

Rathbone Brothers Plc  
Interim statement 2006



## Chairman's statement



Mark Powell – Chairman

I am pleased to be announcing record interim results for the six months ended 30 June 2006.

Profits before tax for the first half of 2006 are £22.3 million compared to £14.7 million for the same period in 2005 (included in the first half of 2006 are profits of £1.9 million from a part disposal of the Company's holding in London Stock Exchange plc and the first half of 2005 includes costs of £1.4 million in relation to an aborted acquisition). Full year reported profits for 2005 were £35.3 million.

Reported basic earnings per share rose to 38.59p, compared with 25.46p in the first half of 2005.

The interim dividend is increased by 17.4% to 13.5p per share and will be payable on 13 October 2006.

During the course of the first six months of this year we successfully completed the acquisition of Dexia's UK investment management and private banking business which has added approximately £600 million to our funds under management and enabled us to welcome new experienced colleagues to Rathbones. The integration of the Dexia business into Rathbones is on track and we continue to expect the acquisition to be earnings enhancing during 2007.

We have seen an increase in the rate of organic growth of funds under management in Rathbone Investment Management and at 30 June 2006 funds under management were £9.3 billion, 12.0% higher than at 31 December 2005. During the same period the FTSE/APCIMS Balanced Index rose by 0.9% and the FTSE 100 Index rose by 3.8%.

Funds under management in Rathbone Unit Trust Management at 30 June 2006 were £1.4 billion, compared with £1.2 billion at 31 December 2005. The profits from this division rose by 78.6% from £1.4 million in the first half of 2005 to £2.5 million.

Funds under management in Rathbones as a whole rose by 12.6% to £10.7 billion over the six months to 30 June 2006.

The surprise announcement from the Treasury of significant changes to the tax treatment of trusts is creating some challenges for our Trust Division.

On a more positive note, in the second half of the year, we will be moving our three Jersey offices to a single location in the heart of St. Helier.

During the first half of the year we have carried out a routine review of the provision of audit services to Rathbone Brothers Plc. As a result of this process, we are pleased to have invited PricewaterhouseCoopers to act as our auditors.

Our results for the six months to 30 June 2006 cover a period of considerable change in world stock markets. During the first quarter, world markets moved ahead and natural resource sectors were particularly strong. From early May however, fears of inflation and a slowing in the US economy, in particular, have led to some sharp falls and markedly increased volatility. These trends have been exacerbated by the renewed conflict in the Middle East.

Whereas the FTSE 100 Index at the first of our quarterly charging dates (5 April 2006) stood at 6,044, by 30 June 2006 the index had fallen to 5,833.

The setback to world markets and the increased volatility that has been experienced since early May this year will have some impact upon our business but at the same time these trends underline the value to wealthy private investors of the professional investment management of their portfolios, supported by a thorough and soundly-based investment process and delivered in a way that is appropriate to each individual client.

Our current view of world markets is that they are likely to stabilise towards the end of the year and that sentiment will recover thereafter. This view underlines our continuing confidence in the growth of Rathbones as a provider of high quality investment management and tax and trust services to a wide range of clients.

A handwritten signature in black ink that reads "Mark Powell". The signature is written in a cursive, flowing style.

