Cazenove Capital Holdings Limited

Annual Report and Consolidated Financial Statements – Year ended 31 December 2009

CONTENTS

CHAIRMAN'S STATEMENT

I have pleasure in presenting the Cazenove Capital Holdings Annual Report for 2009. In last year's Report we advised against extrapolating 2008's strong results into this year and, while 2009 has been a year of progress for your Company, in terms of revenues this caution has proved accurate.

Despite growth in management fees and transaction commissions, overall revenues fell by 15%. Our income was down for two main reasons, both of which we forecast. The most significant factor is that our hedge fund performance fees for the year are £18.4m below those generated by the outstanding performance of the funds in 2008. Secondly, the decline in returns from cash means our incomes from this source were £5.3m below last year.

This should not obscure the fact that we have continued to build both the reputation and position of the business. Much of this is due to the fact that we have looked after our clients well in the challenging circumstances of the last two years. Indeed, our revenues are 10% higher than 2007, even though the market is still well below the levels prevailing at that time. Assets under management have seen organic growth of 28% during 2009, which compares well with our peer group, thanks to another year of strong new business flows into both the Wealth Management and Investment Funds businesses. In addition, the acquisition of private wealth management company Thornhill Holdings Limited, announced in December, will bring some £650m of private client and charity assets to Cazenove Capital, taking total group assets under management to £14.5bn.

While core costs have been well controlled, there has been some exceptional expenditure incurred on separating our IT arrangements from J.P.Morgan Cazenove and the closure to future accruals of our Defined Benefit Pension Scheme. Both these moves will ultimately be beneficial to shareholders. As a result, profits before interest, tax, depreciation and amortisation were £27.1m, giving profit on ordinary activities before exceptional items and taxation of £21.7m. Basic earnings per share were 6.71 pence per share. The balance sheet also remains robust, with surplus cash well in excess of regulatory requirements.

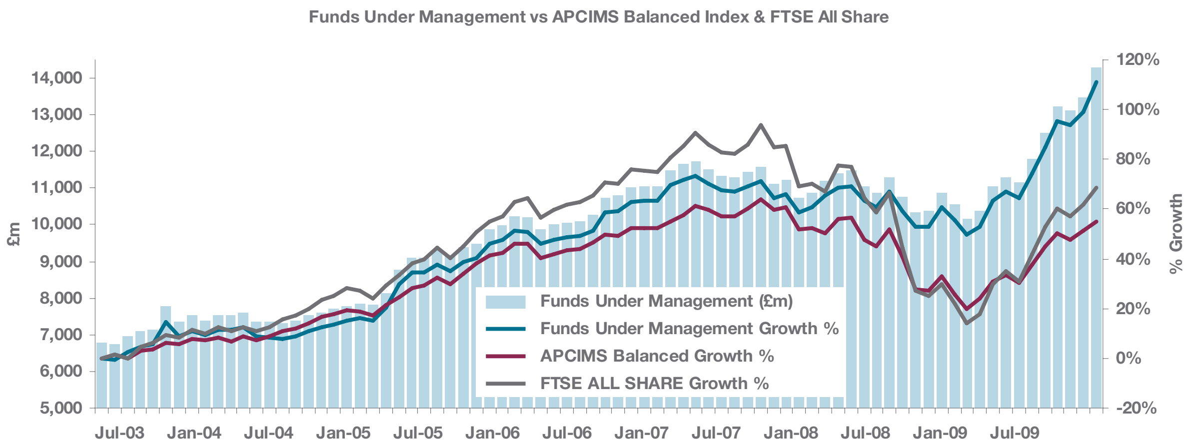
Having taken a cautious approach to the dividend last year in anticipation of a more difficult year, the Board have approved an interim dividend of 3.5 pence per share. As far as liquidity in the shares is concerned, it is the Board's intention to introduce an internal dealing facility, although this is unlikely to be before 2011. However, we are conscious of the fact that some shareholders may want to have liquidity in the current fiscal year. Therefore the Employee Benefit Trust again intends to offer to purchase shares via a tender offer before the end of March and the details will be communicated separately.

David Mayhew
Chairman

CHIEF EXECUTIVE'S REPORT

After an initial period of intense anxiety in the opening months of 2009, confidence in the outlook for both the world economy and financial markets began to improve. The catalyst for this was the unprecedented injections of liquidity undertaken by governments and central banks.

As a consequence, 2009 has in many ways been a mirror of the preceding year for Cazenove Capital. In 2008, the market offered us no help, but our investment performance was outstanding, particularly from our hedge funds. In contrast, while rising markets and strong sales meant 2009 was an excellent year for asset growth, as can be seen from the chart below, it was not a vintage one for investment performance. However, when taken together, our assets under management have increased by 23% during a two year period when the All-Share index has fallen by 9%.



The acquisition of Thornhill Holdings Limited ('Thornhill') is an excellent strategic and cultural fit which includes a well established presence in Edinburgh. Thornhill's Scottish business came out of Martin Currie in 2003 and combining this pedigree with that of Cazenove Capital will create a powerful wealth management competitor in Scotland. From a profitability point of view, there are two attractions to the transaction. First, by putting the businesses onto a single platform, we can reduce combined costs and secondly, Thornhill, which has a strong sales culture, will increase the flow of new assets into our Private Wealth Management business. We are already working hard to ensure these benefits are achieved as soon as possible.

I would again like to pay tribute to the hard work and professionalism of our employees. Managing clients' assets and relationships during this extended period of volatility continues to be extremely challenging and I thank them for their dedication in 2009. The positive developments detailed below would not have been achieved without their commitment.

Wealth Management. Assets under management for Private Clients and Charities grew by 20%, led by net sales of £367m from Private Wealth Management, a third of which came from the SIPP team. Trading revenue was also remarkably strong, largely as a result of redeploying the previously high levels of cash we held on behalf of clients from the end of the first quarter onwards.

We have employed the services of Asset Risk Consultants ('ARC'), the industry leader in Private Client portfolio performance measurement. ARC has placed all our private client portfolios onto their performance measurement

CHIEF EXECUTIVE'S REPORT (CONTINUED)

system, which demonstrates that compared to our competitors, we have performed well for clients during the last three years. ARC's system focuses on measuring volatility as well as performance, which sits well with the risk-averse approach we take to managing our clients' assets. This will be a useful marketing tool.

Charity new business numbers were not as good as 2008, reflecting a slightly lower success rate at pitches, but the pipeline of new business is strong, and we saw some good wins in the final quarter. Our unique fund of hedge funds, The Absolute Return Trust for Charities, produced a good return of approximately 10%, well ahead of target.

We believe the Cazenove Capital brand, our approach to managing private client and charity assets, the quality of our teams and our performance track record will enable us to grow our business in a market which is experiencing considerable change. The tectonic plates in the Wealth Management sector are shifting markedly, as performance problems or issues with parent companies, particularly amongst the large banking groups, cause clients to re-examine their arrangements. Our position as an independent business providing advice rather than product is very much what clients are looking for and the way in which we combine financial planning and asset management continues to set us apart from our competitors.

Investment Funds. In terms of asset growth across the product range and improved profile, 2009 has been our most successful year since this business was established in 2003. Assets under management grew by 47%, with positive flows for both long and long/short funds. We were again in the top twenty groups for net retail sales in the UK. This featured a remarkably successful launch for Cazenove UK Dynamic Absolute, our new UCITS fund, which raised £123m within one week. This complements our existing Cazenove UK Absolute Target fund which continues to sell well, notably on the Continent where demand for UCITS funds is growing rapidly. We now have over £500m of assets in these two funds. We almost doubled our credit assets, led by the Strategic Bond Fund, while the European Fund remains our highest gross selling fund. Our Multi Manager Diversity fund also continues to sell consistently. Good flows into the hedge funds now mean we have completely overturned redemptions in the early part of the year and Investment Funds' net sales for the year were £1.1bn.

Investment Performance

Long Only Funds. Our core business-cycle based equity funds in UK and Europe had a less good year in 2009 because we were a little slow to alter the cautious stance which had served our clients so well in 2008. Although we were only a few weeks late in moving to more positive positions in the spring, the short delay was costly in relative performance terms. However, the more alpha-driven funds produced some excellent performances, with UK Dynamic, UK Smaller Companies and UK Opportunities all ranked in the top quartile over the year.

The Multi Manager range also suffered from the same cautious stance, although the largest fund, Diversity, was in the second quartile and outperformed its benchmark by 9.6%. The Strategic Bond successfully exploited the narrowing in spreads in the high yield market making an absolute return of 27.6%.

Given the unprecedented nature of the past two years, it is appropriate to take a two-year view of performance and over this period all our equity and credit funds were in either the first or second quartiles. Judging performance over this distinct two-year period will be validated if, as expected, our performance benefits from a broadening in equity markets later in 2010.

Alternative Funds. After an excellent year in 2008, most of our hedge funds found the going much harder in 2009. The damage was all done in the early part of the year and our shift in stance in the Spring saw a return to consistency over the balance of the year. The exception was UK Dynamic, which benefited from some highly effective stock calls and was up by 21%.

Less than 18% of long/short equity funds produced a positive return over the last two years and all our funds are in that group. Over the longer term, they all show good average annual returns combined with low volatility and low correlation with equity markets, which is what we set out to achieve for our investors.

