34 Significant accounting policies

Basis of accounting

The separate financial statements of the Company are presented as required by the Companies Act 2006. 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.

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.

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.

For cash settled share-based payments, a liability is recognised for the services received, measured initially at the fair value of the liability. At the date on which the liability is settled, and at each balance sheet date between grant date and settlement, the fair value of the liability is remeasured with any changes in fair value recognised in profit or loss for the year.

The cost of share-based payments relating to subsidiaries' directors and staff are recharged to the subsidiaries.

Pension liability

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.

Interest bearing borrowings

Immediately after issue debt is stated at the fair value of consideration received, after deduction of issue costs. The finance cost of the debt is allocated to periods over the term of the debt at a constant rate on the carrying amount.

35 Profit for the year

As permitted by Section 408 of the Companies Act 2006 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 2009 of £23,243,000 (2008: £24,968,000).

Auditors' remuneration for audit and other services to the Company are set out in note 7.

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

	2009	2008
Investment Management	**428**	430
Unit Trusts	**24**	31
Trust and Tax	**40**	43
Shared services	**179**	172
	671	676

36 Dividends

Details of the Company's dividends paid and proposed for approval at the Annual General Meeting are set out in note 11.

37 Investments

	Investments in subsidiaries £'000	Available for sale equity securities £'000	Total £'000
At 1 January 2009	**22,562**	**2,991**	**25,553**
Additions	**200**	**–**	**200**
Disposals	**(13)**	**–**	**(13)**
Net loss from change in fair value	**–**	**(59)**	**(59)**
At 31 December 2009	**22,749**	**2,932**	**25,681**

On 25 September 2009 the Company acquired a further 200,000 shares (with nominal value of £1 each) in its wholly owned subsidiary Rathbone Pension & Advisory Services Limited for cash consideration.

On 17 November 2009 the Company disposed of its subsidiary Rathbone Trust International B.V. for cash consideration. At 31 December 2009 plans to liquidate Rathbone Trust Company B.V. and Rathbone Bank (BVI) Limited were well advanced.

At 31 December 2009 the principal subsidiary undertakings, 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 International 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 Pension & Advisory Services Limited	Great Britain	Pension advisory services

* held by subsidiary undertaking

The Company owns, directly or indirectly, 100% of the ordinary share capital of all subsidiaries.

A full list of the Company's subsidiaries will be included in the Company's annual return to Companies House.

38 Other debtors

	2009 £'000	2008 £'000
Deferred tax asset	**298**	658
Corporation tax debtor	**323**	40
Loans and receivables (due after more than one year)	**4,098**	3,268
	4,719	3,966

Deferred income taxes are calculated on all temporary differences under the liability method using an effective tax rate of 28% (2008: 28%).

The movement on the deferred tax account is only attributable to share-based payments and is as follows:

	2009 £'000	2008 £'000
At 1 January	**658**	2,539
Charged to profit and loss account	**(360)**	(1,881)
	298	658

Included within loans and receivables are vendor loan notes ('notes') with a nominal value of £5,000,000 that were issued to the acquirer of the Group's Jersey trust operations in 2008. The notes are repayable on the occurrence of certain events, principally the refinancing of the operations disposed of.

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 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 £3,267,000 at 31 December 2009 (2008: £3,268,000) and interest income is recognised over the expected life of the notes under the effective interest rate method. The expected repayment date of the notes was reassessed during the year and extended by two years to 2015.

Included within loans and receivables is a Swiss Franc denominated loan to the acquirer of the Group's Geneva trust operations with a nominal value equivalent to £831,000 at 31 December 2009. The loan does not bear interest and is repayable in three approximately equal annual instalments ending in 2012.

39 Bank loans

The Company has drawn down £6,155,000 (2008: £9,201,000) of an unsecured term loan which is repayable in four, six-monthly instalments ending on 4 April 2011. Interest is payable on the loan at 0.7% above the London Inter-Bank Offer Rate.

