RATHBONES

Preliminary results for the 12 months ended 31 December 2023

A TRANSFORMATIONAL YEAR

PAUL STOCKTON, GROUP CHIEF EXECUTIVE, SAID:

"2023 was a transformational year for Rathbones as we announced our combination with Investec Wealth & Investment (IW&I). Our integration programme is progressing well and, having spent considerable time with many new colleagues this year, I am confident that we have brought together a group of like-minded teams who are excited about the opportunities the combination provides our enlarged group. Underlying profit before tax increased 30.9% to £127.1 million, including contribution from IW&I in the final quarter. Together, we will secure the planned synergies from scale, and provide stability to clients and colleagues, whilst offering enhanced propositions that will benefit our clients and deliver value to shareholders.

"We remain resilient and well positioned to withstand some of the challenging investment market conditions we saw this year and our 2023 results reflect this. Our priority has always been to provide the reassurance and support that our clients expect over such periods, and as ever, they will remain a key consideration in everything that we do."

FINANCIAL HIGHLIGHTS

- Total FUMA reached £105.3 billion at 31 December 2023 (31 December 2022: £60.2 billion), including £42.2 billion from Investec Wealth & Investment UK (IW&I).
- Underlying profit before tax increased 30.9% to £127.1 million (2022: £97.1 million), including a £25.4 million contribution from IW&I in the final quarter.
- Underlying operating margin increased to 22.3% (2022: 21.3%), including the planned £14.4 million expenditure on our digital programme.
- Profit before tax reduced by 10.1% to £57.6 million (31 December 2022: £64.1 million), largely reflecting acquisition and integration costs related to the combination with IW&I, along with higher amortisation charges following the transaction.

OPERATIONAL HIGHLIGHTS

- Integration work to combine Rathbones and IW&I is progressing well, with the consent process that precedes the migration of clients on to the Rathbones platform expected to be concluded during 2024 with full migration in early 2025 as planned. To December 2023, we realised £8 million of the £15 million of run-rate synergies that were planned for the first full year following completion (by October 2024), against the overall stated £60 million annualised synergies. The impact on 2023 results was negligible given the timing of when the combination completed.
- The operational integration of Saunderson House is nearing completion, with a high proportion of clients having agreed to receive or proceed with advice to migrate to Rathbones' investment propositions. We now expect to complete the migration process during Q2 2024.
- During 2023, we continued to build on our digital programme. Our client lifecycle management system is now expected to go live by the middle of 2024. This is later than we anticipated but costs continue to be managed closely and remain in line with those previously announced in Q3 2023.

		2023 comprises		
	2023 £m (unless stated)	**Rathbones excl. IW&I £m (unless stated)**	**IW&I £m (unless stated)**	2022 £m (unless stated)
Operating income	**571.1**	483.2	87.9	455.9
Underlying operating expenses[1]	**(444.0)**	(381.5)	(62.5)	(358.8)
Underlying profit before tax[1]	**127.1**	101.7	25.4	97.1
Underlying operating margin[1]	**22.3%**	21.1%	28.8%	21.3%
Profit before tax	**57.6**	42.6	15.0	64.1
Underlying earnings per share[1]	**135.8p**	-	-	130.8p
Earnings per share	**52.6p**	-	-	83.6p

1 A reconciliation between the underlying measure and its closest IFRS equivalent is provided in the financial performance section.

OUTLOOK

Whilst we will continue to be impacted by market reactions to political instability or adverse geopolitical events, as a strong business with increased scale, Rathbones is well-equipped to manage and navigate these challenges. Recent indicators that interest rates may fall in the medium term should be positive for equity markets and increase client confidence to invest. This in turn should be positive for net organic growth rates and the group as a whole.

The scale and benefits of the combined business, and the synergies that we have committed to and are delivering on, mean we are well positioned to achieve our end state of 30%+ operating margin three years post completion of the IW&I combination (i.e. from September 2026) however, we now expect to be at mid-20s% margins in 2024. The primary drivers of this change are the continuing investment in our digital programme and the time required to complete the migration of Saunderson House clients, in addition to the impact of ongoing inflationary pressure. This is based on current market levels and reflects the continuation of the high inflationary environment.

The successful integration of IW&I is a priority of course, but this is alongside other important objectives to continue to develop our investment process, further enhance our client engagement, embrace technology, and build out our distribution capability.

We remain well positioned to take advantage of both the benefits of scale and future growth opportunities.

DECLARATION OF FINAL DIVIDEND

At our half year results in July, we announced an interim dividend of 29p. We also brought forward payment of a portion of the final 2023 dividend to shareholders on the register shortly prior to the completion of the IW&I combination by way of a second interim dividend of 34p, paid in October.

The board recommends a final dividend of 24p for 2023 (2022: 56p), making a total of 87p for the year (2022: 84p), an increase of 3.6% on 2022. This is consistent with our progressive policy and is supported by our strong capital position and robust balance sheet. The dividend will be paid on 14 May 2024, subject to shareholder approval at our 2024 Annual General Meeting on 9 May 2024.

2023 RESULTS PRESENTATION

A presentation detailing Rathbones' 2023 results is available on the investor relations website under the tab 'Results Presentations' (https://www.rathbones.com/investor-relations/results-and-presentations).

A presentation to analysts and investors will take place this morning at 10:00am at our offices at 8 Finsbury Circus, London, EC2M 7AZ. Participants who wish to join the presentation virtually can do so by either joining the video webcast (https://www.investis-live.com/rathbone-brothers/65c4df2f77117a0c00b39a70/fgerqw) or by dialling in using the conference call details below:

United Kingdom (Local): +44 20 3936 2999

United Kingdom (Toll-Free): +44 800 358 1035

Participant access code: 416757

A Q&A session will follow the presentation. Participants will be able to ask their questions either via the webcast by typing them in or via the conference call line.

A recording of the presentation will be available later today on our website at: www.rathbones.com/investor-relations/results-and-presentations.

Issued on 6 March 2024

FOR FURTHER INFORMATION CONTACT:
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RATHBONES GROUP PLC

Rathbones provides investment and wealth management services for private clients, charities, trustees and professional partners. We have been trusted for generations to manage and preserve our clients' wealth. Our tradition of investing and acting for everyone's tomorrow has been with us from the beginning and continues to lead us forward.

Rathbones has over 3,500 employees in 23 locations across the UK and Channel Islands; its headquarters is 8 Finsbury Circus, London, EC2M 7AZ.

www.rathbones.com

STRONGER TOGETHER

DEAR SHAREHOLDER
Rathbones is a strong and secure business. It is well-equipped to manage and navigate challenging market conditions.

2023 was a difficult period for the UK economy: global conflicts, rising interest rates and continued inflation reduced economic growth in many parts of the world, directly impacting the investment returns of our clients. These collective challenges have highlighted the importance of our adaptability, resilience and the reassurance that we provide our stakeholders.

During 2023, we announced a transformational combination with Investec Wealth & Investment UK (IW&I). This transaction presents a compelling strategic and financial rationale for our shareholders, whilst it also better serves our clients, and secures our future as the UK's leading discretionary wealth manager.

We are delighted to welcome our IW&I colleagues to our business. I look forward to the year ahead as we work together, as one business, to realise the significant proposition and financial benefits for all our stakeholders.

CLIENTS
Our clients are at the heart of our strategy and their interests are a key consideration in everything that we do. In 2023, we continued to prioritise engaging with clients through a variety of methods including focus groups and targeted surveys, virtual and in-person conferences and events as well as regular communications updating them on the business, macro themes, the IW&I transaction and our investment propositions. We will continue this dialogue during 2024.

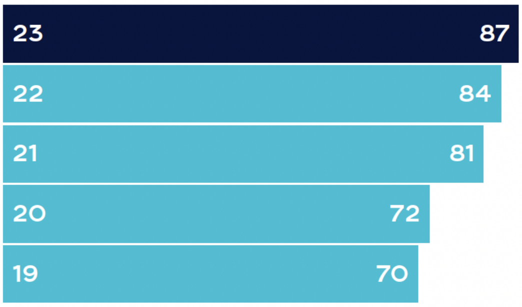
SHAREHOLDER RETURNS AND DIVIDENDS
Rathbones generates long-term value creation for our shareholders. Following our combination with IW&I, we commit again to our progressive dividend policy. This has been in place for more than 25 years, over which period we have never reduced our dividend. Given the strength of our enlarged business, we are pleased to be able to sustain this dividend commitment, even in the context of difficult markets.

At our half year results in July, we announced an interim dividend of 29p. We also brought forward payment of a portion of the final 2023 dividend to shareholders on the register shortly prior to the completion of the combination by way of a second interim dividend of 34p, paid in October. The final dividend in respect of FY23 has therefore been reduced accordingly to 24p per share. This brings the total dividend for the year, for shareholders on the register prior to the combination, to 87p per share (2022: 84p) a 3.6% increase on the prior year. The final dividend will be paid on 14 May 2024, subject to shareholder approval at our 2024 Annual General Meeting on 9 May 2024, for shareholders who are on the register on 19 April 2024.

RESPONSIBLE BUSINESS
Our responsible business programme enables us to deliver on our purpose to think, act and invest for everyone's tomorrow. We seek to create long-term value for our stakeholders, built upon the foundations of strong governance.

FIVE-YEAR DIVIDEND GROWTH

2023: 87p



Our programme ensures we deliver through various initiatives, including our responsible investment approach, diversity, equality and inclusion (DE&I) efforts, community investment and reducing the environmental impact of our operations.

GOVERNANCE AND CULTURE
The board recognises that enduring business success is not possible without a clear purpose, and that good governance is about more than just complying with rules. It is about culture, behaviours and how we treat our clients. The board is committed to ensure that the firm's purpose, values and culture are embedded throughout the firm. The board regularly reviews its 'culture dashboard' and, this year, we paid particular attention to the impact on the organisation from the combination with IW&I. It remains incredibly important to ensure that the businesses are culturally aligned with client focus at our core.

More information on the how the board monitored and assessed culture can be found in the full corporate governance report.

COLLEAGUES
There are tremendous skills across our enlarged group of 3,500 colleagues. In 2023, our management teams and the board continued to engage through employee engagement surveys and the board's own workforce engagement programme. We remain committed to improving our colleagues' experience at work, which is even more important during the period of integration with IW&I.