CHIEF EXECUTIVE'S REPORT (CONTINUED)

Outlook

While the enormous policy stimuli have averted disaster, we still see challenges ahead. Most obviously, markets will have to come to terms with less lenient monetary policy and, in many countries, a fiscal tightening. Furthermore, there is a degree to which markets have already anticipated the recovery in economic activity. In the UK, investors will have to handle the uncertainty created by a general election and a fiscal tightening that may lead to a double dip in economic activity. The good news for the UK market is that three quarters of the revenues of the quoted corporate sector are derived overseas. Even so, we believe that the index may find itself more vulnerable to domestic developments than this overseas exposure might suggest. Although we would expect to see markets move higher in the early part of the year, there may be a period of introspection when confidence weakens.

We do not expect 2010 to be a good year for government bond markets. As world activity generally improves, a reduction in monetary accommodation, whether through a withdrawal of quantitative easing or higher interest rates, is likely to push up yields. For higher-quality corporate debt, most of the excitement is now over and while we expect yield spreads for lower-quality debt over government bonds to continue to contract, this does not guarantee that yields will decline in absolute terms.

However, we feel both parts of our business are well placed to look after our clients and to grow the business in this environment. The reputation of Cazenove Capital has never been higher and we believe that continuing to focus on satisfying our clients expectations is the surest way of producing returns for our shareholders.

Andrew Ross
Chief Executive

OPERATING AND FINANCIAL REVIEW

While 2009 proved to be a difficult year, with results reflecting the predicted downturns against exceptional revenues in 2008 in hedge performance fees, interest income and foreign-exchange gains, our core revenues remained strong and cost savings were implemented in a number of areas.

Revenue

Management fees increased by 3% from £62.7m to £64.5m. This was a better than expected result given the market position and fall in assets under management in the first half of the year. Commissions and other revenue also increased by 6% from £12.7m to £13.4m. However, these gains were offset by a 56% fall from £33.1m to £14.7m in hedge performance fees. As a result, net revenue fell by 15% from £108.4m to £92.5m.

Operating expenses

In line with the fall in net revenue, operating expenses (excluding depreciation, amortisation and significant project costs) fell by 14% from £76.4m to £65.4m. As noted in our interim report, a number of cost-control initiatives were undertaken including a reduction in temporary staff employed in the business and, regrettably, we had to make a small number of positions redundant. Temporary staff costs were reduced by 52%, fixed staff costs fell by 8% and variable remuneration fell by 28%. Other operating costs fell by 3%. Consequently, earnings before interest, tax, depreciation and amortisation and before significant project costs ('EBITDA'), our key performance ratio for operating results, fell by 15%, from £32.0m to £27.1m.

OPERATING AND FINANCIAL REVIEW (CONTINUED)

Non Statutory Consolidated Income Statement Year ended 31 December 2009

	31.12.09 £'000	31.12.08 £'000	Variance
Turnover			
Investment management fees	79,162	95,738	(17)%
Management fees	64,499	62,688	3%
Hedge performance fees	14,663	33,050	(56)%
Commission and other revenue	13,378	12,676	6%
Net revenue	92,540	108,414	(15)%
Operating expenses (excluding depreciation and amortisation of share awards)	(65,428)	(76,383)	(14)%
Earnings before interest, taxation, depreciation, amortisation of share awards and project costs ('EBITDA')	27,112	32,031	(15)%
Amortisation of intangibles	(1,465)	(1,482)	(1)%
Depreciation of fixed assets	(156)	(236)	(34)%
Amortisation of share based awards and fund based remuneration	(6,733)	(4,868)	38%
	(8,354)	(6,586)	27%
Interest receivable and similar income	1,029	3,663	(72)%
Interest payable and similar charges	(1)	(18)	(94)%
Other finance income	1,927	295	553%
	2,955	3,940	(25)%
Profit on ordinary activities before taxation	21,713	29,385	(26)%
Income tax expense	(5,484)	(8,985)	(39)%
Profit on ordinary activities after taxation	16,229	20,400	(20)%
Reconciliation of profit after tax to statutory accounts			
Significant project costs			
- IT separation	(1,298)	–	
- Pension Scheme review	(174)	–	
- Thornhill acquisition	(484)	–	
	(1,956)	–	
Tax impact (at effective rate)	548	–	
	(1,408)	–	
Profit on ordinary activities after taxation and significant projects	14,821	20,400	(27)%
EBITDA after significant project costs	25,156	32,031	(21)%
Gain on derecognition of Cazenove Group Limited shares	654	468	40%
Proceeds from CGL B shares	66	–	
Gain on disposal of available-for-sale financial assets	2,966	–	
Tax on gain on disposal of available-for-sale financial asset	(463)	–	
Statutory reported profit after tax	18,044	20,868	(14)%

OPERATING AND FINANCIAL REVIEW (CONTINUED)

Tax

Income tax expense for the year decreased from £9.0m to £5.4m. The effective rate of tax fell from 30% to 23% mainly due to the large number of options exercised, the increase in the Company's share price and the reliefs obtained on the gain on disposal of LCH.Clearnet. 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 £1.8m (2008: £0.5m). This arises due to significant project costs and significant non-operating items. The Directors regard these gains and costs as outside the ordinary course of business. 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.

Significant project costs

Significant costs were incurred on three projects during 2009: the separation of IT infrastructure from J.P. Morgan Cazenove; a review of the Defined Benefit Pension Scheme; and, the acquisition of Thornhill Holdings Limited.

IT Separation

The IT separation project is underway, and costs of £1.3m have been incurred to date. We expect full separation to be achieved by September 2010.

Pensions

After consultations between the sponsoring employer and the Trustee of the defined benefit pension scheme ('The Scheme'), the Group ceased service accrual of the defined benefit pension scheme with effect from 31 December 2009. From 1 January 2010 all Group employees (excluding Jersey employees who have a separate defined contribution arrangement) have access to a defined contribution stakeholder pension scheme operated by Zurich Corporate Pensions. The Zurich defined contribution scheme replaces an earlier defined contribution arrangement operated by Threadneedle Pensions. This greatly reduces future uncertainty and risk for the Group. We are grateful for the constructive way in which both employees and the Trustees engaged with us to reach a solution.

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

Acquisition of Thornhill Holdings Limited

The Company entered into an agreement, subject to conditions, to acquire the entire issued capital of Thornhill Holdings Limited ('Thornhill'). Founded in 1985, Thornhill provides discretionary private wealth management services to its clients from offices in London and Edinburgh. Thornhill has a similar culture, approach to investment and focus on client service to Cazenove Capital, and we consider that the acquisition will strengthen our wealth management offering. The acquisition will add over £650 million of assets under management. The transaction completed on 5 January 2010. Further information is given in note 27.

OPERATING AND FINANCIAL REVIEW (CONTINUED)

Significant non-operating items

The Cazenove Capital Management Employee Benefit Trust ('EBT') holds shares in Cazenove Group Limited ('CGL') 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 Group receives no financial benefit from this. 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.

The EBT also holds CGL B shares as a means of conveying a 156p capital redemption made to certain option holders before the demerger. During the year, CGL B shares held in the EBT in excess of the requirement to satisfy legacy share options were sold. The proceeds received resulted in a one-off gain.

The LCH.Clearnet non-current financial asset was sold during the year, resulting in a large gain on disposal.

Earnings per share

Basic earnings per share decreased by 28% to 6.71 pence per share. Further information is given in note 10.

Cash

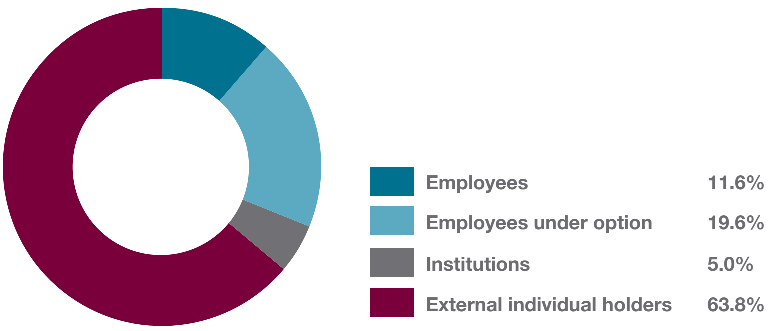
The cash position of the Group has strengthened during 2009. Net cash at bank amounted to £82.6m at 31 December 2009 compared to £72.9m at 31 December 2008. The increase in cash is mainly attributable to operating activities.

Dividends

2009 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 pay an interim dividend of 3.5 pence per share, to be paid to shareholders on 31 March 2010.

Business Overview

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



OPERATING AND FINANCIAL REVIEW (CONTINUED)

Our strategic ambitions continue to centre on the provision of first class asset management services to the top end of the 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 £6.9bn 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.

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 £1.9bn of assets on behalf of over 600 Charities. Our highly experienced Charity team designs investment strategies and provides advice on asset allocation, risk management, capital preservation, corporate governance, socially responsible investment and trustee legislation, as well as pure portfolio management. The latter is principally carried out through a broad and unique range of Common Investment Funds ('CIFs'), which are used by over 90 per cent of the charity clients. Our UK equity team has produced strong performance from the two CIF equity funds, which are amongst the most consistent funds in the sector.

