CAZENOVE
CAPITAL HOLDINGS

CAZENOVE CAPITAL HOLDINGS LIMITED

Annual report and consolidated financial statements
year ended 31 December 2010

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Chairman's Statement

I have pleasure in presenting the Cazenove Capital Holdings Annual Report for 2010, which proved to be another unsettled year for financial markets across the globe. Investors who were prepared to tolerate volatility were rewarded with reasonable returns, although patience was required because much of those returns came in December.

Total income for Cazenove Capital was £97.3 million, 5% up on last year. This is in spite of the fall in hedge fund performance fees from £14.7m to less than £0.6m. Excluding performance fees, revenues were 24% higher, reflecting a very strong year from the Private Wealth Management and Charity businesses, which includes a maiden contribution of £5.3m from Thornhill. The long only retail business in the UK has also made useful advances.

The outstanding performance of our hedge funds in 2008 enabled Cazenove Capital to produce strong profits when most of our competitors were struggling and these funds will contribute to our success in the future. We now have a well balanced business and so the other areas have been able to offset the decline in hedge fund performance fees. This should give shareholders grounds for continued confidence in the fundamental strengths and diversification of the business.

With operating costs controlled, earnings before interest, tax, depreciation and amortisation grew from £27.1m to £30.5m, a rise of 12%. However, considerable expenses were incurred during the year outside the course of the Company's usual business. These are detailed elsewhere in this report and include major projects such as the integration of Thornhill and completion of the separation of our IT arrangements from JP Morgan Cazenove.

The most unexpected and undeserved extraordinary item was the Financial Services Compensation Scheme ('FSCS') levy to compensate clients of a number of failed businesses, principally in the IFA sector. The increases in the levels of payments required from our sector were very significant and shocked many of the firms involved, our Company included. Our share of this levy was set at £2.5million, significantly in excess of what we have paid in previous years but within the spread of our peers' experiences.

The Board has recommended an increased dividend of 3.75 pence per share reflecting the performance of, and confidence in, the underlying business. Despite the one-off charges, your Company has generated significant cash from operating activities, and pre-exceptional earnings per share of 6.53 pence. As far as liquidity in the shares is concerned, it is the Board's intention to introduce an internal dealing facility after the release of the interim statement in early August. Full details of how to participate will be communicated to shareholders well in advance.

Your Board also had to give consideration to the FSA Remuneration Code. Our Remuneration Committee considers that the remuneration structure for those individuals who will be 'Code employees' is very much in keeping with the FSA's desire to see a significant level of deferral. In addition, our Remuneration Policy meets the requirements for a Tier 4 Firm, which is how Cazenove Capital is classified under the Code. Your Board has always believed that the use of deferred equity to raise the level of employee ownership is very much in the interests of the Company and will continue to pursue a policy that involves providing the opportunity for employees to build meaningful equity stakes over the coming years in a way that is affordable for shareholders. The long-term incentive scheme launched in 2005 has been a key component of Cazenove Capital's success since demerger. To help secure continued progress over the coming five years, the Board has investigated and approved a replacement scheme, details of which appear in the Directors' report.

Finally I would like to draw shareholders' attention to some changes in the non-executive membership of your Board. Sir Sydney Lipworth is to step down this year and this will be his final Annual General Meeting. I would like to thank him for his contribution and wise counsel. I am also pleased that Rupert Tyer, who has recently retired from Cantillon Capital Management, where he was a founding partner, has agreed to join the Board. Prior to this, he was Managing Director at Lazard Unit Trust Managers and brings with him beneficial experience of the asset management business.

It remains only for me to thank the executive and their colleagues for the hard work put in this year.

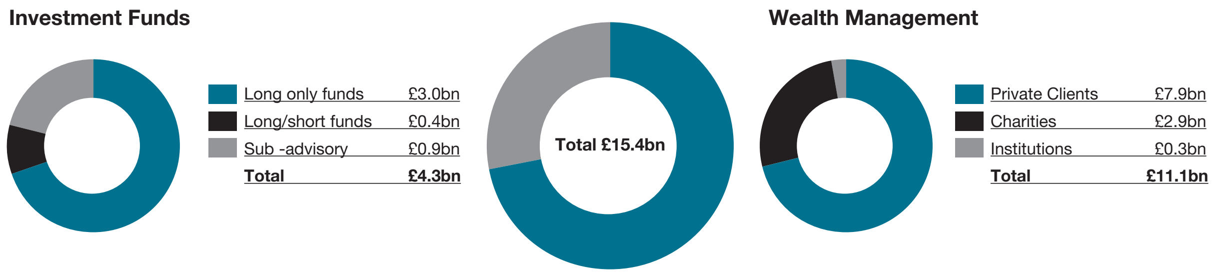
David Mayhew
Chairman

Chief Executive's Report

The operating performance of Cazenove Capital has been satisfactory in 2010 although the two sides of the business produced very different results, reversing the experience of 2009. Wealth Management's revenue was up by over 30% while the Investment Funds business was down. This is entirely due to a fall in hedge fund performance fees; revenues for the Investment Funds business grew by 4% excluding performance fees, reflecting good progress from the retail business which now represents 30% of Investment Funds' assets. With much of this growth coming from Credit and Multi-Manager funds, the business now has a more balanced spread of product.

Our assets under management have increased to £15.4bn and the current split is shown below:-

Funds under management - £15.4 billion



The business has shouldered a considerable workload in successfully delivering a number of major projects during the year. These included the integration of Thornhill, the change of Transfer Agent from Bank of New York Mellon to J.P.Morgan, IT separation and two regulatory inspections. Each was demanding in itself but to accomplish them all in twelve months whilst also managing client assets and relationships was an achievement indeed, and I would like to pay tribute to the hard work and professionalism of our employees.

Wealth Management

Our business continued to make material progress, not only adding to our assets under management but also growing our reputation as a leading adviser for charities and private clients. New business was impressive, with £1.2bn in gross sales and £0.6bn in net sales (compared to £0.9bn gross and £0.4bn net in 2009).

This asset growth helped trading revenue which was strongly ahead of 2009, notably Financial Planning fees. The introduction of a flat transaction charge in our SIPP business also contributed to the increase, as did the addition of the Thornhill clients.

The acquisition of Thornhill has progressed well, if a little more slowly than we would have chosen. Financially, the transaction is on target with the anticipated cost savings exceeded and £788m of assets now under management compared to £650m at the start of the year. The teams will contribute to profit next year with the one-off costs of the integration now behind us. Thornhill's Scottish business came out of Martin Currie in 2003 and we are starting to see evidence that combining this pedigree with that of Cazenove Capital will create a powerful wealth management competitor in Edinburgh.

Charity new business numbers were good, in part reflecting the addition of new elements to the service we offer which have improved our success rate at pitches, particularly at the top end of the market. We are also now being recommended by a number of consultants and the pipeline of potential business is strong.

Chief Executive's Report (continued)

Our position as an independent business providing high quality, impartial advice together with the strength and experience of our teams is very much what clients are seeking. For private clients, the way in which we combine financial planning and asset management continues to set us apart from our competitors. This was reflected in our position as the most highly ranked investment manager in the leading survey of private client customer satisfaction for the second year in succession.

Investment Funds

Following an outstanding year in 2009 when we saw net sales of £1.1bn, the last twelve months has proved much more challenging. Despite achieving gross sales of over £2.0bn, our net sales position for the year showed a small outflow. This reflected redemptions in our offshore European book, as investors' asset allocation decisions lowered exposure to the region, combined with a significant fall in our hedge book.

Fortunately we saw a steady increase in our UK retail assets, led by the Strategic Bond Fund and ironically the European Fund, which was our highest gross selling fund. Our Multi-Manager Diversity Fund also sells consistently and is particularly well placed to benefit from the current trend for IFA's to outsource their asset management functions.

Investment performance

With the benefit of hindsight, we were too cautious early in 2010, but were correct in our underlying argument that those economies still de-leveraging from pre-crisis excesses would see lower growth than economies with more modest levels of debt. However, while this had a detrimental effect on the performance of some of our core European and UK mandates, in particular the hedge funds, the majority of our funds produced good performance.

Long only funds. All bar one of the UK funds were in the upper quartiles. This was a pleasing result, with notable performances from UK Equity Income, UK Opportunities and the Growth Trust for Charities. These outcomes were achieved despite the funds remaining relatively defensively positioned, which can be attributed to effective stock selection.

Taking the three years to end 2010, the majority of the UK funds were in the top quartile and all outperformed their benchmarks. The outstanding performances came from UK Opportunities and UK Smaller Companies. It hardly needs stating that the last three years have been an exceptionally hazardous period for markets, and it is to the credit of our UK team that it has managed to negotiate its way around these hazards with such evident success.

The European equity funds found the environment more difficult. Despite a testing year, the two offshore funds, European Equity (ex UK) and Pan Europe, remain top-quartile on a three year view, with the onshore European fund in the second quartile. Moreover, all three have outperformed their respective benchmarks over this period.

The Multi-Manager funds also found their defensive weighting costly to performance and only one, Global (ex UK), achieved a top quartile ranking. It is also top-quartile ranked on a three-year view, as is the core Diversity fund.

While 2010 was a less exciting year for credit after the extreme valuation opportunities we identified in 2009, the returns of 6.4% and 9.0% from the onshore and offshore Strategic Bond funds, respectively, continued to make these lower-risk, high-yield funds attractive to investors. These funds are also both in the top quartile over three years, while UK Corporate Bond and the Income Trust for Charities were both second quartile.

Chief Executive's Report (continued)

The collective picture for our four investment disciplines over three and five years is very satisfactory with just under 90% of our funds in either the first or second quartile over both periods.

Alternative funds. In what was a difficult year for many hedge funds, the performance of our core business cycle absolute return funds was undermined by positioning that proved significantly too defensive. The managers had anticipated that the risk bias in markets that came to the fore in 2009 would begin to be reversed in 2010, but this was not the case. More positive results came from the two UK Dynamic funds and European Alpha. While the UK Dynamic funds suffered significant outflows in the first half following the departure of one of the managers, investors who continued to back the funds were rewarded.

Regulation

The Regulator has dominated our lives even more than usual this year. As well as the issues of the FSCS and Remuneration Code referred to in the Chairman's Statement, we underwent regulatory inspections from both the FSA and Jersey Financial Services Commission. While both regulators require that the results of supervisory activity remain confidential, we were able to put across that our business takes its responsibilities to clients very seriously, reflecting the strong compliance culture which has been pragmatically imbued into Cazenove Capital.

We are also preparing for the Retail Distribution Review ('RDR'), which will be implemented at the end of 2012. We wholeheartedly support the aims of the RDR to achieve a better qualifications framework, transparent and fairer charging, and raised quality of advice. That said, there is considerable devil in the detail of the proposed execution and the timing of its implementation looks challenging. The RDR will affect the way we conduct our business but also provides opportunities for both client areas.

Outlook

2011 is likely to see a shift in focus away from the ability of the global economy to provide a sustainable recovery towards the consequences of higher growth. As we move through 2011, rising inflation could start to put pressure on central banks to increase interest rates. At the same time, fiscal policy makers will be attempting to normalise deficit positions built up during the crisis. While the focus ought to be on controlling expenditure, it is inevitable that finance ministries will also look to boost revenues through higher taxation.

Stock market returns are likely to continue to be volatile. Although there are a number of factors that could propel asset prices to new highs during 2011, not least the continuing infusion of liquidity into financial markets courtesy of quantitative easing, ongoing uncertainties about Eurozone sovereign debt and Chinese inflation could exert downward pressure at some stage during the year. Government bond markets also look as though they may end their long period of producing real returns.

Both parts of our business are well placed to look after our clients in this environment and we believe that continuing to focus on satisfying our clients' expectations is the surest way of producing returns for our shareholders.

Andrew Ross
Chief Executive

Operating and Financial Review

Non Statutory Consolidated Income Statement

Year ended 31 December 2010

	31.12.10 £'000	31.12.09 £'000	Variance
Revenue			
Investment management fees	79,027	79,162	-%
Management fees	78,457	64,499	22%
Hedge performance fees	570	14,663	(96)%
Commission and other revenue	18,258	13,378	36%
Net revenue	97,285	92,540	5%
Operating expenses (excluding depreciation and amortisation of share awards)	(66,780)	(65,384)	(2)%
Earnings before interest, taxation, depreciation, amortisation of share awards and project costs (EBITDA)	30,505	27,156	12%
Amortisation of intangibles	(1,776)	(1,465)	(21)%
Depreciation of fixed assets	(461)	(156)	(196)%
Amortisation of share based awards and fund based remuneration	(7,730)	(6,733)	(15)%
	(9,967)	(8,354)	(19)%
Interest receivable and similar income	297	1,029	(71)%
Interest payable and similar charges	(98)	(1)	(9,700)%
Other finance income	226	1,927	(88)%
	425	2,955	(86)%
Profit on ordinary activities before taxation	20,963	21,757	(4)%
Income tax expense	(4,757)	(5,496)	13%
Profit on ordinary activities after taxation	16,206	16,261	-%
Reconciliation of profit after tax to statutory accounts			
Significant project costs			
- Thornhill acquisition and integration	(3,236)	(484)	(569)%
- IT separation	(2,465)	(1,298)	(90)%
- Pension Scheme review	(2)	(174)	99%
	(5,703)	(1,956)	(192)%
Tax impact	1,421	548	159%
	(4,282)	(1,408)	(204)%
Profit on ordinary activities after taxation and significant projects	11,924	14,853	(20)%
EBITDA after significant project costs	24,802	25,200	(2)%
Gain on derecognition of Cazenove Group Limited ('CGL') shares	31	654	(95)%
Proceeds from CGL B shares	-	66	(100)%
Gain on disposal of available-for-sale financial assets	1,208	2,966	(59)%
Tax on gain on disposal of available-for-sale financial assets	-	(463)	100%
Financial Services Compensation Scheme levy	(2,588)	(44)	(5,782)%
Tax on Financial Services Compensation Scheme levy	725	12	5,782%
Statutory reported profit after tax	11,300	18,044	(37)%

Operating and Financial Review (continued)

Introduction

Our core revenues have remained strong and grown significantly in 2010. This has been offset by the loss of all but a small amount of our hedge performance fees compared with 2009, and an increase in operating expenses.

Revenue

Net revenues increased from £92.5m to £97.3m, an increase of 5%. Investment management fees, excluding hedge performance fees, grew by 22% from £64.5m to £78.5m. Commissions and other revenues increased by 36% from £13.4m to £18.3m. Improved market levels during the year, the acquisition of Thornhill, and client inflows have all combined to increase investment management fees. Commissions and other revenues have increased, offsetting the drop in returns earned on cash balances held in client portfolios. These increases were offset by hedge performance fees, which fell from £14.7m to £0.6m, a reduction of 96%.

Operating expenses

Operating expenses (excluding depreciation, amortisation and significant project costs) increased slightly, up 2% from £65.4m to £66.8m. Increased costs generally, including staff costs and property costs (both partly due to the acquisition of Thornhill) and an increased spend on marketing, have all been offset by reduced performance fees payable to staff (reflecting reduced performance fees earned). Profit share has also increased in parallel with operating profit before profit share.

EBITDA

The above movements have resulted in earnings before interest, tax, depreciation, amortisation of share awards and significant, non-recurring project expenditure increasing from £27.2m to £30.5m, a rise of 12%.

Share based remuneration

Further conditional shares were issued in early 2010 through which a proportion of employees' 2009 remuneration was deferred. The increase in the value of the Company's shares from 48p to 61p following the 2010 tender offer resulted in an increase in the amortisation cost of these and other awards.

Interest receivable

Interest receivable of £0.3m is down 71%, despite the significant cash balances held by the Group, mainly due to a full year effect of the continuing low base rate which has been in effect since March 2009.

Other finance income

Other finance income of £0.2m is down 88% because the equivalent figure in 2009 included £1.7m of one-off income, related to cessation of the Defined Benefit Pension Scheme Service accrual.

Tax

Income tax expense for the year (excluding the tax effect of project expenditure) decreased from £5.5m to £4.8m. The effective rate of tax fell from 23% to 19%. The rate was low in both periods because special factors arose from accounting for tax relief for share plans and non-taxable gains on assets held by the Cazenove Capital Management Employee Benefit Trust ('EBT'). There are also additional tax benefits accounted for through equity. A reconciliation of the tax charge and rate is shown in note 8.