Mark Powell  
Chairman  
26 July 2006

## Consolidated interim income statement

for the six months ended 30 June 2006

	Note	Unaudited Six months to 30 June 2006 £'000	Unaudited Six months to 30 June 2005 £'000	Audited Year to 31 December 2005 £'000
Interest and similar income		15,881	13,180	27,472
Interest expense and similar charges		(8,783)	(7,141)	(15,029)
<b>Net interest income</b>		<b>7,098</b>	<b>6,039</b>	<b>12,443</b>
Fee and commission income		58,846	49,911	102,869
Fee and commission expense		(3,775)	(3,149)	(6,850)
<b>Net fee and commission income</b>		<b>55,071</b>	<b>46,762</b>	<b>96,019</b>
Dividend income		93	15	78
Net trading income		917	685	1,409
Net income from sale of available for sale securities		1,897	–	2,261
Other operating income		628	360	975
<b>Operating income</b>		<b>65,704</b>	<b>53,861</b>	<b>113,185</b>
Operating expenses		(43,377)	(39,178)	(77,887)
Aborted acquisition costs		–	(1,375)	(1,381)
Other operating expenses		(43,377)	(37,803)	(76,506)
Profit before tax		22,327	14,683	35,298
Profit before aborted acquisition costs and tax		22,327	16,058	36,679
Aborted acquisition costs		–	(1,375)	(1,381)
Income tax expense	4	(6,237)	(4,257)	(10,617)
<b>Profit for the period attributable to equity holders of the Company</b>		<b>16,090</b>	<b>10,426</b>	<b>24,681</b>
Earnings per share for the period attributable to equity holders of the Company:	6			
– Basic		38.59p	25.46p	60.13p
– Diluted		37.54p	25.16p	58.84p
Dividends proposed for the period per ordinary share	5	13.50p	11.50p	30.00p
Dividends (£'000)		5,686	4,719	12,351

## Consolidated interim balance sheet

as at 30 June 2006

	Note	Unaudited 30 June 2006 £'000	Unaudited 30 June 2005 £'000	Audited 31 December 2005 £'000
<b>Assets</b>				
Cash and balances at central banks		986	306	511
Settlement balances		30,756	32,939	14,017
Loans and advances to banks		172,887	141,634	144,975
Loans and advances to customers		75,012	38,465	37,520
Investment securities				
– available for sale		6,662	6,203	5,157
– held to maturity		552,003	403,297	396,000
Intangible assets		76,796	60,120	60,101
Property, plant and equipment	7	4,956	4,185	4,295
Deferred tax asset		4,911	5,042	8,599
Prepayments, accrued income and other assets		34,002	28,044	25,093
<b>Total assets</b>		<b>958,971</b>	<b>720,235</b>	<b>696,268</b>
<b>Liabilities</b>				
Deposits by banks	8	12,105	3,718	1,853
Settlement balances		40,790	26,630	16,133
Due to customers		706,864	525,302	493,612
Debt securities in issue		141	170	141
Accruals, deferred income and other liabilities		26,610	22,358	24,722
Current tax liabilities		4,644	4,867	7,869
Provisions for liabilities and charges	9	8,458	1,002	2,811
Retirement benefit obligations	10	11,003	15,603	18,710
<b>Total liabilities</b>		<b>810,615</b>	<b>599,650</b>	<b>565,851</b>
<b>Equity</b>				
Share capital	11	2,106	2,054	2,063
Share premium	12	23,270	16,220	17,487
Other reserves	12	54,058	53,746	53,013
Retained earnings	12	68,922	48,565	57,854
<b>Total equity</b>		<b>148,356</b>	<b>120,585</b>	<b>130,417</b>
<b>Total equity and liabilities</b>		<b>958,971</b>	<b>720,235</b>	<b>696,268</b>

Approved by the Board on 26 July 2006.