Investment Funds

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

The Investment Funds business has increased to £5.1bn 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

OPERATING AND FINANCIAL REVIEW (CONTINUED)

a range of hedge funds. In addition, the Cazenove UK Dynamic Absolute Fund was launched during 2009, and had over £197.2m 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

2009 was another difficult year for equity and capital markets. More detail on the investment environment is given in the Chairman's Statement and Chief Executive's Report on pages 2 to 5.

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 in the UK, Cazenove Capital Management Limited is registered with the Securities and Exchange Commission in the US, and Cazenove Capital Management Jersey Limited is authorised and regulated by the Jersey Financial Services Commission.

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

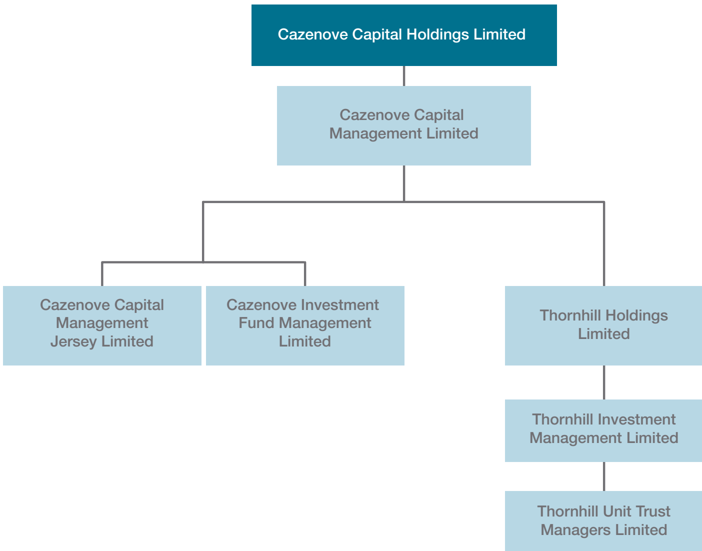
The introduction of the Capital Requirements Directive resulted in a more refined, risk-based approach to the assessment of the amount of capital regulated companies are required to hold, and the introduction of additional disclosure requirements. The level of capital that both the UK regulated subsidiaries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

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

OPERATING AND FINANCIAL REVIEW (CONTINUED)

Organisation

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



Group companies are listed in note 14.1

Risks and uncertainties

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

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

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

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

OPERATING AND FINANCIAL REVIEW (CONTINUED)

Credit risk

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

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

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

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

Market risk

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

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

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

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

OPERATING AND FINANCIAL REVIEW (CONTINUED)

Operational risk

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

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

Liquidity risk

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

Tender Offer

In May 2009, the Cazenove Capital Employee Benefit Trust made a tender offer to shareholders, and succeeded in purchasing 20,029,729 ordinary shares at a price of 48 pence per share. The Board have recommended to the Trustees of the EBT that a further tender offer be made to shareholders in March this year, and the Trustees have acceded to this request. As a result, the EBT will seek to buy up to 20,000,000 ordinary shares during the tender offer, which will open on 15 March and close on 29 March 2010. Any shares tendered will still be entitled to receive the interim dividend payable on 31 March.

Carolyn Sims
Chief Financial Officer

DIRECTORS' BIOGRAPHIES

The Board – as at 2 March 2010

Executive Directors

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

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

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

Non – Executive Directors

David Mayhew
Appointed to the Board and as a non-executive Chairman in October 2005. Mr Mayhew is Chairman of J.P. Morgan Cazenove Limited. 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.

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

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

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

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

DIRECTORS' REPORT

The Directors present their report for Cazenove Capital Holdings Limited (the 'Company') for the year ended 31 December 2009.

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 2009 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 2 to 14.

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

Post balance sheet events

The acquisition of Thornhill Holdings Limited completed on 5 January 2010. For further information see note 27.

Results and dividends

The consolidated income statement on page 22 shows a profit on ordinary activity after taxation for the year ended 31 December 2009 of £18.0m (2008: £20.9m).

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 in respect of 2008 of 3 pence per share on 5 May 2009. The Directors have approved an interim dividend in respect of 2009 of 3.5 pence per share, payable on 31 March 2010 to shareholders whose names appear on the register of members on 15 March 2010, although as the earnings from which the dividend will be paid relate to 2009, holders of shares acquired as a result of the acquisition of Thornhill Holdings Limited will not qualify for the dividend, in accordance with the share purchase agreement.

Stated capital

The Company's authorised stated capital comprises 300 million ordinary shares of no par value, of which 243,934,732 ordinary shares were in issue at the year end. The Company has not purchased shares for cancellation.

DIRECTORS' REPORT (CONTINUED)

Biographical details of the Directors are set out on page 15.

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

D L Mayhew
M J Gregson (appointed 29 July 2009)
Sir Roger Hurn
R S Jeffrey
Sir Sydney Lipworth
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-four employees undertaking professional qualifications and has provided management development training for all business operations' team leaders. In addition, the Group maintains focus on improving the way in which it communicates compensation and benefits to staff.

Creditors' payment policy

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

DIRECTORS' REPORT (CONTINUED)

Donations

No donations were paid to political organisations during the financial year under review (2008: £nil).

The Group made a number of charitable donations during the financial year totalling £13,360 (2008: £8,500).

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 57 to 60.

Auditors

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

Annual General Meeting

The 2010 Annual General Meeting will be held on Monday 12 April 2010 at 3.00pm in The Auditorium, 20 Moorgate, London EC2R 6DA. The notice of the meeting is on page 64 with details of the resolutions proposed and explanatory notes.

Election of Directors

In accordance with Jersey law, each of the directors will offer themselves for election at the Annual General Meeting.

Special business

The resolutions proposed include a Special Resolution to increase the Company's authorised stated capital to 350,000,000 by the creation of 50,000,000 new ordinary shares of no par value to rank pari passu with existing ordinary shares. The acquisition of Thornhill Holdings Limited resulted in the issue of 12,527,385 ordinary shares, placing pressure on the Company's remaining authorised but unissued stated capital. The Directors consider it is in the best interests of shareholders that the Company retains flexibility with its stated capital in case of possible future corporate activity and in order to ensure that long-term share incentive schemes remain a significant part of variable remuneration for employees. It should be emphasised that any arrangement of a significantly dilutive effect, of whatever nature, would not be proposed without shareholder consultation.

By order of the Board

Helena Harvey
Company Secretary
12 Moorgate, London EC2R 6DA
2 March 2010

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 consolidated Group financial statements in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union 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 judgments 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 IFRSs. However, Directors are also required to:

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

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

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

We have audited the Group and parent Company financial statements (the 'financial statements') of Cazenove Capital Holdings Limited (the 'Company') for the year ended 31 December 2009 which comprise the Group income statement, the Group and Company balance sheets, the Group statements of recognised income and expense, Group statement of changes in shareholders' equity, the Group and Company cash flow statements and the related notes 1 to 27. 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 consolidated Group financial statements in accordance with applicable law and International Financial Reporting Standards ('IFRSs') as adopted by the European Union, and the Company financial statements under United Kingdom Generally Accepted Accounting Practice ('UK GAAP'), 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 judgments made by the Directors in the preparation of the financial statements, and of 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 adopted by the European Union, of the state of the Group's affairs as at 31 December 2009 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 the affairs of the parent Company as at 31 December 2009; and
- the financial statements have been properly prepared in accordance with the Companies (Jersey) Law 1991.

Deloitte LLP

Chartered Accountants
London, United Kingdom
2 March 2010

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2009

	Notes	31.12.09 £'000	31.12.08 £'000
Continuing operations			
Revenue	1,2		
Investment management fees		79,162	95,738
Commission and other revenue		13,378	12,676
Net revenue		92,540	108,414
Operating expenses		(75,738)	(82,969)
Operating profit	9	16,802	25,445
Finance and other income	6	2,956	3,958
Finance costs	7	(1)	(18)
Gain on derecognition of Cazenove Group Limited shares	6	654	468
Proceeds from CGL B shares	14.2	66	–
Gain on disposal of available-for-sale financial assets	13	2,966	–
Profit before tax		23,443	29,853
Income tax expense	8	(5,399)	(8,985)
Profit attributable to equity holders of the Company		18,044	20,868

	Notes	Pence per share	Pence per share
Earnings per share	10		
Basic			
From continuing operations		8.43	9.56
From gain on significant non-operating items		1.72	0.21
From continuing operations excluding gain on significant non-operating items		6.71	9.35
Diluted			
From continuing operations		7.75	9.16
From gain on significant non-operating items		1.58	0.21
From continuing operations excluding gain on significant non-operating items		6.17	8.95

Notes 1 to 27 form part of these financial statements

CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE

Year ended 31 December 2009

	Notes	31.12.09 £'000	31.12.08 £'000
Profit for the year		18,044	20,868
Defined benefit plan actuarial (loss)/gain	19	(9,446)	4,143
Net change in fair value of available-for-sale financial assets	19	1,437	(341)
Net change in fair value of available-for-sale financial assets transferred to profit or loss			
• Cazenove Group Limited shares	6	(654)	(468)
• Cazenove Capital Funds' shares	19	(197)	(156)
• Disposal of holding in LCH.Clearnet	19	(3,211)	–
Deferred taxation	15	3,448	(1,393)
Other taxation adjustment	19	691	–
Income and expense recognised directly in equity		(7,932)	1,785
Total recognised income and expense for the year		10,112	22,653