BOARD COMPOSITION AND SUCCESSION
Because of our combination with IW&I, there has been necessary and welcome changes to our board. Most notably, Henrietta Baldock and Ruth Leas are now new shareholder directors, nominated by Investec Group. These appointments were approved by our nomination committee in September 2023, reflecting the 29.9% voting rights shareholding owned by Investec Group Plc. Both have extensive knowledge of the financial services sector and I look forward to working with them in the years ahead.

Succession planning is vital to ensure the board has the necessary plans in place for orderly succession to both the board and senior management positions. The board believes that greater diversity drives better decision-making and that building a diverse and inclusive workforce will lead to better outcomes for clients, colleagues and for our business. The board has aligned its diversity policy for board appointments with new targets set out in the listing rules and is proud to have met those targets.

At the end of 2023, our board had five female directors out of nine, which means we exceed the commitment of female board representation for FTSE 350 companies set by the FTSE Women Leaders initiative.

We continue to meet the requirements of the Parker Review as we have at least one director from an ethnic minority background. We see this as a good foundation on which to build, but certainly not an end point.

After six years, Sarah Gentleman stepped down as chair of the remuneration committee in September 2023, to focus on her role as our senior independent director. I would like to thank her for her leadership on remuneration policy over this time and am delighted that Dharmash Mistry accepted the role as our new remuneration committee chair.

In addition, in September 2023 we announced that after four and half years as group CFO and executive director, Jennifer Mathias would step down from the Board on 31 December 2023 and transition into the new position of group chief of staff, working with the executive team across all parts of the combined business. From January 2024, Iain Hooley took on the group CFO role as Jennifer's successor. Iain was finance director of IW&I for more than a decade and was appointed CEO of IW&I in February 2023, where he played a key role in the success of the business. I am grateful to both Jennifer and Iain and look forward to working with them as we bring our two businesses together.

ENGAGING WITH SHAREHOLDERS

We strongly believe in meaningful engagement with shareholders, and I was pleased to meet many of you this year. We are grateful for the overwhelming shareholder support for the combination with IW&I, which was an affirmation of this transformational transaction.

The chair of the remuneration committee consulted with our top shareholders on proposed changes to our remuneration policy. The consultation exercise demonstrated that there is strong support for changes that will be put to shareholders at our AGM in May 2024.

LOOKING AHEAD

IW&I integration planning remains on track. We remain confident that the enlarged group will deliver efficiencies and benefits to clients, employees and shareholders. We will continue to update you on our progress as we grow together as a combined business.

Finally, on behalf of the board, I would like to thank our clients, shareholders and colleagues – old and new – for your enduring commitment and collaboration. This remains the foundation of our shared success. Thank you for being the driving force behind our accomplishments in spite of the turbulent economic landscape. It has been through your collective efforts, resilience, and hard work that we have been able to navigate these challenges and I am confident we will emerge stronger than ever.

Clive C R Bannister

Chair

GROUP CHIEF EXECUTIVE OFFICER'S REVIEW

A TRANSFORMATIONAL YEAR

2023 IN REVIEW
In a year that continued to offer some challenging market conditions, our 2023 results reflect a resilience and a willingness to step forward and address the structural challenges that the UK wealth management industry faces. Our priority has always been to provide the reassurance and support that our clients expect over such periods. We also continue to look to create opportunities for future growth and shareholder benefits, whilst managing expenditure carefully.

The combination with Investec Wealth & Investment UK (IW&I), announced in April 2023, holds the prospect of being truly transformational. The integration programme is progressing well, and having spent considerable time with many new colleagues this year, I am confident that we have brought together a group of like-minded individuals who are excited about the opportunities that the combination provides our enlarged group.

We remain committed to delivering the planned synergies from scale, whilst providing stability to clients and colleagues over what will be a very busy 2024. I also look forward to building enhanced propositions and services that will benefit our clients and deliver value to shareholders.

INVESTMENT MARKETS AND GROWTH
There appeared little relief from a general investment market malaise in the early part of 2023, particularly for those with a defensive positioning and UK bias. This affected investment performance across the group, which remained somewhat subdued until the final quarter of the year, when both bonds and equities rallied.

High inflation in the year not only increased operating expenditure, but also added cost of living pressures on some clients. Investor sentiment moved away from equities towards cash, and a client preference to use invested capital to repay increasingly expensive debt emerged. Despite this backdrop, gross inflows (ex IW&I) of £6.9 billion (2022: £6.5 billion) remained resilient, representing an annualised growth rate of 11.4% of opening funds under management and administration (FUMA) (an increase from 9.5% in 2022), reaping the benefits from ongoing client engagement and closer relationships with key third-party distributors. Gross outflows (ex IW&I) of £7.4 billion (2022: £6.1 billion) were elevated, however, representing 12.2% of opening FUMA (8.9% in 2022). Despite these outflows, client retention remained high at 92.7% (2022: 93.7%).

IW&I was also impacted by similar trends, though net outflows in the final quarter of the year of £0.3 billion also reflected the impact of known investment manager departures that predominantly occurred prior to the announcement of the combination with Rathbones. Investment manager turnover has been low since then and engagement with colleagues at IW&I continues to be very positive.

The UK fund industry suffered one of its worst years on record for net outflows in 2023. Against this backdrop, Rathbones remained resilient and ranked in fifth position for total net retail sales in the UK in 2023. (2022: eighth position). Although Rathbones' single strategy funds posted net outflows of £0.6 billion for the year (FY 2022: net outflows of £0.4 billion), our Global Opportunities and Ethical Bond funds were in the top quartiles relative to peer groups for performance in the year. Our multi-asset and FUMA managed via in-house funds (sold directly, or as part of our Managed Portfolio or Rathbones Select solutions) grew significantly, with net inflows and transfers of £2.4 billion (FY 2022: £0.6 billion) for the year.

COMBINATION WITH IW&I
The combination with IW&I completed on 21 September 2023, as planned. Collaboration between the two businesses has been strong and key decisions on the future structure, systems and policies have been formulated ahead of plan. This has enabled us to move quickly to establish a robust framework for integration and begin delivery of key actions and projects that will bring both businesses together. There has been strong enthusiasm amongst teams across both businesses, who are working effectively to build momentum and capture best practices.

In October, we announced the senior leadership and governance structures for the combined group, and the new executive team is working well and interacting positively across the group.

Workstreams to effect common proposition standards have advanced, and investment research and investment risk teams are now under common leadership.

The enlarged Rathbones group has a strong distribution capability working with an extensive national network of third-party adviser contacts and counterparties. This adds to our successful existing relationship with Vision Independent Financial Planning. In October, we created the role of Chief Distribution Officer to lead and build our distribution capability across both the wealth and asset management businesses.

Our distribution capability has also been further enhanced by the combination and strong partnership we have formed with Investec Bank. In December, we formed a dedicated Strategic Partnership Team to work with them more closely.

To December 2023, we realised £8 million of the £15 million of run-rate synergies that were planned for the first full year following completion (by October 2024), against the overall stated £60 million annualised synergies. The impact on 2023 results was negligible given the timing of when the combination completed. There is much work to do but I remain confident in our ability to deliver on these objectives.

In 2024, we expect to let all of our space in 8 Finsbury Circus in London to a high-quality tenant for the remaining nine year lease term. Our London-based teams will be located together in 30 Gresham Street in the latter half of 2024. We continue to work to consolidate our offices across the country, where we share locations and to rebrand the IW&I offices we now have in our portfolio.

Planning for the successful migration of clients on to the Rathbones' platform is well underway. We continue to expect the client consent process to be concluded during 2024, using a digital-first and streamlined approach to minimise disruption to clients and client facing teams. We plan to complete pilot exercises, ahead of the main migration planned for early 2025.

A dedicated project team is already in place and will ensure that we are able to seamlessly integrate IW&I, whilst maintaining business as usual. Our combined resources bring an extensive level of experience of consent and migration processes, and we will continue to apply these skills as we progress through the year.

A LEADING FINANCIAL PLANNING CAPABILITY

The group, together with IW&I, Rathbones Financial Planning (RFP) and Saunderson House (SHL), operates a team comprising a total of 117 financial planners, delivering a range of leading advice services. SHL and RFP have been under a common leadership team for most of 2023, and IW&I financial planning teams offer an excellent opportunity to add further scale and strength.

The operational integration of SHL and RFP is nearing completion, with a high proportion of clients having agreed to receive or proceed with advice to migrate to Rathbones' investment propositions. £2.4 billion of FUMA has already migrated and we now expect to complete the migration process during Q2 2024.

During the year, both SHL and RFP advisers introduced more than 150 new clients to the group, with expected new assets of more than £200 million, demonstrating a distribution reach despite undertaking a time-consuming migration process. The SHL migration will be completed over the second quarter of 2024, and thereafter will increase adviser capacity to grow.

Our next objective is to bring Rathbones and IW&I financial planning businesses together, such that all businesses can operating on one platform to service both new clients and existing investment clients across our regional offices.

Vision Independent Financial Planning (Vision) remains an important part of our financial advice proposition as an independent specialist financial advice network. We will continue to leverage its strong relationship with the enlarged group. In 2023, FUMA in Vision was £3.3 billion (2022: £2.6 billion) with 138 financial planners (2022: 131). We anticipate further adviser recruitment in 2024.

FOCUSING ON GROWTH

In addition to our strategic partnerships with Vision and Investec Bank, Rathbones pursues growth opportunities via three other key channels: client-facing teams, third-party advisers and direct marketing.

Firstly, our client facing investment and planning teams represent a valuable network, and we continue to look for ways to improve capacity. Rathbones Select was designed as a high-quality, 'self-select' (execution only) investment service for clients with smaller values to invest, providing a better value proposition by operating through a dedicated central team.

The service now has more than £2 billion of funds under management (FUM), an uplift of more than £1.4 billion since the beginning of the year, and client numbers are expected to increase further in 2024 as we offer the service to eligible clients of IW&I.

We also continue to build specialist teams to serve target client groups, last year taking advantage of the IW&I combination to establish a dedicated ultra-high-net-worth team to operate across the enlarged business.

Secondly, the third-party adviser market continues to be an important channel for us, generating an annualised net growth rate of 5.0% in 2023 (2022: 4.8%). We now offer an extensive range of investment solutions and over 340 IFA firms (2022: 280), are now utilising our Reliance on Adviser (ROA) model (where responsibility for the suitability of the investment mandate for the client rests with the adviser, and Rathbones is instructed to manage the client portfolio to a risk mandate). This service clarification provides a clear pricing model for clients and advisers and creates internal efficiencies that make us easier to do business with.