## Consolidated interim cash flow statement

for the six months ended 30 June 2006

	Note	Unaudited Six months to 30 June 2006 £'000	Unaudited Six months to 30 June 2005 £'000	Audited Year to 31 December 2005 £'000
<b>Cash flows from operating activities</b>				
Profit before tax		22,327	14,683	35,298
Net income from sale of available for sale securities		(1,897)	–	(2,261)
Movement in fair value of derivative financial instruments		(40)	–	(12)
Impairment losses on loans and advances		90	401	386
Profit on disposal of plant and equipment		(6)	(41)	(160)
Depreciation and amortisation		1,516	1,295	2,497
Defined benefit pension scheme charges		1,809	1,400	2,920
Share based payment charges		897	1,007	1,971
		<b>24,696</b>	<b>18,745</b>	<b>40,639</b>
Changes in operating assets and liabilities				
– net decrease/(increase) in loans and advances to banks and customers		23,295	(17,445)	(18,490)
– net (increase) in settlement balance debtors		(16,739)	(21,740)	(2,818)
– net (increase) in prepayments, accrued income and other assets		(8,856)	(5,930)	(2,963)
– net increase in amounts due to customers and deposits by banks		171,017	101,281	67,509
– net increase in settlement balance creditors		24,658	11,393	894
– net increase in accruals, deferred income, provisions and other liabilities		2,058	415	4,587
Cash generated from operations		<b>220,129</b>	<b>86,719</b>	<b>89,358</b>
Defined benefit pension contributions paid		(4,520)	(1,662)	(3,359)
Tax paid		(6,771)	(5,534)	(10,246)
<b>Net cash inflow from operating activities</b>		<b>208,838</b>	<b>79,523</b>	<b>75,753</b>
<b>Cash flows from investing activities</b>				
Acquisition of businesses, net of cash acquired		(1,770)	–	–
Purchase of property, equipment and intangible assets		(2,566)	(1,273)	(2,602)
Proceeds from sale of property and equipment		44	29	205
Purchase of investment securities		(658,338)	(528,050)	(1,229,307)
Proceeds from sale and redemption of investment securities		536,232	566,801	1,240,609
<b>Net cash (used in)/generated from investing activities</b>		<b>(126,398)</b>	<b>37,507</b>	<b>8,905</b>
<b>Cash flows from financing activities</b>				
Repayment of debt securities		–	(116)	(146)
Purchase of shares for share based schemes		(2,291)	(980)	(293)
Issue of ordinary shares	14	5,611	1,023	1,586
Dividends paid		(7,750)	(6,942)	(11,660)
<b>Net cash (used in) financing activities</b>		<b>(4,430)</b>	<b>(7,015)</b>	<b>(10,513)</b>
<b>Net increase in cash and cash equivalents</b>				
		<b>78,010</b>	<b>110,015</b>	<b>74,145</b>
Cash and cash equivalents at beginning of the period		234,883	160,517	160,517
Effect of exchange rate changes on cash and cash equivalents		(151)	134	221
<b>Cash and cash equivalents at end of the period</b>	14	<b>312,742</b>	<b>270,666</b>	<b>234,883</b>

## Consolidated interim statement of recognised income and expense

for the six months ended 30 June 2006

	Unaudited Six months to 30 June 2006 £'000	Unaudited Six months to 30 June 2005 £'000	Audited Year to 31 December 2005 £'000
Profit after taxation	16,090	10,426	24,681
Exchange translation differences	(112)	36	120
Actuarial gains/(losses) on retirement benefit obligation	4,996	(880)	(4,166)
Revaluation of available for sale investment securities:			
– net gain/(loss) from changes in fair value	3,390	(1,016)	199
– net profit on disposal transferred to income during the period	(1,897)	–	(2,261)
	1,493	(1,016)	(2,062)
Deferred tax on equity items:			
– available for sale investment securities	(448)	305	619
– actuarial gains and losses	(1,499)	290	1,250
	(1,947)	595	1,869
Net income/(expense) recognised directly in equity	4,430	(1,265)	(4,239)
<b>Recognised income and expense for the period attributable to equity holders of the Company</b>	<b>20,520</b>	<b>9,161</b>	<b>20,442</b>

## Notes to the consolidated accounts

for the six months ended 30 June 2006

### 1. Principal accounting policies

The Group's consolidated accounts are prepared in accordance with International Financial Reporting Standards as adopted by the EU (IFRS). These interim accounts are presented in accordance with IAS 34 *Interim Financial Reporting*. The interim accounts have been prepared on the basis of the accounting policies and methods of computation set out in the Group's consolidated accounts for the year ended 31 December 2005, except for the changes set out below. The interim accounts should be read in conjunction with the Group's audited accounts for the year ended 31 December 2005.

The Group's accounts for the year ended 31 December 2005 have been reported on by the previous auditors and delivered to the Registrar of Companies. The report of the auditors was unqualified and did not draw attention to any matters by way of emphasis. They also did not contain a statement under section 237(2) or (3) of the Companies Act 1985.