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2009

	Notes	31.12.09 £'000	31.12.08 £'000
Profit for the year	19	18,044	20,868
Other recognised gains and losses	19	(7,932)	1,785
Total recognised income and expense for the year		10,112	22,653
Amortisation charge	19	2,635	3,834
Proceeds from share option exercises	19	4,050	–
Dividends	19	(7,317)	(7,051)
Tender offer	19	(10,488)	–
Distribution of Cazenove Group Limited shares	19	(994)	(564)
Net increase in shareholders' funds		(2,002)	18,872
Opening shareholders' funds		80,696	61,824
Closing shareholders' funds		78,694	80,696

Notes 1 to 27 form part of these financial statements

CONSOLIDATED BALANCE SHEET

31 December 2009

	Notes	31.12.09 £'000	31.12.08 £'000
Assets			
Non-current assets			
Intangible assets	11	2,128	3,366
Property, plant and equipment	12	2,237	1,049
Financial assets	13	3,790	8,298
Pension asset	5	–	7,200
Deferred tax asset	15	2,318	723
Total non-current assets		10,473	20,636
Current assets			
Trade and other receivables	16	46,479	52,623
Financial assets	13	175	202
Cash and cash equivalents	20	85,775	72,850
Current tax assets		–	215
Total current assets		132,429	125,890
Total assets		142,902	146,526
Non-current liabilities			
Provisions	18	(1,489)	(1,526)
Deferred tax liability	15	–	(2,595)
Liability for share based payments		(2,074)	–
Total non-current liabilities		(3,563)	(4,121)
Current liabilities			
Bank overdraft	20	(3,146)	–
Current tax liabilities		(3,145)	(6,753)
Trade and other payables	17	(54,354)	(54,956)
Total current liabilities		(60,645)	(61,709)
Total liabilities		(64,208)	(65,830)
Net assets		78,694	80,696
Equity attributable to equity holders of the Company			
Stated capital	19	27,336	26,636
Other reserves	19	9,318	7,938
Retained earnings	19	51,787	45,363
Pension reserve	19	-	4,471
Revaluation reserve	19	1,429	3,512
EBT share reserve	19	(11,176)	(7,224)
Total equity attributable to equity holders of the Company		78,694	80,696

Approved by the Board and authorised for issue on 2 March 2010 and signed on its behalf by:

D L Mayhew (Chairman)   C Sims (Chief Financial Officer)

COMPANY BALANCE SHEET

31 December 2009

	Notes	31.12.09 £'000	31.12.08 £'000
Fixed assets			
Investments	14.1	36,066	35,366
Current assets			
Trade and other receivables	16	729	549
Cash and cash equivalents	20	11	11
		740	560
Creditors: amounts falling due within one year			
Trade and other payables	17	–	–
Net current assets		740	560
Net assets		36,806	35,926
Capital and reserves			
Stated capital	19	27,336	26,636
Profit and loss account	19	740	560
Other reserves	19	8,730	8,730
Equity shareholders' funds		36,806	35,926

Approved by the Board and authorised for issue on 2 March 2010 and signed on its behalf by:

D L Mayhew (Chairman) C Sims (Chief Financial Officer)

CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 December 2009

	Notes	31.12.09 £'000	31.12.08 £'000
Group			
Cash flows from operating activities			
Operating profit		16,802	25,445
Depreciation of property, plant and equipment	12	156	236
Amortisation of intangible assets	11	1,465	1,482
Additional pension payments		(509)	(357)
Share based payment transactions		5,610	3,834
Profit on disposal of investments		–	(156)
(Decrease)/increase in provisions	18	(37)	37
Non-cash gain		(158)	–
Movements in working capital		23,329	30,521
Change in 'Manager's Box'		27	10
Change in trade and other receivables		5,390	(11,997)
Change in trade and other payables		(602)	9,074
Change in client funding		681	639
Cash generated from operations		28,825	28,247
Interest paid	7	(1)	(18)
Income tax paid		(8,843)	(4,308)
Cash flows from operating activities		19,981	23,921
Cash flows from investing activities			
Interest received		609	4,289
Dividends received		683	–
Proceeds from sale of investments		3,832	–
Acquisition of property, plant and equipment	12	(1,344)	–
Acquisition of investments		–	(1,658)
Payment for intangible assets	11	(227)	–
Net cash generated by investing activities		3,553	2,631
Cash flows from financing activities			
Tender offer	19	(10,488)	–
Proceeds from exercise of share options	19	4,050	24
Ordinary dividends paid	19	(7,317)	(7,051)
Net cash used in financing activities		(13,755)	(7,027)
Net increase in cash and cash equivalents		9,779	19,525
Cash and cash equivalents at the beginning of the financial year		72,850	53,325
Cash and cash equivalents at the end of the financial year		82,629	72,850

COMPANY CASH FLOW STATEMENT

Year ended 31 December 2009

	Notes	31.12.09 £'000	31.12.08 £'000
Company			
Cash flows from operating activities			
Loss attributable to equity holders of the company		(3)	–
Movements in working capital		(3)	–
Change in trade and other receivables	16	(180)	(410)
Change in trade and other payables	17	–	(124)
Cash generated from operations		(183)	(534)
Interest paid		–	–
Income tax paid		–	–
Cash flows from operating activities		(183)	(534)
Cash flows from financing activities			
Ordinary dividends received		7,500	7,500
Ordinary dividends paid	19	(7,317)	(7,051)
Net cash generated in financing activities		183	449
Net decrease in cash and cash equivalents		–	(85)
Cash and cash equivalents at the beginning of the financial year		11	96
Cash and cash equivalents at the end of the financial year		11	11

NOTES TO THE ACCOUNTS

Year ended 31 December 2009

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 2009 present the results of the Company and its subsidiaries (together referred to as the 'Group').

Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ('IFRSs'). The effective date of transition to IFRS was 1 January 2006. The Company and its subsidiaries have elected to prepare 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

The Group has adopted the following Standards, Amendments and Interpretations during the year:

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

This amendment has not led to any changes in the Group's accounting policies.

IFRS 3 (revised 2008) – Business Combinations

Expenses incurred in relation to the acquisition of Thornhill Holdings Limited have been expensed in accordance with this revision.

IFRS 7 (revised 2009) – Financial Instruments: Disclosures

This revision has resulted in additional disclosures in the financial statements (see note 21.7).

IFRS 8 – Operating Segments

This replaces IAS 14 – Segmental Reporting and introduces the management approach to segment reporting. This Standard requires a change in the presentation and disclosure of segment information based on the internal reports regularly reviewed by the Company's chief operating decision maker in order to assess each segment's performance and to allocate resources to them. This Standard has resulted in financial information being disclosed for the two identified business segments: Investment Funds and Wealth Management (see note 3). Early adoption of the April 2009 amendment has been made in these financial statements, which no longer requires total assets to be disclosed by segment if this information is not provided to the chief operating decision maker.

IAS 1 (revised 2007) – Presentation of Financial Statements

For consistency with prior year accounts, the Group is applying the alternative presentation by recognising all items of income and expense in two statements. To comply with the revised Standard the consolidated statement of recognised income and expense is now displayed directly after the consolidated income statement, and begins with the profit for the year.

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

This revision has no impact on the financial statements.

NOTES TO THE ACCOUNTS (CONTINUED)

Year ended 31 December 2009

1. Significant accounting policies (continued)

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

IFRS 2 (amended) – Share-based Payment – Group cash settled share based payment transactions

IAS 7 (amended) – Statement of Cash Flows – Classification of expenditures on unrecognised assets

Theses Amendments are effective in annual periods beginning on or after 1 January 2010. The Directors anticipate that the adoption of these Amendments in the 2010 financial statements 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.

Basis of going concern

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

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries and the Cazenove Capital Management Employee Benefit Trust ('EBT')). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. 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 judgments and key sources of estimation uncertainty

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

- Pension asset

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

NOTES TO THE ACCOUNTS (CONTINUED)

Year ended 31 December 2009

1. Significant accounting policies (continued)

- Deferred Tax

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

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 associated with the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled. Financial instruments are recognised initially at fair value, plus, for instruments not categorised as fair value through profit or loss, any directly attributable transaction costs.

The following IFRS categorisations have been applied to financial instruments:

Available-for-sale financial assets: The Group's investments in unlisted direct equity holdings 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.

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.

NOTES TO THE ACCOUNTS (CONTINUED)

Year ended 31 December 2009

1. Significant accounting policies (continued)

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

Trade and other payables

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

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.

NOTES TO THE ACCOUNTS (CONTINUED)

Year ended 31 December 2009

1. Significant accounting policies (continued)

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

Employee benefits

Defined benefit pension plan
For the defined benefit scheme, the amounts charged to operating profit are the current service costs and gains and losses on settlements and curtailments. Current service costs are included as part of staff costs within operating expenses, gains and losses on settlements and curtailments are included under finance income. Past service costs are recognised immediately in the income statement if the benefits have vested. If the benefits have not vested 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, if recognised, is presented separately as a non-current asset or liability on the face of the balance sheet.

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

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

NOTES TO THE ACCOUNTS (CONTINUED)

Year ended 31 December 2009

1. Significant accounting policies (continued)

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

The EBT held shares in the Company and CGL during the year. Such shares may be used to settle share based payment awards to employees who are participants. Holdings in the Company are deducted from equity. Holdings in CGL are carried at fair value and accounted for as a distribution, by way of deduction from equity, when used to settle awards.