Together with IW&I, our offering to intermediaries is comprehensive and incorporates a full range of services, from bespoke and managed Discretionary Fund Management (DFM), through to our third-party Managed Portfolio Services (MPS) and Rathbones Select service, with ESG, tax and offshore optionality, as well as our broad range of single strategy funds. This capability will be central to what we can offer to third-party advisers in 2024 and beyond.

Lastly, in 2023 we have taken some positive steps to improve how we can build our digital distribution capability. This has been supported by the launch of a refreshed brand and proposition suite that is much more digestible and targeted on our key markets. Alongside Rathbones, which has seen website referrals increase by 100% year on year, we have established Rathbones Asset Management (RAM) and Greenbank as distinct identities. IW&I has been incorporated into the group, albeit that full alignment will only occur following migration in 2025.

EMBRACING TECHNOLOGY

Throughout the year we continued to develop and deploy applications and technology that improve the way in which we service our clients. The number of clients using MyRathbones continues to grow, reaching 58% in 2023 (2022: 50%). The visibility, access to messaging and reporting that this application offers is an important part of how we interact with clients.

In October 2023, we reported that the time frame associated with our client lifecycle management (CLM) system development was likely to move to deployment in the first quarter of 2024. The system is now expected to go live by the middle of 2024, using the period after go-live and up to the migration of IW&I clients in early 2025 to deploy further enhancements to the solution and better align it with IW&I requirements. This is later than we anticipated but scope has been planned carefully to protect the IW&I migration and also ensure that we take best advantage of applications within IW&I that we can benefit from.

The final phase of implementation of the Charles River Investment Management solution into Rathbones Asset Management will be completed during the first half of 2024, adding the functionality to improve investment processes and the reporting capability that we are confident will deliver operational efficiency.

While we continue to carefully manage scope, as previously stated in our Q3 2023 results, the expected total costs of our digital project increased from £40 million to £45 million, with £30.7 million of this incurred up to 31 December 2023.

INSPIRING OUR PEOPLE

We have prioritised this critical strategic objective across the business as we progress our post-combination integration work. Employee engagement, by both the board and executive teams, has been extensive, supported by town halls and meetings across all office locations as well as employee surveys. We remain committed to a culture that fosters high performance and builds rewarding careers for our colleagues.

Results from our engagement activity have reaffirmed our expectations of the skills, capabilities and cultural alignment within IW&I, and has supported a collaborative approach to working together that will bring out the very best from both businesses.

Employee wellbeing continues to be high on our agenda, and we have implemented various measures to promote the mental and physical health of our people. This year, we continued to offer access to our employee assistance programme, including a free and confidential phone and online advice service.

Alongside these services, our wellbeing team and inclusion networks have run awareness sessions on several topics from cancer and menopause awareness to mental health and neurodiversity.

RESPONSIBLE INVESTMENT

We are proud of our long history of ethical and sustainable investment, managed by Greenbank, which continues to receive industry recognition. This year, Greenbank won the 'Best Sustainable Investment Wealth Manager/DFM Group' at the Investment Week Sustainable Investment Awards, as well as achieving 'Silver' for ESG company of the year at the 2023 Magic Circle Awards.

In addition to Greenbank's bespoke service, RAM offers investment strategies through the Rathbone Greenbank Global Sustainability Fund, Rathbone Ethical Bond Fund, Rathbone Greenbank Multi-Asset Portfolios and, more recently, through the launch of our new Rathbone Greenbank Global Sustainable Bond Fund.

Beyond our investment offerings, Rathbones incorporates ESG considerations, and the influence they can have on our clients' portfolio returns, into our investing decisions. By integrating the analysis of ESG factors into our investment processes, we aim to understand ESG risks and identify high-quality investments, with attractive financial characteristics, that also make a positive contribution to society. More information on our approach to responsible investment can be found in the responsible business review of this annual report and our standalone responsible business report, which will be published in full next month.

RISK MANAGEMENT AND REGULATION

Risk management practices continue to be embedded across the business as we remain conscious of the impact of the changing risk landscape to our firm and industry, particularly in an uncertain economic climate. We are also carefully assessing and mitigating the risks associated with our planned change programmes, including the IW&I integration.

We continue to respond appropriately to regulatory changes and acknowledge recent FCA and PRA consultation activity and statements.

The FCA's Consumer Duty regime reinforces behaviours and standards that we have recognised for a long time, and we support the principles that underpin the rules. Our ethos, whole-of-market approach to investment, flexible approach to financial planning, and unbundled pricing are all well positioned. The UK market remains highly competitive from a value perspective and this is reflected in pricing levels generally, particularly in the third-party advisers, charities and asset management markets.

The Consumer Duty regime presented a good opportunity to outline our propositions to the market. As we streamline policies and practices across the enlarged group, the pillars of Consumer Duty will continue to be a focus for us well into 2024 and beyond.

OUTLOOK FOR 2024

Whilst we will continue to be impacted by market reactions to political instability or adverse geopolitical events, as a strong business with increased scale, Rathbones is well-equipped to manage and navigate these challenges. Recent indicators that interest rates may fall in the medium term should be positive for equity markets and increase client confidence to invest. This in turn should be positive for net organic growth rates and the group as a whole.

The successful integration of IW&I is a priority of course, but this is alongside other important objectives to develop our investment process, further enhance our client engagement, embrace technology and build out our distribution capability. Rathbones remains well positioned to take advantage of both the benefits of scale and future growth opportunities, and I would like to thank our people in our combined group for their unwavering commitment, which continues to be the driving force behind our success.

Paul Stockton
Group Chief Executive Office

COMMITTED TO DELIVERING SUSTAINABLE VALUE

I am delighted to present my first review since my appointment as group chief financial officer on 1 January 2024. Having been part of Investec Wealth & Investment UK (IW&I) for over 23 years, I look forward to the exciting opportunities that lie ahead for our combined business, driven by the core values that the Rathbones and IW&I businesses share, and the significant benefits that we will bring to our clients and shareholders from the scale, enhanced propositions and depth of capability that our combined business will offer.

The group has delivered continued progress in its financial performance despite challenging market conditions throughout 2023. This has been achieved alongside the successful delivery of the IW&I and Rathbones combination during September 2023. Delivering this transaction represents a significant milestone not only for Rathbones and IW&I but for the UK wealth management industry. We are now focused on delivering the integration of the businesses and realising the benefits of the combination.

Underlying profit before tax was £127.1 million (2022: £97.1 million), an increase of 30.9% in the year, reflecting the contribution of IW&I to the group's performance in Q4 of an underlying profit before tax of £25.4 million.

The Rathbones group excluding IW&I delivered a 4.7% increase in underlying profit before tax to £101.7 million. This result is after charging the £14.4 million of planned expenditure on our digital programme that we announced in February 2022.

Operating income increased 25.3% to £571.1 million (2022: £455.9 million). Excluding income relating to IW&I of £87.9 million, operating income grew by 6.0% to £483.2 million. This growth was driven predominantly by increased interest revenues, reflecting rising interest rates and the benefits of the group's banking activities. Consequently, net interest income contributed £51.7 million to operating income in 2023 (2022: £18.3 million).

While interest income increased significantly during the year, recurring investment management and asset management fees (excluding IW&I fees of £70.1 million) also reported growth, rising 2.3% to £344.7 million due to higher FUMA which benefited from an improvement in average market indices.

Expenditure also increased, reflecting the inflationary environment, increased headcount and investment in our digital programme. The increase in headcount reflects additional client facing roles and related support in addition to change and technology resource, including that which is part of our preparation for delivering the integration of IW&I. The FSCS levy reduced by £4.6 million in 2023 as a result of one-off factors and we expect the levy to revert to normal levels in 2024.

HIGHLIGHTS: FINANCIAL PERFORMANCE

FUMA	**OPERATING MARGIN**
£105.3bn	**10.1%**
2022: £60.2bn	2022: 14.1%
UNDERLYING ROCE[1]	**UNDERLYING OPERATING MARGIN[1]**
12.1%	**22.3%**
2022: 11.8%	2022: 21.3%
EPS	**DIVIDEND PER SHARE**
52.6p	**87p**
2022: 83.6p	2022: 84P
UNDERLYING EPS[1]	**CET1 RATIO**
135.8p	**17.8%**
2022: 130.8p	2022: 17.9%

1. This measure is considered an APM. Please refer to financial performance section for more details on APMs.

Despite the increase in total expenditure the underlying operating margin, which is calculated as the ratio of underlying profit before tax to operating income, improved to 22.3% (2022: 21.3%).

The development of our client lifecycle management system has continued during the year and is now expected to go live mid-way through 2024, albeit with the overall cost expected to increase from £40.0 million to £45.0 million, as set out in our Q3 2023 statement. The Charles River Investment Management Solution will be fully implemented into Rathbones Asset Management in the first half of 2024, adding functionality that will improve investment processes and reporting capability, that we are confident will deliver significant operational efficiency.

Statutory profit before tax for 2023 was £57.6 million (2022: £64.1 million). The 10% reduction (2022: 32% reduction) is driven by increased acquisition execution and integration costs, along with higher amortisation charges following the IW&I transaction. The majority of the integration costs incurred during the year relate to IW&I but also include the final amounts payable in relation to the Saunderson House and Speirs & Jeffrey acquisitions, which amount to £7.8 million for the year.

The board primarily considers underlying measures of income, expenditure and earnings when assessing the performance of the group. These are considered to provide useful additional information on business performance, rather than reviewing results on a statutory basis only. These measures are also widely used by research analysts covering the group. A full reconciliation between underlying results and the closest IFRS equivalent is provided in table 3.

