

Cazenove Capital Holdings Limited
Report and financial statements - 31 December 2008

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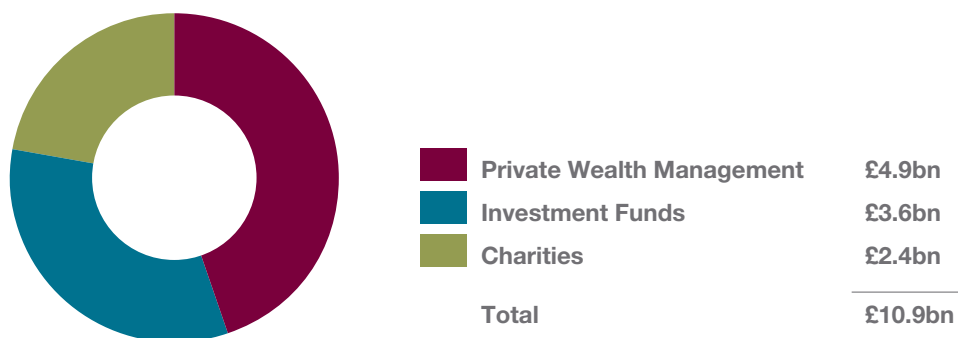
CHAIRMAN'S STATEMENT

I have pleasure in presenting the Cazenove Capital Holdings Annual Report for 2008, which represents another year of progress for your Company despite the adverse market background.

In our last Annual Report, we warned that this was likely to be a tougher year for the asset management industry and it has certainly lived up to that expectation. 2007 saw investors becoming fearful about the banking system, commercial property, housing markets and recession. But the storm really broke for capital markets in 2008. In the US, the S&P Composite index dropped over 38% over the year, the FTSE All-Share Index dropped nearly 33% and the FTSE Europe ex-UK Index fell 46%. Corporate bond markets also experienced extreme distress and asset values in both property and commodities fell heavily.

Despite these challenging conditions, the Cazenove Capital Holdings Group ('Cazenove Capital') ended the period with Assets Under Management of £10.9bn, a fall of 3.5% during the year. This is a good outcome, which compares well with both indices and our peer group.

The breakdown in funds under management as at 31 December 2008 is shown below:



The growth in revenue across the business was a healthy 29%. This principally reflects new business and in particular outstanding performance fees from our hedge funds. Profits before interest, tax, depreciation and amortisation rose 62% to £31.0m, giving profit on ordinary activities before exceptional items and taxation of £29.4m. Basic earnings per share have risen by 112% to 9.35 pence per share.

The outlook remains challenging and the future direction of markets is heavily dependent upon the success of the actions taken by authorities and central banks around the world. In light of these results, but cognisant of this uncertain outlook, we are recommending a maintained annual dividend of 3 pence per share.

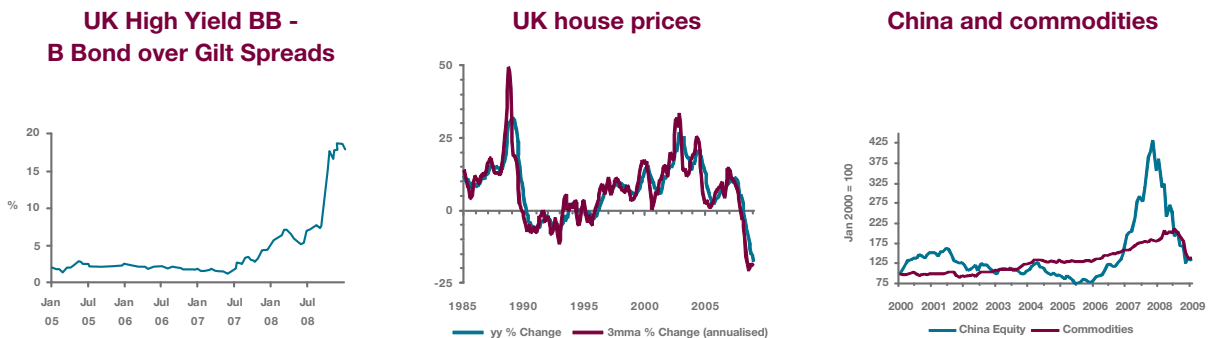
The Board intends to offer to purchase some of the Company's share capital, likely to be up to 10%, by way of a tender offer, and the details will be communicated shortly.

David Mayhew

Chairman

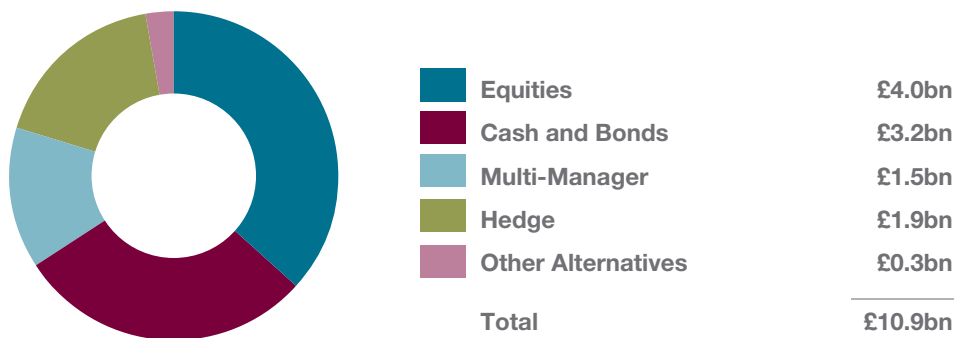
CHIEF EXECUTIVE'S REPORT

As described in the Chairman's statement, we have maintained the positive momentum of recent years. This was in spite of a year of bursting bubbles - credit, property, commodities and China - and extreme volatility in financial markets. We largely predicted these events, in some cases too early, which is why our business and our clients have not suffered as much as others in 2008. That said, we would not claim to have anticipated the depth of the crisis that has resulted and falling markets are simply not good for asset managers.



Source: Datastream

There are a number of reasons why our Assets Under Management have seen so little attrition during the year. We have delivered good investment advice and performance in most areas, while the mix of our assets is relatively defensive, with long equities representing less than 50%. We have increasingly developed products and services that have an absolute return approach which have helped to insulate both us and, more importantly, our clients. These factors have contributed towards positive fund flow and we were appointed to manage over £1bn of net new assets in 2008.



The continued improvement in our financial position together with the progress seen in performance, the product range, administration and client service owes everything to the hard work and skill of our employees. Managing clients' assets in such a prolonged period of high volatility is extremely challenging and I would like to thank them for their dedication in 2008. The positive developments detailed below would not have been achieved without their commitment.

CHIEF EXECUTIVE'S REPORT (CONTINUED)

Private Wealth Management and Charities. Against a fall of over 20% in the FTSE APCIMS Balanced Index during 2008, Assets Under Management in Private Wealth Management and Charities fell by just over 9% to £7.3bn. This resilience was the result of investment performance combined with net new business wins of over £400m. The SIPP team generated £137m of the new business flows, as we continue to build market share in the fastest growing area of the private client sector. Top down performance comments across a diverse client base are inevitably prone to generalisations, but we have for the most part performed well in relative terms for our private clients and charities.

The model of combining financial planning and investment management continues to be a genuinely differentiating factor for Cazenove Capital. We provide solutions based on independent and impartial advice for our private clients, delivered by an experienced and well informed team who have a genuine understanding of their clients' requirements. We also feel we hold an advantage over some of our larger competitors in terms of client service together with an ownership structure that allows for a greater commonality of interest with our clients. In addition, the spread of advice we now offer private clients broadens and deepens our relationships.

Our Charity business continues to grow its market share, built around strong relative investment performance and a highly experienced team. Our equity Common Investment Funds now represent two of the top three performing funds in the sector over each of 1, 3 and 5 years. While the Absolute Return Trust for Charities failed to produce a positive performance, it offered better protection than most fund of hedge fund strategies. Indeed, over 2 years it has still produced a positive performance in a period in which the FTSE All-Share Index fell 26%.

Investment Funds. This business has been the biggest driver of our profit momentum in recent years and thanks to our hedge fund performance it again saw the largest revenue increase. Assets Under Management grew by approximately 10% due to strong performance from all the investment teams and net fund flows of over £600m.

We continue to make progress in the retail market. The success has been built around good relative performance across the range of our OEIC funds, with over 80% in the first or second quartiles for 2008. During what has been the worst period of redemptions for the funds industry since the early 1990's, Cazenove Capital has achieved positive fund flows and appeared in the top fifteen for net retail sales in 2008. Innovation has played a key part in this success with enhancements to the multi-manager funds and the launch of the Cazenove Absolute Target fund.