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.

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. The unapproved options vest in equal tranches on the third, fourth and fifth anniversaries of the date of demerger from Cazenove Group Limited (30 December 2005). If the options remain unexercised after a period of ten years from the date of grant the options expire. In certain circumstances, options are forfeited if the employee leaves the Group before the options vest.

Sharesave Scheme ('SAYE')

The Group also provides certain employees with the ability to purchase the Group's ordinary shares at the market value prevailing at the date of grant 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 vest in equal tranches on 31 December four and five years after the date of demerger and expire on the tenth anniversary of the date of grant.

These restricted shares have performance conditions attached. Should these conditions not be met then the restricted shares are not released to participants and will be valueless.

NOTES TO THE ACCOUNTS (CONTINUED)

Year ended 31 December 2009

1. Significant accounting policies (continued)

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

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

Current plans (000s)

	CSOP 2006 Approved	CSOP 2006 Unapproved	SAYE	SAP 2006	CCCSP 2009	Weighted average exercise price
1 January 2009	4,888	44,285	4,259	16,597	–	29p
Awards granted	–	–	–	214	13,755	0p
Awards exercised	(1,202)	(8,757)	(1,297)	(8,406)	–	26p
Awards lapsed	(328)	(2,224)	(168)	–	(58)	34p
31 December 2009	3,358	33,304	2,794	8,405	13,697	24p

The options, restricted awards and Conditional Share awards outstanding at 31 December 2009 had exercise prices between 0p and 35p, and a weighted average remaining contractual life of 7 years 1 month (2008: 7 years 4 months). No options were granted during the year. Conditional Share awards were granted on 29 January 2009, with an estimated fair value of £4,794,000. Restricted awards were granted on 29 January 2009, with an estimated fair value of £38,000 (2008: £280,000). For options, restricted awards and Conditional Share awards that were exercised during the year, the share price at the date of exercise up until the tender offer on 20 May 2009 was 35p, and 48p thereafter. There were 22,646,006 options exercisable at 31 December 2009, with a weighted average exercise price of 35p. 8,405,650 restricted share awards were released on 31 December 2009. No Conditional Share awards were exercisable at 31 December 2009.

Legacy plans
A number of share plans were in existence prior to the demerger of the Cazenove Capital business from CGL, which became effective on 30 December 2005. 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.

NOTES TO THE ACCOUNTS (CONTINUED)

Year ended 31 December 2009

1. Significant accounting policies (continued)

The Cazenove Share Plan ('CSP')

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

The Cazenove Group Quarterly Equity Points Plan ('QEPP')

As a result of the announcement that J.P. Morgan had agreed a transaction to purchase the shares of Cazenove Group Limited, these legacy options were exercised in full over the year.

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

Legacy plans (000s)

	CSOP 2003	CSP	QEPP
1 January 2009	148	148	19
Awards granted	–	–	–
Awards exercised	(148)	(148)	(19)
Awards lapsed	–	–	–
31 December 2009	–	–	–

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.

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 fund performance of the funds' assets exceeds defined benchmarks by an agreed level of outperformance in a set time period. Performance fees are recognised when they can be estimated reliably and entitlement is assured, which is normally at the end of the performance period. 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, which are accounted for on an effective interest accruals basis.

NOTES TO THE ACCOUNTS (CONTINUED)

Year ended 31 December 2009

1. Significant accounting policies (continued)

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.

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 31.12.09 £'000	Year ended 31.12.08 £'000
Fund management and performance fees	79,162	95,738
Commissions and other revenue	13,378	12,676
	92,540	108,414

NOTES TO THE ACCOUNTS (CONTINUED)

Year ended 31 December 2009

3. Segment reporting

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

	Investment Funds £'000	Wealth Management £'000	Total Group £'000
Year ended 31 December 2009			
Net revenue (all from external customers)			
Net revenue per divisional reporting	34,469	45,089	79,558
Operating expenses netted against divisional revenue	11,164	1,818	12,982
Net revenue per the consolidated income statement	45,633	46,907	92,540
Segment results			
Operating profit	10,276	6,526	16,802
Finance income	1,808	1,148	2,956
Finance costs	(1)	–	(1)
Gain on derecognition of Cazenove Group Limited shares	400	254	654
Proceeds from CGL B shares	41	25	66
Gain on disposal of available-for-sale financial assets	1,814	1,152	2,966
Profit before tax	14,338	9,105	23,443
Income tax expense	(3,302)	(2,097)	(5,399)
Profit attributable to equity holders of the Company	11,036	7,008	18,044
Other segment information			
Depreciation and amortisation	(4,559)	(2,895)	(7,454)

NOTES TO THE ACCOUNTS (CONTINUED)

Year ended 31 December 2009

3. Segment reporting (continued)

	Investment Funds £'000	Wealth Management £'000	Total Group £'000
Year ended 31 December 2008			
Net revenue (all from external customers)			
Reported internally	39,227	47,988	87,215
Reconciling items	17,911	3,288	21,199
Net revenue per the consolidated income statement	57,138	51,276	108,414
Segment results			
Operating profit	16,402	9,043	25,445
Finance income	2,421	1,537	3,958
Finance costs	(11)	(7)	(18)
Gain on derecognition of Cazenove Group Limited shares	286	182	468
Profit before tax	19,098	10,755	29,853
Income tax expense	(5,495)	(3,490)	(8,985)
Profit attributable to equity holders of the Company	13,603	7,265	20,868
Other segment information			
Depreciation and amortisation	(3,415)	(2,168)	(5,583)

4. Personnel expenses

The average number of employees employed by the Group during the year was 267 (2008: 262).

Staff costs are analysed below:

	Year ended 31.12.09 £'000	Year ended 31.12.08 £'000
Wages and salaries	43,593	51,057
Compulsory social security contributions	5,543	5,492
Current service costs of defined benefit plans	1,300	1,700
Contributions to defined contribution plans	954	880
	51,390	59,129

Employee pension costs are further disclosed in note 5.

NOTES TO THE ACCOUNTS (CONTINUED)

Year ended 31 December 2009

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 £954,000 during the year (2008: £880,000). On 1 November 2009 the provider of this defined contribution scheme was changed from Threadneedle Pensions to Zurich Corporate Pensions.

For employees who joined Cazenove Capital prior to 6 April 2003, the arrangement was the Cazenove Capital Management Pension Scheme ('the Scheme'), a defined benefit scheme, which was set up on 28 February 2005. The current service cost charged to administrative expenses for the year ended 31 December 2009 was £1,300,000 (2008: £1,700,000).

The sponsoring employer, after discussions with the Trustee of the Scheme, and following a consultation exercise with Scheme members, ceased service accrual on 31 December 2009; from that date all active members became deferred. These Scheme members are able to join the stakeholder pension scheme with effect from 1 January 2010.

The closure of the Scheme to future service accrual resulted in a curtailment gain of £1,661,000 which, in accordance with IAS19, is included in the calculations below as a negative past service cost.

An actuarial valuation of the Scheme as at 5 April 2009 is currently in progress. Employer contributions to the Scheme have been 30.4% of pensionable salaries from 1 April 2007. During the consultation with the Trustee on the closure to service accrual draft actuarial calculations were discussed and showed a loss on technical provisions of £5m. The employer agreed with the Trustee that this would be funded at the rate of £1.2m per annum commencing in January 2010.

The interim actuarial valuations for the purposes of these disclosures were carried out as at 31 December 2009 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:

	31.12.09 % per annum	31.12.08 % per annum
Rate of increase in salaries	n/a	3.8
Rate of increase in pensions in payment and deferred pensions:		
• Pre April 1997	3.0	3.0
• April 1997-April 2005	3.4	2.7
• Post April 2005	2.4	2.0
Discount rate	5.4	6.2
Inflation	3.5	2.8
Post retirement mortality assumption	105% of PNA00 individual year of birth tables with Medium Cohort projection and a 1% floor to the annual improvement rates	105% of PNA00 individual year of birth tables with Medium Cohort projection and a 1% floor to the annual improvement rates

NOTES TO THE ACCOUNTS (CONTINUED)

Year ended 31 December 2009

5. Pension arrangements (continued)

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

	31.12.09	31.12.08
Male currently aged 45	28.3	28.2
Female currently aged 45	30.8	30.7
Male currently aged 60	26.7	26.6
Female currently aged 60	29.3	29.2

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

	Long-term rate of return expected at 31.12.09 % per annum	Value at 31.12.09 £'000	Long-term rate of return expected at 31.12.08 % per annum	Value at 31.12.08 £'000
Net pension assets:				
Equities	6.6	10,611	6.5	8,800
Property	5.6	2,389	5.5	1,000
Government bonds	4.1	12,684	3.9	15,500
Corporate bonds	5.0	4,394	5.8	600
Other	0.5	222	2.8	300
Average expected long-term rate of return	5.2		4.8	
Total market value of assets		30,300		26,200
Present value of Scheme liabilities		(27,997)		(19,000)
Surplus in the Scheme		2,303		7,200
Asset not recognised due to limit on recognisable surplus		2,303		–
Net asset		–		7,200

NOTES TO THE ACCOUNTS (CONTINUED)