### Changes in accounting policies

The Group has adopted the amendments to IAS 39 *Financial Instruments: Recognition and Measurement* and IFRS 4 *Insurance Contracts* that relate to financial guarantees. In accordance with IAS 39, 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.

Adoption of the amendments did not have a material impact on the reported results or position of the Group for the period ended 30 June 2006 or the year ended 31 December 2005. Comparative figures have therefore not been restated.

### 2. Segmental information

#### (a) Business segments

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

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

	Investment management and banking £'000	Unit trusts £'000	Trust services £'000	Eliminations £'000	Total £'000
<b>30 June 2005 (unaudited)</b>					
External revenues	45,453	7,641	11,057	–	64,151
Revenues from other segments	695	–	1	(696)	–
<b>Total revenues</b>	<b>46,148</b>	<b>7,641</b>	<b>11,058</b>	<b>(696)</b>	<b>64,151</b>
Segment result	13,190	1,414	1,454		16,058
Unallocated items					(1,375)
Profit before tax					14,683
Income tax expense					(4,257)
<b>Profit for the period</b>					<b>10,426</b>
Segment assets	631,232	13,443	59,162		703,837
Unallocated assets					16,398
<b>Total assets</b>					<b>720,235</b>
Segment liabilities	557,351	10,866	22,656		590,873
Unallocated liabilities					8,777
<b>Total liabilities</b>					<b>599,650</b>
Other segment items:					
Capital expenditure	1,043	34	234		1,311
Depreciation and amortisation	980	51	264		1,295
Other non-cash expenses	696	74	638		1,408
Provisions charged in the period	250	–	2		252
Provisions utilised in the period	–	–	4		4
<b>31 December 2005 (audited)</b>					
External revenues	93,927	16,600	22,221	–	132,748
Revenues from other segments	1,199	–	–	(1,199)	–
	95,126	16,600	22,221	(1,199)	132,748
Unallocated external revenues					2,316
<b>Total revenues</b>					<b>135,064</b>
Segment result	27,383	3,784	3,194		34,361
Unallocated items					937
Profit before tax					35,298
Income tax expense					(10,617)
<b>Profit for the year</b>					<b>24,681</b>
Segment assets	601,607	11,374	53,617		666,598
Unallocated assets					29,670
<b>Total assets</b>					<b>696,268</b>
Segment liabilities	511,966	7,985	17,589		537,540
Unallocated liabilities					28,311
<b>Total liabilities</b>					<b>565,851</b>
Other segment items:					
Capital expenditure	1,816	93	693		2,602
Depreciation and amortisation	1,891	138	467		2,496
Other non-cash expenses	1,498	208	785		2,491
Provisions charged in the period	1,819	–	704		2,523
Provisions utilised in the period	230	–	339		569

## Notes to the consolidated accounts

for the six months ended 30 June 2006 (continued)

### 2. Segmental information (continued)

#### (b) Geographical segments

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

#### Total revenues by geographical market

	Unaudited Six months to 30 June 2006 £'000	Unaudited Six months to 30 June 2005 £'000	Audited Year to 31 December 2005 £'000
United Kingdom	67,016	53,464	113,146
Jersey	9,029	8,581	17,579
Rest of the world	2,217	2,106	4,339
	<b>78,262</b>	64,151	135,064

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

#### Carrying amount of segment assets

	Unaudited Six months to 30 June 2006 £'000	Unaudited Six months to 30 June 2005 £'000	Audited Year to 31 December 2005 £'000
United Kingdom	882,506	658,374	622,115
Jersey	26,056	25,959	24,132
Rest of the world	19,992	19,504	20,351
	<b>928,554</b>	703,837	666,598

#### Additions to property, plant and equipment and intangible assets

	Unaudited Six months to 30 June 2006 £'000	Unaudited Six months to 30 June 2005 £'000	Audited Year to 31 December 2005 £'000
United Kingdom	6,342	1,135	2,022
Jersey	252	151	444
Rest of the world	23	25	136
	<b>6,617</b>	1,311	2,602