Cazenove Capital's five UK and European long-short equity funds proved remarkably resilient in the context of a terrible year for hedge fund returns and achieved strong positive returns for the year. Given the excellent performance of our hedge funds, it was disappointing that they have suffered outflows. This can be attributed to a general disillusionment with hedge funds (and particularly funds of funds) and also to the fact that we have continued to honour a one-month notice period for redemptions. While it seems likely that the hedge fund industry will continue to experience an outflow of funds in the period immediately ahead, we hope that the combination of our liquidity, transparency and uncorrelated performance will see some re-investment later in the year.

Fund Performance

We were surprised by the strength of the rally at the end of 2007 but maintained our defensive stance. Our concern was that not all of the skeletons had yet been released from the credit closet and we did not believe that the popular 'decoupling' theory for emerging economies was realistic in this cycle. Although we moved onto a defensive tack too early, this stance proved its worth in 2008.

Long Only Funds. Our defensive positioning has resulted in a positive relative performance across the fund range. The European team had a remarkable year with the European Fund and Pan-Europe Fund 11.7% and

CHIEF EXECUTIVE'S REPORT (CONTINUED)

9.2% ahead of their benchmarks respectively. They changed their portfolio positioning to favour growth and value defensives and underweight cyclicals with remarkable accuracy in the final quarter of 2007. Our core UK funds also benefited from a defensive stance and returned upper quartile performances, as did our credit funds. The Strategic Bond fund's performance was sufficient to place the fund top of the High Yield Sector while the Corporate Bond fund has also held its first quartile ranking.

Finally, the Multi-Manager Funds performed extremely well during 2008. All the funds were top quartile, with Diversity and Diversity Tactical outperforming their benchmarks by 6.8% and 8.3%, respectively.

Alternative Funds. Our reputation as a house that can deliver uncorrelated, low volatility performance has been enhanced with our European and UK hedge funds producing returns ranging between 9.4% and 15.9%. Perhaps the most pleasing performance has come from the UK Absolute Target fund, which gained 5.2% in the period from launch on 18 July, during which the FTSE All-Share Index fell over 17.7%. It was one of the most successful fund launches seen in 2008 and by the year end had taken in more than £148m.

Outlook

Despite the setback in markets, we remain cautious and expect 2009 to be another difficult year for the asset management industry. The process of deleveraging has a long way to go and therefore it is likely that after a deep and prolonged recession, the first phases of the upturn will be characterised by weaker than normal growth.

While we survived 2008 well, we would advise against extrapolating these results into 2009. Comparisons will become harder because market levels are well below those prevailing in the first half of 2008. This will put pressure on ad valorem fees, a trend that is already evident in some areas. We also benefited from a number of positive factors which may not recur, such as an above average level of transaction-based revenues in Private Wealth Management (as portfolios were moved to be more defensive) and the strength of the Euro (which benefited our increasingly important European Equity business). Finally, we cannot rely on our hedge funds generating such impressive performance fees again. This is not only because of the difficulties of producing performance against the current background but also because we have seen fund outflows.

Cost control will be important during a period when revenues are coming under pressure, but our product and service range has enabled us to win new business in all client areas against this background and we need to exploit that potential. Above all, our focus will be on looking after our clients and helping them to navigate the increasingly difficult market conditions.



Andrew Ross
Chief Executive

OPERATING AND FINANCIAL REVIEW

The consolidated financial statements for 2008 have been prepared in accordance with International Financial Reporting Standards (IFRS). Whilst IFRS is not mandatory for Cazenove Capital, we believe that this presentation will be useful to our shareholders and other interested parties, as it is the basis of preparation adopted by many of our competitor asset managers in the UK and Europe.

Revenue

Turnover increased by £24.1m (29%) from £84.3m in 2007 to £108.4m in 2008. Investment management fees increased by £22.8m (31%), from £72.9m to £95.7m, as a result of a 112% increase in gross hedge fund performance fees and despite an overall small decline in Assets Under Management, which fell from £11.3bn to £10.9bn over the year. Commission and other income increased by 11% to £12.7m as a result of higher activity based fees, including dealing commission and financial planning revenues.

Operating expenses

Operating expenses, including variable remuneration, rose 17%, from £71.1m in 2007 to £83.0m in 2008. However costs excluding variable remuneration were well controlled and rose only 2%. Earnings before interest, tax, depreciation and amortisation ('EBITDA'), our key performance ratio for operating results, rose by 62% to £31.0m.

OPERATING AND FINANCIAL REVIEW (CONTINUED)

Non Statutory Consolidated Income Statement

Year Ended 31 December 2008

	31.12.08 £'000	31.12.07 £'000	Variance
Turnover			
Investment management fees	95,738	72,911	31%
Management fees	62,688	57,342	9%
Hedge performance fees	33,050	15,569	112%
Commission and other revenue	12,676	11,377	11%
	108,414	84,288	29%
Administration expenses (excluding depreciation and amortisation of share awards)	(77,386)	(65,094)	(19%)
Earnings before interest, taxation, depreciation and amortisation of share awards (EBITDA)	31,028	19,194	62%
Amortisation of intangibles	(1,482)	(1,542)	4%
Depreciation of fixed assets	(236)	(299)	21%
Amortisation of share based awards	(3,865)	(4,201)	8%
	(5,583)	(6,042)	8%
Interest receivable and similar income	3,663	2,033	80%
Interest payable and similar charges	(18)	(13)	(38%)
Other finance income	295	923	(68%)
	3,940	2,943	34%
Profit on ordinary activities before taxation	29,385	16,095	83%
Income tax expense	(8,985)	(6,473)	(39%)
Profit on ordinary activities after taxation	20,400	9,622	112%
Reconciliation of profit after tax to statutory accounts			
Gain on derecognition of Cazenove Group Limited shares	468	3,958	(88%)
Statutory reported profit after tax	20,868	13,580	54%

OPERATING AND FINANCIAL REVIEW (CONTINUED)

Tax

Income tax expense for the year increased from £6.5m to £9.0m, due to higher operating profits. The effective rate of tax fell from 32% to 30% mainly due to a reduction in the rate of corporation tax and a reduced effect of amounts charged to the income statement which are not allowable for tax purposes.

A reconciliation of the tax charge and rate is shown in note 8.

Profit after tax

The variation between the statutory reported profit after tax on continuing operations and the profit after tax shown above is £0.5m (2007: £4.0m). This arises as a consequence of the Cazenove Capital Management Employee Benefit Trust holding shares in Cazenove Group Limited ('CGL'). These shares were held solely for the purposes of meeting obligations to employees as part of the Long Term Incentive Plans of the Group. During the year, the vesting of shares to employees crystallised the revaluation gains recorded, under the provisions of IAS39, on these shares between the date of grant of the awards and the transfer or vesting date.

The Directors regard these gains as outside the ordinary course of business and the Group receives no financial benefit from these events. However, accounting standards require their inclusion in the statutory income statement and, such is the materiality, that the Directors wish to clarify this point for shareholders.

For the same reasons, there is an equal and opposite charge to the Statement of Recognised Income and Expense and, as a result, the net assets of the Group remain unaffected.

Earnings per share

Basic earnings per share improved by 112% to 9.35 pence per share (excluding gain on derecognition of CGL shares). Further information is given in Note 10.

Cash

The cash position of the Group has strengthened considerably during 2008. Net cash at bank amounted to £72.9m at 31 December 2008 compared to £53.3m at 31 December 2007. The increase in cash is mainly attributable to revenues earned in the period.

Pensions

The Group operates both Defined Benefit and Defined Contribution pension schemes for employees. We continue to show an accounting surplus in relation to the defined benefit scheme. The surplus, on an IAS 19 basis, increased from £2.7m at 31 December 2007 to £7.2m at 31 December 2008. The Trustees and Investment Managers for the Scheme restructured the portfolio during 2007 to a largely fixed income basis and, as a result, the value of the assets in the Scheme are less vulnerable to the impact of recent equity market volatility. The Trustees, the Investment Managers and the Company continue to work together to ensure that the Scheme will be adequately funded to meet its liabilities.