Year ended 31 December 2009

5. Pension arrangements (continued)

Movement in surplus

	Year ended 31.12.09 £'000	Year ended 31.12.08 £'000
Surplus in Scheme at beginning of year	7,200	2,700
Current service cost	(1,300)	(1,700)
Gains on curtailments	1,661	–
Contributions	1,809	2,000
Other finance income	76	100
Actuarial loss	(7,143)	4,100
Surplus in Scheme at end of year	2,303	7,200
Recoverable surplus in Scheme at end of year	–	7,200

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

Changes to the present value of the defined benefit obligation

	Year ended 31.12.09 £'000	Year ended 31.12.08 £'000
Opening defined benefit obligation	19,000	22,200
Current service cost	1,300	1,700
Gains on curtailments	(1,661)	–
Interest cost	1,221	1,300
Actuarial loss/(gain) on Scheme liabilities	8,323	(6,100)
Net benefits paid out	(186)	(100)
Closing defined benefit obligation	27,997	19,000

NOTES TO THE ACCOUNTS (CONTINUED)

Year ended 31 December 2009

5. Pension arrangements (continued)

Changes to the fair value of the Scheme assets

	Year ended 31.12.09 £'000	Year ended 31.12.08 £'000
Opening fair value of Scheme assets	26,200	24,900
Expected return on Scheme assets	1,297	1,400
Actuarial gain/(loss) on Scheme assets	1,180	(2,000)
Contribution by the employer	1,809	2,000
Net benefits paid out	(186)	(100)
Closing fair value of Scheme assets	30,300	26,200

Actual return on Scheme assets

	Year ended 31.12.09 £'000	Year ended 31.12.08 £'000
Expected return on Scheme assets	1,297	1,400
Actuarial gain/(loss) on Scheme assets	1,180	(2,000)
Actual return on Scheme assets	2,477	(600)

Analysis of the amount charged to operating profit

	Year ended 31.12.09 £'000	Year ended 31.12.08 £'000
Current service cost	1,300	1,700

Analysis of the amount credited to other finance income

	Year ended 31.12.09 £'000	Year ended 31.12.08 £'000
Expected return on Scheme assets	1,297	1,400
Interest on Scheme liabilities	(1,221)	(1,300)
Net income (see note 6)	76	100

NOTES TO THE ACCOUNTS (CONTINUED)

Year ended 31 December 2009

5. Pension arrangements (continued)

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

	Year ended 31.12.09 £'000	Year ended 31.12.08 £'000
Actual return less expected return on Scheme assets	1,180	(2,000)
Changes in assumptions underlying the present value of Scheme liabilities	(8,391)	6,100
Experience gains arising on Scheme liabilities	68	–
Actuarial (loss)/gain recognised in SORIE	(7,143)	4,100
Cumulative actuarial gain recognised in SORIE	157	7,300

The actuarial surplus of £2,303,000 has also been charged to SORIE giving rise to a total charge of £9,446,000 because the Directors do not anticipate receiving any assets from the Scheme.

History of asset values, defined benefit obligation and surplus in Scheme

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

History of experience gains and losses

	Year ended 31.12.09	Year ended 31.12.08	Year ended 31.12.07	Year ended 31.12.06
Difference between the expected and actual return on the Scheme:				
Assets (£'000)	1,180	(2,000)	(400)	1,600
Percentage of Scheme assets	3.89%	7.63%	1.67%	7.40%
Liabilities (£'000)	68	–	–	300
Percentage of Scheme liabilities	0.00%	–	–	1.40%

NOTES TO THE ACCOUNTS (CONTINUED)

Year ended 31 December 2009

6. Finance income

	Year ended 31.12.09 £'000	Year ended 31.12.08 £'000
Recognised in profit or loss		
Income on available-for-sale financial assets	190	195
Interest income	1,029	3,663
Gain on curtailment	1,661	–
Other finance income	76	100
Finance income	2,956	3,958

An exceptional gain on derecognition of Cazenove Group Limited shares held in the EBT amounting to £654,000 (2008: £468,000) 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.

7. Finance costs

	Year ended 31.12.09 £'000	Year ended 31.12.08 £'000
Recognised in profit or loss		
Interest expense	(1)	(18)

NOTES TO THE ACCOUNTS (CONTINUED)

Year ended 31 December 2009

8. Income tax expense in the income statement

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

	Year ended 31.12.09 £'000	Year ended 31.12.08 £'000
Current tax expense		
Current year	5,966	9,069
Adjustment for prior years	108	(291)
Overseas tax	67	180
	6,141	8,958
Deferred tax expense		
Origination and reversal of temporary differences	(739)	23
Reduction in tax rate	–	8
Adjustment for prior years	(3)	(4)
	(742)	27
Total income tax expense	5,399	8,985

Reconciliation of effective tax rate

	Year ended 31.12.09 Rate	Year ended 31.12.09 £'000	Year ended 31.12.08 Rate	Year ended 31.12.08 £'000
Profit for the year		18,044		20,868
Total income tax expense		5,399		8,985
Profit excluding income tax		23,443		29,853
Income tax using the UK tax rate	28.00%	6,564	28.50%	8,508
Factors affecting charge:				
Expenses not deductible for tax purposes	1.35%	317	1.27%	380
Tax free profit on revaluation	(1.28)%	(299)	(0.98)%	(293)
Depreciation on non qualifying assets	0.08%	18	0.06%	18
Share award deductions/clawback of share option expense for which no tax relief	(2.89)%	(678)	2.56%	764
Marginal relief/small companies rate	–	–	(0.04)%	(12)
Overseas tax rates	(0.52)%	(123)	(0.26)%	(77)
Prior year movement in deferred tax	(0.02)%	(3)	(0.01)%	(4)
Prior year adjustments	0.46%	108	(0.97)%	(291)
Deferred tax rate adjustment	–	–	0.03%	8
Non taxable dividend income	(0.59)%	(138)	(0.09)%	(28)
Gain on disposal of investment	(1.57)%	(367)		
Other	–	–	0.04%	12
Current tax charge for the year	23.02%	5,399	30.11%	8,985

NOTES TO THE ACCOUNTS (CONTINUED)

Year ended 31 December 2009

9. Operating profit

	Notes	Year ended 31.12.09 £'000	Year ended 31.12.08 £'000
Group			
Audit fees		138	138
Amortisation of purchased intangible assets	11	1,465	1,482
Depreciation of property, plant and equipment	12	156	236
Operating lease rentals		1,613	1,663
Personnel expenses	4	51,390	59,129

Audit fees in respect of the Company for the year to 31 December 2009 were £34,000 (2008: £34,000)

The Group also paid its auditors for other services as follows:		
Tax services	122	165
Corporate finance services – due diligence support	129	–
Other services, pursuant to legislation	13	–
Remuneration services	4	40
Total non-audit fees	268	205
Pension scheme audit	11	8
Total	279	213

10. Earnings per share

	Year ended 31.12.09 Pence per share	Year ended 31.12.08 Pence per share
Basic earnings per share	8.43	9.56
Diluted earnings per share	7.75	9.16
From significant non-operating gains		
Basic	1.72	0.21
Diluted	1.58	0.21
From continuing operations excluding gains on significant non-operating items		
Basic	6.71	9.35
Diluted	6.17	8.95

NOTES TO THE ACCOUNTS (CONTINUED)

Year ended 31 December 2009

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 31.12.09 £'000	Year ended 31.12.08 £'000
Earnings used in the calculation of basic earnings per share from continuing operations	18,044	20,868
Significant non-operating gains	(3,686)	(468)
Earnings excluding gain on derecognition of Cazenove Group shares	14,358	20,400
Weighted average number of ordinary shares for the purposes of basic earnings per share	213,932,296	218,195,732

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 31.12.09	Year ended 31.12.08
Weighted average number of ordinary shares used in the calculation of basic earnings per share	213,932,296	218,195,732
Employee options	18,866,761	9,658,762
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	232,799,057	227,854,494

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.

NOTES TO THE ACCOUNTS (CONTINUED)

Year ended 31 December 2009

10. Earnings per share (continued)

10.2 Diluted earnings per share (continued)

	Year ended 31.12.09 Pence per share	Year ended 31.12.08 Pence per share
Illustrative earnings per share based on shares in issue		
From continuing operations	7.41	8.63
From gain on significant non-operating items	1.51	0.20
From continuing operations excluding significant non-operating items	5.90	8.43
Illustrative earnings per share based on authorised shares		
From continuing operations	6.01	6.96
From gain on significant non-operating items	1.22	0.16
From continuing operations excluding significant non-operating items	4.79	6.80

11. Intangible assets

	Year ended 31.12.09 £'000	Year ended 31.12.08 £'000
Cost		
Balance at 1 January	7,557	7,557
Additions	227	–
Derecognition of fully amortised items	(260)	–
Balance at 31 December	7,524	7,557
Amortisation		
Balance at 1 January	4,191	2,709
Amortisation for the year	1,465	1,482
Derecognition of fully amortised items	(260)	–
Balance at 31 December	5,396	4,191
Carrying amounts		
Balance at 31 December	2,128	3,366

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.