40 Pension liability

Details of the defined benefit pension schemes operated by the Company and changes thereto are provided in note 25 to the Consolidated accounts.

The pension liability reported for the Company is stated net of related deferred tax.

	2009 £'000	2008 £'000
Group pension liability (note 25)	**9,413**	5,723
Related deferred tax (note 19)	**(3,434)**	(1,602)
	5,979	4,121

41 Share capital

Details of the share capital of the Company together with changes thereto, options thereon and share-based payments are provided in note 26 to the Consolidated accounts.

42 Reserves

	Share premium £'000	Available for sale reserve £'000	Profit and loss account £'000
At 1 January 2009	**28,957**	**2,943**	**11,693**
Profit for the year			**23,243**
Dividends paid			**(18,066)**
Shares issued	**2,799**		
Actuarial gains and losses			**(8,626)**
Revaluation of investment securities		**(59)**	
Share-based payments			
– value of employee services			**1,219**
– transfer to liabilities for cash settled awards			**(119)**
– cost of shares issued/purchased			**(1,096)**
At 31 December 2009	**31,756**	**2,884**	**8,248**

43 Reconciliation of movements in shareholders' funds

	2009 £'000	2008 £'000
Shareholders' funds at 1 January	**45,736**	41,996
Profit for the year	**23,243**	24,968
Dividends paid	**(18,066)**	(17,503)
Other recognised gains and losses relating to the year	**(8,685)**	(4,504)
Share-based payments	**4**	(429)
Share capital issued	**2,821**	1,208
Net (reduction in)/addition to shareholders funds for the year	**(683)**	3,740
Shareholders' funds at 31 December	**45,053**	45,736

44 Contingent liabilities and commitments

The Company's obligations under operating leases are borne by a subsidiary undertaking.

45 Related party transactions

The Company has taken advantage of the exemption given by FRS 8 not to disclose transactions and balances with its subsidiaries.

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.

The Company's transactions with the pension funds are described in note 25 to the Consolidated accounts. At 31 December 2009 £3,000 was due from the pension schemes (2008: £nil).

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-ninth Annual General Meeting of the Company will be held at 159 New Bond Street, London W1S 2UD on Wednesday 5 May 2010 at 12.00 noon to consider and, if thought fit, pass the following resolutions.

Resolutions 1 to 13 are ordinary resolutions requiring a majority of more than 50%. Resolution 13 is an ordinary resolution but is classified by Article 60 of the Articles of Association of the Company as non-routine, special business.

Resolutions 14 to 18 are special resolutions requiring a majority of 75% or more.

2009 Report and Accounts

1 To adopt the Report of the directors and the Audited Accounts for the year ended 31 December 2009.

2 To approve the Remuneration report for the year ended 31 December 2009.

The Remuneration report can be found on pages 36 to 43. 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.

Election and re-election of directors

3 To elect Kate Avery as a director of the Company.

4 To elect Kathryn Matthews as a director of the Company.

5 To re-elect Caroline Burton as a director of the Company.

6 To re-elect Richard Lanyon as a director of the Company.

7 To re-elect Andrew Morris as a director of the Company.

8 To re-elect Andy Pomfret as a director of the Company.

9 To re-elect Richard Smeeton as a director of the Company.

Biographical details of the directors seeking election or re-election can be found on pages 25 to 26 and in the Directors' report on page 29 in the case of Kate Avery and Kathryn Matthews who were appointed to the board on 6 January 2010.

Article 94 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

10 To appoint KPMG Audit Plc as auditors until the conclusion of the next Annual General Meeting before which accounts are laid.