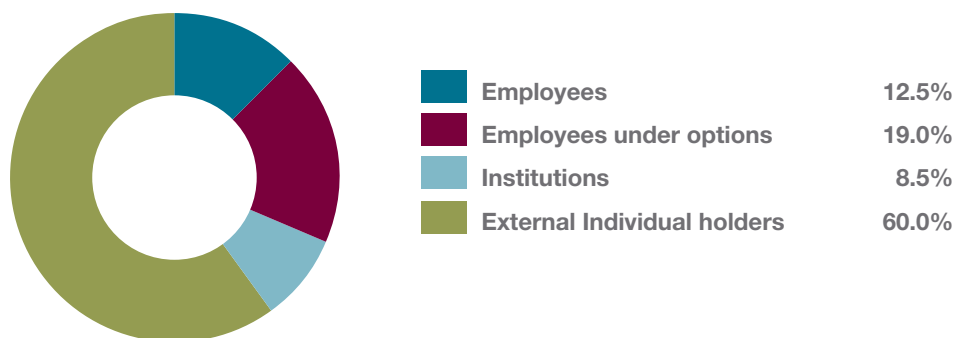
Dividends

2008 has been another successful year for Cazenove Capital and the Group is operating profitably as an independent entity. Accordingly, the Directors consider it appropriate to recommend payment of a maintained dividend of 3 pence per share, to be paid to shareholders on 5 May 2009.

OPERATING AND FINANCIAL REVIEW (CONTINUED)

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 advisor. It also better aligns the interests of our employees and shareholders.



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

Business Activity Environment

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

Private Wealth Management

Cazenove Capital manages £4.9bn 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.

OPERATING AND FINANCIAL REVIEW (CONTINUED)

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.

Charities

We also manage £2.4bn 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 ('CIF's), 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 increased to £3.6bn of assets under management. This growth has been delivered by assembling a team of high quality managers with consistently strong long-term performance records. Most of the funds that the team manages have been first or second quartile since the managers have taken responsibility for them. As well as pooled funds, both UK and Dublin domiciled, the team also manages a range of hedge funds which have attracted \$2.3bn in the last three years. In addition, the Cazenove UK Absolute Target Fund was launched during 2008, and had over £148m in Assets Under Management at 31 December. 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 a number of our programmes are currently closed to new business.

Investment Environment

2008 was an extremely volatile and difficult year for equity and capital markets, with all main indices posting double digit falls in value. More detail on the investment environment is given in the Chairman's Statement and Chief Executive's Report on pages 5 to 8.

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 and Cazenove Investment Fund Management 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.

OPERATING AND FINANCIAL REVIEW (CONTINUED)

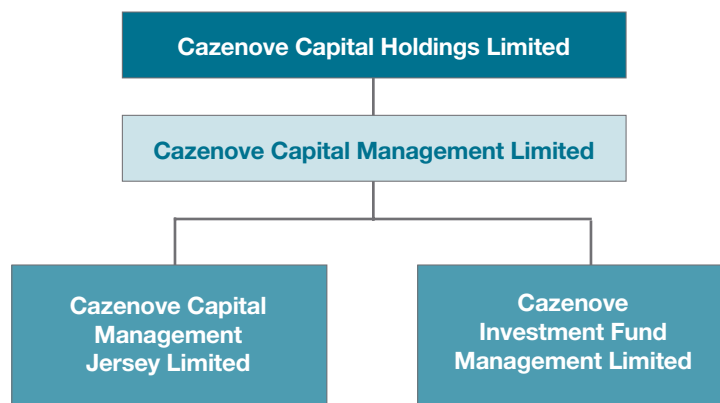
During 2007, a European Directive, which has had a significant impact on the UK regulated subsidiaries, came into force. The Capital Requirements Directive became effective from 1 January 2007, and applied in full from 1 January 2008.

The main impacts of the Capital Requirements Directive are the introduction of a more refined, risk-based approach to the assessment of the amount of capital regulated companies are required to hold, and the introduction of additional disclosure requirements. The level of capital that both the UK regulated subsidiaries are required to hold has increased as a result of our assessment process. The Group continues to hold sufficient capital to meet the new 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 advisors. 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)

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 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. 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 for BIPRU firms 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:

- Cash
- Fee and other debtors
- Investments held in the Employee Benefit Trust
- Investment in LCH.Clearnet
- Fixed assets

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.

OPERATING AND FINANCIAL REVIEW (CONTINUED)

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 but, where they do arise, a market risk requirement (foreign currency position risk requirement) will be calculated.

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. Again, such positions are kept to a minimum but, where they exist, an equity position risk requirement will be calculated.

Business and 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 operational 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.

Regulatory risk

The Group operates in the heavily regulated financial services sector. Failure to comply with regulatory requirements could lead to fines or other disciplinary action. We actively monitor changes in regulation, assess the impact on our business and plan to ensure we have sufficient resource to implement those changes. Procedures are in place to ensure that we treat customers fairly and provide clear, fair and not misleading communications.

Technology risk

Our business relies on complex technology in order to provide high quality service to our clients. We continue to invest in IT systems and support. Overall responsibility for the Group's IT strategy rests with the Chief Financial Officer. IT projects and resourcing are reviewed formally on a quarterly basis. Formal documented procedures exist for approving IT changes or developments and Steering Groups are formed for significant projects. Business continuity plans are in place and are tested regularly.



Carolyn Sims
Chief Financial Officer

DIRECTORS' BIOGRAPHIES

The Board - as at 2 March 2009

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 Securities 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 Cazenove Group Limited and JPMorgan Cazenove Holdings. He is Chairman of the Nominations Committee and a member of the Remuneration Committee. Mr Mayhew is also a non-executive Director of Rio Tinto Plc.

Sir Roger Hurn

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

Michael Power

Appointed as a non-executive Director in October 2005. Mr Power is Finance Director of JPMorgan Cazenove Holdings and a Director of Cazenove Group Limited. He is a member of the Audit and Risk Committee and the Nominations Committee. Mr Power is a former partner of Cazenove.

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 Committee and the Nominations Committee. Sir Sydney is a non-executive Director of Cazenove Group Limited and 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' REPORT

The Directors present their report for Cazenove Capital Holdings Limited (the 'Company') for the year ended 31 December 2008.

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 ('Cazenove Capital') 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 2008 and significant financial aspects of the financial year's trading, including principal risks and uncertainties facing the Company are set out in the Chairman's Statement, the Chief Executive's Report and the Operating and Financial Review on pages 5 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.

Post balance sheet events

There were no events after the balance sheet date which require disclosure.

Results and dividends

The consolidated income statement on page 24 shows a profit on ordinary activity after taxation for the year ended 31 December 2008 of £20.9m (2007: £13.6m).

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 a final dividend of in respect of 2007 of 3 pence per share on 6 May 2008. The Directors are recommending an annual dividend in respect of 2008 of 3 pence per share, payable on 5 May 2009 to shareholders whose names appear on the register of members on 17 April 2009.

Share capital

The Company's authorised share capital comprises 300 million ordinary shares of no par value, of which 241,934,732 ordinary shares are in issue. The Company has not purchased shares for cancellation.

DIRECTORS' REPORT (CONTINUED)

Biographical details of the Directors are set out on page 17.

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

D L Mayhew

Sir Roger Hurn

R S Jeffrey (appointed 1.1.09)

Sir Sydney Lipworth

M B Neilson (resigned 16.4.08)

R M Pickering (resigned 1.5.08)

M R P Power

A J S Ross

C Sims

Corporate Governance

During the year under review, the Board met six times. The Audit and Risk Committee met four times. The Remuneration Committee met once.

Cazenove Capital Holdings has its own corporate governance structure, with an Audit and Risk Committee, Risk Governance Committee and Remuneration 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 control 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 Committee is comprised entirely of non-executive directors, and reviews and approves the proposals for remuneration for the Group's senior executives.

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 Communication, 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 forty-nine 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.

DIRECTORS' REPORT (CONTINUED)

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.

Donations

No donations were paid to political organisations during the financial year under review (2007: £nil).

The Group made a number of charitable donations during the financial year totalling £8,500 (2007: £6,000).

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 53 to 55.

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.

By order of the Board

Helena Harvey

Company Secretary

12 Moorgate, London, EC2R 6DA
2 March 2009

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 Group financial statements in accordance with International Financial Reporting Standards ('IFRSs') as issued by the International Accounting Standards Board and the Company financial statements under United Kingdom Generally Accepted Accounting Practice ('UK GAAP'). The financial statements are required by law to be properly prepared in accordance with the Companies (Jersey) Law 1991.

Under UK GAAP the financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for the period. In preparing these financial statements, the Directors are required to: select suitable accounting policies and then apply them consistently; make judgements and estimates that are reasonable and prudent; state whether applicable UK Accounting Standards have been followed; and prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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 IFRS. 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 is 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 2008 which comprise the Group income statement, the Group and Company balance sheets, the Group statements of recognised income and expenses, Group statement of changes in shareholders' equity, the Group and Company cash flow statements and the related notes 1 to 26. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with Article 110 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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The Directors' responsibilities for preparing the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies (Jersey) Law 1991. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the Company has not kept proper accounting records or if we have not received all the information and explanations we require for our audit.