NOTES TO THE ACCOUNTS (CONTINUED)

Year ended 31 December 2009

12. Property, plant and equipment

	Leasehold improvements £'000	Fixtures, fittings and equipment £'000	Reinstatement costs £'000	Total £'000
Group				
Cost				
Balance at 1 January 2008	2,682	861	1,489	5,032
Disposals	(15)	–	–	(15)
Balance at 31 December 2008	2,667	861	1,489	5,017
Additions	–	1,344	–	1,344
Derecognition of fully depreciated items	(2,599)	(688)	–	(3,287)
Balance at 31 December 2009	68	1,517	1,489	3,074
Depreciation				
Balance at 1 January 2008	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
Depreciation for the year	5	87	64	156
Derecognition of fully depreciated items	(2,599)	(688)	–	(3,287)
Balance at 31 December 2009	55	180	602	837
Carrying amounts				
Balance at 31 December 2008	18	80	951	1,049
Balance at 31 December 2009	13	1,337	887	2,237

NOTES TO THE ACCOUNTS (CONTINUED)

Year ended 31 December 2009

13. Financial assets

	31.12.09 £'000	31.12.08 £'000
Non-current financial assets		
Available-for-sale financial assets:		
CGL shares	1,720	1,293
Funds managed by the Group	2,059	3,496
Total Employee Benefit Trust holdings	3,779	4,789
Other non-current financial assets	11	3,509
	3,790	8,298
Current financial assets		
Current asset investments	175	202

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

The CGL shares were inherited as part of the demerger of Cazenove Capital Management Limited from its former parent company and ensured the Group was in a position to settle, without further cash obligation, awards made to employees over former parent Company shares prior to the demerger. Such shares were therefore restricted and not available for distribution to all shareholders. The historic awards over such former parent company shares were accounted for as equity settled and when such shares were 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. All such awards were settled by year end hence CGL shares remaining in the EBT at year end are available for utilisation by the business. The EBT's holding is valued at the price for CGL shares announced following the transaction agreed between CGL and J.P.Morgan.

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 other non-current assets comprise two unlisted securities: Bamboo Investments, and Legion International. These are valued at the last known published price. The investment in LCH.Clearnet was sold during the year for £3,264,000, realising a profit of £2,966,000. As at 31 December 2008 the amount accumulated in the revaluation reserve was £3,211,000.

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

NOTES TO THE ACCOUNTS (CONTINUED)

Year ended 31 December 2009

14. Group holdings

14.1 Group entities

Subsidiaries:

Company	Principal activity
Cazenove Capital Management Limited	Asset manager
Cazenove Investment Fund Management Limited	Investment fund manager
Cazenove Capital Management Jersey Limited	Asset manager
Cazenove Capital Management Pension Trustee Limited	Non-trading
CCM Nominees Limited	Nominee company
Lerisson Nominees Limited	Nominee company

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 £36,066,000 (2008: £35,366,000). 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 company was placed into liquidation in 2009:

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:

	31.12.09 Shares in CGL	31.12.09 Shares in the Company	31.12.08 Shares in CGL	31.12.08 Shares in the Company
Cazenove Capital Management Employee Benefit Trust holding	335,836	27,442,960	492,457	23,429,084

The EBT also held CGL B shares as a means of conveying a 156p capital redemption made to certain option holders before the demerger. During the year, CGL B shares held in the EBT in excess of the requirement to satisfy legacy share options were sold. Proceeds received were £66,000. As at 31 December 2009, the EBT held 4,628 (2008: 71,237) B shares which had not yet been used to satisfy options.

As a result of the agreed transaction between J.P.Morgan and Cazenove Group Limited, all CGL shares were transferred to J.P.Morgan in early January 2010 in exchange for loan notes issued by J.P.Morgan. These loan notes were issued on 18 January 2010.

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 2009

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	
	31.12.09 £'000	31.12.08 £'000	31.12.09 £'000	31.12.08 £'000	31.12.09 £'000	31.12.08 £'000
Property and equipment	130	–	–	(37)	130	(37)
Available-for-sale financial assets	–	–	–	(541)	–	(541)
Share based payments	2,188	723	–	–	2,188	723
Pension contributions	–	–	–	(2,017)	–	(2,017)
Net tax assets/(liabilities)	2,318	723	–	(2,595)	2,318	(1,872)

Movement in temporary differences during the year

	Balance 01.01.08 £'000	Recognised in profit or loss £'000	Recognised in equity £'000	Balance 31.12.08 £'000	Recognised in profit or loss £'000	Recognised in equity £'000	Balance 31.12.09 £'000
Property and equipment	(258)	221	–	(37)	167	–	130
Available-for-sale financial assets	(405)	–	(136)	(541)	–	541	–
Share based payments	825	7	(109)	723	1,204	261	2,188
Pension contributions	(614)	(255)	(1,148)	(2,017)	(629)	2,646	–
	(452)	(27)	(1,393)	(1,872)	742	3,448	2,318

16. Trade and other receivables

	31.12.09 £'000	31.12.08 £'000
Group		
Trade receivables	45,799	49,491
Other receivables	680	3,132
	46,479	52,623
Company		
Trade receivables due from subsidiary undertakings	729	549

The Directors consider that the carrying amount of trade and other receivables is approximately equal to their fair value. Included within this amount is £8,000 that is past due but not impaired (2008: nil).

NOTES TO THE ACCOUNTS (CONTINUED)

Year ended 31 December 2009

17. Trade and other payables

	31.12.09 £'000	31.12.08 £'000
Group		
Trade payables	27,025	26,514
Other payables	23,887	25,794
Non-trade payables and accrued expenses	3,442	2,648
	54,354	54,956
Company		
Amount owed to subsidiary undertakings	–	–
	–	–

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

18. Provisions

	Reinstatement provision £'000
Group	
Non-current	
Balance at 1 January 2009	1,526
Movement during the year	(37)
Balance at 31 December 2009	1,489

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 in June 2023.

NOTES TO THE ACCOUNTS (CONTINUED)

Year ended 31 December 2009

19. Stated 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	Stated capital £'000	Total equity £'000
Balance at 31 December 2007	30,937	1,476	5,747	4,613	(7,585)	26,636	61,824
Profit for the year	20,868	–	–	–	–	–	20,868
Dividend paid	(7,051)	–	–	–	–	–	(7,051)
Pensions							
Actuarial gain	–	4,100	–	–	–	–	4,100
Other pension movement	–	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)

NOTES TO THE ACCOUNTS (CONTINUED)

Year ended 31 December 2009

19. Stated capital and reserves (continued)

Group

	Attributable to equity holders of the Company						
	Retained earnings £'000	Pension reserve £'000	Other reserves £'000	Revaluation reserve £'000	EBT share reserve £'000	Stated capital £'000	Total equity £'000
Balance at 31 December 2008	45,363	4,471	7,938	3,512	(7,224)	26,636	80,696
Profit for the year	18,044	–	–	–	–	–	18,044
Dividend paid	(7,317)	–	–	–	–	–	(7,317)
Share issue	–	–	–	–	(700)	700	–
Tender offer	–	–	–	–	(10,488)	–	(10,488)
Pensions							
Actuarial loss	(2,303)	(7,143)	–	–	–	–	(9,446)
Other pension movement	(27)	27	–	–	–	–	–
Deferred taxation	–	2,645	–	–	–	–	2,645
EBT and equity amortisation							
Amortisation charge	–	–	2,635	–	–	–	2,635
Decrease in own shares	(3,186)	–	–	–	3,186	–	–
Amortisation relating to exercised/lapsed shares	2,207	–	(2,207)	–	–	–	–
Distribution of CGL shares	(994)	–	–	–	–	–	(994)
Recycling gain on derecognition – CGL	–	–	–	(654)	–	–	(654)
Recycling gain on derecognition – other	–	–	–	(197)	–	–	(197)
Deferred taxation adjustment	–	–	261	–	–	–	261
Proceeds from share options exercises	–	–	–	–	4,050	–	4,050
Other taxation	–	–	691	–	–	–	691
Revaluations							
Disposal of LCH.Clearnet	–	–	–	(3,211)	–	–	(3,211)
Available-for-sale revaluations	–	–	–	1,437	–	–	1,437
Deferred taxation	–	–	–	542	–	–	542
Balance at 31 December 2009	51,787	–	9,318	1,429	(11,176)	27,336	78,694

NOTES TO THE ACCOUNTS (CONTINUED)

Year ended 31 December 2009

19. Stated capital and reserves (continued)

Company

	Retained earnings £'000	Other reserves £'000	Stated capital £'000	Total equity £'000
Balance at 31 December 2008	560	8,730	26,636	35,926
Dividend from subsidiaries	7,500	–	–	7,500
Dividend paid	(7,317)	–	–	(7,317)
Administrative expense	(3)	–	–	(3)
Share issue	–	–	700	700
Capital contribution	–	–	–	–
Balance at 31 December 2009	740	8,730	27,336	36,806

Group and Company

Stated capital

	31.12.09 Number of shares	31.12.09 £'000	31.12.08 Number of shares	31.12.08 £'000
Authorised				
Ordinary shares of no par value	300,000,000	–	300,000,000	–
Allotted, issued and fully paid				
Ordinary shares of no par value	243,934,732	27,336	241,934,732	26,636

During the year, 2,000,000 ordinary shares of no par value were allotted to the EBT in order to satisfy option exercises. In addition, following this allotment, the EBT made a tender offer to shareholders and, as a result, purchased 20,029,729 shares at 48 pence per share on 20 May 2009.

A proposal will be put to shareholders at the Annual General Meeting to increase the Company's authorised stated capital to 350,000,000.