TABLE 1. GROUP'S OVERALL PERFORMANCE

	2023 £m (unless stated)	IW&I £m (unless stated)	Rathbones excl. IW&I £m (unless stated)	2022 £m
Operating income	**571.1**	**87.9**	**483.2**	455.9
Underlying operating expenses[1]	**(444.0)**	**(62.5)**	**(381.5)**	(358.8)
Underlying profit before tax[1]	**127.1**	**25.4**	**101.7**	97.1
Underlying operating margin[1]	**22.3%**	**28.9%**	**21.0%**	21.3%
Profit before tax	**57.6**	**15.0**	**42.6**	64.1
Effective tax rate	**34.9%**			23.6%
Taxation	**(20.1)**			(15.1)
Profit after tax	**37.5**			49.0
Underlying earnings per share[1]	**135.8**			130.8p
Earnings per share	**52.6**			83.6p
Dividend per share[2]	**87.0p**			84.0p
Return on capital employed (ROCE)[1]	**4.9%**			7.7%
Underlying return on capital employed[1]	**12.1%**			11.8%

1. A reconciliation between the measure and its closest IFRS equivalent is shown in table 3
2. The total interim and final dividend proposed for the financial year

OUTLOOK AND GUIDANCE

The Group's financial performance remains closely linked to the behaviour of global investment markets which, despite making positive progress during the latter part of 2023, remain sensitive to the continued heightened uncertainty in the economic and geopolitical environment.

We remain focused on our key strategic priorities to successfully integrate the IW&I and Rathbones Investment Management businesses, complete the migration of Saunderson House client assets to Rathbones investment solutions, and deliver the successful launch of our new client lifecycle management system. The IW&I integration project is progressing well and while this project is planned to continue into 2025, synergy realisation for the combination remains on track and we continue to expect 25% of synergies in the first full year following completion as guided at the time of the combination, which will benefit the group's profitability going forward from the point the synergies are achieved. The one-off costs to achieve the annualised synergies remain as stated and will predominantly fall under non-underlying costs over the next two years.

The operational integration of Saunderson House and Rathbones Financial Planning is nearing completion, with a high proportion of clients having agreed to receive or proceed with advice to migrate to Rathbones' investment propositions. £2.4 billion of FUMA has already migrated and we now expect to complete the migration process during Q2 2024. Assets once migrated are expected to generate a total revenue margin of c.1%. On a proforma basis, FUMA of £4 billion would generate annualised revenue of c.£40 million, split across advice, investment management and asset management income.

As noted above and advised in the reporting of our half year results, the costs to deliver the client lifecycle management system increased from £40.0 million to £45.0 million, with £30.7 million incurred up to 31 December 2023. The costs of the implementation project continue to be monitored closely.

The reduction in the rate of UK inflation is welcome and we remain focused on ensuring a high degree of discipline in managing our cost base to ensure we mitigate the effects of inflation as far as possible. Employee costs in 2023 will reflect salary inflation of approximately 4% during the year plus the full impact of recruitment activity in 2023. A lower rate of net recruitment is expected for 2024 relative to 2023 outside of that directly related to the IW&I integration project.

We have considered the implications for our business of the FCA's recent 'Dear CEO' letter to platform and SIPP providers relating to interest revenues. We consider that the FCA's requirement to cease the charging of fees in respect of cash assets within a firm's custody which generate interest revenues is relevant to the small element of our FUMA that is under an execution-only mandate. We will therefore no longer apply fees to the cash element of these portfolios from 1 March 2024. We expect the adverse impact on income to be small at approximately £0.6 million per annum.

We previously guided to a high-20s underlying operating margin for 2024, with 30%+ three years post completion of the IW&I combination (i.e., from September 2026). The scale and benefits of the combined business and the synergies that we have committed to mean we are well positioned to achieve our end state of 30%+ margin, albeit, the path will now be mid-20% in 2024. The primary drivers of this change are the continuing investment in our digital programme and the time required to complete the migration of Saunderson House clients, in addition to the impact of ongoing inflationary pressure.

The group maintains a robust financial position and is well placed financially to support the investment that is required to deliver on our strategic priorities as we drive forward with our plans during 2024.

FINANCIAL PERFORMANCE

BUSINESS PERFORMANCE: FUNDS UNDER MANAGEMENT AND ADMINISTRATION (FUMA)
Total group FUMA at 31 December 2023 was £105.3 billion (2022: £60.2 billion). The increase during the year is driven predominantly by the addition of £40.8 billion of IW&I FUMA from 30 September 2023, following the completion of the combination with IW&I during the year. Based on a pro forma opening position of £101.0 million, FUMA has increased by 4.3% during the year from an opening position of £101.0 billion (Table 2) despite challenging market conditions that have placed adverse pressure on net flows.

Rathbones discretionary and managed net inflows of £0.7 billion reflect gross inflows of £5.1 billion, an increase of 18.6% relative to 2022, as the business continued to drive strong levels of new business despite the difficult economic backdrop. In total, net flows relating to Rathbones discretionary and managed FUMA represented an annual rate of growth of 1.5% (2022: 2.6%), with the reduction relative to the prior year being the result of higher gross outflows offsetting the higher level of gross inflows. In addition to net flows, discretionary and managed FUMA benefited from the continued migration of Saunderson House client assets into Rathbones investment solutions.

Gross outflows were elevated throughout the year. Rathbones Investment Management outflows of £3.8 billion (2022: £2.6 billion) reflected the effect of higher inflation and interest rates, as existing clients prioritised reducing debt and meeting cost of living pressures. The increase in outflows is therefore principally driven by partial withdrawals by existing clients and not client losses, but does reflect the loss of two large charity mandates during the year. Direct net flows into our multi-asset fund range, including that which is managed as part of Investment Management portfolios, remained robust, reflecting the diversification and efficient offering these funds provide for smaller portfolios.

IW&I has contributed £0.8 billion of gross inflows during the final quarter of the year following completion of the combination. These inflows were offset by elevated gross outflows, resulting in net outflows for the period of £0.3 billion. The level of gross outflows reflects both the market backdrop, consistent with the Rathbones discretionary and managed FUMA, along with expected outflows relating to investment manager departures that predominantly occurred prior to the announcement of the combination. Since then, investment manager turnover has been low, supported by positive engagement as our integration work progresses.

The general backdrop for the asset management industry has been challenging during 2023, with substantial withdrawals from UK funds being seen across the industry. Our single strategy funds were not immune from this backdrop but showed relative resilience with net outflows of £0.5 billion for the year (2022: £0.4 billion outflow), representing 8.5% of opening FUMA. Investment returns for these funds were relatively strong during the year, resulting in total FUMA remaining relatively consistent year-on-year at £6.7 billion (2022: £6.5 billion).

Table 2 presents separately the FUMA and associated movements in those services and products which support our wealth management propositions. Wealth management FUMA incorporates our core bespoke discretionary portfolio and managed portfolio services. It also includes direct sales into our range of risk-targeted multi-asset funds, which are designed to be used as wealth management solutions for both our direct clients and those of investment platforms and financial advisers. Asset management FUMA includes our focused range of specialist ‘single-strategy’ funds, which are designed to act as individual holdings within investment portfolios.

TABLE 2. GROUP FUMA AND FLOWS BY SERVICE LEVEL ON PROFORMA BASIS[1]

Year ended 31 December 2023	Opening FUMA-pro forma basis £bn	Gross inflows £bn	Gross outflows £bn	Net flows £bn	Transfers £bn	SHL migrated assets £bn	Market & investment performance £bn	Closing FUMA £bn	Net growth (flows) %
Rathbones Investment Management	44.3	4.2	(3.8)	0.4	(0.2)	2.4	1.9	48.8	0.9%
Bespoke portfolios	42.9	3.8	(3.5)	0.3	(0.9)	1.1	1.6	45.0	0.6%
Managed via in-house funds	1.4	0.4	(0.3)	0.1	0.7	1.3	0.3	3.8	10.1%
Multi-asset funds	2.2	0.9	(0.6)	0.3	–	–	–	2.5	13.8%
Rathbones discretionary and managed	**46.5**	**5.1**	**(4.4)**	**0.7**	**(0.2)**	**2.4**	**1.9**	**51.3**	**1.5%**
Non-discretionary service	0.7	0.1	(0.1)	(0.0)	(0.1)	–	0.1	0.7	(2.9%)
IW&I1	40.8	0.8	(1.1)	(0.3)	(0.1)	–	1.9	42.3	(0.8%)
Saunderson House	4.1	0.1	(0.5)	(0.4)	–	(2.4)	0.3	1.6	(9.5%)
Total wealth management	**92.1**	**6.1**	**(6.1)**	**(0.0)**	**(0.4)**	–	**4.2**	**95.9**	**(0.0%)**
Single-strategy funds	6.5	1.3	(1.8)	(0.5)	–	–	0.7	6.7	(8.5%)
Execution only and banking	2.4	0.3	(0.6)	(0.3)	0.4	–	0.2	2.7	(10.4%)
Total group	**101.0**	**7.7**	**(8.5)**	**(0.8)**	**–**	**–**	**5.1**	**105.3**	**(0.8%)**

1. 2023 Group FUMA and flows by service level has been prepared on a proforma basis, opening FUMA has been uplifted by £40.8 billion to include IW&I FUMA acquired with effect from 30 September.

Year ended 31 December 2022	Opening FUMA £bn	Gross inflows £bn	Gross outflows £bn	Net flows £bn	Transfers £bn	SHL migrated assets £b	Market & investment performance £bn	Closing FUMA £bn	Net growth (flows) %
Rathbones Investment Management	49.3	3.5	(2.6)	0.9	(0.2)	–	(5.7)	44.3	1.9%
Bespoke portfolios	48.0	3.3	(2.5)	0.8	(0.3)	–	(5.6)	42.9	1.6%
Managed via in-house funds	1.3	0.2	(0.1)	0.1	0.1	–	(0.1)	1.4	10.3%
Multi-asset funds	2.0	0.8	(0.4)	0.4	–	–	(0.2)	2.2	20.0%
Rathbones discretionary and managed	**51.3**	**4.3**	**(3.0)**	**1.3**	**(0.2)**	**–**	**(5.9)**	**46.5**	**2.6%**
Non-discretionary service	1.0	0.0	(0.1)	(0.1)	(0.1)	–	(0.1)	0.7	(7.4%)
Saunderson House	4.9	0.3	(0.5)	(0.2)	(0.0)	–	(0.6)	4.1	(4.9%)
Total wealth management	**57.2**	**4.6**	**(3.6)**	**1.0**	**(0.3)**	**–**	**(6.6)**	**51.3**	**(8.9%)**
Single-strategy funds	8.3	1.7	(2.1)	(0.4)	–	–	(1.4)	6.5	(4.5%)
Execution only and banking	2.7	0.2	(0.4)	(0.2)	0.3	–	(0.4)	2.4	(9.0%)
Total group	**68.2**	**6.5**	**(6.1)**	**0.4**	**–**	**–**	**(8.4)**	**60.2**	**0.6%**

OPERATING INCOME

Operating income increased by £115.2 million in 2023 to £571.1 million, predominantly due to the IW&I business contributing £87.9 million of income for the final quarter of the financial year following completion of the combination.