#### (c) Total revenues and operating income

	Unaudited Six months to 30 June 2006 £'000	Unaudited Six months to 30 June 2005 £'000	Audited Year to 31 December 2005 £'000
Interest and similar income	15,881	13,180	27,472
Fee and commission income	58,846	49,911	102,869
Dividend income	93	15	78
Net trading income	917	685	1,409
Net income from sale of available for sale securities	1,897	–	2,261
Other operating income	628	360	975
<b>Total revenues</b>	<b>78,262</b>	64,151	135,064
Interest payable	(8,783)	(7,141)	(15,029)
Fee and commission expense	(3,775)	(3,149)	(6,850)
<b>Operating income</b>	<b>65,704</b>	53,861	113,185

### 3. Business combinations

On 6 April 2006, the Group acquired the investment management and private banking business of Dexia Banque Internationale à Luxembourg S.A., London Branch. The business was transferred to Rathbone Investment Management Limited, a principal subsidiary of the Company, by way of a Court order sanctioning a banking business transfer scheme pursuant to Part VII of the Financial Services and Markets Act 2000.

Included within the consolidated income statement for the six months ended 30 June 2006 is a loss before tax of £10,000 relating to the acquired business. If the acquisition had occurred on 1 January 2006, the estimated total revenue for the Group for the six months ended 30 June 2006 would have been £79,556,000 and profit before tax for that period would have been £22,363,000.

The acquired business' net assets at the acquisition date were as follows:

	Recognised values £'000	Fair value adjustments £'000	Carrying amounts £'000
Cash and cash equivalents	9,101	–	9,101
Loans and advances to customers	43,342	–	43,342
Property, plant and equipment	91	–	91
Client relationships	3,962	3,962	–
Other receivables	14	–	14
Due to customers	(52,443)	–	(52,443)
<b>Net identifiable assets acquired</b>	<b>4,067</b>	<b>3,962</b>	<b>105</b>
Goodwill on acquisition	12,293		
<b>Total net assets acquired</b>	<b>16,360</b>		

Total consideration for the acquisition, including directly attributable costs, constitutes the following:

	Amount paid £'000	Amount deferred £'000	Total £'000
Cash consideration	10,478	5,489	15,967
Professional fees	393	–	393
	<b>10,871</b>	<b>5,489</b>	<b>16,360</b>

The goodwill arising on the acquisition is attributable to the employees and the anticipated profitability of incorporating the business into the Group's operating model and utilising existing capacity within its operations.

### 4. Income tax expense

The current tax expense for the six months ended 30 June 2006 was calculated based on the estimated average annual effective tax rate. The overall effective tax rate for this period was 27.9% (30 June 2005: 29.0%; 31 December 2005: 30.1%).

The income tax charge for the period comprises:

	Unaudited Six months to 30 June 2006 £'000	Unaudited Six months to 30 June 2005 £'000	Audited Year to 31 December 2005 £'000
United Kingdom taxation	3,007	3,640	10,794
Overseas taxation	539	642	1,242
Deferred taxation	2,691	(25)	(1,419)
	<b>6,237</b>	<b>4,257</b>	<b>10,617</b>

## Notes to the consolidated accounts

for the six months ended 30 June 2006 (continued)

### 5. Dividend

The interim dividend of 13.5p per share is payable on 13 October 2006 to shareholders on the register at the close of business on 22 September 2006 (30 June 2005: 11.5p). The interim dividend has not been included as a liability in this interim report.

### 6. Earnings per share

Basic earnings per share has been calculated by dividing the profits attributable to shareholders of £16,090,000 (30 June 2005: £10,426,000; 31 December 2005: £24,681,000) by the weighted average number of shares in issue throughout the period of 41,697,326 (30 June 2005: 40,944,800; 31 December 2005: 41,046,753).