Profit after tax

Profit on ordinary activities after taxation but before significant project costs is consistent with last year, remaining at £16.2m.

The statutory reported profit after tax is £4.9m lower (2009: £1.8m higher) than the ordinary profit after tax shown in the non-statutory consolidated income statement. This arises due to significant project costs and a one-off substantial Financial Services Compensation Scheme levy charge. These costs have been slightly offset by significant gains on share disposals.

Operating and Financial Review (continued)

Significant project costs

Three projects have been classified as significant projects insofar as each have incurred large expenses outside the scope of the Group's normal operations. These are: the acquisition of Thornhill Holdings Limited; the separation of IT infrastructure from J.P. Morgan Cazenove; and, a review of the Defined Benefit Pension Scheme.

Acquisition of Thornhill Holdings Limited

The transaction whereby the Company entered into an agreement to acquire the entire issued share capital of Thornhill Holdings Limited ('Thornhill') completed on 5 January 2010. The acquisition added over £650m of assets under management. The project costs of £3.2m (2009: £0.5m) consist of: restructuring costs following the purchase; other associated professional fees; fixed asset write downs of £0.4m; and, the cost of establishing an onerous lease provision of £0.9m in 2010 on 16 Palace Street, Thornhill's former London office, for which a sub-letting agreement is expected to complete early in 2011.

IT separation

IT separation was completed in August 2010, one month ahead of schedule. Costs of £2.5m (2009: £1.3m) were incurred on this project.

Pensions

Professional fees concerning the cessation of the service accrual to the Defined Benefit Pension Scheme from 31 December 2009 were almost entirely incurred in 2009 and this project is now complete.

Significant non-operating items

Financial Services Compensation Scheme ('FSCS')

On 26 January 2011, the Group was advised that it was required to pay an interim FSCS levy of £2.5m in relation to 2010. This was significantly in excess of prior levies, although in line with our peers' experience. The increased level reflects the FSCS desire to compensate clients of a number of failed businesses, principally in the IFA sector.

Due to its materiality this levy has been disclosed separately on the consolidated income statement.

Share disposals

The significant gains on share disposals in 2010 arose as a consequence of the EBT holding shares in Cazenove Group Limited ('CGL'), which was acquired by J.P.Morgan in exchange for loan notes in January 2010 for a consideration of £5.10 per ordinary share. These loan notes were exchanged for cash by the EBT later in the year.

These gains, which the Directors regard as being outside the ordinary course of business, are required by accounting standards to be included in the statutory income statement. However, the Group records no additional gain to net assets as the CGL shares had already been revalued to £5.10 per share in 2009. Therefore, there is an equal and opposite charge to the statement of comprehensive income and, as a result, the net assets of the Group remain unaffected.

Financial assets

The value of financial assets held in the EBT to satisfy obligations under long-term incentive plans fell by £3.5m to £0.3m, primarily as a result of awards vesting.

Operating and Financial Review (continued)

Pensions

As mentioned above, the Group ceased service accrual of the defined benefit scheme with effect from 31 December 2009. From 1 January 2010 all Group employees (excluding Jersey employees who have a separate defined contribution arrangement) have access to a defined contribution stakeholder pension scheme operated by Zurich Corporate Pensions.

The Zurich defined contribution scheme replaces an earlier defined contribution arrangement operated by Threadneedle Pensions.

In previous periods, an actuarial surplus was recognised on the balance sheet. However, following closure to future accrual it is not considered prudent for an actuarial surplus to be recognised. The Trustees, the Investment Manager and the Company continue to work together to ensure that the defined benefit scheme will be adequately funded to meet its liabilities. Further information is given in note 5.

Earnings per share

Basic earnings per share excluding gains on significant non-operating items and the FSCS levy decreased by 23% from 6.71 pence to 5.14 pence per share. Further information is given in note 10.

Cash

The cash position of the Group has strengthened during 2010 despite the overall fall in operating profits. Net cash at bank amounted to £93.4m at 31 December 2010 compared to £82.6m at 31 December 2009. The increase in cash is mainly attributable to cash generative operating activities while many of the increased charges to the income statement relate to non-cash items such as the provision for the onerous lease, amortisation and depreciation.

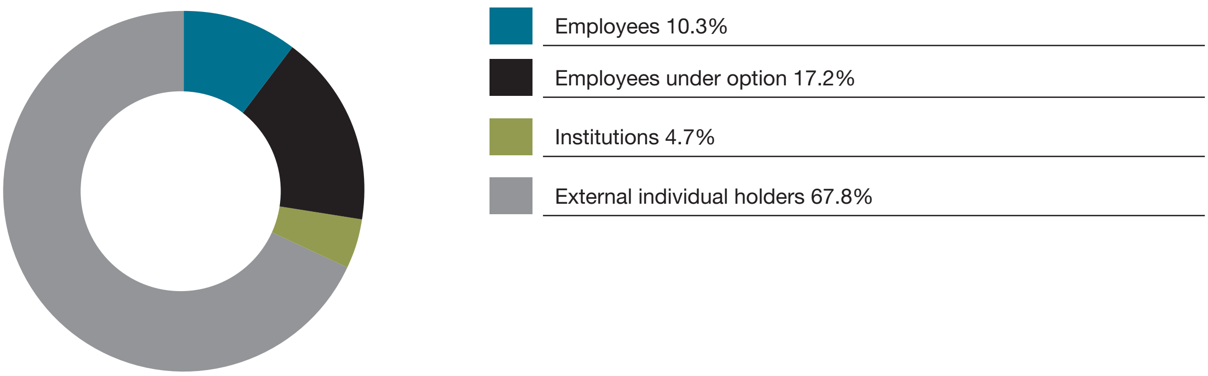
Dividends

2010 has been another successful year for Cazenove Capital. The Group is operating profitably and has generated increased cash from operating activities. Accordingly, the Directors consider it appropriate to pay an interim dividend of 3.75 pence per share, to be paid to shareholders on 6 May 2011.

Business overview

Cazenove is one of the oldest and most respected names in the London financial community, tracing its origins back to 1823. In November 2005, the Board of Cazenove Group Limited recommended to shareholders that Cazenove Capital Management Limited and its subsidiaries should be separated from the investment bank by way of a demerger. As a result, Cazenove Capital is today an independent asset management business, a structure that suits the roles we fulfil for our clients. For our institutional clients we are a focused, specialist investment manager while our private and charity clients value our ability to act as their impartial adviser. Our independence also better aligns the interests of our employees and shareholders.

Shareholders of Cazenove Capital Management



Operating and Financial Review (continued)

Our strategic ambitions continue to centre on the provision of first class asset management services to the top end of the Wealth Management market and growing our Investment Funds business. We have excellent client propositions in both areas.

Business activity environment

Cazenove Capital provides investment management services to a wide range of clients. The business is divided into two principal areas.

Wealth Management

Cazenove Capital manages £8.6bn on behalf of a wide range of clients including entrepreneurs, corporate directors, professionals and other wealthy individuals as well as their Trusts, Charitable Foundations and Personal Pensions. These clients are principally based in the UK although we also look after offshore individuals and trusts. This is a high net worth business and the average size of a family relationship is well in excess of £1m.

In the UK, Cazenove Capital offers a very distinctive service to high net worth individuals in that our financial planning team is fully integrated with our asset managers. We focus on providing clients with optimal after-tax returns and can recommend suitable structures through which to hold their investments. In addition, our financial planners can advise on a full range of innovative planning ideas, including estate planning and pensions, usually working alongside the clients' existing accountants and lawyers.

We then develop investment strategies which are suited to individual clients' risk profiles and investment objectives. As a firm which deals with a manageable number of large client relationships, we can provide tailored asset allocation strategies to suit specific client needs. To ensure that client portfolios are adequately diversified, we invest across a wide range of asset classes including UK and International Equities, Fixed Income, Property, Hedge Funds, Commodities and Private Equity and clients also appoint us to manage specialist mandates.

Our philosophy is to act as the clients' trusted adviser. As such, we believe in ensuring that they can access the world's most talented managers. Our investment process combines our in-house investment expertise in our key areas of specialisation with a rigorous selection of the most suitable third-party managers in other investment areas.

We also manage £2.1bn of assets on behalf of over 600 charities. Our highly experienced Charity team designs investment strategies and provides advice on asset allocation, risk management, capital preservation, corporate governance, socially responsible investment and trustee legislation, as well as pure portfolio management. The latter is principally carried out through a broad and unique range of Common Investment Funds ('CIFs'), which are used by over 90 per cent of the charity clients. Our UK equity team has produced strong performance from the two CIF equity funds, which are amongst the most consistent funds in the sector.

Investment Funds

There are three areas of specialisation; Pan-European Equities, European Credit and Multi-Manager. Clients include professional advisers, private banks, multi-managers, pension funds and insurance companies, both in the UK and overseas.

The Investment Funds business has £4.3bn (2009: £5.1bn) of assets under management. As well as pooled funds, both UK and Dublin domiciled, the team manages a range of hedge funds. We have also been appointed to a number of specialist institutional mandates.

Cazenove Capital has earned a reputation as a successful, specialist investment business with the ability to attract and retain talented managers who produce consistent investment performance for our clients. However, client performance is a higher priority than asset gathering and consequently programmes will close to new business if it would be appropriate to protect client performance.

Operating and Financial Review (continued)

Investment environment

2010 was another difficult year for equity and capital markets. More detail on the investment environment is given in the Chairman's Statement and Chief Executive's Report on pages 4 to 7.

Regulatory environment

The Group's principal operating subsidiaries conduct business in regulated financial services markets, and the Group is therefore subject to regulation in the jurisdictions in which it operates. Cazenove Capital Management Limited, Cazenove Investment Fund Management Limited, Thornhill Investment Management Limited and Thornhill Unit Trust Managers Limited are authorised and regulated by the Financial Services Authority ('FSA') in the UK, Cazenove Capital Management Limited is registered with the Securities and Exchange Commission in the US, and Cazenove Capital Management Jersey Limited is authorised and regulated by the Jersey Financial Services Commission.

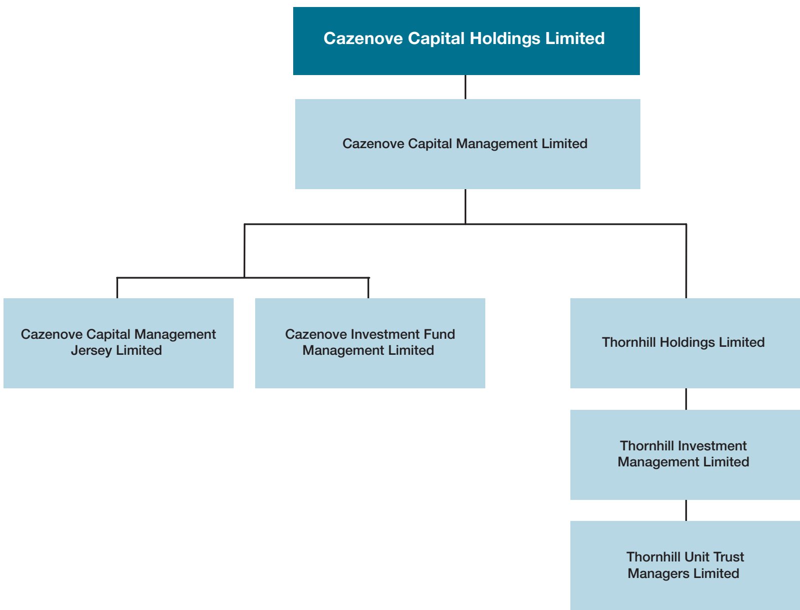
Each regulated entity within the Group is required to conduct its business in accordance with the rules set by the relevant regulatory authority. The Group is also required to maintain minimum capital balances in each of the regulated entities and on a consolidated basis.

The introduction of the Capital Requirements Directive changed the approach to the assessment of the amount of capital regulated companies are required to hold, and introduced additional disclosure requirements. The level of capital that both the UK regulated subsidiaries are required to hold initially increased as a result of our assessment process. The Group continues to hold sufficient capital to meet the regulatory requirements.

The FSA places considerable emphasis on Treating Customers Fairly ('TCF'). It is an inherent part of the Group's culture to focus on our clients' interests, and to act as trusted advisers. TCF is therefore embedded in the ethos of the Group, although considerable work has been done, and continues to be undertaken, to ensure a sustained focus on our customers' interests and in order to ensure that the Group can demonstrate clearly that this focus exists.

Organisation

Cazenove Capital Holdings Group operating companies are organised as shown below:



Group companies are listed in note 14.1

Operating and Financial Review (continued)

It is intended that the business of Thornhill Investment Management Limited will be fully transferred to Cazenove Capital Management Limited in due course.

Risks and uncertainties

Risk is constantly monitored by the Board and senior management. The Group has an operational risk manager, and a separate internal audit function, both of which report to the Audit and Risk Committee.

The Group has identified seven core principles that define risk behaviour and characterise Cazenove Capital's risk management culture:

- Cazenove Capital aims to recruit, keep and reward staff with a strong risk and control awareness
- Cazenove Capital will put in place and maintain a framework which allows staff to manage their risks effectively
- Staff are accountable for managing their risks
- Consistent standards will be established and maintained for identifying, measuring, controlling and reporting risk
- All business areas will put in place and maintain comprehensive standard operating procedures which include processes to identify, measure, control and report risk
- Risk management activity will be prioritised towards the areas of greatest risk
- Key information on the management of risks will be reported to the Risk Governance Committee and the Board

There are a number of potential risks and uncertainties which could have a material impact on the Group's long-term performance which are detailed below. Full disclosure of risks and uncertainties, as required by Pillar 3 of the Capital Requirements Directive, can be found under 'risk warnings' and 'terms of use' on our website, www.cazenovecapital.com.

Credit risk

Credit risk is the risk of financial loss arising from a client or other counterparty failing to meet its obligations to repay outstanding amounts as they fall due.

The Group is not exposed to high levels of credit risk, as it does not undertake any principal trading in relation to its own balance sheet, other than placing cash on deposit. The Group only places cash out on deposit with a select list of highly rated counterparties, and this is monitored on a regular basis. For sales debtors in our retail funds, the risk of not receiving sums due to us is mitigated as we have the ability to cancel units that have been allocated but have not been paid for. For segregated fund clients, provision for the non-payment of fees is governed by our agreements with these clients.

The Group applies the FSA's standardised credit risk rules as per the Prudential sourcebook for banks, building societies and investment firms ('BIPRU'), to calculate an appropriate capital requirement for its credit risk exposure. These rules include additional categories of asset to which credit risk may apply. As a result, the Group calculates a credit risk requirement on the following asset classes:

- Property, plant and equipment
- Financial assets
- Fee and other receivables
- Cash

Operating and Financial Review (continued)

Market risk

Market risk arises from adverse changes to the values of positions or portfolios arising from changes in market prices, interest rates or exchange rates.

As noted above, the Group does not undertake any principal trading for its own account. As a result, it is not exposed to any significant market risk which would arise from such. Investment objectives and restrictions are agreed with clients and, save breaches from those guidelines, the market movement risk affecting portfolios lies with clients. The Group does not guarantee returns on portfolios. However, the Group's revenue is affected by the value of assets under management.

The Group earns interest from its cash balances, and is therefore exposed to fluctuations in interest rates. The Group aims to minimise exposure to this risk through active management of cash deposits with a range of depositories.

The Group's operating policy is for foreign currency exposures to be kept to a minimum but, from time to time, foreign currency bank balances may be held. Such exposures are short-term.

At any time, there will also be a small exposure to market risk in Cazenove Investment Fund Management Limited on positions held in the 'Manager's Box'.

Operational risk

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events, including legal risk.

The majority of the risks affecting the Group can be classified as operational risks and therefore most of our risk management efforts are focused on operational risk. The Group seeks to mitigate operational risk to acceptable residual levels, in accordance with its risk appetite policy, by maintaining a strong control environment, which is managed through the Group's risk management framework. The Group also has insurance arrangements in place to mitigate operational risks.