We read the Directors' Report for the above year and consider the implications for our report if we become aware of any apparent misstatements within it or material inconsistencies with the financial statements.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and whether the accounting policies are appropriate to the Group's and Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CAZENOVE CAPITAL HOLDINGS LIMITED (CONTINUED)

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with IFRSs as issued by the International Accounting Standards Board, of the state of the Group's affairs as at 31 December 2008 and of the Group's profit for the year then ended;
- the parent Company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the parent Company as at 31 December 2008; and
- the financial statements have been properly prepared in accordance with the Companies (Jersey) Law 1991.

Deloitte LLP

Chartered Accountants and Registered Auditors

London

2 March 2009

CONSOLIDATED INCOME STATEMENT

Year Ended 31 December 2008

	Notes	31.12.08 £'000	31.12.07 £'000
Continuing operations			
Revenue	1,2		
Investment management fees		95,738	72,911
Commission and other revenue		12,676	11,377
Net revenue		108,414	84,288
Operating expenses		(82,969)	(71,136)
Operating profit	9	25,445	13,152
Finance income	6	3,958	2,956
Finance costs	7	(18)	(13)
Gain on derecognition of Cazenove Group Limited shares	6	468	3,958
Profit before tax		29,853	20,053
Income tax expense	8	(8,985)	(6,473)
Profit attributable to equity holders of the Company		20,868	13,580

	Notes	Pence per share	Pence per share
Earnings per share	10		
Basic			
From continuing operations		9.56	6.23
From gain on derecognition of Cazenove Group Limited shares		0.21	1.82
From continuing operations excluding gain on derecognition of Cazenove Group Limited shares		9.35	4.41
Diluted			
From continuing operations		9.16	5.95
From gain on derecognition of Cazenove Group Limited shares		0.21	1.73
From continuing operations excluding gain on derecognition of Cazenove Group Limited shares		8.95	4.22

Notes 1 to 26 form part of these financial statements

CONSOLIDATED BALANCE SHEET

31 December 2008

	Notes	31.12.08 £'000	31.12.07 £'000
Assets			
Non-current assets			
Intangible assets	11	3,366	4,848
Property, plant and equipment	12	1,049	1,285
Financial assets	13	8,298	8,251
Pension asset	5	7,200	2,700
Deferred tax asset	15	723	967
Total non-current assets		20,636	18,051
Current assets			
Trade and other receivables	16	52,623	41,596
Financial assets	13	202	212
Cash and cash equivalents	20	72,850	53,342
Current tax assets		215	1,518
Total current assets		125,890	96,668
Total assets		146,526	114,719
Non-current liabilities			
Provisions	18	(1,526)	(1,489)
Deferred tax liability	15	(2,595)	(1,419)
Total non-current liabilities		(4,121)	(2,908)
Current liabilities			
Bank overdraft	20	-	(17)
Current tax liabilities		(6,753)	(3,406)
Trade and other payables	17	(54,956)	(46,564)
Total current liabilities		(61,709)	(49,987)
Total liabilities		(65,830)	(52,895)
Net assets		80,696	61,824
Equity attributable to equity holders of the Company			
Share capital	19	26,636	26,636
Other reserves	19	7,938	5,747
Retained earnings	19	45,363	30,937
Pension reserve	19	4,471	1,476
Revaluation reserve	19	3,512	4,613
EBT share reserve	19	(7,224)	(7,585)
Total equity attributable to equity holders of the Company		80,696	61,824

Approved by the Board and authorised for issue on 2 March 2009 and signed on its behalf by:

D L Mayhew (Chairman)

C Sims (Chief Financial Officer)

COMPANY BALANCE SHEET

31 December 2008

	Notes	31.12.08 £'000	31.12.07 £'000
Fixed assets			
Investments	14.1	35,366	31,629
Current assets			
Trade and other receivables	16	549	139
Cash and cash equivalents	20	11	96
		560	235
Creditors: amounts falling due within one year			
Trade and other payables	17	-	(124)
Net current assets		560	111
Net assets		35,926	31,740
Capital and reserves			
Share capital	19	26,636	26,636
Profit and loss account	19	560	111
Other reserves	19	8,730	4,993
Equity shareholders' funds		35,926	31,740

Approved by the Board and authorised for issue on 2 March 2009 and signed on its behalf by:

D L Mayhew (Chairman)

C Sims (Chief Financial Officer)

CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE

Year ended 31 December 2008

	Notes	31.12.08 £'000	31.12.07 £'000
Defined benefit plan actuarial gains	5	4,100	1,700
Net change in fair value of available-for-sale financial assets	19	(341)	1,428
Net change in fair value of available-for-sale financial assets transferred to profit or loss - CGL	6	(468)	(3,958)
Net change in fair value of available-for-sale financial assets transferred to profit or loss - other	19	(156)	-
Other tax movements	19	-	180
Other pension movements	19	43	50
Deferred taxation	15	(1,393)	(1,083)
Income and expense recognised directly in equity		1,785	(1,683)
Profit for the year		20,868	13,580
Total recognised income and expense for the year		22,653	11,897

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year Ended 31 December 2008

	Notes	31.12.08 £'000	31.12.07 £'000
Profit for the year	19	20,868	13,580
Other recognised gains and losses	19	1,785	(1,683)
Dividend paid	19	(7,051)	-
Amortisation charge	19	3,834	4,432
Distribution of Cazenove Group Limited shares	19	(564)	(5,873)
Net increase in shareholders' funds		18,872	10,456
Opening shareholders' funds		61,824	51,368
Closing shareholders' funds		80,696	61,824

CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 December 2008

	Notes	31.12.08 £'000	31.12.07 £'000
Group			
Cash flows from operating activities			
Operating Profit		25,445	13,152
Depreciation of property, plant and equipment	12	236	299
Amortisation of intangible assets	11	1,482	1,542
Foreign exchange gain		-	(434)
IAS 19 non-cash pension		(357)	(150)
Equity settled share-based payment transactions		3,834	4,586
Profit on disposal of investments		(156)	(257)
Increase in provisions	18	37	-
Movements in working capital		30,521	18,738
Change in 'Manager's Box'		10	(14)
Change in trade and other receivables		(11,997)	(11,477)
Change in trade and other payables		9,074	19,381
Change in client funding		639	6,432
Cash generated from operations		28,247	33,060
Interest paid	7	(18)	(13)
Income tax paid		(4,308)	(3,766)
Cash flows from operating activities		23,921	29,281
Cash flows from investing activities			
Interest received		4,289	1,993
Proceeds from sale of investments		-	7,276
Acquisition of property, plant and equipment	12	-	(69)
Acquisition of investments		(1,658)	(2,088)
Payment for intangible assets	11	-	(561)
Net cash generated by investing activities		2,631	6,551
Cash flows from financing activities			
Proceeds from exercise of share options		24	-
Ordinary dividends paid		(7,051)	-
Net cash used in financing activities		(7,027)	-
Net increase in cash and cash equivalents		19,525	35,832
Cash and cash equivalents at the beginning of the financial year		53,325	17,493
Cash and cash equivalents at the end of the financial year		72,850	53,325

COMPANY CASH FLOW STATEMENT

Year ended 31 December 2008

	Notes	31.12.08 £'000	31.12.07 £'000
Company			
Cash flows from operating activities			
Profit attributable to equity holders of the company		-	-
Movements in working capital			
Change in trade and other receivables	16	(410)	-
Change in trade and other payables	17	(124)	-
Cash generated from operations			
Interest paid		-	-
Income tax paid		-	-
Cash flows from operating activities			
Cash flows from financing activities			
Ordinary dividends received		7,500	-
Ordinary dividends paid		(7,051)	-
Net cash generated in financing activities			
Net decrease in cash and cash equivalents			
Cash and cash equivalents at the beginning of the financial year		96	96
Cash and cash equivalents at the end of the financial year			
		11	96

NOTES TO THE ACCOUNTS

Year ended 31 December 2008

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 2008 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 (IFRS). The effective date of transition to IFRS was 1 January 2006. The Company and its subsidiaries have elected to prepare its individual accounts in accordance with UK Generally Accepted Accounting Principles ('UK GAAP').

The following accounting policies are applicable under IFRS and UK GAAP 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, two Interpretations issued by the International Financial Reporting Interpretations Committee are effective for the current period. These are:

IFRIC 11 IFRS 2 – Group Treasury Share Transactions

This Interpretation was adopted during 2007, and thus has not led to any changes in the Group's accounting policies in the current year.

IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and this Interaction

The adoption of this Interpretation has not led to any changes in the Group's accounting policies.