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

	Unaudited Six months to 30 June 2006	Unaudited Six months to 30 June 2005	Audited Year to 31 December 2005
Weighted average number of ordinary shares in issue during the period – basic	<b>41,697,326</b>	40,944,800	41,046,753
Effect of ordinary share options	<b>667,803</b>	177,882	385,312
Effect of dilutive shares issuable under the Share Incentive Plan	<b>197,480</b>	96,914	163,556
Effect of contingently issuable ordinary shares under the Long Term Incentive Plan	<b>303,870</b>	222,129	354,242
<b>Diluted ordinary shares</b>	<b>42,866,479</b>	41,441,725	41,949,863

### 7. Property, plant and equipment

During the six months ended 30 June 2006, the Group acquired assets with a cost of £1,591,000 (30 June 2005: £1,208,000; 31 December 2005: £1,469,000), including assets acquired through business combinations (see note 3) of £91,000 (30 June 2005 and 31 December 2005: £nil).

Assets with a net book value of £38,000 were disposed of in the six months ended 30 June 2006 (30 June 2005: £42,000; 31 December 2005: £46,000), resulting in a gain on disposal of £6,000 (30 June 2005: £41,000; 31 December 2005: £160,000).

### 8. Deposits by banks

Included within deposits by banks is the amount of £12,000,000 drawn down under a £24,000,000 term loan facility, which is repayable in ten, six-monthly instalments ending on 4 April 2011. Interest is payable on the loan at 0.7% above the London Inter-Bank Offer Rate.

### 9. Provisions for liabilities and charges

	Deferred contingent consideration £'000	Client compensation £'000	Litigation related & other £'000	Total £'000
At 1 January 2006	157	2,072	582	2,811
Charged to the income statement	–	594	72	666
Unused amount credited to the income statement	–	(410)	–	(410)
Net charge/(credit) to the income statement <sup>(i)</sup>	–	184	72	256
Capitalised during the period <sup>(ii)</sup>	5,939	–	–	5,939
Utilised during the period	–	(507)	(41)	(548)
	<b>6,096</b>	<b>1,749</b>	<b>613</b>	<b>8,458</b>

- (i) In addition to the net charge of £256,000 to the income statement in the above table, a net credit of £109,000 has been recognised in the income statement during the period in relation to expected insurance recoveries – an overall charge of £147,000.
- (ii) Amounts capitalised during the period include £5,489,000 deferred consideration in relation to the acquisition of the investment management and private banking business of Dexia Banque Internationale à Luxembourg S.A., London Branch (see note 3) and £450,000 in relation to the acquisition of other client relationships.

### 10. Retirement benefit obligations

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

	Unaudited Six months to 30 June 2006 % p.a.	Unaudited Six months to 30 June 2005 % p.a.	Audited Year to 31 December 2005 % p.a.
Rate of increase in salaries	4.15	3.55	4.05
Rate of increase of pensions in payment	*2.90	*2.60	*2.80
Rate of increase in deferred pensions	2.90	2.80	2.80
Discount rate	5.30	5.20	4.90
Future retail price inflation	2.90	2.80	2.80

\*5% for service prior to April 2001

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

	Unaudited Six months to 30 June 2006 £'000	Unaudited Six months to 30 June 2005 £'000	Audited Year to 31 December 2005 £'000
Present value of defined benefit obligations	(59,846)	(52,422)	(62,198)
Fair value of scheme assets	48,843	36,819	43,488
	<b>(11,003)</b>	<b>(15,603)</b>	<b>(18,710)</b>

With effect from 1 April 2006, each active member of the Rathbone 1987 scheme was required to elect either to maintain their existing rate of contributions but receive a lower accrual rate or to pay a higher rate of contributions whilst maintaining their current benefit accrual rate. The impact of the decisions made by the scheme members has been to reduce the Group's current service cost in relation to the scheme by £80,000 for the period ended 30 June 2006.

On 12 May and 30 June, the Group made additional contributions of £2,000,000 and £1,000,000 respectively into the Rathbone 1987 scheme as part of its commitment to reduce significantly the scheme's funding deficit.