11 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

12 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 donations to political parties or independent election candidates;

(b) to make donations to political organisations other than political parties; and

(c) to incur political expenditure,

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 conclusion of the Company's next Annual General Meeting (or adjournment thereof) after the passing of this resolution;

Political donations continued

(ii) the aggregate amount of such donations and expenditure shall not exceed £50,000 and the amount authorised under each of paragraphs (a), (b) and (c) above shall also be limited to such amount; and

(iii) in this resolution the expressions '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

13 (a) That the directors be and they are hereby generally and unconditionally authorised in accordance with section 551 of the Companies Act 2006 (the 'Act') to exercise all the powers of the Company to allot shares in the Company and to grant rights to subscribe for or to convert any security into such shares:

(i) up to an aggregate nominal amount of £710,000; and

(ii) comprising equity securities (as defined in section 560 of the Act), up to a further aggregate nominal amount of £710,000 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 conclusion of the Company's 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 Companies Act 1985 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 23 February 2010, 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 23 February 2010. This authority may be used for fully pre-emptive rights issues.

As at 23 February 2010, the Company does not hold any shares in the capital of the Company in treasury.

Power to waive pre-emption rights

14 (a) That the directors be and they are hereby empowered pursuant to sections 570 and 573 of the Companies Act 2006 (the 'Act') to allot equity securities (as defined in section 560 of the Act), payment for which is to be wholly in cash:

(i) pursuant to the authority given by paragraph (a)(i) of resolution 13 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 £105,000; and

(ii) pursuant to the authority given by paragraph (a)(ii) of resolution 13 in the notice of this meeting in connection with a rights issue

as if section 561 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 724(5) 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 conclusion of the Company's 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 Companies Act 1985 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 13 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 23 February 2010, 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 2009, shares with a nominal value of £50,974 were allotted for cash, representing 2.4% 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

15 That the directors be and they are hereby granted pursuant to section 701 of the Companies Act 2006 (the 'Act') general and unconditional authority to make market purchases (as defined by section 693 of the Act) 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 2,100,000 shares (being approximately 5% of the issued share capital of the Company at 23 February 2010);

(b) the minimum price which may be paid for an ordinary share is 5p;

(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

Authority to purchase ordinary shares continued

(d) the authority hereby conferred shall (unless previously renewed) expire 15 months after the passing of this resolution or, if earlier, on the conclusion of the Company's 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 2009 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 724(5) of the Act.

At 23 February 2010 there were options outstanding to subscribe for 777,214 new ordinary shares in the Company. This represents 1.8% of the issued ordinary share capital of the Company at that date and would represent approximately 1.9% 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

16 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.

The Companies (Shareholders' Rights) Regulations 2009 which came into force on 3 August 2009 increased the notice period for general meetings of the Company to 21 days. This notice period can be reduced to 14 days for general meetings (other than an Annual General Meeting) by the passing of a special resolution each year provided that voting by electronic means is available to all shareholders.

Adoption of new Articles of Association

17 That with effect from the conclusion of the meeting 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 of the Company.

This special resolution seeks authority to adopt new articles of association (the 'New Articles') in order to update the Company's current articles of association (the 'Current Articles') to take account of the coming into force of the Companies (Shareholders' Rights) Regulations 2009 (the 'Shareholders' Rights Regulations') and the implementation of the last parts of the Companies Act 2006.

Some of the changes introduced in the New Articles are summarised below. Changes, which are of a minor, technical or clarifying nature or which merely conform the language of the New Articles with that used in the model articles for public companies set out in The Companies (Model Articles) Regulations 2008 have not been noted. The New Articles showing all the changes to the Current Articles are available for inspection, as described in the notes to the Notice of AGM below.

(i) Articles which duplicate statutory provisions

Provisions in the Current Articles which replicate provisions contained in the Companies Act 2006 are in the main to be removed in the New Articles. This is in line with the approach advocated by the Government that statutory provisions should not be duplicated in a company's constitution.

(ii) Redeemable shares

Under the Companies Act 1985, if a company wished to issue redeemable shares, it had to include in its articles the terms and manner of redemption. The Companies Act 2006 enables directors to determine such matters instead provided they are so authorised by the articles. The New Articles contain such an authorisation. The Company has no plans to issue redeemable shares but if it did so the directors would need shareholders' authority to issue new shares in the usual way.