Liquidity risk

The Group has limited exposure to liquidity risk. The Group's cash is held on callable deposit and it does not have any borrowings. Financial projections enable future requirements to be forecast and managed.

Client money and other assets

The FSA, as the lead regulator of the Group's UK regulated entities, requires its firms to arrange adequate protection for client assets when it is responsible for them.

Cazenove Capital Management Limited and Thornhill Investment Management Limited are authorised to safeguard and administer client assets (and the arranging thereof) and these companies, together with Cazenove Investment Fund Management Limited and Thornhill Unit Trust Managers Limited, are authorised to hold and control client money.

The two main elements of the client assets rules are:

- Custody rules – these highlight the firm's obligations when it is looking after a client's physical property; and
- Client money rules – these highlight the firm's obligations when it is holding client money.

In both cases, the regulated firms must keep the assets safe.

Similar rules are followed in Jersey by Cazenove Capital Management Jersey Limited.

Operating and Financial Review (continued)

Tender offer

The tender offer made to the shareholders by the EBT in March 2010 succeeded in purchasing 10,344,421 shares (representing 99.5% of the shares tendered) at a price of 61 pence per share.

Internal dealing facility

As noted in the Chairman's Statement, it is our intention to introduce an internal dealing facility, enabling staff and shareholders to buy as well as sell shares, during 2011. Further information will be provided to shareholders in due course.

Carolyn Sims
Chief Financial Officer

Directors' Biographies

The Board — as at 1 March 2011

Executive Directors

Andrew Ross

Appointed as an executive Director in October 2005. Mr Ross is the Chief Executive of Cazenove Capital. He was previously Chief Executive of HSBC Asset Management (Europe) Limited between 1998 and 2001. Prior to that, Mr Ross served as Managing Director of James Capel Investment Management between 1997 and 1998 and as an investment manager at James Capel Investment Management between 1985 and 1997.

Carolyn Sims

Appointed as an executive Director in May 2007. Mrs Sims is the Chief Financial Officer of Cazenove Capital. Mrs Sims joined from Lazard where she was the Finance Director in London. Previously Mrs Sims trained as a Chartered Accountant with Touche Ross.

Richard Jeffrey

Appointed as an executive Director in January 2009, Mr Jeffrey is the Chief Investment Officer of Cazenove Capital. Mr Jeffrey joined from Ingenious Group, where he helped build a media-focused securities business. Prior to that, Mr Jeffrey headed the research team at Bridgewell between 2002 and 2006, and was Head of Research and Chief Economist for Charterhouse Securities and Charterhouse Group, respectively, between 1992 and 2002. From 1981 to 1992, he worked for Hoare Govett.

Non-executive Directors

David Mayhew

Appointed to the Board and as a non-executive Chairman in October 2005. Mr Mayhew is Chairman of J.P. Morgan Cazenove and a Vice-Chairman of J.P. Morgan. He is a member of the Remuneration and Nomination Committee. Mr Mayhew was also a non-executive Director of Rio Tinto Plc between 2000-2010.

Marcus Gregson

Appointed as a non-executive Director in July 2009. Mr Gregson was, until his retirement, the founding chief executive of HSBC Private Bank (UK) Limited. He is a member of the Audit and Risk Committee. His career encompassed the law, stockbroking and banking. He is a non-executive Director of various private companies and one listed investment trust.

Sir Roger Hurn

Appointed as a non-executive Director in December 2005. Sir Roger is Chairman of the Remuneration and Nominations Committee and is also a member of the Audit and Risk Committee. He was formerly Chairman of Smiths Group Plc, Marconi Plc and Prudential Plc. He was also non-executive Deputy Chairman of GlaxoSmithKline Plc.

Sir Sydney Lipworth QC

Appointed as a non-executive Director in December 2005. He is also Chairman of the Audit and Risk Committee and a member of the Remuneration and Nomination Committee. Sir Sydney was a Trustee of the International Accounting Standards Committee Foundation. He has previously been Chairman of Zeneca Group Plc (now AstraZeneca Plc), the Financial Reporting Council, the Monopolies and Mergers Commission (now the Competition Commission) and Deputy Chairman of National Westminster Bank Plc.

Directors' Biographies (continued)

Non-executive Directors (continued)

Michael Power

Appointed as a non-executive Director in October 2005. Mr Power was Finance Director of J.P. Morgan Cazenove Limited during the year until his resignation on 30 June 2010. He is a member of the Audit and Risk Committee and the Remuneration and Nomination Committee. Mr Power is a former partner of Cazenove.

Rupert Tyer

Appointed as a non-executive Director in January 2011. Mr Tyer has recently retired from Cantillon Capital Management, where he was a founding partner of the London and New York based global equity boutique. Prior to this, he was Managing Director at Lazard Unit Trust Managers Ltd, with responsibility for business development, distribution and marketing strategy for the UK and Dublin based businesses.

Directors' Report

The Directors present their report for Cazenove Capital Holdings Limited ('the Company') for the year ended 31 December 2010.

Incorporation

The Company, which is registered in Jersey, was incorporated on 24 October 2005.

Principal activities

The Company is the holding company of Cazenove Capital Management Limited ('CCM') and its subsidiary companies (together referred to as 'the Group'), which provide investment and wealth management services.

Review of business and future prospects

A review of the business for the year ended 31 December 2010 and significant financial aspects of the financial year's trading, including the principal risks and uncertainties facing the Group are set out in the Chairman's Statement, the Chief Executive's Report and the Operating and Financial Review on pages 4 to 16.

The Directors have assessed the projected results, liquidity and capital resources of the Group, including the impact of current market conditions, and believe that there is reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. For this reason the Directors continue to adopt the going concern basis in preparing the accounts (see note 1).

Acquisition of Thornhill Holdings Limited

The Company entered into an agreement to acquire the entire issued capital of Thornhill Holdings Limited ('Thornhill'). Completion occurred on 5 January 2010. On 5 February 2010 Thornhill was transferred from the Company to CCM at the cost at the date of acquisition. Founded in 1985, Thornhill provides discretionary private wealth management services to its clients from offices in London and Edinburgh. During 2010 substantially all of the investment management business of Thornhill, including its Edinburgh branch, has been transferred to CCM. Thornhill has a similar culture, approach to investment and focus on client service to the Company, and we consider that the acquisition and integration will strengthen our wealth management offering. Further information is given in note 27.

Results and dividends

The consolidated income statement on page 29 shows a profit on ordinary activity after taxation for the year ended 31 December 2010 of £11.3m (2009: £18.0m).

The dividend policy of the Company is for profits to be retained to finance the existing and future capital needs and growth of the Group. Any balance may be distributed.

The Company paid an interim dividend in respect of 2009 of 3.5 pence per share on 31 March 2010. The Directors have approved an interim dividend in respect of 2010 of 3.75 pence per share, payable on 6 May 2011 to shareholders whose names appear on the register of members on 18 March 2011.

Stated capital

The Company's authorised stated capital comprises 350 million ordinary shares of no par value, of which 256,462,117 ordinary shares were in issue at the year end. The Company has not purchased shares for cancellation.

Biographical details of the Directors are set out on pages 17 and 18.

Directors' Report (continued)

The Directors at the date of this report, who served throughout the year unless stated otherwise, are listed below:

D L Mayhew
M J Gregson
Sir Roger Hurn
R S Jeffrey
Sir Sydney Lipworth
M R P Power
A J S Ross
C Sims
R P A Tyer (appointed 13.01.2011)

Corporate governance

During the year under review, the Board met five times. The Audit and Risk Committee met four times. The Remuneration and Nomination Committee met twice.

Cazenove Capital Holdings has its own corporate governance structure, with an Audit and Risk Committee, Risk Governance Committee and Remuneration and Nomination Committee, which report to the Cazenove Capital Holdings Board. The Risk Governance Committee assesses the effectiveness of internal controls, and has confirmed to the Board that a formal review of the effectiveness of internal controls has been undertaken. The Audit and Risk Committee reviews the annual and interim reports to shareholders, monitors the effectiveness and independence of the external auditors, and reviews and approves the internal audit programme, ensuring that it is adequately resourced and has appropriate standing. The Remuneration and Nomination Committee is comprised entirely of non-executive Directors, and reviews and approves the proposals for remuneration for the Group's senior executives, and senior level appointments.

Environment

The Company recognises the importance of its environmental responsibilities, monitors its impact on the environment, and designs and implements policies to reduce any damage that might be caused by the Group's activities. Initiatives designed to minimise the Group's impact on the environment include the safe disposal of waste, recycling and reducing energy consumption. In line with this policy this document is printed by Park Communications, a printer certified to ISO 14001:2004 standards for Environmental Management Systems. 100% of their energy is from renewable sources; they have a CarbonNeutral® status, and they are an FSC certified printer. FSC runs a global forest certification system that ensures timber produced in certified forests has been traced from the forest to the end user; see the back cover for further details.

Employees

The Group is committed to continuing to attract, develop and retain high calibre staff. The Group currently has fifty-eight employees undertaking professional qualifications and has provided management development training for all business operations' team leaders. In addition, the Group maintains focus on improving the way in which it communicates compensation and benefits to staff.

Creditors' payment policy

It is the Group's payment policy for the period under review to obtain the best terms for all business and, therefore, there is no single policy as to the terms used. In general, the Group agrees the terms on which business takes place with its suppliers. It is the Group's policy, subject to satisfactory performance of contracts, to abide by such terms.

Directors' Report (continued)

Donations

No donations were paid to political organisations during the financial year under review (2009: £nil).

The Group made a number of charitable donations during the financial year totalling £9,000 (2009: £13,000). In addition, the Group matches charitable donations made by employees under Give As You Earn schemes, and a further sum of £29,000 (2009: £27,000) was donated in this way.

Financial instruments and risk management

The risk management objectives and policies of the Group are discussed in the Operating and Financial Review and in note 21 to the accounts on pages 63 to 65.

Auditors

The Audit and Risk Committee reviews the appointment of the external auditors and their relationship with the Group, including monitoring the Group's use of the auditors for non-audit services. Note 9 to the accounts sets out details of the auditors' remuneration. Having reviewed the independence and effectiveness of the external auditors, the Audit and Risk Committee has recommended to the Board that the existing auditors, Deloitte LLP, be reappointed. Deloitte LLP have indicated their willingness to continue in office and resolutions reappointing them as auditors and authorising the Directors to determine their remuneration will be proposed at the Annual General Meeting.

Annual General Meeting

The 2010 Annual General Meeting will be held on Thursday 14 April 2011 at 11.00am at 12 Moorgate, London EC2R 6DA. The notice of the meeting is on page 71 with details of the resolutions proposed and explanatory notes. Further explanation on the special business proposed at the meeting is set out below.

Election of Director

In accordance with Jersey law, Rupert Tyer, having been appointed since the date of the last Annual General Meeting, will offer himself for election at the Annual General Meeting.

Special business

Shareholders are being invited to approve changes to the Company's Memorandum and Articles of Association, which will see new classes of shares introduced.

Shareholders last year approved an increase in the authorised stated capital, which enabled the Company to retain flexibility with its capital for both any potential corporate activity, and to ensure that long-term share incentive schemes remained a significant part of variable remuneration for employees. The nature of such long-term share incentive schemes has been the subject of internal review this year, following the expiries of the schemes put in place at demerger.

At demerger, shareholders approved a long-term incentive scheme which acknowledged potential dilution of up to 25%. In the event, following two tender offers, dilution arising from this issue will be less than 9%. The scheme has proven a success in that the vast majority of key employees have remained at Cazenove Capital during this five year period. They have delivered an increase in revenue from £60m to £97m, the Company has moved into profit and has paid a dividend for the last four years, together with successfully broadening the business both organically and, more modestly, by acquisition.

In order to ensure the Company continues to attract and retain key employees in a highly competitive environment, and following extensive review, the Board has approved a new incentive scheme to be launched in 2011. This scheme will comprise awards of both ordinary shares, which will be subject to both holding and vesting conditions, and Growth shares, which will be linked to any growth in value from the date of grant until vesting.

Directors' Report (continued)

The Board considers that the new share scheme properly aligns the interests of employees, who generate growth in the business, and shareholders, who benefit from such growth. As the Growth shares only accumulate value as the share price increases, the shares do not unduly dilute shareholders without demonstrable benefit to them. The introduction of new share classes is therefore required to facilitate awards of Growth shares.

The new share classes are: Growth shares; Deferred shares; and, one T share.

Growth shares will have no voting rights, and carry no distribution rights, but will have the right to convert into ordinary shares subject to strict formulaic criteria at set points in the future.

Deferred shares will have no voting rights, no distribution rights and will only exist in the event that a Growth share holder becomes a "bad leaver" or fails to exchange Growth shares for ordinary shares by the expiry date of the new scheme. In this case, the Growth shares in question will be converted to Deferred shares, which can be redeemed by the Company at any time at a repurchase price of £0.00000001 per share. This share class exists to ensure that shareholders are not exposed to an unlimited liability in respect of the Growth shares, and also to facilitate the rules in respect of "bad leavers".

The T share will be held by the Trustee of the EBT and exists purely to facilitate the conversion between Growth and Ordinary shares. The T share will carry no right to vote, and has no distribution rights.

Resolutions to amend the Company's Memorandum and Articles of Association to include relevant provisions in relation to the above share classes are therefore being put to the Annual General Meeting this year. The full text of the amendments will be available on our website, www.cazenovecapital.com, from 14 March 2011 until the date of the Annual General Meeting.

By order of the Board

Helena Harvey
Company Secretary

1 March 2011

Remuneration Report

Composition and operation of the Remuneration and Nomination Committee

The members of the Remuneration and Nomination Committee ('the Committee') are Sir Roger Hurn (Chairman), Sir Sydney Lipworth, David Mayhew and Michael Power. All members of the committee are considered by the Board to be independent and appropriately skilled to make the necessary judgments, although under the guidance of the Listing Rules of the London Stock Exchange, Mr Mayhew would not be considered independent. The Chief Executive is consulted by the Committee regarding the remuneration of the other executive Directors and the senior management personnel who are remunerated at or above the levels of Board members.

The Committee meets annually to consider the year end remuneration for executive Directors and senior management personnel, and also to review any employees to whom the FSA Remuneration Code should apply. The Committee would convene on an ad hoc basis should any matters arise that required the consideration of the Committee outside the annual meeting. Examples of this would include a recommendation to change the remuneration structure of the Company or a change in regulation that affects the Company's remuneration policy. Whilst the FSA Remuneration Code does not apply in full to the Group, as the FSA classes it as a 'Tier 4' firm, the Committee reviews and approves the list of employees considered to be 'Code employees', and the Group follows the basic principles of deferral of variable remuneration.

Remuneration policy

The Board is responsible for setting the remuneration policy. The remuneration of individual executive Directors is determined by the Committee within the framework of this policy. Both the Board and the Committee recognise the importance of establishing and maintaining an effective remuneration policy to promote the successful financial performance of the Group. The aim of the policy is to provide overall remuneration to the executive Directors which is competitive and will attract, motivate and retain individuals of the quality required to continue to deliver the correct balance of shareholder value, business and client performance whilst promoting effective risk management. The current policy is detailed below, although the Committee keep themselves informed about changes in the Company's position or market practice.

The remuneration of executive Directors comprises both fixed and variable elements. The fixed elements comprise a basic salary, and discretionary pension entitlements and benefits in kind. The variable elements comprise an annual cash share of profit and deferred equity awards. An intention of the policy is that the variable elements of remuneration should represent a significant proportion of overall remuneration. The overall level of variable remuneration should be dependent upon the performance of both the Company and the individual, and such that a meaningful part of the variable element should be deferred. This provides an element of retention and increases the Directors' exposure to the future performance of the Company, thus aligning their interests with effective long-term risk management.

The Board believes a significant element of remuneration should be variable because this ensures that the Directors' remuneration is linked to the experience of both shareholders and clients.

General

Whilst corporate performance in the areas of environmental and social issues does not represent a specific component of the executive Directors' remuneration, the Committee is satisfied that the remuneration structure, including incentive arrangements, does not raise the level of risk in these areas by motivating behaviour which would have an adverse impact on any or all of those issues.