### 11. Share capital

The following movements in share capital occurred during the period:

	Number of shares issued	Exercise price Pence	Share capital £'000	Share premium £'000	Total consideration £'000
Issue of shares in relation to:					
– share incentive plan	62,399	847.0	3	525	528
– exercise of options	790,351	322.5-985.0	40	5,258	5,298
	<b>852,750</b>		<b>43</b>	<b>5,783</b>	<b>5,826</b>

## Notes to the consolidated accounts

for the six months ended 30 June 2006 (continued)

### 12. Reserves and retained earnings

	Share premium £'000	Merger reserve £'000	Available for sale reserve £'000	Translation reserve £'000	Retained earnings £'000
<b>At 1 January 2005</b>	<b>14,766</b>	<b>49,428</b>	<b>5,029</b>	<b>(109)</b>	<b>46,283</b>
Retained profit for the period					10,426
Foreign currency translation				36	
Dividends paid					(6,942)
Shares issued	1,454				
Actuarial gains and losses					(880)
Revaluation of investment securities			(1,016)		
Share based payments					
– value of employee services					883
– cost of shares issued/purchased					(1,422)
Tax on equity items			305		290
<b>At 30 June 2005</b>	<b>16,220</b>	<b>49,428</b>	<b>4,318</b>	<b>(73)</b>	<b>48,638</b>
Retained profit for the period					14,255
Foreign currency translation				84	
Dividends paid					(4,718)
Shares issued	1,267				
Actuarial gains and losses					(3,286)
Revaluation of investment securities			1,215		
Net gains transferred to net profit on disposal of available for sale investment securities			(2,261)		
Share based payments					
– value of employee services					1,088
– cost of shares issued/purchased					(26)
Tax on equity items			313		1,892
<b>At 1 January 2006</b>	<b>17,487</b>	<b>49,428</b>	<b>3,585</b>	<b>11</b>	<b>57,843</b>
Retained profit for the period					16,090
Foreign currency translation				(112)	
Dividends paid					(7,750)
Shares issued	5,783				
Actuarial gains and losses					4,996
Revaluation of investment securities			3,390		
Net gains transferred to net profit on disposal of available for sale investment securities			(1,897)		
Share based payments					
– value of employee services					897
– cost of shares issued/purchased					(2,506)
Tax on equity items			(448)		(547)
<b>At 30 June 2006</b>	<b>23,270</b>	<b>49,428</b>	<b>4,630</b>	<b>(101)</b>	<b>69,023</b>

### 13. Contingent liabilities

Since the year end, the Group has continued the review of its Rathbone Self Invested Personal Pension business. At 30 June 2006, there remain 13 cases (31 December 2005: 30 cases) requiring further investigation for which, at this stage, it is not practicable to determine what, if any, financial effect there will be for the Group.

**14. Consolidated cash flow statement**

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

	Unaudited Six months to 30 June 2006 £'000	Unaudited Six months to 30 June 2005 £'000	Audited Year to 31 December 2005 £'000
Cash and balances at central banks	694	25	197
Loans and advances to banks	164,048	117,634	118,686
Debt instruments	148,000	153,007	116,000
	<b>312,742</b>	270,666	234,883

Cash flows arising from issue of ordinary shares comprise:

	Unaudited Six months to 30 June 2006 £'000	Unaudited Six months to 30 June 2005 £'000	Audited Year to 31 December 2005 £'000
Cash inflow – share capital	43	11	20
Cash inflow – share premium	5,783	1,454	2,721
Cash outflow – financing of shares in relation to share based schemes	(215)	(442)	(1,155)
	<b>5,611</b>	1,023	1,586

**15. Related party transactions**

Certain directors of Rathbone Trust Company Jersey Limited are also partners of Nigel Harris & Partners. During the period, £296,000 (30 June 2005: £416,000; 31 December 2005: £851,000) was paid to Nigel Harris & Partners for services supplied to Rathbone Trust Company Jersey Limited. At 30 June 2006, £251,000 (30 June 2005: £158,000; 31 December 2005: £100,000) was due from Nigel Harris & Partners.