(iii) Authority to purchase own shares, consolidate and sub-divide shares, and reduce share capital

Under the Companies Act 1985, a company required specific enabling provisions in its articles to purchase its own shares, to consolidate or sub-divide its shares and to reduce its share capital or other undistributable reserves as well as shareholder authority to undertake the relevant action. The Current Articles include these enabling provisions. Under the Companies Act 2006 a company will only require shareholder authority to do any of these things and it will no longer be necessary for articles to contain enabling provisions. Accordingly the relevant enabling provisions have been removed in the New Articles.

Adoption of new Articles of Association continued

(iv) Provision for employees on cessation of business

The Companies Act 2006 provides that the powers of the directors of a company to make provision for a person employed or formerly employed by the company or any of its subsidiaries in connection with the cessation or transfer to any person of the whole or part of the undertaking of the company or that subsidiary, may only be exercised by the directors if they are so authorised by the company's articles or by the company in general meeting. The New Articles provide that the directors may exercise this power.

(v) Voting record date

Under the Companies Act 2006 as amended by the Shareholders' Rights Regulations the company must determine the right of members to vote at a general meeting by reference to the register not more than 48 hours before the time of the meeting, not taking into account days which are not working days. The New Articles have been amended to reflect this requirement.

(vi) Suspension of registration of share transfers

The Current Articles permit the directors to suspend the registration of transfers. Under the Companies Act 2006 share transfers must be registered as soon as practicable. The power in the Current Articles to suspend the registration of transfers is inconsistent with this requirement. Accordingly, this power has been removed in the New Articles.

(vii) Chairman's casting vote

The New Articles remove the provision giving the chairman a casting vote in the event of an equality of votes as this is no longer permitted under the Companies Act 2006.

(viii) Change of name

Under the Companies Act 1985, a company could only change its name by special resolution. Under Companies Act 2006 a company is able to change its name by other means provided for by its articles. To take advantage of this provision, the New Articles enable the directors to pass a resolution to change the Company's name.

Dividend rectification

18 That:

(a) in respect of the payment of any and all final and interim dividends by the Company in each of the 12 financial periods ending on 31 December 2009 (other than the financial periods ending 31 December 2002, 31 December 2006 and 31 December 2007) (the 'Relevant Dividends'), paid to current and former shareholders of the Company the appropriation of distributable profits of the Company (as shown in the audited accounts of the Company for the financial period in which each such Relevant Dividend was paid) to such payment, be and they are hereby ratified and confirmed;

(b) any and all claims which the Company may have in respect of the payment of any Relevant Dividend against its current and former shareholders who appeared on the register of shareholders on the relevant record date for each such Relevant Dividend be released and a deed of release in favour of such shareholders be entered into by the Company in the form of the deed produced to this meeting and signed by the Chairman for the purposes of identification and thereafter be delivered to the Secretary of the Company for retention on behalf of the said current and former shareholders (the 'Release');

(c) any distribution involved in the giving of the Release in relation to any particular Relevant Dividend be made out of the profits appropriated to such Relevant Dividend pursuant to paragraph (a) above by reference to a record date identical to the record date for that Relevant Dividend; and

(d) any and all claims which the Company may have against its Directors (both current and former) either (i) in respect of the payment of any Relevant Dividend or (ii) in respect of any breach of duty owed by such Directors to the Company arising out of the payment of any Relevant Dividend be and they are hereby released and that a deed of release in favour of the Company's Directors be entered into by the Company in the form of the deed produced to this meeting and signed by the Chairman for the purposes of identification and thereafter be delivered to the Secretary of the Company for retention on behalf of the said Directors.