Performance objectives also promote the principles of Treating Customers Fairly ('TCF'). This, together with a review of the remuneration policy to ensure the structures promote TCF, ensures that our remuneration policy fully reflects the objectives of TCF.

Remuneration Report (continued)

The Committee and the Board consider that the current remuneration structure is appropriate for the nature of the Group's business and achieves the objectives of the Code in so far as they can be applied to an asset management business.

Components of remuneration

The separate elements of remuneration are set out below. A combination of market data and individual performance assessment is used to determine the correct levels for the components of remuneration.

Basic salary

Basic salaries are set on an annual basis, unless there is a need for a more frequent review following a significant change in a role or level of responsibility. In setting basic salaries, the relevant decision making party will consider the salary levels paid by companies of a similar size and nature.

Pension arrangements

The Group contributes to a defined contribution scheme, which is open to all permanent staff, including executive Directors. The scheme has a standard retirement age of 65, but employees (including Directors) may participate for longer, should they wish to do so, at the Company's discretion.

The Company previously operated a defined benefit pension scheme, which was closed to future accruals on 31 December 2009. Benefits accrued up to 31 December 2009 have been preserved, and subsequent to that date, employees who participated in the defined benefit scheme have been eligible to join the defined contribution scheme.

Benefits in kind

All staff are entitled to certain benefits in kind, which may include private medical and permanent health insurances. All staff receive death in service cover equivalent to eight times salary.

Profit share

All permanent employees are entitled to participate in the profit share scheme. There is no guaranteed level of participation, although it is anticipated that the amount payable will be equivalent to between 5% and 10% of basic salary paid in the year. This is paid to all staff (excluding certain employees paid under sales based remuneration schemes), subject to performance, and includes executive Directors.

The view of the Board and Committee is that a profit share scheme motivates all staff to promote the success of the Group, and thus aligns client, shareholder and staff interests.

Discretionary profit share scheme

A discretionary profit share is payable to executive Directors on an annual basis. The level of profit share paid, which is not subject to an upper limit or linked to a predetermined formula and is not pensionable, is determined by the Committee taking into account the financial performance of the Group for the relevant period and the performance of the Director concerned.

Other employees may also be eligible for a discretionary profit share payment. The overall amount available is determined by the profitability of the Company and is divided between the areas of the Company. The profit share is calculated in direct relation to the profitability of the relevant business area and includes consideration of current and future risks facing the Group. The entire profit share pool, which is not subject to an upper limit, is distributed to the employees of that business area on a discretionary basis. Where such a distribution involves a senior executive, the Committee has oversight of, and right of veto or adjustment over, the level of profit share.

Remuneration Report (continued)

Share and share option schemes

The Group currently operates the following schemes:

Save As You Earn Share Option Scheme ('SAYE')

All permanent employees of the Group (including executive Directors) are eligible to participate in the SAYE scheme. Options were granted under this scheme in August 2006 and April 2010, at option prices of 35 and 61 pence per share respectively. Neither grant of options represented a discount to the share price prevailing at the time. The scheme is not subject to any performance criteria.

Conditional Share Plan ('CSP')

Certain employees of the Group (including executive Directors) are eligible to participate in the CSP scheme. Awards under this scheme are linked to the share price at the vesting date of the award, and can be settled in either shares or the cash equivalent, at the Company's discretion. The scheme is not subject to any performance criteria, although since the ultimate value of the award is linked directly to the share price at the date of vesting, the Board and Committee consider that the interests of employees and shareholders are properly aligned. Awards under the CSP were granted on 29 January 2009 and 29 January 2010. The awards have no cost to employees at grant, but do incur charges to income tax and National Insurance on vesting.

These awards are made on the same discretionary basis as the profit share and make up a meaningful proportion of employees' variable remuneration. The shares vest over two and three years and are conditional on being in employment. Therefore the awards act as a retention device as well as linking the participants to the future performance of the Company. The percentage of variable remuneration paid in equity has been 32% and 29% for the last two years and awards are made to key staff in the Company.

Company Share Option Plan (Approved and Unapproved) ('CSOP')

The CSOP was established as the primary incentivisation scheme following the Company's demerger from Cazenove Group Limited on 1 January 2006 and is open to certain employees (including executive Directors). As a result, the majority of awards under the scheme were made in August and December of that year. A pool of options was held in reserve and grants have been made in exceptional circumstances since that date, for example for new recruits. Options are granted at 35 pence, which was the prevailing market price at the date of adoption of the scheme. Approved options vest on the third anniversary of the date of grant. Unapproved options vest on the third, fourth and fifth anniversaries of the date of demerger.

Share Acquisition Plan ('SAP')

The SAP was adopted as an incentive scheme for certain senior executives (including executive Directors) of the Group on demerger from Cazenove Group Limited. The nil cost restricted shares granted under the scheme vested in equal tranches on the fourth and fifth anniversaries of the date of demerger, and the last of the awards were released to participants in December 2010.

Service contracts

The Company maintains service contracts with its executive Directors. It is Company policy that such contracts should not contain notice periods of more than six months, although this is subject to review in circumstances where a longer notice period may be considered commercially necessary.

There are no provisions within any contract to provide terms in excess of payment in lieu of notice upon termination by the Company and no pre-determined compensation package exists. Payment in lieu of notice would include basic salary only. There are no provisions for payment of liquidated damages or any statements in respect of the duty of mitigation.

Remuneration Report (continued)

Where any compensation for loss of office became payable, it would be determined on a case by case basis, and the Board would impose legal obligations on the Director concerned to mitigate any loss incurred.

Non–executive Directors

Non-executive Directors receive a fixed fee for their services to the group. These fees are set for each individual non-executive Director by the Board periodically. Non-executive Directors are not entitled to any other benefits or pensions arrangements, nor to participate in the Group's share or share option schemes.

Annual General Meeting

All Directors, whether executive or non-executive, are required to stand for election by shareholders at the first annual general meeting following their appointment. There is no requirement for retirement by rotation following shareholder election.

By order of the Board

Helena Harvey
Company Secretary

1 March 2011

Statement of Directors' Responsibilities

The Directors are responsible for preparing the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union. The financial statements are required by law to be properly prepared in accordance with the Companies (Jersey) Law 1991.

International Accounting Standard 1 requires that financial statements present fairly for each financial year the Company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and presentation of financial statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs. However, Directors are also required to:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies (Jersey) Law 1991. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent Auditors' Report to the Members of Cazenove Capital Holdings Limited

We have audited the Group and parent Company financial statements ('the financial statements') of Cazenove Capital Holdings Limited for the year ended 31 December 2010 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated and Company balance sheets, the consolidated and company statement of changes in equity, the consolidated and Company cash flow statements and the related notes 1 to 29. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ('IFRSs') as adopted by the European Union.

This report is made solely to the Company's members, as a body, in accordance with Article 113A of the Companies (Jersey) Law 1991. 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 auditor's 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 Statement of Directors' Responsibilities, 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 and express an opinion on 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 Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group and of the parent Company's affairs as at 31 December 2010 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been properly prepared in accordance with the Companies (Jersey) Law 1991.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies (Jersey) Law 1991 requires us to report to you if, in our opinion:

- proper accounting records have not been kept by the parent Company, or proper returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

David Barnes
for and on behalf of Deloitte LLP Chartered Accountants
London, United Kingdom

1 March 2011

Consolidated Income Statement

Year ended 31 December 2010

	Notes	31.12.10 £'000	31.12.09 £'000
Continuing operations			
Revenue	1,2		
Investment management fees		79,027	79,162
Commission and other revenue		18,258	13,378
Net revenue		97,285	92,540
Operating expenses		(85,038)	(75,738)
FSCS levy		(2,588)	(44)
Other operating expenses		(82,450)	(75,694)
Operating profit	9	12,247	16,802
Finance income	6	523	2,956
Finance costs	7	(98)	(1)
Gain on derecognition of CGL shares	6	31	654
Proceeds from CGL B shares	14.2	-	66
Gain on disposal of available-for-sale financial assets	13	1,208	2,966
Profit before tax		13,911	23,443
Income tax expense	8	(2,611)	(5,399)
Profit attributable to equity holders of the Company		11,300	18,044

	Notes	Pence per share	Pence per share
Earnings per share	10		
Basic			
From continuing operations		4.87	8.43
From gain on derecognition and disposal of CGL shares		0.53	1.72
From continuing operations excluding gain on derecognition and disposal of CGL shares		4.34	6.71
Impact of FSCS levy (net of tax)		(0.80)	-
From continuing operations excluding gain on derecognition and disposal of CGL shares and FSCS levy (net of tax)		5.14	6.71
Diluted			
From continuing operations		4.55	7.75
From gain on derecognition and disposal of CGL shares		0.50	1.58
From continuing operations excluding gain on derecognition and disposal of CGL shares		4.05	6.17
Impact of FSCS levy (net of tax)		(0.76)	-
From continuing operations excluding gain on derecognition and disposal of CGL shares and FSCS levy (net of tax)		4.81	6.17

Notes 1 to 29 form part of these financial statements.

Consolidated Statement of Comprehensive Income

Year ended 31 December 2010

	Notes	31.12.10 £'000	31.12.09 £'000
Profit for the year		11,300	18,044
Defined benefit plan actuarial loss		(1,295)	(9,446)
Net change in fair value of available-for-sale financial assets		(1)	1,437
Net change in fair value of available-for-sale financial assets transferred to profit or loss:			
• CGL shares	6	(31)	(654)
• Disposal of CGL shares		(1,208)	-
• Cazenove Capital Funds' shares		(164)	(197)
• Disposal of holding in LCH.Clearnet		-	(3,211)
Deferred taxation	15	536	3,448
Other taxation adjustment		136	691
Other comprehensive income for the year		(2,027)	(7,932)
Total comprehensive income for the year		9,273	10,112

Notes 1 to 29 form part of these financial statements.

Consolidated Balance Sheet

31 December 2010

	Notes	31.12.10 £'000	31.12.09 £'000
Non-current assets			
Goodwill	27	2,368	-
Other intangible assets	11	6,062	2,128
Property, plant and equipment	12	2,437	2,237
Financial assets	13	274	3,790
Deferred tax asset	15	4,073	2,318
Total non-current assets		15,214	10,473
Current assets			
Trade and other receivables	16	37,192	46,479
Financial assets	13	260	175
Cash and cash equivalents	17	93,371	85,775
Total current assets		130,823	132,429
Total assets		146,037	142,902
Non-current liabilities			
Provisions	19	(2,362)	(1,489)
Deferred tax liability	15	(1,366)	-
Liability for share based payments		(790)	(2,074)
Total non-current liabilities		(4,518)	(3,563)
Current liabilities			
Bank overdraft	17	-	(3,146)
Trade and other payables	18	(51,811)	(54,354)
Current tax liabilities		(1,129)	(3,145)
Liability for share based payments		(6,489)	-
Total current liabilities		(59,429)	(60,645)
Total liabilities		(63,947)	(64,208)
Net assets		82,090	78,694
Equity			
Stated capital	20	33,349	27,336
Other reserves		3,575	9,318
Retained earnings		55,367	51,787
Revaluation reserve		25	1,429
EBT share reserve		(10,226)	(11,176)
Equity attributable to owners of the Company		82,090	78,694

Approved by the Board and authorised for issue on 1 March 2011 and signed on its behalf by:

David Mayhew
Chairman

Carolyn Sims
Chief Financial Officer

Company Balance Sheet

31 December 2010

	Notes	31.12.10 £'000	31.12.09 £'000	01.01.09 (date of IFRS transition) £'000
Non-current assets				
Investments	14.1	29,962	36,066	35,366
Current assets				
Trade and other receivables	16	9,161	729	549
Cash and cash equivalents	17	59	11	11
		9,220	740	560
Total assets		39,182	36,806	35,926
Current liabilities				
Current tax liabilities		(1)	-	-
Total liabilities		(1)	-	-
Net assets		39,181	36,806	35,926
Equity				
Stated capital	20	33,349	27,336	26,636
Other reserves		2,626	8,730	8,730
Retained earnings		3,206	740	560
Equity attributable to owners of the Company		39,181	36,806	35,926

Approved by the Board and authorised for issue on 1 March 2011 and signed on its behalf by:

David Mayhew
Chairman

Carolyn Sims
Chief Financial Officer

Consolidated Statement of Changes in Equity

Year ended 31 December 2010

	Attributable to equity holders of the Company						
	Retained earnings £'000	Pension reserve £'000	Other reserves £'000	Revaluation reserve £'000	EBT share reserve £'000	Stated capital £'000	Total equity £'000
Balance at 31 December 2008	45,363	4,471	7,938	3,512	(7,224)	26,636	80,696
Profit for the year	18,044	-	-	-	-	-	18,044
Dividends	(7,317)	-	-	-	-	-	(7,317)
Share issue	-	-	-	-	(700)	700	-
Share tenders	-	-	-	-	(10,488)	-	(10,488)
Pensions							
Actuarial loss	(2,303)	(7,143)	-	-	-	-	(9,446)
Other pension movement	(27)	27	-	-	-	-	-
Taxation	-	2,645	-	-	-	-	2,645
EBT and equity amortisation							
Amortisation charge	-	-	2,635	-	-	-	2,635
Decrease in own shares	(3,186)	-	-	-	3,186	-	-
Amortisation relating to exercised/lapsed shares	2,207	-	(2,207)	-	-	-	-
Distribution of CGL shares	(994)	-	-	-	-	-	(994)
Recycling gain on derecognition - CGL	-	-	-	(654)	-	-	(654)
Recycling gain on derecognition - other	-	-	-	(197)	-	-	(197)
Proceeds from share exercises	-	-	-	-	4,050	-	4,050
Taxation	-	-	952	-	-	-	952
Revaluations							
Disposal of LCH.Clearnet	-	-	-	(3,211)	-	-	(3,211)
Available-for-sale revaluations	-	-	-	1,437	-	-	1,437
Taxation	-	-	-	542	-	-	542
Balance at 31 December 2009	51,787	-	9,318	1,429	(11,176)	27,336	78,694
Profit for the year	11,300	-	-	-	-	-	11,300
Dividends	(8,538)	-	-	-	-	-	(8,538)
Share issue (note 20)	-	-	-	-	-	6,013	6,013
Share tenders (note 20)	-	-	-	-	(9,933)	-	(9,933)
Pensions							
Actuarial loss	(1,295)	-	-	-	-	-	(1,295)
Taxation	363	-	-	-	-	-	363
EBT and equity amortisation							
Amortisation charge	-	-	900	-	-	-	900
Decrease in own shares	(5,202)	-	-	-	5,202	-	-
Amortisation relating to exercised/lapsed shares	6,486	-	(6,486)	-	-	-	-
Recycling gain on derecognition - CGL	-	-	-	(31)	-	-	(31)
Recycling gain on derecognition - other	-	-	-	(164)	-	-	(164)
Proceeds from share exercises	-	-	-	-	5,681	-	5,681
Taxation	466	-	(157)	-	-	-	309
Revaluations							
Disposal of CGL shares	-	-	-	(1,208)	-	-	(1,208)
Available-for-sale revaluations	-	-	-	(1)	-	-	(1)
Balance at 31 December 2010	55,367	-	3,575	25	(10,226)	33,349	82,090

Company Statement of Changes in Equity

Year ended 31 December 2010

	Attributable to equity holders of the Company			
	Retained earnings £'000	Other reserves £'000	Stated capital £'000	Total equity £'000
Balance at 31 December 2008	560	8,730	26,636	35,926
Dividend from subsidiaries	7,500	-	-	7,500
Dividend paid	(7,317)	-	-	(7,317)
Administrative expense	(3)	-	-	(3)
Share issue	-	-	700	700
Balance at 31 December 2009	740	8,730	27,336	36,806
Dividend from subsidiaries	11,000	-	-	11,000
Dividend paid	(8,539)	-	-	(8,539)
Interest received	5	-	-	5
Share issue	-	-	6,013	6,013
Movement on other reserves (see below)	-	(6,104)	-	(6,104)
Balance at 31 December 2010	3,206	2,626	33,349	39,181

The balance on other reserves represents the cumulative amortisation in equity settled awards in the Company's shares.