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

IFRS 2 (amended) – Share-based Payment – Vesting Conditions and Cancellations

IFRS 8 – Operating Segments

IAS 1 (revised 2007) – Presentation of Financial Statements

IAS 27 (revised 2008) – Consolidated and Separate Financial Statements

The Directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the results of the Group.

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.

Going Concern

As set out in the review of business and future prospects section of the Directors' Report, the Directors believe the Group has adequate resources to continue to exist for the foreseeable future and, as such, the going concern basis continues to be adopted in preparing the financial statements.

NOTES TO THE ACCOUNTS (CONTINUED)

Year ended 31 December 2008

1. Significant accounting policies (continued)

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. All subsidiaries follow accounting policies consistent with those of the Group and have coterminous reporting periods.

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.

Critical accounting judgements and key sources of estimation uncertainty

In application of the Group's accounting policies, the Directors are required to make judgements, 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.

Valuation of LCH.Clearnet

The holding in LCH.Clearnet is a material asset of the Group (see notes 13 and 21.6). This has been valued by applying comparable price earnings ratios to reported earnings and by reference to recent transactions. The realisable value of this holding may prove to be materially different from the Directors' valuation.

Pension Asset

The calculation of the carrying value of the pension asset is highly dependent upon forward looking assumptions, including the rate of increase in salaries, the rate of increase in pensions in payment and deferred pensions, the discount rate and inflation (see notes 1 and 5).

Investments in subsidiary undertakings

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

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 of 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 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. 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.

NOTES TO THE ACCOUNTS (CONTINUED)

Year ended 31 December 2008

1. Significant accounting policies (continued)

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 and client debtors, 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.

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

Cash and cash equivalents

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

NOTES TO THE ACCOUNTS (CONTINUED)

Year ended 31 December 2008

1. Significant accounting policies (continued)

Trade and other payables

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

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 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.

Impairment

The carrying amounts of the Group's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss on an available-for-sale financial asset is calculated by reference to its current fair value. Impairment losses are recognised in the Income Statement.

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. They are included as part of staff costs within operating expenses. Past service costs are recognised immediately in the Income Statement if the benefits have vested. If the benefits have not vested immediately, 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 Recognised Income and Expenditure.

The defined benefit scheme is funded, 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 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 2008

1. Significant accounting policies (continued)

Employee share schemes

The Group has a number of employee share schemes, under which it makes equity settled share based payments to certain employees. Awards in shares include certain historic awards from the former parent before the demerger, Cazenove Group Limited ('CGL'), which are 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 on a straight line basis, together with a corresponding increase in equity 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.

The EBT holds shares in the Company and CGL. 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 are designated available-for-sale financial assets and are carried at fair value and accounted for as a distribution, by way of deduction from equity, when used to settle awards.

NOTES TO THE ACCOUNTS (CONTINUED)

Year ended 31 December 2008

1. Significant accounting policies (continued)

Current Plans

Company Share Option Plan 2006 (CSOP 2006)

The Company 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 (8 August 2006). The unapproved options vest in equal tranches on the third, fourth and fifth anniversaries of the date of demerger from CGL (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 certain employees with the ability to purchase the Group's ordinary shares at the current market value under a sharesave scheme. The Group records an expense, based on its estimate of the fair value related to shares expected to vest on a straight-line basis over the vesting period.

Cazenove Capital 2006 Share Acquisition Plan (SAP 2006)

These nil cost restricted shares and options vest in equal tranches on 31 December four and five years after the date of the demerger from CGL and expire on the tenth anniversary of the date of grant.

These restricted shares and awards have performance conditions attached. Should these conditions not be met then the awards will lapse and will be valueless.

Details of the current share option plans and restricted awards are as follows:

Current Plans £'000's	CSOP 2006 Approved	CSOP 2006 Unapproved	SAYE	SAP 2006
1 January 2008	5,597	47,536	4,707	16,527
Awards Granted	86	2,734	-	800
Awards Exercised	-	-	29	-
Awards Lapsed	795	5,985	419	730
31 December 2008	4,888	44,285	4,259	16,597

The options and restricted awards outstanding at 31 December 2008 had a weighted average exercise price of 29p (2007: 30p), and a weighted average remaining contractual life of 7 years 4 months (2007: 8 years 3 months). Options were granted on 1 and 25 January, 2 June, 1 August and 13 October 2008. The aggregate of the estimated fair values of the options granted on those dates was £326,700 (2007: £220,500). Restricted awards were granted on 1 and 25 January 2008. The aggregate of the estimated fair value of the awards granted on those dates was £280,000.

NOTES TO THE ACCOUNTS (CONTINUED)

Year ended 31 December 2008

1. Significant accounting policies (continued)

Legacy Plans

A number of share plans were in existence prior to the demerger from CGL. As a consequence of this demerger, restricted shares and share options held by participants in the following plans, pursuant to which shares in CGL could be acquired, and who were employees of Cazenove Capital Management Limited, were adjusted following the share capital consolidation of CGL:

The Cazenove Share Plan (CSP)

The Cazenove Group Share Plan 2003 (Unapproved Section) (CSOP 2003)

The Cazenove Group 2005 Restricted Share Plan (RSP 2005)

The Cazenove Group Quarterly Equity Points Plan (QEPP)

Details of the legacy plan share options and restricted awards are as follows:

Current Plans £'000's	CSOP 2003	CSP	RSP 2005	QEPP
1 January 2008	155	153	412	19
Awards Granted	-	-	-	-
Awards Exercised	7	-	411	-
Awards Lapsed	-	5	1	-
31 December 2008	148	148	-	19

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 profit and loss account over the vesting period of the awards.

Employee Benefit Trust

The EBT holds shares in the Company, shares in CGL and investments in certain funds managed by the Group that will be used to settle awards to employees. 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 are recorded as a distribution in equity as they represent a transaction among the shareholders prior to the demerger.

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.

NOTES TO THE ACCOUNTS (CONTINUED)

Year ended 31 December 2008

1. Significant accounting policies (continued)

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.

The Group has entitlement to earn performance fees from certain funds it manages where the actual performance of the relevant fund's 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. Trail commissions are recorded when the amount receivable is certain.

Finance income

Other 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 and accounted for the 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.

Leasing

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 profit and loss account 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 such 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, except where the review date on which the rent is first expected to be the prevailing market rate is shorter than the full lease term, in which case the shorter period is used.

NOTES TO THE ACCOUNTS (CONTINUED)

Year ended 31 December 2008

1. Significant accounting policies (continued)

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 31.12.08 £'000	Year ended 31.12.07 £'000
Fund management and performance fees	95,738	72,911
Commissions and other revenue	12,676	11,377
	108,414	84,288

3. Segment reporting

The Group operates as a single asset management business, and the Directors do not consider the different sources of revenue within the business as separate business or geographic segments within the meaning of IAS 14 Segment Reporting. The risks and returns to the Group across the different income sources are not significantly different. The Group provides asset management services to its clients across the different income sources. On this basis the Group is considered to operate as a single segment investment management business.

4. Personnel expenses

The average number of employees employed by the Group during the year was 262 (2007: 242).

Staff costs are analysed below:

	Year ended 31.12.08 £'000	Year ended 31.12.07 £'000
Wages and salaries	51,057	39,993
Compulsory social security contributions	5,492	3,680
Current service costs of defined benefit plans	1,700	2,000
Contributions to defined contribution plans	880	631
	59,129	46,304

Employee pension costs are further disclosed in Note 5.

NOTES TO THE ACCOUNTS (CONTINUED)

Year ended 31 December 2008

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 Cazenove Capital paid cash contributions of £879,657 during the year (2007: £631,249). For employees who joined Cazenove Capital prior to 6 April 2003, the arrangement is the Cazenove Capital Management Pension Scheme ('the Scheme'), a defined benefit scheme, which was set up on 28 February 2005. The current service cost charged to administrative expenses for the year ended 31 December 2008 was £1,700,000 (2007: £2,000,000). The estimated service cost for 2009 is £1,300,000. The Scheme provides members with benefits relating to salary and service at rates defined under the Scheme rules. The benefits are financed by payments to trustee administered funds held separately from the Group. These payments are in accordance with rates recommended by the Scheme's Actuary, based upon the projected unit method of valuation.

The last full actuarial valuation of the Scheme was carried out on 5 April 2006. Employer contributions to the Scheme have been 19% of pensionable salaries until 1 April 2007, after which date the employer contribution rate has been 30.4%. The interim actuarial valuations for the purposes of these disclosures were carried out on 31 December 2008 by a qualified independent actuary.