Dividend rectification continued

As explained in the Directors' report on page 31, following the identification of a technical irregularity regarding the timing of intra-group movements of reserves and the historic payment of dividends by the Company such dividends were paid at a time when the relevant accounts of the Company for the purposes of the Companies Acts did not show sufficient distributable reserves. This resolution (which is proposed in four linked parts) asks shareholders to: (a) approve the appropriation of the historic profits of the Company to the dividend payment concerned; and (b) release the current and former shareholders and directors from any claim by the Company for repayment of the relevant dividends. The purpose of the resolution is to put the shareholders and directors into the position in which they were always intended to be. All of the directors who are shareholders (holding in aggregate 2.0% of the ordinary shares of the Company) will not be voting on this resolution in view of their interest in the subject matter of the proposal.

By Order of the Board

Richard Loader
Company secretary

31 March 2010

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 3 May 2010 (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 3 May 2010. Alternatively, a member may appoint a proxy online by following the instructions for the electronic appointment of a proxy at www.sharevote.co.uk. To be a valid proxy appointment, the member's electronic message confirming the details of the appointment completed in accordance with those instructions must be transmitted so as to be received by the same time. Members who hold their shares in uncertificated form may also use CREST to appoint a proxy electronically, as explained below. Appointing a 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 Wednesday 5 May 2010 and any adjournment thereof by using the procedures described in the CREST Manual which can be viewed at www.euroclear.com/CREST. 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 3 May 2010. 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.

Note 3 continued

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 28 February 2010 (being the last practicable date prior to the printing of this Notice) the Company's issued share capital consists of 43,296,330 ordinary shares, carrying one vote each. Therefore, the total voting rights in the Company as at 28 February 2010 are 43,296,330.

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 17 will be available for inspection at the Registered Office during business hours on any weekday (public holidays excluded) from 31 March 2010 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 Each member attending the meeting has the right to ask questions relating to the business being dealt with at the meeting which, in accordance with section 319A of the Companies Act 2006 and subject to some exceptions, the Company must cause to be answered.

9 Information relating to the meeting which the Company is required by the Companies Act 2006 to publish on a website in advance of the meeting may be viewed at www.rathbones.com. A member may not use any electronic address provided by the Company in this document or with any proxy appointment form or in any website for communicating with the Company for any purpose in relation to the meeting other than as expressly stated in it.

10 It is possible that, pursuant to members' requests made in accordance with section 527 of the Companies Act 2006, the Company will be required to publish on a website a statement in accordance with section 528 of that Act setting out any matter that the members concerned propose to raise at the meeting relating to the audit of the Company's latest audited accounts. The Company cannot require the members concerned to pay its expenses in complying with those sections. The Company must forward any such statement to its auditors by the time it makes the statement available on the website. The business which may be dealt with at the meeting includes any such statement.

Five year record

	2009 £'000	2008 £'000	2007 £'000	2006 £'000	2005 £'000
Operating income	**116,757**	131,166	134,480	133,686	113,185
Operating profit	**32,446**	45,020	47,302	44,720	36,679
Exceptional items	**(2,978)**	(2,714)	–	–	(1,381)
Profit before tax	**29,468**	42,306	47,302	44,720	35,298
Tax	**(9,271)**	(13,421)	(14,212)	(12,582)	(10,617)
Profit after tax	**20,197**	28,885	33,090	32,138	24,681
Equity dividends paid and proposed	**18,159**	17,984	17,479	14,786	12,351
Basic earnings per share	**46.87p**	67.57p	77.79p	76.62p	60.13p
Diluted earnings per share	**46.85p**	67.02p	76.54p	74.71p	58.84p
Net dividends per ordinary share	**42.0p**	42.0p	41.0p	35.0p	30.0p
Equity shareholders' funds	**182,489**	184,631	184,750	159,149	130,417
Total funds under management	**£13.10bn**	£10.46bn	£13.12bn	£12.24bn	£9.48bn

The amounts disclosed for 2004 to 2006 include the results of operations that were discounted in 2008 and 2009. The amounts disclosed for 2007 include the results of operations that were discontinued in 2009.

Corporate information

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RATHBONES
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