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Consolidated Cash Flow Statement

Year ended 31 December 2010

	Notes	31.12.10 £'000	31.12.09 £'000
Cash flows from operating activities			
Operating profit		12,247	16,802
Depreciation of property, plant and equipment	12	474	156
Amortisation of intangible assets	11	1,776	1,465
Net write-off of property, plant and equipment		369	-
Excess of cash contributions to pension scheme over recognised expense		(1,200)	(509)
Share based payment amortisation		6,727	5,610
Increase/(decrease) in provisions		882	(37)
Non-cash gain		(110)	(158)
Operating cash flows before movements in working capital		21,165	23,329
Change in 'Manager's Box'		(86)	27
Change in trade and other receivables		11,031	5,390
Change in trade and other payables		(2,836)	(602)
Change in client funding		224	681
Cash generated by operations		29,498	28,825
Interest paid		(13)	(1)
Income tax paid		(5,971)	(8,843)
Net cash flows from operating activities		23,514	19,981
Cash flows from investing activities			
Interest received		297	609
Dividends received		131	683
Proceeds from sale of investments		1	3,832
Purchase of fund based remuneration investments		(700)	-
Loan note redemptions (CGL shares)		1,720	-
Acquisition of property, plant and equipment		(692)	(1,344)
Acquisition of Thornhill	27	(200)	-
Payment for other intangible assets		(539)	(227)
Net cash generated by investing activities		18	3,553
Cash flows from financing activities			
Tender offers	20	(9,933)	(10,488)
Proceeds from exercise of share options		5,681	4,050
Dividends paid		(8,538)	(7,317)
Net cash used in financing activities		(12,790)	(13,755)
Net increase in cash and cash equivalents		10,742	9,779
Cash and cash equivalents at the beginning of the financial year		82,629	72,850
Cash and cash equivalents at the end of the financial year		93,371	82,629

Company Cash Flow Statement

Year ended 31 December 2010

	Notes	31.12.10 £'000	31.12.09 £'000
Cash flows from operating activities			
Loss attributable to equity holders of the Company		-	(3)
Operating cash flows before movements in working capital		-	(3)
Change in trade and other receivables	16	(8,432)	(180)
Net cash flows from operating activities		(8,432)	(183)
Cash flows from investing activities			
Interest received		5	-
Dividends received		11,000	7,500
Cash generated by investing activities		11,005	7,500
Cash flows from financing activities			
Cash proceeds on transfer of Thornhill to CCM		6,013	-
Dividends paid		(8,538)	(7,317)
Net cash used in financing activities		(2,525)	(7,317)
Net increase in cash and cash equivalents		48	-
Cash and cash equivalents at the beginning of the financial year		11	11
Cash and cash equivalents at the end of the financial year		59	11

Notes to the Accounts

Year ended 31 December 2010

1. Significant accounting policies

Cazenove Capital Holdings Limited ('the Company') is a Company incorporated in Jersey and tax resident in the United Kingdom. The consolidated financial statements for the year ending 31 December 2010 present the results of the Company and its subsidiaries (together referred to as 'the Group').

Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ('IFRSs'), as adopted by the European Union ('EU'). The effective date of transition to IFRS was 1 January 2006. The financial statements of the Company and its subsidiaries (excluding the Thornhill Group) have also been prepared in accordance with IFRSs, as adopted by the EU. These are the Company's and its subsidiaries (excluding the Thornhill Group) first financial statements prepared under IFRS and IFRS 1 (First-time Adoption of International Financial Reporting Standards). The effective date of transition to IFRS is 1 January 2009. For all accounting periods up to and including the year ended 31 December 2009 the Company and its subsidiaries prepared their financial statements under UK Generally Accepted Accounting Principles ('UK GAAP'). The transition to IFRS has not affected the numbers in the financial statements of the Company. The format of these financial statements has been amended to comply with IAS 1 ('Presentation of Financial Statements'), the effect of which is explained in note 29. The Thornhill Group subsidiaries have elected to prepare individual accounts in accordance with UK GAAP.

The following accounting policies are applicable under IFRS and have been applied consistently to all periods presented in the Group's financial statements.

Adoption of new and revised Standards

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

IFRS 3 (revised 2008) - Business Combinations

This Standard has introduced a number of changes in the accounting for business combinations when acquiring a subsidiary or an associate. IFRS 3 (2008) was early adopted for the financial statements for the year ended 31 December 2009.

The following new and revised Standards and Interpretations have been adopted in the current year. Their adoption has not had any significant impact on the amounts reported in these financial statements but may impact the accounting for future transactions and arrangements.

IFRS 2 (amended) - Group Cash-settled Share-based Payment Transactions

Following the issue of IFRS 3(2008), IFRS 2 was amended to confirm that the contribution of a business on the formation of a joint venture and common control transactions are not within the scope of IFRS 2. An additional amendment was made to clarify the accounting for share based payment transactions between group entities.

IAS 17 (amended) - Leases

IAS 17 has been amended such that it may be possible to classify a lease of land as a finance lease if it meets the criteria for that classification under IAS 17.

IAS 39 (amended) - Financial Instruments: Recognition and Measurement

IAS 39 has been amended to state that options contracts between an acquirer and a selling shareholder to buy or sell an acquiree that will result in a business combination at a future acquisition date are not excluded from the scope of the Standard.

Notes to the Accounts (continued)

Year ended 31 December 2010

1. Significant accounting policies (continued)

IFRIC 17 Distributions of Non-cash Assets to Owners

The Interpretation provides guidance on when an entity should recognise a non-cash dividend payable, how to measure the dividend payable and how to account for any difference between the carrying amount of the assets distributed and the carrying amount of the dividend payable when the payable is settled.

IAS 27 (revised 2008) Consolidated and Separate Financial Statements, IAS 28 (revised 2008) Investments in Associates

These two Standards have introduced a number of changes in the accounting for business combinations when acquiring a subsidiary or an associate.

At the date of authorisation of these financial statements, the following new and revised Standards and Interpretations which have not been applied to these financial statements were in issue but not yet effective (and in some cases had yet to be adopted by the EU):

IFRS 9 - Financial Instruments

IAS 24 (amended) - Related Party Disclosures

IAS 32 (amended) - Classification of Rights Issues

IFRIC 19 - Extinguishing Financial Liabilities with Equity Instruments

IFRIC 14 (amended) - Prepayments of a Minimum Funding Requirement

Improvements to IFRSs (May 2010)

The adoption of IFRS 9 which the Group plans to adopt for the year beginning on 1 January 2013 will impact both the measurement and disclosures of financial instruments.

The Directors do not expect that the adoption of the other Standards listed above will have a material impact on the financial statements of the Group in future periods.

Basis of preparation

The financial statements have been prepared on the historical cost basis except for the revaluation of certain non-current assets and financial instruments.

Basis of going concern

As discussed in the Directors' Report, the Board of Directors have considered the cash flow, projected income and expenses and risks facing the Group, over the next twelve months from the date of approval of these financial statements and deemed that the Group has adequate financial resources to meet its obligations. From review of the above going concern analysis it is therefore deemed that the Group is a going concern.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries and the Cazenove Capital Management Employee Benefit Trust ('EBT')). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The results of subsidiaries acquired during the year are included in the consolidated income statement from the effective date of acquisition. Where necessary, adjustments are made to the financial statements of the subsidiaries to bring the accounting polices into line with those of the Group.

Notes to the Accounts (continued)

Year ended 31 December 2010

1. Significant accounting policies (continued)

Intra-group balances and any unrealised gains and losses, or income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Business combinations

The acquisition of subsidiaries is accounted for using the acquisition method. The cost of acquisition is measured as the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Costs incurred as part of the acquisition are expensed in the income statement.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after assessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3(2008) are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively; and
- liabilities or equity instruments related to the replacement by the Group of an acquiree's share-based payment awards are measured in accordance with IFRS 2 Share-based Payment.

Critical accounting judgments and key sources of estimation uncertainty

In application of the Group's accounting policies, the Directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The main critical accounting judgments relate to the matters disclosed below.

Pension asset

The calculation of the carrying value of the pension asset or obligation is highly dependent upon forward looking assumptions, including the rate of increase in pensions in payment and deferred pensions, the discount rate and inflation (see notes 1 and 5). The pension asset is recognised to the extent that there are future benefits arising to the Group.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. More detail can be found under 'Significant accounting policies, Taxation'.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

Investments in subsidiary undertakings

Investments in the Company's subsidiary undertakings are stated at cost less any provision for impairment in value.

Notes to the Accounts (continued)

Year ended 31 December 2010

1. Significant accounting policies (continued)

Financial instruments

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control of substantially all risks and rewards associated with the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled. Financial instruments are recognised initially at fair value, plus, for instruments not categorised as fair value through profit or loss, any directly attributable transaction costs.

The following IFRS categorisations have been applied to financial instruments:

Available-for-sale financial assets: The Group's investments in unlisted direct equity holdings and fund units are categorised as available-for-sale financial assets. These assets are classified in the balance sheet as non-current assets. Subsequent to initial recognition, these assets are measured at fair value and changes therein, other than impairment losses, are recognised directly in equity. The fair value of the Employee Benefit Trust ('EBT') holdings in CCH shares is the most recent tender offer price. The fair value of other available-for-sale financial assets is the market value at the balance sheet date. When an investment is derecognised, the cumulative gain or loss in equity is transferred to profit or loss through recognition in the income statement. When an investment is impaired, any cumulative loss that had previously been recognised directly in equity is recognised in the income statement.

Fair value through profit or loss assets: Shares and units held in certain funds managed by the Group (the 'Manager's Box') are designated at fair value through profit or loss assets. These assets are classified in the balance sheet as current financial assets. Upon initial recognition, attributable transaction costs are recognised in profit or loss when incurred. Subsequent to initial recognition, all fair value changes are recognised in the income statement.

All other financial instrument assets: All other financial instrument assets are categorised as loans and receivables and are carried at amortised cost. This category applies to the following classes of assets: trade and other receivables, client debtors and cash and cash equivalents.

Financial instrument liabilities: The following liabilities are categorised as liabilities measured at amortised cost: bank overdrafts, trade and other payables, market and client creditors.

Goodwill

Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, over the net amounts of the identifiable assets acquired and liabilities assumed at the acquisition date. Goodwill is not amortised but is reviewed for impairment annually.

For the purpose of impairment testing, goodwill is allocated to each of the Groups' cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired.

Notes to the Accounts (continued)

Year ended 31 December 2010

1. Significant accounting policies (continued)

Intangible assets

The costs of purchasing and implementing software, together with associated relevant expenditure, are capitalised as an intangible asset. Software is recorded initially at cost and then amortised on a straight line basis over its estimated useful life of 3 or 5 years. Subsequent expenditure on software development intangibles is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. Any amortisation or impairment is charged in the income statement in other operating expenses.

The cost of acquiring client relationships and brand names from a business combination are capitalised as intangible assets and amortised on a straight line basis over their estimated useful economic life of 20 years and 3 years respectively. The estimated useful economic life is reviewed annually.

Property, plant and equipment

Property, plant and equipment is recognised at cost less accumulated depreciation and accumulated impairment losses. Expenditure on property, plant and equipment is capitalised on initial recognition.

Subsequent expenditure is only capitalised when it is probable that there will be future economic benefits associated with the expenditure which can be measured reliably. All other expenditure is recognised in the income statement as an expense as incurred.

Leasehold improvements are recognised at cost less accumulated depreciation and any provision for impairment. These assets are depreciated over the shorter of the lease terms and their useful lives. Costs of reinstating leasehold properties are capitalised and amortised over the life of the relevant lease. A related provision has been established.

Property, plant and equipment is depreciated so as to write off the cost of assets, using the straight line method, over their estimated useful lives, as follows:

Leasehold improvements: 3-15 years

Furniture, fittings and equipment: 3-10 years

Depreciation is recognised as an expense in the income statement under operating expenses.

The carrying value of assets and their useful lives are reviewed at each reporting date. If an indication of impairment exists, the assets are written down to their recoverable amount and the impairment is charged to the income statement in the year in which it arises. An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying value of the asset) is included in the income statement in the year the asset is derecognised.

Trade and other receivables

Trade receivables and other short-term assets are not interest bearing and are stated at their amortised cost.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances. The carrying amount of these assets equates to their fair value.

Trade and other payables

Trade payables and other short-term liabilities are not interest bearing and are stated at their amortised cost.

Notes to the Accounts (continued)

Year ended 31 December 2010

1. Significant accounting policies (continued)

Employee Benefit Trust ('EBT')

The EBT holds shares in the Company, and investments in certain funds managed by the Group that will be used to settle awards to employees. It also held shares in Cazenove Group Limited ('CGL') during the year. In January 2010 all CGL shares were sold to J.P. Morgan as a result of the agreed transaction in relation to CGL shares. The EBT is a special purpose entity controlled by the Group. Holdings in the Company are deducted from equity. Holdings in CGL and the investment funds are accounted for as available-for-sale financial assets at fair value, with fair value changes recognised directly in equity and recycled to profit and loss when the shares are derecognised. On derecognition the CGL shares were recorded as a distribution in equity as they represent a transaction among the shareholders prior to the demerger.

Employee benefits

Defined benefit pension plan

For the defined benefit scheme, the amounts charged to operating profit are the current service costs and gains and losses on settlements and curtailments. The scheme closed to future service accrual on 31 December 2009 and no current service costs were due after this date. In prior years current service costs were included as part of staff costs within operating expenses, gains and losses on settlements and curtailments were included under finance income. Past service costs are recognised immediately in the income statement if the benefits have vested. If the benefits have not vested, the costs are recognised over the period until vesting occurs. The interest cost and expected return on assets are shown as a net amount of other finance income or cost adjacent to interest. Actuarial gains and losses are recognised immediately in the statement of comprehensive income.

The defined benefit scheme is funded by, and the assets of the scheme held separately from those of, the Group. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit credit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The resulting defined benefit asset or liability, if recognised, is presented separately as a non-current asset or liability on the face of the balance sheet.

Defined contribution pension plan

For defined contribution schemes the amount charged to operating profit, in respect of pension costs, is the contribution payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Short-term benefits

Short-term employee benefits are recognised as an undiscounted expense and liability as the employee renders services during an accounting period. Profit-sharing and bonus payments are recognised when there is a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made.

Notes to the Accounts (continued)

Year ended 31 December 2010

1. Significant accounting policies (continued)

Employee share schemes

The Group has a number of employee share schemes, under which it makes equity or cash settled share based payments to certain employees. Awards in shares included certain historic awards from the former parent before the demerger, CGL, which were regarded as equity settled share based payments. Equity settled share based payments are measured at fair value at the date of grant (excluding the effect of non-market based vesting conditions) and charged to the income statement (or profits) on a straight line basis over the vesting period, based on the Directors' estimate of the number of shares that will vest. A credit to equity, equal to the charge to profits, is recorded under other reserves and will be transferred to retained earnings as the awards vest. For option based awards, fair value is assessed by reference to the Black-Scholes pricing model. For cash settled share based payments, the expense is amortised over the vesting period. The liability amortised is measured based initially at the fair value of the award. At the balance sheet date until the liability is settled, and at the date of settlement, the fair value of the liability is measured again, with any changes in amortised fair value recognised in profit or loss for the year.

The EBT held shares in the Company and CGL during the year. Such shares may be used to settle share based payment awards to employees who are participants. Holdings in the Company are deducted from equity. Holdings in CGL were carried at fair value and accounted for as a distribution, by way of deduction from equity, when used to settle awards. CGL shares were exchanged for loan notes following corporate activity and redeemed during the year (see note 13).

Fund based awards

Certain employees receive deferred awards in funds managed by the Group. To satisfy these awards, the EBT purchases and then holds the funds while the awards are vesting; these holdings are accounted for on an available-for-sale basis, with any revaluation gains taken to reserves. The associated liability, adjusted to reflect any revaluation of the funds, is amortised through the income statement over the vesting period of the awards.

Current plans

Company Share Option Plan 2006 ('CSOP 2006')

The Group has implemented a share option plan for senior employees of the Group. Options are exercisable at a price of 35 pence. The approved options vest on the third anniversary of the date of grant. The unapproved options vested in equal tranches on the third, fourth and fifth anniversaries of the date of demerger from Cazenove Group Limited (30 December 2005). If the options remain unexercised after a period of ten years from the date of grant the options expire. In certain circumstances, options are forfeited if the employee leaves the Group before the options vest.