Certain directors of Rathbone Trust Company Jersey Limited are also partners of Galsworthy & Stones. During the period, £178,000 (30 June 2005: £141,000; 31 December 2005: £202,000) was received from Galsworthy & Stones for services supplied by Rathbone Trust Company Jersey Limited. At 30 June 2006, £275,000 (30 June 2005: £434,000; 31 December 2005: £344,000) was due from Galsworthy & Stones.

Mrs Carole Pomfret, the wife of the Group's chief executive, has been employed as a consultant since 1 November 2002 at an annual fee of £7,500 (2005: £7,500). The terms of her employment entitle her to participate in one of the Group's new business incentive schemes.

At 30 June 2006, key management and their close family members had outstanding deposits of £607,000 (30 June 2005: £447,000; 31 December 2005: £337,000) and outstanding loans of £77,000 (30 June 2005: £71,000; 31 December 2005: £53,000), which were made on normal business terms.

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

## Independent review report to Rathbone Brothers Plc

### Introduction

We have been instructed by the Company to review the financial information for the six months ended 30 June 2006 which comprises the consolidated income statement, balance sheet, cash flow statement, statement of total recognised income and expense and the related notes. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

### Directors' responsibilities

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

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

### Review work performed

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

### Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 June 2006.

PricewaterhouseCoopers LLP  
London  
26 July 2006

## Rathbones at a glance

**Rathbone Brothers Plc is a leading, independent provider of investment and wealth management services for private clients and trustees, including discretionary asset management, unit trusts, tax planning, trust and company management, pension advice and banking services. As at 30 June 2006, it managed nearly £11 billion of client funds, including £1.4 billion managed by Rathbone Unit Trust Management.**

### Investment management

The primary business of Rathbones is the provision of discretionary investment management services to private individuals and trustees from eight locations in the UK and an office in Jersey. This accounts for over 85% of the Group's funds under management and includes nearly 500 charity portfolios equating to just over £800 million of funds under management and around £300 million in self-invested personal pension accounts.

Rathbones' bespoke approach includes a recognised expertise in ethical investment for those who wish to ensure that their investments take account of their environmental, social and ethical concerns.

Some additional banking services are also offered to investment management clients, in particular loans secured against investment portfolios.

### Trust management

Wealth management and family office services are provided to both UK and international clients. The wide range of services offered includes both onshore and offshore tax and trust planning, as well as expertise in the establishment and management of trust and corporate structures domestically and internationally. Services are offered from centres in Jersey, London, Liverpool, Geneva and the British Virgin Islands.

### Unit trusts

Through Rathbone Unit Trust Management Limited, a range of award-winning unit trusts is marketed through financial supermarkets, fund-of-fund operations and independent financial advisers.

### Self-invested personal pensions (SIPPs)

An experienced and specialist team is able to advise clients on retirement planning options. As well as offering a pension advice service, the Rathbone SIPP was re-launched on 6 April 2006 (A-Day) to take advantage of new pensions simplification legislation thereby completing a SIPP offering of pensions advice, administration and investment management under one roof.

### Office locations

#### UK

London, Liverpool, Bowness, Bristol, Cambridge, Chichester, Edinburgh and Winchester.

#### Jersey

St Helier

#### Switzerland

Geneva

#### British Virgin Islands

Tortola

Rathbone Investment Management Limited is authorised and regulated by the Financial Services Authority. Registered office: Port of Liverpool Building, Pier Head, Liverpool, L3 1NW. Registered in England No. 1448919. VAT Registered No. GB 241 6893 49.

Rathbone Unit Trust Management Limited is authorised and regulated by the Financial Services Authority and is a member of IMA.

Rathbone Stockbrokers Limited is a member of the London Stock Exchange, a member of Ofex and is authorised and regulated by the Financial Services Authority.

Rathbone Trust Company Limited provides trust, company management and taxation services. Rathbone Trust Company Limited and its products and services are not authorised or regulated by the Financial Services Authority.

Rathbone Pension & Advisory Services Limited is authorised and regulated by the Financial Services Authority.

# Rathbone Brothers Plc

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