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

	31.12.08 % per annum	31.12.07 % per annum
Rate of increase in salaries	3.8	4.4
Rate of increase in pensions in payment and deferred pensions:		
• Pre April 1997	3.0	3.0
• April 1997- April 2005	2.7	3.4
• Post April 2005	2.0	2.4
Discount rate	6.2	5.8
Inflation	2.8	3.4

NOTES TO THE ACCOUNTS (CONTINUED)

Year ended 31 December 2008

5. Pension arrangements (continued)

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

	Long term rate of return expected at 31.12.08 % per annum	Value at 31.12.08 £'000	Long term rate of return expected at 31.12.07 % per annum	Value at 31.12.07 £'000
Net pension assets:				
Equities	6.5	8,800	7.0	7,200
Property	5.5	1,000	6.0	800
Government bonds	3.9	15,500	4.5	14,900
Corporate bonds	5.8	600	-	-
Other	2.8	300	6.3	2,000
Average expected long term rate of return	4.8		5.4	
Total market value of assets		26,200		24,900
Present value of Scheme liabilities		(19,000)		(22,200)
Surplus in the Scheme		7,200		2,700

Movement in surplus

	Year ended 31.12.08 £'000	Year ended 31.12.07 £'000
Surplus in Scheme at beginning year	2,700	300
Current service cost	(1,700)	(2,000)
Contributions	2,000	2,200
Other finance costs	100	500
Actuarial gain	4,100	1,700
Surplus in Scheme	7,200	2,700

Changes to the present value of the defined benefit obligation

	Year ended 31.12.08 £'000	Year ended 31.12.07 £'000
Opening defined benefit obligation	22,200	21,400
Current service cost	1,700	2,000
Interest cost	1,300	1,100
Actuarial gains on Scheme liabilities	(6,100)	(2,100)
Net benefits paid out	(100)	(200)
Closing defined benefit obligation	19,000	22,200

NOTES TO THE ACCOUNTS (CONTINUED)

Year ended 31 December 2008

5. Pension arrangements (continued)

Changes to the fair value of the scheme assets

	Year ended 31.12.08 £'000	Year ended 31.12.07 £'000
Opening fair value of Scheme assets	24,900	21,700
Expected return on Scheme assets	1,400	1,600
Actuarial loss on Scheme assets	(2,000)	(400)
Contribution by the employer	2,000	2,200
Net benefits paid out	(100)	(200)
	26,200	24,900

Actual return on scheme assets

	Year ended 31.12.08 £'000	Year ended 31.12.07 £'000
Expected return on Scheme assets	1,400	1,600
Actuarial loss on Scheme assets	(2,000)	(400)
Actual return on Scheme assets	(600)	1,200

Analysis of the amount charged to operating profit

	Year ended 31.12.08 £'000	Year ended 31.12.07 £'000
Current service cost	1,700	2,000

Analysis of the amount credited to other finance income

	Year ended 31.12.08 £'000	Year ended 31.12.07 £'000
Expected return on Scheme assets	1,400	1,600
Interest on Scheme liabilities	(1,300)	(1,100)
Net income (see note 6)	100	500

Analysis of amount recognised in the statement of recognised income and expense (SORIE)

	Year ended 31.12.08 £'000	Year ended 31.12.07 £'000
Actual return less expected return on Scheme assets	(2,000)	(400)
Changes in assumptions underlying the present value of Scheme liabilities	6,100	2,100
Actuarial gain recognised in SORIE	4,100	1,700

NOTES TO THE ACCOUNTS (CONTINUED)

Year ended 31 December 2008

5. Pension arrangements (continued)

History of experience gains and losses

	Year ended 31.12.08	Year ended 31.12.07
Difference between the expected and actual return on Scheme:		
Assets (£'000)	(2,000)	(400)
Percentage of Scheme assets	7.63%	1.67%
Total amount recognised in SORIE:		
Amount (£'000)	4,100	1,700
Percentage of the present value of the Scheme liabilities	15.65%	7.67%

6. Finance income

	Year ended 31.12.08 £'000	Year ended 31.12.07 £'000
Recognised in profit or loss		
Income on available-for-sale financial assets	195	423
Interest income	3,663	2,033
Other finance income	100	500
Finance income	3,958	2,956

An exceptional gain on derecognition of Cazenove Group Limited shares held in the EBT amounting to £468,000 (2007: £3,958,000) represents the recycling to the income statement of accumulated revaluation gains recognised in the revaluation reserve under the fair value provisions of IAS 39. Such shares are either sold or used to satisfy share based awards to employees. In view of the nature, magnitude and materiality of this gain it has been highlighted as exceptional and, subject to changes in the fair value of CGL shares, may recur until all such shares are derecognised as the remaining share awards are exercised. See note 14.2.

7. Finance costs

	Year ended 31.12.08 £'000	Year ended 31.12.07 £'000
Recognised in profit or loss		
Interest expense	(18)	(13)

NOTES TO THE ACCOUNTS (CONTINUED)

Year ended 31 December 2008

8. Income tax expense in the income statement

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

	Year ended 31.12.08 £'000	Year ended 31.12.07 £'000
Current tax expense		
Current year	9,069	4,977
Adjustment for prior years	(291)	177
Overseas tax	180	76
	<u>8,958</u>	<u>5,230</u>
Deferred tax expense		
Origination and reversal of temporary differences	23	1,107
Reduction in tax rate	8	11
Adjustment for prior years	(4)	125
	<u>27</u>	<u>1,243</u>
Total income tax expense	<u>8,985</u>	<u>6,473</u>

Reconciliation of effective tax rate

	Year ended 31.12.08 Rate	Year ended 31.12.08 £'000	Year ended 31.12.07 Rate	Year ended 31.12.07 £'000
Profit for the year		20,868		13,580
Total income tax expense		8,985		6,473
Profit excluding income tax		<u>29,853</u>		<u>20,053</u>
Income tax using the UK tax rate	28.50%	8,508	30.00%	6,016
Factors affecting charge:				
Expenses not deductible for tax purposes	1.27%	380	1.99%	398
Tax free profit on revaluation	(0.98)%	(293)	(5.91)%	(1,186)
Depreciation on non qualifying assets	0.06%	18	0.08%	17
Share option expense for which no tax relief	2.56%	764	4.77%	957
Marginal relief/Small companies rate	(0.04)%	(12)	(0.02)%	(4)
Overseas tax rates	(0.26)%	(77)	(0.19)%	(38)
Prior year movement in deferred tax	(0.01)%	(4)	0.62%	125
Prior year adjustments	(0.97)%	(291)	0.88%	177
Deferred tax rate adjustment	0.03%	8	0.06%	11
Non taxable dividend income	(0.09)%	(28)	-	-
Other	0.04%	12	-	-
Current tax charge for the year	<u>30.11%</u>	<u>8,985</u>	<u>32.28%</u>	<u>6,473</u>

NOTES TO THE ACCOUNTS (CONTINUED)

Year ended 31 December 2008

9. Operating profit

	Note	Year ended 31.12.08 £'000	Year ended 31.12.07 £'000
Group			
Audit fees		138	145
Amortisation of purchased intangible assets	11	1,482	1,542
Depreciation of property, plant and equipment	12	236	299
Operating lease rentals	22	1,663	1,609
Personnel expenses	4	59,129	46,304

Audit fees in respect of the Company for the year to 31 December 2008 were £34,000 (2007: £40,000)

The Group also paid its auditors £205,000 (2007: £136,000) for the provision of services relating to tax and employee compensation plans as follows:

Tax services	165	89
Remuneration services	40	39
Total non-audit fees	205	128
Fees payable to the Company's auditors in respect of and by associated pension schemes	8	8
	213	136

10. Earnings per share

	Year ended 31.12.08 Pence per share	Year ended 31.12.07 Pence per share
Basic earnings per share	9.56	6.23
Diluted earnings per share	9.16	5.95
From gain on derecognition of Cazenove Group Limited shares		
Basic	0.21	1.82
Diluted	0.21	1.73
From continuing operations excluding gain on derecognition of Cazenove Group Limited shares		
Basic	9.35	4.41
Diluted	8.95	4.22

NOTES TO THE ACCOUNTS (CONTINUED)

Year ended 31 December 2008

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 31.12.08 £'000	Year ended 31.12.07 £'000
Earnings used in the calculation of basic earnings per share from continuing operations	20,868	13,580
Gain on derecognition of Cazenove Group Limited shares	468	3,958
Earnings excluding gain on derecognition of Cazenove Group shares	20,400	9,622
Weighted average number of ordinary shares for the purposes of basic earnings per share	218,195,732	218,092,697

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 31.12.08	Year ended 31.12.07
Weighted average number of ordinary shares used in the calculation of basic earnings per share	218,195,732	218,092,697
Employee options	9,658,762	10,071,365
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	227,854,494	228,164,062

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, despite the grantees of some of the related share awards being entitled to dividends during the vesting period. 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.