Sharesave Scheme ('SAYE')

The Group also provides employees with the ability to purchase the Company's ordinary shares at the market value prevailing at the date of grant under a sharesave scheme.

Cazenove Capital 2006 Share Acquisition Plan ('SAP 2006')

These nil cost restricted shares and options vested in equal tranches on 31 December four and five years after the date of demerger.

These restricted shares and options had performance conditions attached. Should these conditions not have been met then the options would have lapsed and would have been valueless.

Notes to the Accounts (continued)

Year ended 31 December 2010

1. Significant accounting policies (continued)

Cazenove Capital 2009 Conditional Share Plan ('CCCSP 2009')

In 2009 the Group introduced a new scheme, the Cazenove Capital 2009 Conditional Share Plan. Under the scheme, certain employees receive Conditional Share awards. These are linked to the share price at the vesting date of the award, and can be settled in either shares or the cash equivalent, at the Company's discretion. In certain circumstances, awards are forfeited if the employee leaves the Group before the award vests.

Details of the current plan share options, restricted awards and Conditional Share awards are as follows:

Current plans 000's

	CSOP 2006 Approved	CSOP 2006 Unapproved	SAYE	SAP 2006	CCCSP 2009	Weighted average exercise price
1 January 2010	3,358	33,304	2,794	8,405	13,697	24p
Awards granted	-	-	1,769	-	9,238	10p
Awards exercised	(1,437)	(14,011)	(27)	(7,772)	(199)	28p
Awards lapsed	-	(798)	(148)	(633)	(1,050)	17p
31 December 2010	1,921	18,495	4,388	-	21,686	20p

The options and Conditional Share awards outstanding at 31 December 2010 had exercise prices between 0p and 61p (2009: 0p and 35p), and a weighted average remaining contractual life of 6 years 11 months (2009: 7 years 1 month). Options (SAYE) were granted on 15 June 2010, with an estimated fair value of £1,079,000 (2009: none granted). Conditional Share awards were granted on 29 January 2010, with an estimated fair value of £4,434,000 (2009: £4,814,000). No restricted awards were granted during the year (2009: £38,000). For options, restricted awards and Conditional Share awards that were exercised during the year, the share price at the date of exercise up until the tender offer on 31 March 2010 was 48p, and 61p thereafter. There were 20,416,000 options exercisable at 31 December 2010 (2009: 22,646,000), with a weighted average exercise price of 35p (2009: 35p). No Conditional Share awards were exercisable at 31 December 2010 (2009: nil).

The inputs into the Black-Scholes model used for the purposes of determining fair value of options were as follows:

	SAYE 2006	SAYE 2010
Weighted average share price	35p	61p
Weighted average exercise price	35p	61p
Risk free rate	5.2%	1.3%
Expected volatility	30%	33%
Expected life	4 years	3 years
Expected dividend yield	0%	6%

Expected volatility is based on similar peer companies' volatility.

Notes to the Accounts (continued)

Year ended 31 December 2010

1. Significant accounting policies (continued)

Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are discounted if the effect of discounting is considered material.

Onerous contracts

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

Revenue

Revenue comprises: investment management fees (net of rebates), performance fees, registration fees, trail commissions receivable, and gross commission receivable on agency business. Revenue is recognised as the related services are provided. Initial fees received from investors are recognised to the extent that an upfront service has been provided and the fair value of the service provided can be measured reliably. Trail commissions are recorded when the amount receivable is certain.

The Group has entitlement to earn performance fees from certain funds it manages where the actual fund performance of the funds' assets exceeds defined benchmarks by an agreed level of outperformance in a set time period. Performance fees are recognised when they can be estimated reliably and entitlement is assured, which is normally at the end of the performance period.

Finance income

Finance income comprises interest income, dividend income and gains on derecognition of available-for-sale investments on an accruals basis, which for interest income is the effective interest rate earned. Income is recognised in the period to which it relates.

Finance costs

Finance costs comprise interest expenses on overdrawn accounts, which are accounted for on an effective interest accruals basis.

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 rates enacted, or substantially enacted, at the balance sheet date, and any adjustments in respect of prior years. Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted, or substantially enacted, at the balance sheet date. A deferred tax asset is only recognised when it is probable that there will be future taxable profits available against which to offset the asset. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Notes to the Accounts (continued)

Year ended 31 December 2010

1. Significant accounting policies (continued)

Leasing

The Group as lessee

Assets held under finance leases and other similar contracts, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets and are depreciated over the shorter of the lease term and their useful lives. The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the income statement over the period of the leases, to produce a constant rate of charge on the balance of capital repayments outstanding.

Rentals under operating leases are charged on a straight line basis over the lease term, even if the payments are not made on this basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight line basis over the lease term.

The Group as lessor

Rental income from operating leases is recognised on a straight line basis over the lease term, even if the receipts are not made on this basis.

Foreign currencies

The functional and presentational currency of the individual companies within the Group is Sterling; this is also the presentational currency for the consolidated financial statements. In preparing the financial statements of the individual entities, transactions in currencies other than the entities' functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

2. Revenue

	Year ended 31.12.10 £'000	Year ended 31.12.09 £'000
Fund management and performance fees	79,027	79,162
Commissions and other revenue	18,258	13,378
	97,285	92,540

3. Segmental reporting

For management and internal reporting purposes, the Group is organised into two business segments: Investment Funds and Wealth Management. The principal function of the Investment Funds division is the provision of specialist investment fund management; focusing on UK and European equities, fixed interest and multi-manager. The Wealth Management division is concerned with the management of assets for private clients, charities and pension funds and combines strategic wealth planning advice with specialist investment knowledge. Costs are allocated between the two business segments on an appropriate basis, such as headcount, systems usage and transaction volumes. All of the Group's fund management activities are undertaken in the United Kingdom and hence relate to a single geographical segment.

Notes to the Accounts (continued)

Year ended 31 December 2010

3. Segmental reporting (continued)

	Investment Funds £'000	Wealth Management £'000	Total Group £'000
Year ended 31 December 2010			
Net revenue (all from external customers)			
Net revenue per divisional reporting	30,863	60,963	91,826
Operating expenses netted against divisional revenue	4,926	533	5,459
Net revenue per the consolidated income statement	35,789	61,496	97,285
Segment results			
Operating profit	2,783	9,464	12,247
Finance income			523
Finance costs			(98)
Gain on derecognition of CGL shares			31
Gain on disposal of available-for-sale financial assets			1,208
Profit before tax			13,911
Income tax expense			(2,611)
Profit attributable to equity holders of the Company			11,300
Other segment information			
Depreciation and amortisation			9,981

	Investment Funds £'000	Wealth Management £'000	Total Group £'000
Year ended 31 December 2009			
Net revenue (all from external customers)			
Net revenue per divisional reporting	34,469	45,089	79,558
Operating expenses netted against divisional revenue	11,164	1,818	12,982
Net revenue per the consolidated income statement	45,633	46,907	92,540
Segment results			
Operating profit	10,276	6,526	16,802
Finance income			2,956
Finance costs			(1)
Gain on derecognition of CGL shares			654
Proceeds from CGL B shares			66
Gain on disposal of available-for-sale financial assets			2,966
Profit before tax			23,443
Income tax expense			(5,399)
Profit attributable to equity holders of the Company			18,044
Other segment information			
Depreciation and amortisation			8,354

Notes to the Accounts (continued)

Year ended 31 December 2010

4. Personnel expenses

The average number of employees employed by the Group during the year was 316 (2009: 267).

Staff costs are analysed below:

	Year ended 31.12.10 £'000	**Year ended 31.12.09 £'000**
Wages and salaries	42,930	43,593
Compulsory social security contributions	6,553	5,543
Current service costs of defined benefit plans	-	1,300
Contributions to defined contribution plans	2,411	954
	51,894	51,390

Employee pension costs are further disclosed in note 5.

5. Pension arrangements

The Group funds the pension arrangements in respect of its employees, who are based in the UK and Jersey.

For employees who have joined since 6 April 2003, the arrangement is through the Cazenove Capital Management Defined Contribution Pension Plan, a defined contribution scheme, arranged through a stakeholder pension contract, to which CCM paid cash contributions of £1,164,000 during the year (2009: £954,000). Payments to Thornhill pension plans in the year, for staff who had not yet transferred to the Cazenove Capital Management Scheme, amounted to £74,000.

For employees who joined CCM prior to 6 April 2003, the arrangement was the Cazenove Capital Management Pension Scheme ('the Scheme'), a defined benefit scheme, which was set up on 28 February 2005. This Scheme was closed to future service accrual on 31 December 2009. These Scheme members joined the stakeholder pension scheme with effect from 1 January 2010. Employer contributions of £1,173,000 were paid to defined contribution arrangements during 2010.

The triennial actuarial valuation of the defined benefit scheme as at 5 April 2009 has now been completed. This showed a loss on technical provisions of £4.1m, which represented a funding level of 86% at that time. This is based upon assumptions used by the actuary for funding purposes, rather than the assumptions prescribed for accounting purposes. The employer agreed with the Trustee that this would be funded at the rate of £1.2m per annum commencing in January 2010. The Group has paid £1.2m during the year.

The interim actuarial valuations for the purposes of these disclosures were carried out as at 31 December 2010 by a qualified independent actuary.

Notes to the Accounts (continued)

Year ended 31 December 2010

5. Pension arrangements (continued)

The major assumptions used by the actuary for the purposes of these disclosures in relation to the Scheme were as follows:

	31.12.10 % per annum	31.12.09 % per annum
Rate of increase in pensions in payment:		
• Pre April 1997	3.0	3.0
• April 1997- April 2005	3.5	3.4
• Post April 2005	2.5	2.4
Discount rate	5.5	5.4
Inflation	3.6	3.5
Revaluation in deferment	2.9	3.5

Under the mortality tables adopted, the assumed future life expectancy at age 60 is as follows:

	31.12.10	31.12.09
Male currently aged 45	28.4	28.3
Female currently aged 45	30.9	30.8
Male currently aged 60	26.8	26.7
Female currently aged 60	29.4	29.3

The assets in the Scheme and the expected rate of return were:

	Value at 31.12.10 £'000	Value at 31.12.09 £'000
Net pension assets:		
Equities and hedge funds	7,788	10,611
Property	1,698	2,389
Government bonds	15,850	12,684
Corporate bonds	3,769	4,394
Cash	1,813	222
Other	1,945	-
Total market value of assets	32,863	30,300
Present value of Scheme liabilities	(25,691)	(27,997)
Surplus in the Scheme	7,172	2,303
Asset not recognised due to limit on recognisable surplus	7,172	2,303
Net asset	-	-
Expected rate of return on the Scheme's assets	5.40% pa	5.20% pa

The actual return on the Scheme's assets over the year was a gain of £2,337,000 (2009: £2,477,000).

The assets do not include any investment in shares of the Company.

The expected return on assets is a weighted average of the assumed long-term returns for the various asset classes. Equity and property returns are developed based on the selection of an appropriate risk premium above the risk free rate which is measured in accordance with the yield on government bonds. Bond returns are selected by reference to the yields on government and corporate debt as appropriate to the Scheme's holding of these instruments.

Notes to the Accounts (continued)

Year ended 31 December 2010

5. Pension arrangements (continued)

Movement in surplus

	Year ended 31.12.10 £'000	Year ended 31.12.09 £'000
Surplus in Scheme at beginning of year	2,303	7,200
Current service cost	-	(1,300)
Gains on curtailments	-	1,661
Contributions	1,200	1,809
Other finance income	95	76
Actuarial gain/(loss)	3,574	(7,143)
Surplus in Scheme at end of year	7,172	2,303
Recoverable surplus in Scheme at end of year	-	-

The actuarial surplus of £7,172,000 (2009: £2,303,000) has not been recognised because the Directors do not anticipate receiving any assets from the Scheme.

Changes to the present value of the defined benefit obligation

	Year ended 31.12.10 £'000	Year ended 31.12.09 £'000
Opening defined benefit obligation	27,997	19,000
Current service cost	-	1,300
Gains on curtailments	-	(1,661)
Interest cost	1,486	1,221
Actuarial (gain)/loss on Scheme liabilities	(2,818)	8,323
Net benefits paid out	(974)	(186)
Closing defined benefit obligation	25,691	27,997

Changes to the fair value of the Scheme assets

	Year ended 31.12.10 £'000	Year ended 31.12.09 £'000
Opening fair value of Scheme assets	30,300	26,200
Expected return on Scheme assets	1,581	1,297
Actuarial gain on Scheme assets	756	1,180
Contribution by the employer	1,200	1,809
Net benefits paid out	(974)	(186)
Closing fair value of Scheme assets	32,863	30,300

Actual return on Scheme assets

	Year ended 31.12.10 £'000	Year ended 31.12.09 £'000
Expected return on Scheme assets	1,581	1,297
Actuarial gain on Scheme assets	756	1,180
Actual return on Scheme assets	2,337	2,477

Notes to the Accounts (continued)

Year ended 31 December 2010

5. Pension arrangements (continued)

Analysis of the amount charged to operating profit

	Year ended 31.12.10 £'000	Year ended 31.12.09 £'000
Current service cost	-	1,300

Analysis of the amount credited to finance income

	Year ended 31.12.10 £'000	Year ended 31.12.09 £'000
Expected return on Scheme assets	1,581	1,297
Interest on Scheme liabilities	(1,486)	(1,221)
Net income (note 6)	95	76

Analysis of amount recognised in the statement of comprehensive income

	Year ended 31.12.10 £'000	Year ended 31.12.09 £'000
Actual return less expected return on Scheme assets	756	1,180
Changes in assumptions underlying the present value of Scheme liabilities	2,202	(8,391)
Experience gains arising on Scheme liabilities	616	68
Add back movement in unrecognised surplus (see below)	(4,869)	(2,303)
Actuarial loss recognised in statement of comprehensive income	(1,295)	(9,446)
Cumulative actuarial loss recognised in statement of comprehensive income	(3,441)	(2,146)

As the actuarial surplus is no longer recognised, the £4,869,000 (2009: £2,303,000) movement during the year has not been credited to the statement of comprehensive income.

History of asset values, liability values and surplus in Scheme

	Year ended 31.12.10 £'000	Year ended 31.12.09 £'000	Year ended 31.12.08 £'000	Year ended 31.12.07 £'000	Year ended 31.12.06 £'000
Fair value of Scheme assets	32,863	30,300	26,200	24,900	21,700
Defined benefit obligation	(25,691)	(27,997)	(19,000)	(22,200)	(21,400)
Surplus in Scheme	7,172	2,303	7,200	2,700	300
Recoverable surplus in Scheme	-	-	7,200	2,700	300

History of experience gains and losses

	Year ended 31.12.10	Year ended 31.12.09	Year ended 31.12.08	Year ended 31.12.07	Year ended 31.12.06
Difference between the expected and actual return on the Scheme:					
Assets (£'000)	756	1,180	(2,000)	(400)	1,600
Percentage of Scheme assets	2.30%	3.89%	7.63%	1.61%	7.40%
Liabilities (£'000)	616	68	-	-	300
Percentage of Scheme liabilities	2.40%	0.24%	-	-	1.40%

Notes to the Accounts (continued)

Year ended 31 December 2010

6. Finance income and gain on derecognition of CGL shares

	Year ended 31.12.10 £'000	Year ended 31.12.09 £'000
Finance income recognised in profit or loss		
Income on available-for-sale financial assets	131	190
Interest income	297	1,029
Gain on curtailment	-	1,661
Other finance income (note 5)	95	76
Finance income	523	2,956

Gain on derecognition of CGL shares

A gain on derecognition of Cazenove Group Limited shares held in the EBT amounting to £31,000 (2009: £654,000) represents the recycling to the income statement of accumulated revaluation gains recognised in the revaluation reserve under the fair value provisions of IAS 39. All CGL shares held for the benefit of employees have now been transferred to the employees.