Excluding IW&I, the increase in total income is largely driven by higher interest revenues, reflecting the rising interest rate environment during the year and the benefit of the group's banking activities. Recurring investment management fees and asset management income benefited from higher average markets and the continued migration of Saunderson House client assets into Rathbones investment solutions, which moved this income £7.7 million (2.3%) higher. This was offset by a short-term reduction in Saunderson House advice income during the client migration process and lower transaction-based investment management commission income, as the trend towards cleaner fee-only charges continued.

OPERATING EXPENSES

Operating expenses of £513.5 million (2022: £391.8 million) comprise underlying operating expenses discussed below, together with non-underlying operating expenses explained in Table 3.

Underlying operating expenses increased by £85.2 million (23.7%) to £444.0 million (2022: £358.8 million). £62.5 million of this increase is due to IW&I costs incurred since completion of the combination, consisting of £29.4 million fixed staff costs, £14.3 million variable compensation, and £18.8 million non-staff costs.

Underlying operating expenses excluding IW&I increased by 6.3% to £381.4 million (2022: £358.8 million). Underlying staff costs in the year (excluding IW&I), increased by £24.3 million to £269.9 million (2022: £245.6 million). Some £13.2 million of this increase is the result of higher average headcount (excluding that relating to Saunderson House and staff engaged on digital capability). Salary inflation increased costs by £7.3 million. The balance of the increase reflects the effect of inflation on other staff-related costs and other specific factors.

Year-on-year decreases in spend within Saunderson House and the strategic investment in developing our digital capability was partially offset an increase of £4.8 million (2022: £18.0 million increase) in non-staff costs excluding IW&I. The cost base of the Saunderson House business decreased by £3.2 million in 2023 due to the delivery of cost synergies and a reduction in the Saunderson House FSCS levy. The remainder of the group also benefited from a one-off reduction in the FSCS levy, which reduced by £4.6 million for the group overall relative to 2022 prior to an expected return to normal levels in 2024. Strategic investment in developing our digital capability was £1.9 million lower than prior year at £14.4 million (2022: £16.3 million). The Charles River Investment Management Solution was successfully launched in the Rathbones Asset Management business during the year. The development of our client lifecycle management system has continued during the year and is now expected to go live mid-way through 2024, albeit with the overall cost expected to increase from £40.0 to £45.0 million, as set out in our Q3 2023 statement.

Rathbones average headcount rose by 21.7% to 2,498 (2022: 2,053). Rathbones headcount excluding IW&I rose by 5.8% to 2,173 in 2023 (2022: 2,053), reflecting additional client facing roles and related support in addition to recruiting further change and technology resource, including that which is part of our preparation for delivering the integration of IW&I.

TABLE 3. RECONCILIATION OF UNDERLYING PERFORMANCE MEASURES TO CLOSEST EQUIVALENT IFRS MEASURES

	2023 £m (unless stated)	2023 comprises: IW&I £m (unless stated)	2023 comprises: Rathbones excl. IW&I £m (unless stated)	2022 £m (unless stated)
Operating income	571.1	87.9	483.2	455.9
Underlying operating expenses	(444.0)	(62.5)	(381.5)	(358.8)
Underlying profit before tax1	127.1	25.4	101.7	97.1
Charges in relation to client relationships and goodwill	(25.2)	(6.3)	(18.9)	(19.5)
Acquisition-related and integration costs	(44.3)	(4.1)	(40.2)	(13.5)
Profit before tax	57.6	15.0	42.6	64.1
Taxation	(20.1)			(15.1)
Profit after tax	37.5			49.0
Operating margin	10.1%			14.1%
Underlying operating margin2	22.3%			21.3%
Weighted average number of shares in issue	71.3m			58.6m
Earnings per share (p)	52.6			83.6
Underlying earnings per share (p)3	135.8			130.8
Quarterly average total equity	787.9			632.7
Underlying quarterly average total equity4	798.5			650.4
ROCE5	4.9%			7.7%
Underlying ROCE6	12.1%			11.8%

1. Operating income less underlying operating expenses
2. Underlying profit before tax as a percentage of operating income
3. Underlying profit after tax divided by the weighted average number of shares in issue
4. Quarterly average equity adjusted for underlying operating expenses
5. Profit after tax as a percentage of quarterly average total equity
6. Underlying profit after tax as a percentage of underlying quarterly average total equity

ALTERNATIVE PERFORMANCE MEASURES

Alternative Performance Measures (APMs) are a financial measure of historical or future financial performance, financial position, or cash flow, other than a financial measure under IFRS.

CHARGES IN RELATION TO CLIENT RELATIONSHIPS AND GOODWILL (NOTE 8)

Client relationship intangible assets are recognised when we acquire a business or investment management contracts as a result of the recruitment of experienced investment managers who have the capability to attract significant FUMA to the group.

These intangible assets are amortised over the expected duration of the respective client relationships. The amortisation is charged to the income statement each year. This represents a significant non-cash profit and loss item which is therefore excluded from underlying profit in order to present an alternative measure that represents largely cash-based results of the financial reporting period. These amortisation charges are therefore excluded from underlying profit, which otherwise represents largely cash-based earnings and more directly relates to the financial reporting period. Research analysts commonly exclude these amortisation costs when comparing the performance of firms in the wealth management industry.

ACQUISITION-RELATED AND INTEGRATION COSTS (NOTE 5)

Acquisition and integration-related costs are significant non-recurring costs that arise from strategic investments to grow the business rather than from the business' operating activities and are therefore excluded from underlying results.

These costs primarily comprise professional fees directly related to the execution of the relevant transaction, certain elements of deferred consideration that are conditional upon continuing employment with the group and the costs of integrating the acquired businesses with those of the existing group.

Deferred consideration costs are generally significant payments that form part of the total consideration payable under the terms of the acquisition agreement and are considered to be capital in nature, reflecting the cost to acquire the business and the transfer of its ownership. However, in accordance with IFRS 3, any deferred consideration that is payable to former shareholders of the acquired business who are required to remain in employment with the group must be treated as remuneration and are therefore expensed to the income statement over the period to which the employment condition applies.

During 2023, £36.5 million of acquisition and integration costs have been incurred as a result of the IW&I transaction. This comprised £21.3 million of one-off legal and professional costs relating to the execution of the transaction, £6.2 million of costs relating to awards made to key employees of the business, and £9.0 million of integration costs, which form part of the total expected costs to deliver the integration and achieve the related synergies.

ACQUISITION-RELATED PROPERTY COSTS (NOTE 5)

As part of the process of integrating IW&I with the existing Rathbones group, it is expected that some leasehold properties will be vacated earlier than their respective lease expiry dates. The useful lives of these properties' right-of-use assets and their fixtures and fittings were revised to reflect the expected exit dates. Consequently, the assets' residual values were calculated and their depreciable amounts were restated during the year. The assets were also reviewed for impairment at 31 December 2023 to determine whether their carrying amounts could be supported by their recoverable amounts. As a result, the group recognised £4.5 million in relation to accelerated depreciation and impairment charges on property assets during the year. These costs represent additional non-recurring costs in excess of the normal ongoing operating costs incurred in relation to the group's properties and were recognised as non-underlying operating expenses, and are therefore not included within underlying operating profit. They form part of the total acquisition and integration costs of £36.5 million referred to above.

TAXATION

The corporation tax charge for 2023 was £20.1 million (2022: £15.1 million) (see note 6). The effective tax rate increased to 34.9% in 2023 (2022: 23.5%), this reflected the increase in the average statutory rate to 23.5% (2022: 19.0%) and the impact of disallowable legal and professional costs incurred in relation to the IW&I transaction.

In 2024, we expect the effective tax rate to return to 4 to 5 percentage points above the statutory rate (reflecting disallowable costs for deferred consideration payments (see note 2.3), as the impact of IW&I disallowable expenses experienced in 2023 will not be repeated given these costs are non-recurring.

BASIC EARNINGS PER SHARE

Basic earnings per share for the year ended 31 December 2023 were 52.6p (2022: 83.6p). The decrease in the year reflects the impact of the IW&I combination costs on statutory profit after tax, the increase in the statutory rate of tax and the increased number of shares in issue.

On an underlying basis, basic earnings per share were 135.8p in 2023, compared to 130.8p in 2022 (see note 12). The increase in the year is due to increased underlying profit after tax that has been partially offset by the increased number of shares and the increase in the statutory rate of tax.

RETURN ON CAPITAL EMPLOYED

The board monitors the underlying return on capital employed (ROCE) as a key performance measure. For monitoring purposes, underlying ROCE is defined as underlying profit after tax expressed as a percentage of underlying quarterly average total equity across the year.

Assessment of underlying return on capital is a key consideration for all investment decisions, particularly in relation to acquired growth.

In 2023, underlying ROCE was 12.1% (2022: 11.8%). Underlying quarterly average total equity increased by £148.1 million in 2023 compared to 2022, reflecting the share issue for the IW&I combination with effect from the fourth quarter.

SEGMENTAL REVIEW

The group operates through two segments: Wealth Management and Asset Management.

TABLE 4. RECONCILIATION OF SERVICE LEVELS TO SEGMENTAL PRESENTATION AS AT 31 DECEMBER 2023

	Wealth Management FUMA (including intra-group holdings) £bn	Intra-group holdings[1] £bn	Wealth Management FUMA £bn	Asset Management FUMA £bn	Group FUMA £bn
Rathbones Investment Management	48.8	(4.3)	44.5	4.3	48.8
Bespoke portfolios	45.0	(0.6)	44.4	0.6	45.0
Managed via in-house funds	3.8	(3.7)	0.1	3.7	3.8
Multi-asset funds	–	–	–	2.5	2.5
Rathbones discretionary and managed	**48.8**	**(4.3)**	**44.5**	**6.8**	**51.3**
Non-discretionary service	0.7	-	0.7	–	0.7
IW&I	42.3	–	42.3	–	42.3
Saunderson House	1.6	(0.3)	1.3	0.3	1.6
Total wealth management	**93.4**	**(4.6)**	**88.8**	**7.1**	**95.9**
Single-strategy funds	–	–	–	6.7	6.7
Execution only and banking	2.7	–	2.7	–	2.7
Total group	**96.1**	**(4.6)**	**91.5**	**13.8**	**105.3**

1. Intra-group holdings represent in-house funds held within an Investment Management portfolio.

WEALTH MANAGEMENT

The results of the Wealth Management segment described below include the trading results of Rathbones Investment Management, Rathbones Trust Company, Vision Independent Financial Planning, Saunderson House and IW&I.