	Year ended 31.12.08 Pence per share	Year ended 31.12.07 Pence per share
Illustrative earnings per share based on shares in issue		
From continuing operations	8.63	5.61
From gain on derecognition of Cazenove Group Limited shares	0.20	1.63
From continuing operations excluding gain on derecognition of Cazenove Group Limited shares	8.43	3.98
Illustrative earnings per share based on authorised shares		
From continuing operations	6.96	4.53
From gain on derecognition of Cazenove Group Limited shares	0.16	1.32
From continuing operations excluding gain on derecognition of Cazenove Group Limited shares	6.80	3.21

NOTES TO THE ACCOUNTS (CONTINUED)

Year ended 31 December 2008

11. Intangible assets

	Year ended 31.12.08 £'000	Year ended 31.12.07 £'000
Cost		
Balance at 1 January	7,557	6,996
Additions	-	561
Balance at 31 December	7,557	7,557
Amortisation		
Balance at 1 January	2,709	1,167
Amortisation for the year	1,482	1,542
Balance at 31 December	4,191	2,709
Carrying amounts		
Balance at 31 December	3,366	4,848

Intangible assets comprise expenditure on software development to enhance the operational effectiveness of the Group and to provide better service to its clients. Software development costs are capitalised when the criteria for capitalisation of the costs are met. Amortisation of software development intangible assets is included in other operating expenses.

12. Property, plant and equipment

	Leasehold improvements £'000	Fixtures, fittings and equipment £'000	Reinstatement costs £'000	Total £'000
Group				
Cost				
Balance at 1 January 2007	2,682	792	1,391	4,865
Additions	-	69	98	167
Balance at 31 December 2007	2,682	861	1,489	5,032
Additions	-	-	-	-
Disposals	(15)	-	-	(15)
Balance at 31 December 2008	2,667	861	1,489	5,017
Depreciation				
Balance at 1 January 2007	2,645	387	416	3,448
Depreciation for the year	8	233	58	299
Balance at 31 December 2007	2,653	620	474	3,747
Depreciation for the year	11	161	64	236
Elimination on disposals	(15)	-	-	(15)
Balance at 31 December 2008	2,649	781	538	3,968
Carrying amounts				
Balance at 31 December 2007	29	241	1,015	1,285
Balance at 31 December 2008	18	80	951	1,049

NOTES TO THE ACCOUNTS (CONTINUED)

Year ended 31 December 2008

13. Financial assets

	31.12.08 £'000	31.12.07 £'000
Non-current financial assets		
Available-for-sale financial assets		
CGL shares	1,293	2,974
Funds managed by the Group	3,496	2,277
Total Employee Benefit Trust holdings	4,789	5,251
Non-current financial asset (LCH.Clearnet)	3,509	3,000
	8,298	8,251
Current financial assets		
Current asset investments	202	212

Available-for-sale investments comprise the EBT's holdings in CGL shares and certain investment funds managed by the Group, and an unlisted investment in LCH.Clearnet.

The CGL shares were inherited as part of the demerger of Cazenove Capital Management Limited from its former parent company and ensure the Group is in a position to settle, without further cash obligation, awards made to employees over former parent Company shares prior to the demerger. Such shares are therefore restricted and not available for distribution to all shareholders. The historic awards over such former parent company shares are accounted for as equity settled and when such shares are utilised to meet awards that vest the fair value of the shares is recorded as a direct deduction from equity and classified as a distribution. The EBT's holding is valued at the last known dealing price for CGL shares.

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 dealing price nearest to the balance sheet date.

The investment in LCH.Clearnet was also inherited from the Group's former parent company. It is valued by the Directors by applying comparable price earnings ratio to reported earnings and by reference to recent transactions.

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.

14. Group holdings

14.1 Group entities

Subsidiaries:	31.12.08
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 (incorporated on 28 February 2007)	Nominee company
Cazenove New Europe (CFM1) Limited	Non-trading

NOTES TO THE ACCOUNTS (CONTINUED)

Year ended 31 December 2008

14. Group holdings (continued)

14.1 Group entities (continued)

Subsidiaries:		31.12.08
Company		Principal activity
Cazenove New Europe (PPI) Limited		Non-trading
Cazenove New Europe Staff Interest Limited		Non-trading
Cazenove New Europe Cazenove's Interest Limited		Non-trading
Cazenove Private Equity Limited		Non-trading
Lerisson Nominees Limited		Nominee company

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 £35,366,000 (2007: £31,629,000). The increase reflects the contribution of the Company's shares to CCM, to settle share awards made to CCM's employees. All companies are wholly owned 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.

The following Group companies were placed into liquidation in 2008:

Company	Principal activity
CCM International Holdings Limited	Intermediate holding company

14.2 Employee Benefit Trust (EBT)

The EBT holds shares in CGL and the Company; the numbers of shares held by the EBT in these companies were as follows:

	31.12.08 Shares in CGL	31.12.08 Shares in the Company	31.12.07 Shares in CGL	31.12.07 Shares in the Company
Cazenove Capital Management				
Employee Benefit Trust holding	492,457	23,429,084	809,982	23,842,037

The EBT also holds CGL B shares as a means of conveying a 156p capital redemption made to certain option holders before the demerger. As at 31 December 2008, the EBT held 71,237 (2007: 88,737) B shares which have not yet been used to satisfy options.

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

NOTES TO THE ACCOUNTS (CONTINUED)

Year ended 31 December 2008

15. Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	31.12.08 £'000	31.12.07 £'000	31.12.08 £'000	31.12.07 £'000	31.12.08 £'000	31.12.07 £'000
Property and equipment	-	-	(37)	(258)	(37)	(258)
Available-for-sale financial assets	-	-	(541)	(405)	(541)	(405)
Share based payments	723	825	-	-	723	825
Pension contributions	-	142	(2,017)	(756)	(2,017)	(614)
Net tax assets/(liabilities)	723	967	(2,595)	(1,419)	(1,872)	(452)

Movement in temporary differences during the year

	Balance 01.01.07 £'000	Recognised in profit or loss £'000	Recognised in equity £'000	Balance 31.12.07 £'000	Recognised in profit or loss £'000	Recognised in equity £'000	Balance 31.12.08 £'000
Property and equipment	334	(76)	-	258	(221)	-	37
Available-for-sale financial assets	354	-	51	405	-	136	541
Share based payments	(2,192)	909	458	(825)	(7)	109	(723)
Pension contributions	(370)	410	574	614	255	1,148	2,017
	(1,874)	1,243	1,083	452	27	1,393	1,872

16. Trade and other receivables

	31.12.08 £'000	31.12.07 £'000
Trade receivables	49,491	36,902
Other receivables	3,132	4,694
	52,623	41,596
Company		
Trade receivables due from subsidiary undertakings	549	139

NOTES TO THE ACCOUNTS (CONTINUED)

Year ended 31 December 2008

17. Trade and other payables

	31.12.08 £'000	31.12.07 £'000
Group		
Trade payables	26,514	23,760
Other payables	25,794	20,366
Non-trade payables and accrued expenses	2,648	2,438
	54,956	46,564
Company		
Amount owed to subsidiary undertakings	-	124
	-	124

18. Provisions

	Reinstatement provision £'000
Group	
Non-current	
Balance at 1 January 2008	1,489
Provisions made during the year	37
Balance at 31 December 2008	1,526

The reinstatement provision 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.