Dividends

A dividend of 3 pence per share was declared and paid by the Company during the current year (2008: 3 pence). The Directors have approved payment of an interim dividend of 3.5 pence per share on 31 March 2010. Shareholders will be liable to income tax on this dividend at their marginal rate of tax.

NOTES TO THE ACCOUNTS (CONTINUED)

Year ended 31 December 2009

20. Cash and cash equivalents

	31.12.09 £'000	31.12.08 £'000
Group		
Bank balances	85,775	72,850
Cash and cash equivalents	85,775	72,850
Bank overdrafts used for cash management purposes	(3,146)	–
Cash and cash equivalents in the statement of cash flows	82,629	72,850
Company		
Bank balances	11	11
Cash and cash equivalents	11	11

21 Financial instruments

21.1 Financial risk management

Overview
The Group has exposure to the following risks from its use of financial instruments:
Credit risk
Liquidity risk
Market risk
Interest rate risk

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

NOTES TO THE ACCOUNTS (CONTINUED)

Year ended 31 December 2009

21 Financial instruments (continued)

21.1 Financial risk management (continued)

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 £1,000 (2008: £4,000).

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.

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.

NOTES TO THE ACCOUNTS (CONTINUED)

Year ended 31 December 2009

21 Financial instruments (continued)

21.2 Exposure to credit risk

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

	Carrying amount 31.12.09 £'000	Carrying amount 31.12.08 £'000
Cash and cash equivalents*	82,629	72,850
Trade and other receivables	46,479	52,623
	129,108	125,473

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

21.3 Exposure to liquidity risk

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

	31.12.09 £'000 Carrying amount	31.12.09 £'000 6 months or less	31.12.08 £'000 Carrying amount	31.12.08 £'000 6 months or less
Trade and other payables	(54,354)	(54,354)	(54,956)	(54,956)
	(54,354)	(54,354)	(54,956)	(54,956)

21.4 Fair values versus carrying amounts

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

	31.12.09 Carrying amount £'000	31.12.09 Fair value £'000	31.12.08 Carrying amount £'000	31.12.08 Fair value £'000
Available-for-sale financial assets*	3,790	3,790	8,298	8,298
Current asset investments	175	175	202	202
Loans and receivables	46,479	46,479	52,623	52,623
Cash and cash equivalents	82,629	82,629	72,850	72,850
Trade and other payables	(54,354)	(54,354)	(54,956)	(54,956)
	78,719	78,719	79,017	79,017

*Available-for-sale financial assets comprise the EBT's holding in CGL shares, certain investment funds managed by the Group and two unlisted securities (see note 13).

NOTES TO THE ACCOUNTS (CONTINUED)

Year ended 31 December 2009

21 Financial instruments (continued)

21.5 Exposure to interest rate risk
The interest earned on the Group's cash balances will vary in response to changes in interest rates. Based on the year end cash balance, a 0.5% increase/(decrease) in interest rates would change the profit after tax by £297,000/(£297,000).

21.6 Exposure to price risk
The Group is exposed to price risk in relation to 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:

			Impact	
	Fair value	Fluctuation	Profit after tax	Reserves
	£'000		£'000	£'000
EBT Fund holding	2,059	+/- 5%	–/+ 56	+/- 47

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

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

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

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

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

NOTES TO THE ACCOUNTS (CONTINUED)

Year ended 31 December 2009

22. Capital management

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

Cazenove Capital Holdings Limited's major assets are its subsidiary companies. External disclosures of regulatory capital requirements are made on both a consolidated basis for the Cazenove Capital Management Limited Group, this includes the two FSA regulated subsidiary companies, Cazenove Capital Management Limited and Cazenove Investment Fund Management Limited, and at the individual regulated company level.

Cazenove Capital Management Limited is a BIPRU 125k Limited Licence Firm because it does not deal on its own account or underwrite issues on a firm commitment basis, it manages individual portfolios and it holds client money. A BIPRU firm must maintain at all times capital resources equal to or in excess of the base requirement (€125,000). The variable requirement for a BIPRU Limited Licence Firm is the higher of the credit risk capital requirement and the market risk capital requirement, or the fixed overheads requirement (i.e. one quarter of the firm's relevant fixed expenditure). Cazenove Investment Fund Management Limited is a BIPRU 125k Limited Licence Firm, but is also a UCITS firm. For both Companies and the Cazenove Capital Management Limited Group the Pillar 1 variable requirement is currently the fixed overheads requirement. The Pillar 2 requirement is maintained at 63% of Pillar 1. The firms must maintain at all times capital resources equal to or in excess of the total capital requirement, Pillar 1 plus Pillar 2. The Cazenove Capital Management Limited Group has maintained a large cash balance and financial resources in excess of four times the total consolidated capital requirement throughout the year.

23. Operating leases

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

	31.12.09 £'000	31.12.08 £'000
Within one year	–	10
In the second to fifth years inclusive	223	143
After five years	20,214	21,897
	20,437	22,050

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

24. Capital commitments

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

	31.12.09 £'000	31.12.08 £'000
Intangible assets	172	–
Property, plant and equipment	400	–
	572	–

NOTES TO THE ACCOUNTS (CONTINUED)

Year ended 31 December 2009

25. Contingencies

The Board is not aware of any contingencies requiring disclosure.

26. 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 were Directors of Cazenove Group Limited during the year. Mr Mayhew and Mr Power are also Directors of J.P. Morgan Cazenove 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 J.P. Morgan Cazenove Limited), held by Mr Power and three former partners. On 5 May 2004, the lease was assigned to CCM, but Mr Power and the three former partners remained as guarantors of the lease. On 16 September 2003, the shareholders of 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:

	31.12.09 £'000	31.12.08 £'000
Short-term employee benefits	2,130	2,154
Post-employee benefits	61	58
Share based payment	686	439
	2,877	2,651
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

NOTES TO THE ACCOUNTS (CONTINUED)

Year ended 31 December 2009

27. Events after the balance sheet date

The Company entered an agreement to purchase the entire share capital of Thornhill Holdings Limited ('Thornhill'). Thornhill is the parent company of Thornhill Investment Management Limited, an investment management firm, and Thornhill Unit Trust Managers Limited, a manager of unit trusts and authorised corporate director of a number of open-ended investment companies. The acquisition completed on 5 January 2010. Upon completion of the transaction Thornhill was transferred from the Company to Cazenove Capital Management Limited (a wholly-owned subsidiary).

Each share of Thornhill Holdings Limited was purchased for 21.98p cash plus 0.4099 shares in the Company, a total consideration of approximately £12.7m. The fair value of the 12,527,835 consideration shares issued was approximately £6.0m, based on the Company's most recent share price of 48p, which resulted from the tender offer made in 2009.

Thornhill had group net assets (excluding intangible assets) of £6.7m as at 31 December 2009 and annual rental obligations under leases expiring in 2020 of £475,000. A breakdown of the net assets of the Thornhill group as at 31 December 2009 is as follows:

Assets:	**£m**
Tangible assets	0.6
Trade debtors	0.3
Other tax debtors	0.1
Prepayments and accrued income	1.1
Cash	6.5
	8.6
Liabilities:	**£m**
Trade creditors	0.6
Corporation tax creditor	0.1
Social security and other taxes	0.1
Accruals and deferred income	1.1
	1.9
Net Assets:	**£m**
	£6.7m

The initial accounting and fair value assessment of assets and liabilities acquired has not been completed at the time of approving the financial statements, so the assessment of the fair value of intangibles acquired, together with resulting goodwill required by IFRS3, is provisional. The provisional assessment is that the net assets reported above are not materially different from those at the acquisition date and represent a reasonable approximation of this fair value. Intangible assets are expected to consist of client relationships of £4.6m which will give rise to provisional goodwill of £1.4m, reflecting the contributed cost and business segment synergies as explained in the Chief Executive's Report.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the fourth Annual General Meeting of Cazenove Capital Holdings Limited will be held in The Auditorium at 20 Moorgate, London EC2R 6DA on Monday 12 April at 3.00pm for the following purposes:

Ordinary business

1. To receive the Report of the Directors and the Audited Accounts for the year ended 31 December 2009.
2. To elect Mr D.L. Mayhew as a Director.
3. To elect Mr M.J. Gregson as a Director.
4. To elect Sir Roger Hurn as a Director.
5. To elect Mr R.S. Jeffrey as a Director.
6. To elect Sir Sydney Lipworth as a Director.
7. To elect Mr M.R.P. Power as a Director.
8. To elect Mr A.J.S. Ross as a Director.
9. To elect Mrs C. Sims as a Director.
10. To re-appoint Deloitte LLP as auditors to the Company.
11. To authorise the Directors to determine the auditors' remuneration.

Special business

12. That the authorised stated capital of the Company be increased from 300,000,000 to 350,000,000 ordinary shares of no par value by the creation of 50,000,000 shares of no par value, each to rank pari passu in all respects with the existing shares in the capital of the Company.

By Order of the Board

Helena Harvey
Company Secretary
2 March 2010

Registered Office:

Whiteley Chambers
Don Street
St Helier
Jersey
JE4 9WG

NOTICE OF ANNUAL GENERAL MEETING (CONTINUED)

Notes

1. Only those shareholders registered in the Register of Members of the Company at 3.00pm on 10 April 2010 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 London

Mixed Sources
Product group from well-managed forests and other controlled sources
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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.