Wealth Management income is largely driven by revenue margins earned from FUMA. Revenue margins are expressed as a basis point return, which depends on a mix of tiered fee rates, commissions charged for transactions undertaken on behalf of clients and the interest margin earned on cash in client portfolios and client loans.

FUNDS UNDER MANAGEMENT AND ADMINISTRATION

Year-on-year changes in the key performance indicators for Wealth Management are shown in table 5 (which incorporates IW&I in 2023). Total Wealth Management FUMA increased by 86.0% to £91.5 billion as at 31 December 2023. The majority of this increase was driven by the combination with IW&I, which added £40.8 billion to the Group's FUMA from 30 September 2023 following completion of the combination. Excluding the acquired IW&I FUMA, Wealth Management FUMA has increased by 3.0% during the year.

CHART 1. WEALTH MANAGEMENT – NUMBER OF CLIENTS AND INVESTMENT MANAGERS

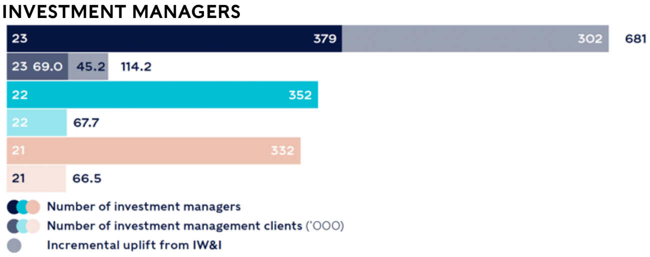


TABLE 5. WEALTH MANAGEMENT – KEY PERFORMANCE INDICATORS

	2023	2022
FUMA at 31 December	**£91.5bn**	£49.2bn
Rate of total net growth (net flows) in Wealth Management funds under management and asministration[1]	**0.3%**	1.2%
Average net operating basis point revenue margin[2]	**74.3bps**	72.4 bps
Number of Investment Management clients3	**114**	68
Number of investment managers	**681**	355

1. See table 6 (percentages calculated on unrounded figures)
2. See table 10
3. The basis of this calculation is dependent on the way client data is structured on the relevant operating systems. It is therefore not practicable to apply consistent methodologies across the RIM and IW&I businesses until the migration onto a single system has been completed. We expect the number to change following migration, but consider the figure disclosed to be appropriate in the interim period.''

TABLE 6. WEALTH MANAGEMENT – FUNDS UNDER MANAGEMENT AND ADMINISTRATION

	Year ended 31 December 2023 £bn	Year ended 31 December 2022 £bn
As at 1 January	**49.2**	55.2
Inflows	**46.3**	4.1
– organic[1]	**5.5**	4.0
– acquired[2]	**40.8**	0.0
Outflows	**(6.1)**	(3.7)
Market adjustment[3]	**2.1**	(6.3)
Total group	**91.5**	49.2
Rate of total net growth[4]	**0.3%**	1.2%

1. Value at the date of transfer in/(out)
2. Value at date of acquisition, includes £42.3bn IW&I FUMA acquired with effect from 30 September 2023
3. Represents the impact of market movements and investment performance
4. Net new business and acquired inflows as a percentage of opening funds under management and administration

Table 6 reconciles the movement in FUMA during the year. Organic inflows of £5.5 billion, 11.2% of opening FUM are dominated by flows into discretionary bespoke portfolios, with 33% of flows coming from the adviser channel as our revised 'Reliance on Adviser' proposition rolled out (2022: 30.6%). 'Reliance on Adviser' is an operating model with which financial advisers can engage with RIM. It is an approach whereby client suitability rests with the adviser, affording them total control over their client relationship and the advice process. Our investment managers retain responsibility for the suitability of the portfolio and for executing the mandate that has been requested by the adviser on the client's behalf. Outflows of £6.1 billion, representing 12.4% of opening FUM are elevated as a result of market conditions, with existing clients making partial withdrawals of their investments to repay debt (which has become increasingly expensive in the environment of higher interest rates) and meet the higher cost of living, along with those relating to property purchases and inheritance tax planning. In addition, outflows also reflect the loss of two large charity mandates during the year.

Saunderson House FUMA stood at £1.3 billion at 31 December 2023 (2022: £4.1 billion). The reduction during the year reflects the continuing progress that has been made to migrate Saunderson House clients into Rathbones investment solutions. Once migrated, this FUMA is included with Wealth Management or Asset Management FUMA depending on the proposition that the FUMA has moved to. At the year end, FUMA on Vision Independent Financial Planning's discretionary wealth management platform that was not managed by the group (and is not therefore included in the Group's FUMA) totalled £0.9 billion (2022: £0.8 billion).

Table 7 (overleaf) provides an analysis of FUMA and new business by channel and service level. Growth in discretionary and managed net flows is driven by interactions through financial adviser networks, helped by the impact of Saunderson House new business flows. £2.4 billion of assets were migrated from Sanderson House in 2023 and the remaining £1.3 billion of assets are expected to be migrated in 2024.

Switches into execution-only services largely reflect the transfer of clients' funds into probate following their death (£0.4 billion).

IW&I net outflows of £0.3 billion include the effect of expected outflows related to investment manager departures that predominantly occurred prior to the announcement of the combination. Since then, investment manager turnover has been low.

TABLE 7. WEALTH MANAGEMENT – NEW BUSINESS BY CHANNEL ON A PROFORMA BASIS[1]

	Opening FUMA -pro forma basis £bn	Gross inflows £bn	Gross outflows £bn	Net flows £bn	Transfers £bn	SHL migrated FUMA £bn	Market movement & performance £bn	2023 Gross closing £bn	2023 Intra-group holdings[2] £bn	2023 Net closing FUMA £bn	2022 Net FUMA £bn
Bespoke portfolios	33.0	2.6	(2.7)	(0.1)	(0.9)	–	1.0	33.0	–	–	-
Managed via in-house funds	0.7	0.1	(0.1)	–	0.6	–	0.1	1.4	–	–	-
Total direct	**33.7**	**2.7**	**(2.8)**	**(0.1)**	**(0.3)**	**–**	**1.1**	**34.4**	**–**	**–**	-
Bespoke portfolios	9.9	1.2	(0.8)	0.4	(0.1)	1.1	0.7	12.0	–	–	-
Managed via in-house funds	0.7	0.3	(0.2)	0.1	0.2	1.3	0.1	2.4	–	–	-
Total financial adviser linked	**10.6**	**1.5**	**(1.0)**	**0.5**	**0.1**	**2.4**	**0.8**	**14.4**	**–**	**–**	-
Total discretionary and managed	**44.3**	**4.2**	**(3.8)**	**0.4**	**(0.2)**	**2.4**	**1.9**	**48.8**	**(4.3)**	**44.5**	42.0
Execution only and banking	2.4	0.3	(0.6)	(0.3)	0.4	–	0.2	2.7	–	2.7	2.4
Non-discretionary service	0.7	0.1	(0.1)	–	(0.1)	–	0.1	0.7	–	0.7	0.7
Total wealth management	**47.4**	**4.6**	**(4.5)**	**0.1**	**0.1**	**2.4**	**2.2**	**52.2**	**(4.3)**	**47.9**	45.0
Saunderson House	4.1	0.1	(0.5)	(0.4)	–	(2.4)	0.3	1.6	(0.3)	1.3	4.1
IW&I	40.8	0.8	(1.1)	(0.3)	(0.1)	–	1.9	42.3	–	42.3	-
Total Wealth Management for enlarged group	**92.3**	**5.5**	**(6.1)**	**(0.6)**	**–**	**–**	**4.4**	**96.1**	**(4.6)**	**91.5**	49.1

1. 2023 Group FUMA and flows by service level has been prepared on a proforma basis, opening FUMA has been uplifted by £40.8 billion to include IW&I FUMA acquired as at 30 September
2. Holdings of the group's in-house funds in Investment Management client portfolios and in-house funds for which the management of the assets is undertaken by Investment Management teams; the corresponding FUMA is reported within Funds.

The high inflation rates experienced in 2022 continued into 2023, resulted in Rathbones adopting a cautious approach on bonds, with a preference for shorter-dated debt less sensitive to changes in interest rate expectations.

From September we became much more optimistic on longer-dated government bonds, particularly east of the Atlantic and, indeed, bond markets have rallied strongly as they look ahead to rate cuts in 2024 following a plunge in key measures of inflation in the UK and Eurozone.

Overall, 2023 was another strong year for our specialist teams. Greenbank Investments continued to grow its net new business by 3.3%, despite the difficult market, and reached FUMA of £2.1 billion at 31 December 2023 (2022: £1.9 billion). The Personal Injury and Court of Protection business ended 2023 with £1.3 billion of FUMA (2022: £1.0 billion).

Rathbone Financial Planning also saw a strong year in 2023, increasing revenues by 18% from 2022, and growing FUMA to £2.0 billion as at 31 December 2023 (31 December 2022: £1.6 billion).

Vision Independent Financial Planning grew well in 2023, advising on client assets of £3.3 billion at the year-end (2022: £2.6 billion), and seeing a net growth in the network of IFAs to 138 at the year-end (2022: 130).

Saunderson House has made significant progress in migrating assets to the new Rathbones' proposition. £2.7 billion of Saunderson House clients' assets are now invested in Rathbones' products (2022: £63 million), with £1.3 billion (2022: £4.1 billion) of assets remaining under management by Saunderson House at year end. It is expected that the migration process will be completed by the end of June 2024.

FINANCIAL PERFORMANCE

Underlying profit before tax in Wealth Management increased by 49.1% in the year to £105.4 million, this represents an underlying operating margin of 20.9% (2022: 18.0%), which, when adjusted to exclude £14.4 million of operating expenses incurred in relation to the delivery of digital strategy, rises to 23.8% (2022: 22.1%).