7. Finance costs

	Year ended 31.12.10 £'000	Year ended 31.12.09 £'000
Recognised in profit or loss		
Interest expense	(98)	(1)

8. Income tax expense in the income statement

The major components of the income tax expense are as follows:

	Year ended 31.12.10 £'000	Year ended 31.12.09 £'000
Current tax expense		
Current year	3,992	5,966
Adjustment for prior years	(177)	108
Overseas tax	147	67
	3,962	6,141
Deferred tax expense		
Origination and reversal of temporary differences	(664)	(739)
Reduction of tax rate	36	-
Adjustment for prior years	(723)	(3)
	(1,351)	(742)
Total income tax expense	2,611	5,399

Notes to the Accounts (continued)

Year ended 31 December 2010

8. Income tax expense in the income statement (continued)

Analysis of credit to equity

	Year ended 31.12.10 £'000	Year ended 31.12.09 £'000
Current income tax on employee share schemes – current year	222	691
Current income tax on employee share schemes – prior year	(448)	-
Current income tax on pension scheme contributions	362	-
Tax on movements on available-for-sale financial assets	-	542
Deferred tax on employee share schemes – current year	692	261
Deferred tax on employee share schemes – prior years	(156)	-
Deferred tax on actuarial gains and losses on defined benefit pension schemes	-	2,645
Total credit reported in equity	672	4,139

Reconciliation of effective tax rate

	Year ended 31.12.10 Rate	Year ended 31.12.10 £'000	Year ended 31.12.09 Rate	Year ended 31.12.09 £'000
Profit for the year		11,300		18,044
Total income tax expense		2,611		5,399
Profit excluding income tax		13,911		23,443
Income tax using the UK tax rate	28.00%	3,895	28.00%	6,564
Factors affecting charge:				
Expenses not deductible for tax purposes	1.67%	233	1.35%	317
Tax free profit on revaluation	-	-	(0.78)%	(183)
Non taxable gains in EBT	(2.95)%	(411)	(0.50)%	(116)
Depreciation on non qualifying assets	0.46%	63	0.08%	18
Share based payments	0.13%	18	(2.89)%	(678)
Benefit from unrecognised deferred tax asset	(0.42)%	(58)	-	-
Overseas tax rates	(1.91)%	(265)	(0.52)%	(123)
Prior year adjustments - deferred tax	(5.20)%	(723)	(0.02)%	(3)
Prior year adjustments - current tax	(1.27)%	(177)	0.46%	108
Deferred tax rate adjustment	0.26%	36	-	-
Non taxable dividend income	-	-	(0.59)%	(138)
Gain on disposal of investment	-	-	(1.57)%	(367)
Total tax charge for the year	18.77%	2,611	23.02%	5,399

Notes to the Accounts (continued)

Year ended 31 December 2010

9. Operating profit

	Notes	Year ended 31.12.10 £'000	Year ended 31.12.09 £'000
Group operating profit is arrived at after charging:			
Audit fees		174	138
Amortisation of purchased intangible assets	11	1,776	1,465
Depreciation of property, plant and equipment	12	474	156
Operating lease rentals		2,116	1,613
Personnel expenses	4	51,894	51,390

Audit fees in respect of the Company for the year to 31 December 2010 were £35,000 (2009: £34,000).

The Group also paid its auditors for other services as follows:

Non-audit fees		
Tax services	233	122
Corporate finance services – due diligence support	-	129
Other services, pursuant to legislation	130	13
Remuneration services	-	4
	363	268
Other audit fees		
Pension scheme audit	9	11
Total	372	279

10. Earnings per share

	Year ended 31.12.10 Pence per share	Year ended 31.12.09 Pence per share
Basic earnings per share	4.87	8.43
Diluted earnings per share	4.55	7.75
From gain on derecognition and disposal of CGL shares		
Basic	0.53	1.72
Diluted	0.50	1.58
From FSCS levy (net of tax)		
Basic	(0.80)	-
Diluted	(0.76)	-
From continuing operations excluding gain on derecognition and disposal of CGL shares		
Basic	5.14	6.71
Diluted	4.81	6.17

Notes to the Accounts (continued)

Year ended 31 December 2010

10. Earnings per share (continued)

10.1 Basic earnings per share

The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:

	Year ended 31.12.10 £'000	**Year ended 31.12.09 £'000**
Earnings used in the calculation of basic earnings per share from continuing operations	11,300	18,044
Gain on derecognition and disposal of CGL shares	(1,239)	(3,686)
FSCS levy (net of tax)	1,863	-
Earnings excluding gain on derecognition and disposal of CGL shares and FSCS levy (net of tax)	11,924	14,358
Weighted average number of ordinary shares for the purposes of basic earnings per share	231,863,372	213,932,296

10.2 Diluted earnings per share

The earnings used in the calculation of all diluted earnings per share measures are the same as those for the equivalent basic earnings per share measures, as outlined above.

The weighted average number of ordinary shares for the purposes of diluted earnings per share reconciles to the weighted average number of ordinary shares used in the calculation of basic earnings per share as follows:

	Year ended 31.12.10	**Year ended 31.12.09**
Weighted average number of ordinary shares used in the calculation of basic earnings per share	231,863,372	213,932,296
Employee options	16,287,714	18,866,761
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	248,151,086	232,799,057

The basic and diluted earnings per share have been calculated and presented in accordance with IAS 33. In the basic calculation, all shares held by the EBT have been excluded, because they do not receive dividends. In the diluted calculation, the increase in the number of shares has been limited by the non-dilutive effect of 'at the money' options. The Directors believe it appropriate to provide further illustrative disclosure of the earnings per share calculation based on the total number of shares in issue and also on the total number of authorised shares.

Notes to the Accounts (continued)

Year ended 31 December 2010

10. Earnings per share (continued)

10.2 Diluted earnings per share (continued)

	Year ended 31.12.10 Pence per share	Year ended 31.12.09 Pence per share
Illustrative earnings per share based on shares in issue		
From continuing operations	4.41	7.41
From gain on derecognition and disposal of CGL shares	0.48	1.51
From FSCS levy (net of tax)	(0.72)	-
From continuing operations excluding gain on derecognition and disposal of CGL shares and FSCS levy (net of tax)	4.65	5.90
Illustrative earnings per share based on authorised shares		
From continuing operations	3.23	6.01
From gain on derecognition and disposal of CGL shares	0.36	1.22
From FSCS levy (net of tax)	(0.54)	-
From continuing operations excluding gain on derecognition and disposal of CGL shares and FSCS levy (net of tax)	3.41	4.79

11. Other intangible assets

	Software £'000	Other* £'000	Total £'000
Group			
Cost			
Balance at 1 January 2009	7,557	-	7,557
Additions	227	-	227
Derecognition of fully amortised items	(260)	-	(260)
Balance at 31 December 2009	7,524	-	7,524
Additions	360	5,350	5,710
Balance at 31 December 2010	7,884	5,350	13,234
Amortisation			
Balance at 1 January 2009	4,191	-	4,191
Amortisation for the year	1,465	-	1,465
Derecognition of fully amortised items	(260)	-	(260)
Balance at 31 December 2009	5,396	-	5,396
Amortisation for the year	1,486	290	1,776
Balance at 31 December 2010	6,882	290	7,172
Carrying amounts			
Balance at 31 December 2009	2,128	-	2,128
Balance at 31 December 2010	1,002	5,060	6,062

*Other includes client relationships and brand name acquired on the acquisition of Thornhill.

Notes to the Accounts (continued)

Year ended 31 December 2010

12. Property, plant and equipment

	Leasehold improvements £'000	Fixtures, fittings and equipment £'000	Reinstatement costs £'000	Total £'000
Group				
Cost				
Balance at 1 January 2009	2,667	861	1,489	5,017
Additions	-	1,344	-	1,344
Derecognition of fully depreciated items	(2,599)	(688)	-	(3,287)
Balance at 31 December 2009	68	1,517	1,489	3,074
Acquired from Thornhill	1,181	842	137	2,160
Additions	-	610	-	610
Revaluation	-	-	(146)	(146)
Derecognition of fully depreciated items	(614)	(787)	-	(1,401)
Write-off of assets	(571)	(58)	-	(629)
Balance at 31 December 2010	64	2,124	1,480	3,668
Depreciation				
Balance at 1 January 2009	2,649	781	538	3,968
Depreciation for the year	5	87	64	156
Derecognition of fully depreciated items	(2,599)	(688)	-	(3,287)
Balance at 31 December 2009	55	180	602	837
Acquired from Thornhill	669	775	137	1,581
Write-back	-	-	(119)	(119)
Depreciation for the year	21	438	15	474
Derecognition of fully depreciated items	(614)	(787)	-	(1,401)
Write-off of assets	(104)	(37)	-	(141)
Balance at 31 December 2010	27	569	635	1,231
Carrying amounts				
Balance at 31 December 2009	13	1,337	887	2,237
Balance at 31 December 2010	37	1,555	845	2,437

Notes to the Accounts (continued)

Year ended 31 December 2010

13. Financial assets

	31.12.10 £'000	31.12.09 £'000
Group		
Non-current financial assets		
Available-for-sale financial assets:		
CGL shares	-	1,720
Funds managed by the Group	264	2,059
Total EBT holdings	264	3,779
Other non-current financial assets	10	11
	274	3,790
Current financial assets		
Current asset investments	260	175

Available-for-sale investments comprise the EBT's holdings in certain investment funds managed by the Group. The funds managed by the Group are held by the EBT to satisfy awards made to certain employees, without further obligation. They are valued at the price nearest to the balance sheet date.

The CGL shares were replaced by loan notes in January 2010 and these loan notes disposed of during the year, releasing the £1,208,000 from the revaluation reserve into the income statement.

The other non-current assets comprise two unlisted securities: Bamboo Investments and Legion International. These are valued at the last known published price.

Current financial assets represent shares and units held in funds under management ('Manager's Box'). Shares and units held in these collective investment funds are valued at the bid price at the balance sheet date.

Notes to the Accounts (continued)

14. Group holdings

14.1 Group entities

Subsidiaries:	**31.12.10**
Company	**Principal activity**
Cazenove Capital Management Limited	Asset manager
Cazenove Investment Fund Management Limited	Investment fund manager
Cazenove Capital Management Jersey Limited	Asset manager
Cazenove Capital Management Pension Trustee Limited	Non-trading
CCM Nominees Limited	Nominee company
Lerisson Nominees Limited	Nominee company
Thornhill Holdings Limited	Holding company
Thornhill Investment Management Limited	Asset manager
Thornhill Unit Trust Managers Limited	Investment fund manager

Cazenove Capital Management Limited ('CCM') is the only directly wholly-owned subsidiary of the Company. The carrying value of the Company's investment in CCM was £29,962,000 (2009: £36,066,000, 01.01.09: £35,366,000). All companies are wholly owned through 100% ownership of ordinary shares and, with the exception of Lerisson Nominees Limited and Cazenove Capital Management Jersey Limited, which are registered in Jersey, registered in England and Wales. All active Group companies operate principally in the United Kingdom and Jersey.

The following Group company was in liquidation in 2010:

Company	**Principal activity**
CCM International Holdings Limited	Intermediate holding company

14.2 Employee Benefit Trust ('EBT')

During the year the EBT held shares in CGL and the Company; the numbers of shares held by the EBT in these companies as at the balance sheet date were as follows:

	31.12.10 Shares in CGL	**31.12.10 Shares in the Company**	**31.12.09 Shares in CGL**	**31.12.09 Shares in the Company**
Cazenove Capital Management Employee Benefit Trust holding	-	19,514,762	335,836	27,442,960

As a result of the agreed transaction between J.P.Morgan and Cazenove Group Limited, all remaining CGL shares were transferred to J.P.Morgan in early January 2010 in exchange for loan notes issued by J.P.Morgan. These loan notes were issued on 18 January 2010. The proceeds of these loan notes were received during the year. All remaining options covering CGL shares were exercised in January 2010.

The EBT also held CGL B shares as a means of conveying a 156p capital redemption made to certain option holders before the demerger. During January 2010 all remaining CGL B shares held in the EBT were disposed of to satisfy the remaining options (2009: 4,628 shares held).

Shares in the Company are deducted from equity at book cost. Shares in CGL were held at fair value with any revaluation movement taken to equity.

Notes to the accounts (continued)

15. Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	31.12.10 £'000	31.12.09 £'000	31.12.10 £'000	31.12.09 £'000	31.12.10 £'000	31.12.09 £'000
Property and equipment	438	130	-	-	438	130
Share based payments	3,615	2,188	-	-	3,615	2,188
Fund based remuneration	20	-	-	-	20	-
Other intangible assets	-	-	(1,366)	-	(1,366)	-
Net tax assets/(liabilities)	4,073	2,318	(1,366)	-	2,707	2,318

Movement in temporary differences during the year

	Balance 01.01.09 £'000	Recognised in profit or loss £'000	Recognised in equity £'000	Balance 31.12.09 £'000	Thornhill acquisition £'000	Recognised in profit or loss £'000	Recognised in equity £'000	Balance 31.12.10 £'000
Property and equipment	(37)	167	-	130	-	308	-	438
Share based payments	723	1,204	261	2,188	-	891	536	3,615
Available-for-sale financial assets	(541)	-	541	-	-	-	-	-
Pension contributions	(2,017)	(629)	2,646	-	-	-	-	-
Fund based remuneration	-	-	-	-	-	20	-	20
Other intangible assets	-	-	-	-	(1,498)	132	-	(1,366)
	(1,872)	742	3,448	2,318	(1,498)	1,351	536	2,707

16. Trade and other receivables

	31.12.10 £'000	31.12.09 £'000	
Group			
Trade receivables	36,158	45,799	
Other receivables	1,034	680	
	37,192	46,479	

	31.12.10 £'000	31.12.09 £'000	01.01.09 £'000
Company			
Amounts due from subsidiary undertakings	9,161	729	549

The Directors consider that the carrying amount of trade and other receivables is approximately equal to their fair value. Included within this amount for the Group is £3,000 that is past due but not impaired (2009: £8,000).

Notes to the Accounts (continued)

Year ended 31 December 2010

17. Cash and cash equivalents

	31.12.10 £'000	31.12.09 £'000
Group		
Bank balances	93,371	85,775
Cash and cash equivalents	93,371	85,775
Bank overdrafts used for cash management purposes	-	(3,146)
Cash and cash equivalents in the statement of cash flows	93,371	82,629

	31.12.10 £'000	31.12.09 £'000	01.01.09 £'000
Company			
Bank balances	59	11	11
Cash and cash equivalents	59	11	11

18. Trade and other payables

	31.12.10 £'000	31.12.09 £'000
Group		
Trade payables	22,226	27,025
Other payables	26,468	23,887
Non-trade payables and accrued expenses	3,117	3,442
	51,811	54,354

The Directors consider that the carrying amount of trade and other payables is approximately equal to their fair value.

19. Provisions

	Reinstatement provision £'000	Onerous lease £'000	Total £'000
Group			
Non-current			
Balance at 1 January 2009	1,526	-	1,526
Provisions revalued during the year	(37)	-	(37)
Balance at 31 December 2009	1,489	-	1,489
Acquired from Thornhill	137	-	137
Provisions (revalued)/made during the year	(146)	882	736
Balance at 31 December 2010	1,480	882	2,362

The reinstatement provision of £1,489,000, which was revalued to £1,262,000 during the year, relates to costs to be incurred in reinstating the Group's premises at 12 Moorgate, London to its original state prior to the expiry of the lease in June 2023. The provision of £137,000 acquired on the purchase of Thornhill, which was revalued to £218,000 during the year, relates to the costs to be incurred in reinstating the premises at 16 Palace Street, London to its original state prior to the expiry of the lease in May 2020. There is a corresponding reinstatement cost non-current asset for both of these provisions.

The onerous lease relates to 16 Palace Street, which expires in May 2020.

Notes to the Accounts (continued)

Year ended 31 December 2010

20. Stated capital

	Authorised ordinary shares of no par value	Allotted, issued and fully paid ordinary shares of no par value	
	Number of shares	Number of shares	£'000
Group and Company			
Balance at 1 January 2009	300,000,000	241,934,732	26,636
Share issue	-	2,000,000	700
Balance at 31 December 2009	300,000,000	243,934,732	27,336
Shares issued on 5 January 2010	-	12,527,385	6,013
Increase in shares on 12 April 2010	50,000,000	-	-
Balance at 31 December 2010	350,000,000	256,462,117	33,349

At the AGM on 12 April 2010, shareholders approved an increase in the authorised stated capital of the Company from 300,000,000 to 350,000,000 ordinary shares of no par value.