NOTES TO THE ACCOUNTS (CONTINUED)

Year ended 31 December 2008

19. Share capital and reserves

Group

	Attributable to equity holders of the Company						
	Retained earnings £'000	Pension reserve £'000	Other reserves £'000	Revaluation reserve £'000	EBT share reserve £'000	Share capital £'000	Total equity £'000
Balance at 31 December 2006	19,204	300	6,264	7,194	(8,230)	26,636	51,368
Profit for the year	13,580	-	-	-	-	-	13,580
Other tax movements	180	-	-	-	-	-	180
Pensions							
Actuarial gain	-	1,700	-	-	-	-	1,700
Other pension movement	-	50	-	-	-	-	50
Deferred taxation	-	(574)	-	-	-	-	(574)
EBT and equity amortisation							
Amortisation charge	-	-	4,432	-	-	-	4,432
Decrease in own shares	-	-	(645)	-	645	-	-
Amortisation relating to exercised / lapsed shares	3,846	-	(3,846)	-	-	-	-
Distribution of CGL shares	(5,873)	-	-	-	-	-	(5,873)
Recycling gain on derecognition	-	-	-	(3,958)	-	-	(3,958)
Deferred taxation	-	-	(458)	-	-	-	(458)
Revaluations							
Available-for-sale revaluations	-	-	-	1,428	-	-	1,428
Deferred taxation	-	-	-	(51)	-	-	(51)
Balance at 31 December 2007	30,937	1,476	5,747	4,613	(7,585)	26,636	61,824
Profit for the year							
Profit for the year	20,868	-	-	-	-	-	20,868
Dividend paid	(7,051)	-	-	-	-	-	(7,051)
Pensions							
Actuarial gain	-	4,100	-	-	-	-	4,100
Other pension movements	-	43	-	-	-	-	43
Deferred taxation	-	(1,148)	-	-	-	-	(1,148)
EBT and equity amortisation							
Amortisation charge	-	-	3,834	-	-	-	3,834
Decrease in own shares	(361)	-	-	-	361	-	-
Amortisation relating to exercised / lapsed shares	1,534	-	(1,534)	-	-	-	-
Distribution of CGL shares	(564)	-	-	-	-	-	(564)
Recycling gain on derecognition - CGL	-	-	-	(468)	-	-	(468)
Recycling gain on derecognition - other	-	-	-	(156)	-	-	(156)
Deferred taxation	-	-	(109)	-	-	-	(109)
Revaluations							
Available-for-sale revaluations	-	-	-	(341)	-	-	(341)
Deferred taxation	-	-	-	(136)	-	-	(136)
Balance at 31 December 2008	45,363	4,471	7,938	3,512	(7,224)	26,636	80,696

NOTES TO THE ACCOUNTS (CONTINUED)

Year ended 31 December 2008

19. Capital and reserves (continued)

Company

	Retained earnings £'000	Other reserves £'000	Share capital £'000	Total equity £'000
Balance at 31 December 2007	111	4,993	26,636	31,740
Dividend from subsidiaries	7,500	-	-	7,500
Dividend paid	(7,051)	-	-	(7,051)
Capital contribution	-	3,737	-	3,737
Balance at 31 December 2008	560	8,730	26,636	35,926

Group and Company

Share capital

	31.12.08 Number of shares	31.12.08 £'000	31.12.07 Number of shares	31.12.07 £'000
Authorised				
Ordinary shares of no par value	300,000,000	-	250,000,000	-
P ordinary shares of no par value	-	-	50,000,000	-
Allotted, issued and fully paid				
Ordinary shares of no par value	241,934,732	26,636	241,934,732	26,636

Following shareholder approval at the AGM the remaining authorised but unissued P ordinary shares were converted to ordinary shares during the year.

Dividends

A final dividend of 3 pence per share was declared and paid by the Company during the current year (2007 : Nil). The Directors recommend payment of a dividend of 3 pence per share on 5 May 2009.

20. Cash and cash equivalents

	31.12.08 £'000	31.12.07 £'000
Group		
Bank balances	72,850	53,342
Cash and cash equivalents	72,850	53,342
Bank overdrafts used for cash management purposes	-	(17)
Cash and cash equivalents in the statement of cash flows	72,850	53,325
Company		
Bank balances	11	96
Cash and cash equivalents	11	96
Bank overdrafts used for cash management purposes	-	-
Cash and cash equivalents in the statement of cash flows	11	96

NOTES TO THE ACCOUNTS (CONTINUED)

Year ended 31 December 2008

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

Price 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 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 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 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 (2007: £136,000).

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.

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

NOTES TO THE ACCOUNTS (CONTINUED)

Year ended 31 December 2008

21 Financial instruments (continued)

21.1 Financial risk management (continued)

Market risk (continued)

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.

Price risk

The Group is exposed to price risk in respect of the funds it manages as a significant proportion of revenue is based upon these values. The continued diversification of asset classes underlying fund management services offered and absolute return based products mitigate this risk to an acceptable level.

The Group is also exposed to price risk in relation to its investment in LCH.Clearnet.

21.2 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 £255,000/(£255,000).

21.3 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:

	Carrying amount 31.12.08 £'000	Carrying amount 31.12.07 £'000
Current asset investments	202	212
Cash and cash equivalents*	72,850	53,342
Trade and other receivables	52,623	41,596
	125,675	95,150

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

21.4 Liquidity risk

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

	31.12.08 £'000	31.12.08 £'000	31.12.07 £'000	31.12.07 £'000
	Carrying amount	6 months or less	Carrying amount	6 months or less
Bank overdraft	-	-	(17)	(17)
Trade and other payables	(54,956)	(54,956)	(46,564)	(46,564)
	(54,956)	(54,956)	(46,581)	(46,581)

NOTES TO THE ACCOUNTS (CONTINUED)

Year ended 31 December 2008

21 Financial instruments (continued)

21.5 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:

	31.12.08 Carrying amount £'000	31.12.08 Fair value £'000	31.12.07 Carrying amount £'000	31.12.07 Fair value £'000
Available-for-sale financial assets	8,298	8,298	8,251	8,251
Current asset investments	202	202	212	212
Loans and receivables	52,623	52,623	41,596	41,596
Cash and cash equivalents	72,850	72,850	53,342	53,342
Trade and other payables	(54,956)	(54,956)	(46,564)	(46,564)
Bank overdraft	-	-	(17)	(17)
	79,017	79,017	56,820	56,820

21.6 Sensitivity to price risk

The Group is exposed to price risk in relation to its holdings in LCH.Clearnet and the EBT's holding of funds managed by the Group.

The sensitivity of the Group's profits after tax and reserves to changes in the fair value of these assets is shown in the table below:

	Fair value £'000	Fluctuation	Impact Profit after tax £'000	Reserves £'000
LCH.Clearnet	3,509	+/- 5%	0	+/- 175
EBT Fund holding	3,496	+/- 5%	-/+ 57	+/- 118

A sensitivity analysis has not been provided for the other classes of asset and liability as it is not considered to be material.

22. Operating leases

Non-cancellable operating lease rentals are payable as follows:

	Year ended 31.12.08 £'000	Year ended 31.12.07 £'000
Annual rental in respect of leases which expire:		
More than five years	1,663	1,609

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

23. Capital commitments

At 31 December 2008, the Group had no capital commitments (2007: £nil).

NOTES TO THE ACCOUNTS (CONTINUED)

Year ended 31 December 2008

24. Contingencies

The Board is not aware of any contingencies requiring disclosure.

25. Related parties

Group

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 are Directors of Cazenove Group Limited. Mr Mayhew and Mr Power are also Directors of JPMorgan Cazenove Holdings Limited. 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 JPMorgan 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 JPMorgan Cazenove Holdings Limited, 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 period 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:

	31.12.08 £'000	31.12.07 £'000
Short-term employee benefits	2,154	1,785
Post-employee benefits	58	50
Share based payment	439	758
	2,651	2,593
Number of Directors whose emoluments are disclosed above who are members of a defined benefit pension scheme	1	1
Number of Directors whose emoluments are disclosed above who are members of a defined contribution pension scheme	2	2

Post employment benefits represent the current service cost in respect of the year for the Defined Benefit Scheme and contributions in respect of the year for the Defined Contribution Scheme.

26. Events after the balance sheet date

There are no events after the balance sheet date which require disclosure.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the third Annual General Meeting of Cazenove Capital Holdings Limited will be held in The Auditorium at 20 Moorgate, London EC2R 6DA on Wednesday 29 April at 3.30pm for the following purposes:

Ordinary Business

1. To receive the Report of the Directors and the Audited Accounts for the period ended 31 December 2008.
2. To re-appoint Deloitte LLP as auditors to the Company.
3. To authorise the Directors to determine the auditors' remuneration.
4. To declare a final dividend of 3 pence per share.

By Order of the Board

Helena Harvey
Company Secretary
2 March 2009

Registered Office:
Whiteley Chambers
Don Street
St Helier
Jersey
JE4 9WG

Notes

1. Only those shareholders registered in the Register of Members of the Company at 3.30 pm on 27 April 2009 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	Whiteley Chambers Don Street St Helier Jersey JE4 9WG
Registered in Jersey	No. 91495
Registrar	Ogier Fiduciary Services (Jersey) Limited Whiteley Chambers Don Street St Helier Jersey JE4 9WG
Shadow Registrar and Registrar for Lerisson Nominees Limited	Equiniti Holm Oak Business Park Martlets Way Goring by Sea Worthing West Sussex BN12 4QY
Shareholder helpline:	0871 384 2753
Auditors	Deloitte LLP Hill House 1 Little New Street London EC4A 3TR



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100% of the electricity used is generated from renewable sources, 100% of the inks used are vegetable oil based, 95% of press chemicals are recycled for further use and on average 99% of any waste associated with this production will be recycled.