Net investment management fee income increased by £75.2 million (27.4%) in 2023. £70.1 million of the increase is attributable to the effect of the IW&I combination in the final quarter of 2023. The remaining £5.1 million uplift is due to higher FUMA in the Wealth Management segment excluding IW&I, reflecting the benefit of new revenues generated from the migration of Saunderson House funds and the favourable market movement, with the average level of the MSCI PIMFA Balanced index at the quarterly billing dates being 2.2% higher than the prior year.

Net commission income increased by 9.6% to £53.6 million (2022: £48.9 million). A £9.4 million uplift in commission income as a result of the IW&I combination has been partially offset by a reduction of £4.7 million in the Wealth Management segment excluding IW&I commission income due to the continued movement towards a fee-only basis of charging, which is increasingly replacing transaction-based commission charges.

The increase in the Bank of England Base Rate from 3.5% at the start of 2023 to 5.25% by December 2023 contributed an additional £32.1 million to net interest income in the year. The rates of interest payable to clients in respect of the cash element of their portfolios also increased significantly during the year as we ensured our interest rates remained competitive. However, the overall increase in our net interest margin illustrates the benefit of our banking permissions.

Fees from advisory services and other income fell by 2.1% to £50.3 million. Fees from advisory and other services excluding IW&I fell by 15.8% (2022: 88.3% increase). This expected reduction was partially offset by £7.0 million of other income from IW&I, as advice fees to Saunderson House clients were suppressed during the period in light of the extent to which advice was related to the migration process. We expect advice fee levels relating to Saunderson House clients to recover once the migration of assets has been completed.

Underlying operating expenses during the year were £398.5 million (see table 11); an increase of 23.6% on the prior year. When adjusted for Q4 IW&I underlying expenses of £62.5 million, the year-on-year increase in underlying expenses for the Wealth Management segment excluding IW&I is £13.7 million (2022: £47.8 million). An £8.3 million increase in fixed staff costs (2022: £20.2 million) was partially offset by a reduction of £3.0 million (2022: £5.0 million increase) in variable staff costs due to a number of profit share schemes vesting in 2022. Other operating expenses of £154.2 million (2022: 145.9 million) include property, depreciation, settlement, IT, finance and other central support services.

TABLE 8. WEALTH MANAGEMENT – FINANCIAL PERFORMANCE

	2023 Comprises			
	2023 £m	**IW&I £m**	**Rathbones excl. IW&I £M**	2022 £m
Net investment management fee income[1]	**350.1**	**70.1**	**280.0**	274.8
Net commission income	**53.6**	**9.4**	**44.2**	48.9
Net interest income	**49.9**	**1.4**	**48.5**	17.8
Fees from advisory services[2] and other income	**50.3**	**7.0**	**43.3**	51.4
Operating income	**503.9**	**87.9**	**416.0**	392.9
Underlying operating expenses[3 4]	**(398.5)**	**(62.5)**	**(336.0)**	(322.3)
Underlying profit before tax	**105.4**	**25.4**	**80.0**	70.7
Underlying operating margin[5]	**20.9%**	**28.9%**	**19.2%**	18.0 %

1. Net investment management fee income is stated after deducting fees and commission expenses paid to introducers
2. Rathbones excl. IW&I Fees from advisory services includes income from trust, tax and financial planning services (including Vision and Saunderson House)
3. See table 11
4. Included within underlying operating expenses are £14.4 million of costs relating to the group's digital strategy, of which £1.6 million relates to asset management
5. Underlying profit before tax as a percentage of operating income. Excluding £14.4 million of expenditure on our digital strategy in the year, the underlying operating margin was 23.8%

TABLE 9. WEALTH MANAGEMENT – AVERAGE FUNDS UNDER MANAGEMENT AND ADMINISTRATION

	2023 £m	2022 £m
Valuation dates for billing		
– 5 April	**45.7**	47.9
– 30 June	**45.4**	43.8
– 30 September	**45.4**	43.2
– 31 December	**48.0**	45.1
Quarterly average[1]	**46.1**	45.0
Average MSCI level[2]	**1,721**	1,684

IW&I	**2023 £bn**	2022 £bn
Valuation dates for billing		
– 30 November	**40.7**	–
Average MSCI level[2]	**1,700**	–

1. Rathbones quarterly average FUMA excluding Saunderson House and IW&I
2. MSCI PIMFA Balanced Index considered to reflect Rathbones' composition of portfolios most closely. Based on the corresponding valuation dates for billing

TABLE 10. WEALTH MANAGEMENT – REVENUE MARGIN

	2023 £m	2022 £m
Basis point return[1] from:		
– fee income	**61.5**	61.1
– commission	**9.5**	10.8
– interest	**3.3**	0.5
Basis point return on FUMA	**74.3**	72.4

1. Operating income (see table 8), excluding interest on own reserves, interest payable on Tier 2 notes issued, interest payable on lease assets, fees from advisory services and other income, divided by the average funds under management and administration on the quarterly billing dates (see table 9)

Other operating expenses of £173.1 million include property, depreciation, settlement, IT, finance and other central support services costs (2022: £145.9 million).

The basis point return on fund under management and administration for the Wealth Management segment excluding IW&I increased by 0.5bps in the year to 72.9bps, this is predominately due to the increase in interest income, offset by lower commission as a higher proportion of clients have migrated to fee-only rates.

TABLE 11. WEALTH MANAGEMENT – UNDERLYING OPERATING EXPENSES

	2023 £m	2022 £m
Staff costs[1]		
– fixed	**147.2**	109.5
– variable	**78.2**	66.9
Total staff costs	**225.4**	176.4
Other operating expenses	**173.1**	145.9
Underlying operating expenses	**398.5**	322.3
Underlying cost/income ratio[2]	**79.1%**	82.0%

1. Represents the costs of investment managers and teams directly involved in client-facing activities
2. Underlying operating expenses as a percentage of operating income (see table 8)

ASSET MANAGEMENT

The financial performance of the Asset Management segment is principally driven by the value of FUM. Year-on-year changes in the key performance indicators for asset management are shown in table 12.

FUNDS UNDER MANAGEMENT

Following the challenging trading conditions in 2022, 2023 continued to be a tough environment for the industry. Net redemptions in the asset management industry to 30 November 2023 totalled £41.6 billion (£49.7 billion in the full year to December 2022), as reported by the Investment Association (IA), albeit mainly in the institutional space. Industry-wide funds under management grew by only 1.5% to £1.4 trillion at the end of November 2023.

Gross inflows in Rathbones Asset Management improved 48% from £3.1 billion to £4.6 billion in 2023, with Saunderson House assets migrating into Rathbones funds responsible for a large part of this growth. Continued investor concerns over inflation, interest rates and equity market valuations have driven cautious investor sentiment. Despite these macroeconomic impacts on investor confidence, our range of funds, well balanced between multi-asset and single-strategy, has helped serve our clients' changing needs and provided some shelter from the market volatility for our overall FUM. The diverse nature of our multi-asset investment mix, and thus its obvious continuing appeal to clients in these tougher times, has ensured that positive net flows have continued to stream into these funds, creating some offset for the outflows experienced in the single-strategy space.

Investors continue to exhibit an elevated propensity for withdrawing some of their investable assets to pay down debt, which has become increasingly expensive, and meet rising costs of living. These factors have led to a continuation of the elevated gross outflows experienced in 2022. Strong gross flows, leading to positive net flows in Multi-asset funds and favourable investment performance offsetting net outflows in single strategy funds, ensured total funds under management grew to a record high of £13.8 billion at the end of 2023, an increase of 25.5% during the year (see table 14).

TABLE 12. ASSET MANAGEMENT – KEY PERFORMANCE INDICATORS

	2023	2022
FUM at 31 December[1]	**£13.8bn**	£11.0bn
Rate of net growth in Asset Management FUM[1]	**13.7%**	0.4%
Underlying profit before tax[2]	**£21.7m**	£26.4m

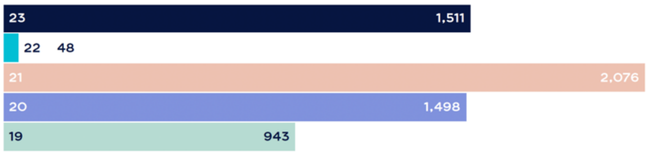
1. See table 14
2. See table 16

TABLE 13. ASSET MANAGEMENT – FUNDS UNDER MANAGEMENT BY PRODUCT

	2023 £bn	2022 £bn
Rathbone Global Opportunities Fund	**3.6**	3.4
Rathbone Multi-Asset Portfolios	**5.3**	3.0
Rathbone Ethical Bond Fund	**2.2**	2.2
Rathbone Income Fund	**0.7**	0.7
Offshore funds	**0.6**	0.6
Rathbone Active Income Fund for Charities	**0.2**	0.2
Rathbone High Quality Bond Fund	**0.2**	0.2
Greenbank Multi-Asset Portfolios	**0.4**	0.2
Other funds[1]	**0.1**	0.2
Rathbone Core Investment Fund for Charities	**0.2**	0.1
Rathbone Strategic Bond Fund	**0.1**	0.1
Rathbone Global Sustainability Fund	**0.1**	0.1
Rathbone UK Opportunities Fund	**0.1**	–
	13.8	11.0

1. £213 million of 'Bespoke' other funds transferred out during 2022 post the switch of Authorised Corporate Director (ACD) from Rathbones Asset Management Limited to Evelyn Partners, an independent ACD

CHART 2. FUNDS – ANNUAL NET FLOWS (£M)



Despite adverse market conditions, Rathbones featured in the Pridham Report industry top ten for net retail sales in all 4 quarters of 2023 as well as fifth for net retail sales in the full year.

Volatility managed funds (multi-asset portfolios) were the IA's top net seller in the year up to November 2023 with £5.8 billion of net sales and this trend was mirrored in Rathbones which accounted for 33% of the industry total, with net sales in the year, totalling £1.9 billion in the year to November 2023 and £2.1 billion in the full year, up £1.4 billion when compared to 2022.

Rathbones largest fund, Rathbone Global Opportunities Fund, saw a net £305 million outflow over the course of the year.

Rathbone Ethical Bond Fund also suffered from net redemptions in the year (£187 million), due to the market uncertainty brought on by the volatility in bond yields. Both funds, however, delivered positive market returns in the year ensuring that, overall, both funds grew year-on-year.

The Ethical Bond and Global Opportunities funds maintained their excellent industry long-term track performance records and both finished the year in the first quartile for performance measured over five years, which is a key factor in investors' decision-making.