Share issue

12,527,385 shares, with a fair value of £6,013,000, were issued on 5 January 2010 as part of the consideration for Thornhill Holdings Limited (see note 27).

Share tenders

Due to a shortfall in the number of shares held in the EBT in order to satisfy share options, and the Board's stated desire to offer shareholders liquidity, the Board recommended to the Trustee of the EBT that it made a tender offer to shareholders in March 2010, which succeeded in buying 10,344,421 shares at a price of 61p per share. The amount of £9,933,000 in respect of share tenders also include small private tenders made by individual shareholders at their request, at the agreed tender price of 61p per share.

Dividends

A dividend of 3.5 pence per share was declared and paid by the Company during the current year (2009: 3 pence). The Directors have approved payment of an interim dividend of 3.75 pence per share on 6 May 2011.

Notes to the Accounts (continued)

Year ended 31 December 2010

21. Financial instruments

21.1 Financial risk management

Overview

The Group has exposure to the following risks from its use of financial instruments:

Credit risk
Liquidity risk
Market risk
Interest rate risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group Audit and Risk Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group Audit and Risk Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Group Audit and Risk Committee.
The Group's principal financial assets are bank balances and cash, trade and other receivables and investments.

Credit risk

The credit risk on cash and cash equivalents at the end of each business day is managed by depositing funds across a number of financial institutions with high credit ratings assigned by international credit rating agencies. The Group has no significant concentration of credit risk at the end of each business day in respect of trade receivables as exposure is spread over a large number of counterparties and customers. By their nature, these are often under the Group's control (e.g. funds or discretionary clients managed by the Group), which further limits any credit exposure. Any aged debt is regularly monitored, and an allowance for impairment is made if considered irrecoverable. The impairment value at the end of the year was £4,000 (2009: £1,000).

Liquidity risk

The Group has limited exposure to liquidity risk. The Group's cash is held on callable deposit and it does not have any borrowings. Financial projections enable future requirements to be forecast and managed.

Market risk

The Group does not have material exposure to market risk as it does not take principal positions and business is transacted on an agency basis. The Group has exposure to foreign currencies due to income receipts in currencies other than the operating currency. These balances are periodically converted to reduce exposure.

Notes to the Accounts (continued)

Year ended 31 December 2010

21. Financial instruments (continued)

21.1 Financial risk management (continued)

The Group does not engage in hedging activities of foreign currency exposures.

The Group holds investments designated as available-for-sale. These are held to settle share based awards and fund based remuneration awards.

Interest rate risk

The Group has exposure to interest rate risk through the interest earned on its cash balances. These balances are placed on deposit with various counterparties, and earn a blended rate of interest. These deposits are actively managed to minimise liquidity risk and credit risk, and to maximise interest earned within these constraints.

The Group does not have any debt financing, so is not exposed to interest rate risk on interest payable.

21.2 Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	31.12.10 Carrying amount £'000	31.12.09 Carrying amount £'000
Cash and cash equivalents*	93,371	82,629
Trade and other receivables	37,192	46,479
	130,563	129,108

* All cash and cash equivalents are held with counterparties that have an A1/P1 credit rating.

21.3 Exposure to liquidity risk

The following are the contractual maturities of financial liabilities, including interest payments and excluding the impact of netting agreements:

	31.12.10 Carrying amount £'000	31.12.10 6 months or less £'000	31.12.09 Carrying amount £'000	31.12.09 6 months or less £'000
Trade and other payables	(51,811)	(51,811)	(54,354)	(54,354)
	(51,811)	(51,811)	(54,354)	(54,354)

21.4 Fair values versus carrying amounts

The fair values of financial assets and liabilities, together with carrying amounts shown in the balance sheet, are as follows:

	31.12.10 Carrying amount £'000	31.12.10 Fair value £'000	31.12.09 Carrying amount £'000	31.12.09 Fair value £'000
Available-for-sale financial assets*	274	274	3,790	3,790
Current asset investments	260	260	175	175
Trade and other receivables	37,192	37,192	46,479	46,479
Cash and cash equivalents	93,371	93,371	82,629	82,629
Trade and other payables	(51,811)	(51,811)	(54,354)	(54,354)
	79,286	79,286	78,719	78,719

* Available-for-sale financial assets comprise certain investment funds managed by the Group and two unlisted securities (see note 13).

Notes to the Accounts (continued)

Year ended 31 December 2010

21. Financial instruments (continued)

21.5 Exposure to interest rate risk

The interest earned on the Group's cash balances will vary in response to changes in interest rates. Based on the year end cash balance, a 0.5% increase/(decrease) in interest rates would change the profit after tax by £336,000/(£336,000).

21.6 Fair value measurements recognised in the balance sheet

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	31.12.10 £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000
Available-for-sale financial assets	274	264	10	-
Current asset investments	260	260	-	-
	534	524	10	-

	31.12.09 £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000
Available-for-sale financial assets	3,790	2,059	1,731	-
Current asset investments	175	175	-	-
	3,965	2,234	1,731	-

All of the Group's financial instruments are classified within Level 1, with the exception of the CGL shares (all disposed of in 2010) and the investments in Bamboo and Legion, which are classified as Level 2. There were no transfers between Level 1 and 2 during the year. There were no financial instruments subsequently measured as fair value on Level 3 fair value measurement bases.

22. Capital management

The Group's capital comprises equity share capital and reserves. The Group maintains capital to meet its obligations as they fall due, regulatory capital requirements and business risk.

Cazenove Capital Holdings Limited's major assets are its subsidiary companies. Regulatory capital requirements apply on both a consolidated basis for the Cazenove Capital Management Limited Group and at the individual regulated company level.

Cazenove Capital Management Limited is regulated by the Financial Services Authority (FSA) and is the Group's top company for the purposes of calculating consolidated regulatory capital. The FSA categorise Cazenove Capital Management Limited as a BIPRU 125k Limited Licence Firm and has set a minimum capital requirement of 147% of its Pillar 1 charge for the consolidated group. The consolidated Group maintained regulatory capital of at least three times its regulatory capital requirements throughout 2010.

Notes to the Accounts (continued)

Year ended 31 December 2010

23. Operating leases

At the balance sheet date, the Group had the following outstanding commitments for future minimum lease payments under non-cancellable operating leases, which expire as follows:

	31.12.10 Land and buildings £'000	31.12.09 Land and buildings £'000
Within one year	26	-
In the second to fifth years inclusive	145	223
After five years	23,650	20,214
	23,821	20,437

Lease rentals are paid for occupying the Group's operating premises at 12 Moorgate, London and the regional offices, including 16 Palace Street, London.

At the date of approval of the accounts, the Company had contracted with tenants for the following future minimum lease payments, which expire as follows:

	31.12.10 Land and buildings £'000	31.12.09 Land and buildings £'000
After five years	3,671	-

24. Capital commitments

Capital commitments contracted but not provided for at the balance sheet date, are as follows:

	31.12.10 £'000	31.12.09 £'000
Intangible assets	-	172
Property, plant and equipment	-	400
	-	572

25. Contingencies

The Board is not aware of any contingencies requiring disclosure.

Notes to the Accounts (continued)

Year ended 31 December 2010

26. Related parties

Related party relationships

Related party relationships in the Group include relationships with subsidiaries, key management personnel, post-employment benefit plans and close family members of key management personnel.

Transactions with key management personnel

Mr Power, Mr Mayhew, Sir Roger Hurn and Sir Sydney Lipworth were Directors of Cazenove Group Limited, and all resigned on 4 January 2010 with the exception of Mr Power who resigned on 30 June 2010. Mr Mayhew and Mr Power were also Directors of J. P. Morgan Cazenove Limited and resigned on 30 June 2010. The lease on 12 Moorgate, the Company's principal place of business, was, at the time of the incorporation of the partnership Cazenove & Co. (now J. P. Morgan Cazenove Limited), held by Mr Power and three former partners. On 5 May 2004, the lease was assigned to CCM, but Mr Power and the three former partners remained as guarantors of the lease. On 16 September 2003, the shareholders of Cazenove Group plc (now JPMorgan Cazenove Holdings, the parent company of J. P. Morgan Cazenove Limited at the time), in general meeting, approved the granting of an indemnity to Mr Power, along with the three other former partners, in respect of this residual liability as guarantors of the lease. Subject to these exceptions, no Director was a party to, or had an interest in, any significant contract or arrangement with the Company or its subsidiaries during the year or to the date of this report.

Key management personnel compensation

In addition to their salaries, the Group also provides non-cash benefits to Directors and executive officers, and contributes to a defined benefit and defined contribution plans on their behalf.

Executive officers also participate in the Group's share option programme.

Directors' emoluments:

	31.12.10 £'000	31.12.09 £'000
Short-term employee benefits	2,180	2,130
Post-employment benefits	81	61
Share based payment	680	686
	2,941	2,877
Number of Directors whose emoluments are disclosed above who are members of a defined benefit pension scheme	-	1
Number of Directors whose emoluments are disclosed above who are members of a defined contribution pension scheme	3	2

27. Acquisition of subsidiary

The Company entered an agreement to purchase the entire share capital of Thornhill Holdings Limited ('Thornhill') in 2009. Thornhill is the parent company of Thornhill Investment Management Limited, an investment management firm, and Thornhill Unit Trust Managers Limited, a manager of unit trusts and authorised corporate director of a number of open-ended investment companies. Thornhill had a similar culture, approach to investment and focus on client service to Cazenove Capital, and it was considered that the acquisition would strengthen the Group's wealth management offering. The acquisition completed on 5 January 2010. On 5 February 2010, Thornhill was transferred from the Company to Cazenove Capital Management Limited at the cost at the date of acquisition.

Notes to the Accounts (continued)

Year ended 31 December 2010

27. Acquisition of subsidiary (continued)

Each share of Thornhill Holdings Limited was purchased for 21.98p cash plus 0.4099 shares in the Company, a total consideration of approximately £12.7m. The fair value of the 12,527,385 consideration shares issued was approximately £6.0m, based on the Company's share price at the time of 48p, which resulted from the tender offer made in 2009.

Thornhill had group net assets (excluding intangible assets) of £6.5m as at 5 January 2010 and annual rental obligations under leases expiring in 2020 of £475,000.

A breakdown of the recognised amounts of identifiable assets acquired and liabilities assumed is as follows:

	£m
Identifiable intangible assets	5.3
Tangible assets	0.6
Trade debtors	0.2
Prepayments and accrued income	1.1
Cash	6.5
Trade creditors	(0.6)
Corporation tax creditor	(0.1)
Deferred tax creditor	(1.5)
Social security and other taxes	(0.1)
Accruals and deferred income	(1.1)
Total identifiable net assets	10.3
Goodwill	2.4
Total consideration	12.7
Satisfied by:	
Cash	6.7
Equity instruments (0.4099 ordinary shares of the Company)	6.0
Total consideration transferred	12.7
Net cash outflow arising on acquisition	
Cash consideration	6.7
Less: cash and cash equivalents balances acquired	(6.5)
	0.2

During the year an exercise was undertaken to establish the fair value of Thornhill's tangible and intangible assets as at the acquisition date. The tangible net assets reported above were not considered materially different from that applicable at the acquisition date. The material intangible assets were considered to consist of client relationships valued at £5.3m and the Thornhill brand name valued at £80,000.
The associated deferred tax liability on these amounts was £1.5m. With a consideration of £12.7m, this gives rise to goodwill of £2.4m. This goodwill reflects the contributed cost and business segment synergies as explained in the Group's annual report and financial statements for the year ended 31 December 2009. As at 31 December 2010, the Group has carried out an impairment review of this goodwill. For the purposes of assessing the carrying value of this goodwill, the Group has determined that it has a single cash generating unit, that of investment management.

Notes to the Accounts (continued)

Year ended 31 December 2010

27. Acquisition of subsidiary (continued)

By assessing factors in the acquisition of Thornhill's business other than the separately identified intangible assets, the Group is satisfied that the value of the goodwill exceeds the book cost and that accordingly no impairment is required. These factors include the following:

a) Cost synergies are making a contribution to earnings which have a value to the business in excess of the book cost of goodwill.

b) Key revenue generating staff from Thornhill in both London and Edinburgh have been retained and a presence in the Edinburgh market established, so that there is no evidence that the benefit of these cost synergies is likely to be lost.

Acquisition and integration related costs incurred by the Group (included in operating expenses in the Group's consolidated income statement for the year ended 31 December 2010 and as noted in the project cost section of the Operating and Financial Review) for the year were £3,236,000. Cazenove Capital Management Limited incurred £1,871,000 of these costs, with the remainder payable by the Thornhill Group.

The majority of these expenses relate to restructuring costs and professional fees concerning the acquisition.

The Thornhill business contributed £4,033,000 of operating revenues to Group results for the year. Direct operating expenses of the Thornhill business were £4,255,000 (including acquisition and integration related costs). The operating profit after tax, excluding acquisition and integration related costs, was £1,105,000. If the acquisition of Thornhill had been completed on the first day of the financial year, Group revenues for the year would have been £97,346,000 and Group profit would have been £11,282,000.

28. Events after the balance sheet date

The Company declared an interim dividend of 3.75p per share on 1 March 2011.

Notes to the Accounts (continued)

Year ended 31 December 2010

29. Transition to IFRS

Effect of IAS 1 'Presentation of Financial Statements' on UK GAAP balances

Balance Sheet year ended 31 December 2009

	UK GAAP balances in UK GAAP format £'000	UK GAAP balances in IFRS format £'000	
Fixed assets			**Non-current assets**
Investments	36,066	36,066	Investments
Current assets			**Current assets**
Trade and other receivables	729	729	Trade and other receivables
Cash and cash equivalents	11	11	Cash and cash equivalents
	740	740	
		36,806	**Total assets**
Creditors: amounts falling due within one year			**Current liabilities**
Trade and other payables	-	-	Trade and other payables
		-	**Total liabilities**
Net assets	36,806	36,806	**Net assets**
Capital and reserves			**Equity**
Stated capital	27,336	27,336	Stated capital
Other reserves	8,730	8,730	Other reserves
Profit and loss account	740	740	Retained earnings
Equity shareholders' funds	36,806	36,806	**Equity attributable to owners of the Company**

Notice of Annual General Meeting

Notice is hereby given that the fifth Annual General Meeting of Cazenove Capital Holdings Limited will be held at 12 Moorgate, London EC2R 6DA on Thursday 14 April 2011 at 11.00am for the following purposes:

Ordinary business

1. To receive the Report of the Directors and the Audited Accounts for the year ended 31 December 2010.
2. To re-appoint Deloitte LLP as auditors to the Company.
3. To authorise the Directors to determine the auditors' remuneration.
4. To elect Mr R P A Tyer as a Director.

Special business

5. To adopt as the new Memorandum of Association of the Company the draft Memorandum of Association as set out in the document produced to the meeting and, for the purpose of identification, signed by the Chairman.
6. To adopt as the new Articles of Association of the Company the draft Articles of Association as set out in the document produced to the meeting and, for the purpose of indentification, signed by the Chairman.

By Order of the Board

Helena Harvey
Company Secretary
1 March 2011

Registered Office:
Ogier House
The Esplanade
St Helier
Jersey
JE4 9WG

Notes

1. Only those shareholders registered in the Register of Members of the Company at 6.00pm on 12 April 2011 shall be entitled to attend and vote at the meeting.
2. An ordinary shareholder entitled to attend and vote at the meeting may appoint one or more proxies to attend and, on a poll, to vote on his or her behalf. Such member need not be a member of the Company.
3. A form of Proxy is enclosed for shareholders on the Register. To be valid the form of proxy must be completed and deposited at the offices of Equiniti not less than 48 hours before the time appointed for holding the meeting.

Company Information

Registered Office

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The Esplanade
St Helier
Jersey JE4 9WG

Registered in Jersey

No. 91495

Website

www.cazenovecapital.com

Registrar

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Shadow Registrar and Registrar for Lerisson Nominees Limited

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Auditors

Deloitte LLP
London

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