During the year, the total number of investment professionals running the funds reduced by one to 23 at 31 December 2023 (2022: 24).

TABLE 14. ASSET MANAGEMENT – FUNDS UNDER MANAGEMENT

	2023 £bn	2022 £bn
As at 1 January	**11.0**	13.0
Net inflows	**1.5**	-
– inflows[1]	**4.6**	3.1
– outflows[1]	**(3.0)**	(2.9)
– Bespoke[2]	**–**	(0.2)
Market adjustments[3]	**1.3**	(2.0)
As at 31 December	**13.8**	11.0
Rate of net growth[4]	**13.7%**	0.4%

1. Valued at the date of transfer in/(out)
2. Bespoke funds transferred out during 2022 post the switch of Authorised Corporate Director ('ACD') from Rathbones Asset Management Limited to Evelyn Partners, an independent ACD
3. Impact of market movements and relative performance
4. Net inflows as a percentage of opening FUM

In 2022 £213.0 million of 'Bespoke' other funds transferred out during the year post the switch of the Authorised Corporate Director (ACD) from Rathbones Asset Management Limited to Evelyn Partners, an independent ACD.

TABLE 15. ASSET MANAGEMENT – PERFORMANCE[1, 2, 4]

2023/(2022) Quartile ranking[3] over	1 year	3 years	5 years
Rathbone Ethical Bond Fund	1 (2)	2 (2)	1 (1)
Rathbone Global Opportunities Fund	1 (4)	3 (2)	1 (1)
Rathbone Income Fund	3 (2)	2 (2)	2 (2)
Rathbone Strategic Bond Fund	1 (3)	3 (3)	3 (3)
Rathbone UK Opportunities Fund	1 (4)	4 (4)	4 (4)

1. Quartile ranking data is sourced from FE Trustnet
2. Excludes multi-asset funds (for which quartile rankings are prohibited by the Investment Association (IA)), High Quality Bond Fund, which has no relevant peer group against which to measure quartile performance, non-publicly marketed funds and segregated mandates
3. Ranking of institutional share classes at 31 December 2023 and 2022 against other funds in the same IA sector, based on total return performance, net of fees (consistent with investment performance information reported in the funds' monthly factsheets)
4. Funds included in the above table account for 59% of the total FUM of the fund's business

FINANCIAL PERFORMANCE

Asset management's income is primarily derived from annual management charges, which are calculated on a daily basis on the value of FUM of each fund, net of rebates payable to intermediaries.

Net annual management charges increased to £64.7 million in 2023, reflecting the rise in average FUM. Net annual management charges as a percentage of average FUM fell by 0.9bps to 53.9 bps (2022: 54.8 bps), led by a higher proportion of FUMA held in S-Class units in the Multi Asset funds, which have a lower annual management charge. Alongside higher net annual management charges, interest and other income increased by £1.7 million in the year. As a result, total operating income as a percentage of average FUM increased to 55.4 bps in 2023 from 54.7 bps in 2022.

Underlying operating expenses detailed in Table 17 increased by £8.9 million to £45.5 million (2023: £36.6 million). Fixed staff costs of £7.1 million for the year ended 31 December 2023 were £0.2 million higher than 2022. This reflects general inflationary rises as well as the impacts of staffing changes in the period.

Variable staff costs of £13.4 million were 19.6% higher than 2022. These costs relate to deferred awards which are spread over multiple years, the current year cost does not solely reflect performance in the current year.

Other operating expenses have increased by 35.9% to £25.0 million in 2023. A large part of this cost increase relates to direct investment in our core Charles River system, enhancing functionality and creating an efficient platform for delivering to existing clients as well as positioning the business well for future growth. Recurring operational spend in the Asset Management segment for the Charles River Investment Management Solution is £1.5 million per annum. The operating margin net of these investment costs was 37%. Administration costs of £6.1 million were up £0.8 million on 2022, driven by increasing FUM and flows, as well as inflationary indexing on third-party supplier contracts, which was also evident on technology costs.

TABLE 16. ASSET MANAGEMENT – FINANCIAL PERFORMANCE

	2023 £m	2022 £m
Net annual management charges	**64.7**	62.2
Interest and other income	**2.5**	0.8
Operating income	**67.2**	63.0
Underlying operating expenses[1]	**(45.5)**	(36.6)
Underlying profit before tax	**21.7**	26.4
Operating % margin[2]	**32.3%**	41.9%

1. See table 17
2. Underlying profit before tax divided by operating income

TABLE 17. ASSET MANAGEMENT – UNDERLYING OPERATING EXPENSES

	2023 £m	2022 £m
Staff costs		
– Fixed	**7.1**	6.9
– Variable	**13.4**	11.2
Total staff costs	**20.5**	18.1
Other operating expenses	**25.0**	18.4
Underlying operating expenses	**45.5**	36.5
Underlying cost/income ratio[1]	**67.5%**	57.9%

1. Underlying operating expenses as a percentage of operating income (see table 16)

FINANCIAL POSITION

OWN FUNDS
As a banking group, Rathbones is required to operate in accordance with the requirements relating to capital resources and banking exposures prescribed by the Capital Requirements Regulation, as applied in the UK by the Prudential Regulation Authority (PRA).

The group is required to ensure it maintains adequate capital resources to meet its combined pillar 1 and pillar 2 requirements.

At 31 December 2023, the group's regulatory own funds (including verified profits for the year) were £471.4 million (2022: £338.7 million). The increase in the year of £132.7 million was the result of the issue of new share capital to fund the group's acquisition of IW&I. The effect on own funds of the new shares issued, which resulted in a £2.2 million increase in share capital and a £747.4 million increase in the merger reserve (net of £2.2 million of share issue costs) (see table 19) was partly offset by the £585.1 million increase in goodwill and intangible assets resulting from the acquisition.

The net increase in own funds was partially offset by an increase in the group's total capital requirement and combined buffers of £106.4 million, which reflected the inclusion of IW&I in the group. The resulting in a capital surplus at the end of 2023 of £134.5 million represents an increase of £24.2 million relative to the surplus of £110.3 million 31 December 2022.

The CET1 ratio was 17.8%, broadly in line with the 17.9% reported at the previous year-end. This increase in the Pillar 1 requirement (see table 20) as a consequence of the enlarged group, was countered by the increased capital resources (see table 19)

The leverage ratio was 18.7% at 31 December 2023, up from 17.6% at 31 December 2022. The leverage ratio represents our Tier 1 capital (own funds) as a percentage of the group's total assets (exposure measure), excluding central bank exposure, intangible assets, plus certain off-balance sheet exposures. Whilst total assets and tier one capital increased in the year due to the IW&I combination, assets excluded from the exposure measure (central bank exposure and regulatory deductions) represented a lower proportion of the balance sheet, This resulted in an uplift to the leverage ratio.

At 31 December 2023, neither Rathbones Investment Management Limited nor the Rathbones Group were subject to a minimum leverage ratio requirement, although monitoring is undertaken on a regular basis against the minimum leverage requirement of 3.25% which applies to larger banks.

The business is primarily funded by equity, but also supported by £39.9 million of ten-year tier 2 eligible subordinated loan notes, which were issued in October 2021. The notes introduced a small amount of gearing into our balance sheet as a way of financing future growth in a cost-effective and capital-efficient manner. They are repayable in October 2031, with a call option for the issuer annually from 2026. Interest is payable at a fixed rate of 5.642% per annum until the first option call date, and at a rate of 4.893% over Compound Daily SONIA thereafter.

As a result of the factors set out above, the total equity of the group (comprising share capital, share premium and reserves, net of own shares held) was £1,350.2 million at 31 December 2023, up 112.7% from £634.8 million at the end of 2022.

OWN FUNDS AND LIQUIDITY REQUIREMENTS
As required under PRA rules, we perform an Internal Capital Adequacy Assessment Process (ICAAP) and Internal Liquidity Adequacy Assessment Process (ILAAP) annually for the consolidated group, which include performing a range of stress tests to determine the appropriate level of regulatory capital and liquidity that the group should hold. In addition, we monitor a wide range of capital and liquidity statistics on a daily, monthly or other frequency basis as required. Surplus capital levels are forecast on a monthly basis, taking account of anticipated dividend and investment requirements, to ensure that appropriate buffers are maintained. Investment of proprietary funds is controlled by our treasury department.

We are required to hold capital to cover a range of own funds requirements.

TABLE 18. GROUP'S FINANCIAL POSITION

	2023 £m (unless stated)	2022 £m (unless stated)
Own funds		
– Common Equity Tier 1 ratio[1]	**17.8%**	17.9%
– Total own funds ratio[2]	**19.4%**	20.3%
Total retained earnings	**263.7**	297.2
– Tier 2 subordinated loan notes[3]	**39.9**	39.9
Total risk exposure amount	**2,425.6**	1,666.8
– Leverage ratio[4]	**18.7%**	17.6%
Other resources:		
Total assets	**4,224.4**	3,447.2
– Treasury assets[5]	**2,601.0**	2,664.1
– Investment Management loan book	**101.7**	159.7
– Intangible assets from acquired growth[6]	**502.7**	342.7
– Tangible assets and software[7]	**30.9**	26.2
Liabilities:		
– Due to customers[8]	**2,253.3**	2,516.1
Net defined benefit pension asset/(liability)	**7.0**	9.4

1. Common Equity Tier 1 capital as a proportion of total risk exposure amount
2. Total own funds (see table 19) as a proportion of total risk exposure amount
3. Represents the carrying value of the Tier 2 loan notes
4. Tier 1 capital as a percentage of total assets, excluding intangible assets, plus certain off-balance-sheet exposures
5. Balances with central banks, loans and advances to banks and investment securities
6. Net book value of acquired client relationships and goodwill (note 8)
7. Net book value of property, plant and equipment and computer software
8. Total amounts of cash in client portfolios held by Rathbones Investment Management as a bank

TABLE 19. GROUP'S REGULATORY OWN FUNDS

	2023 £m	2022 £m
Share capital and share premium	**317.7**	313.1
Reserves	**1,088.1**	374.2
Less:		
Own shares	**(55.6)**	(52.5)
Intangible assets[1]	**(911.8)**	(326.7)
Retirement benefit asset[2]	**(7.0)**	(9.4)
Common Equity Tier 1 own funds	**431.4**	298.7
Tier 2 own funds	**40.0**	40.0
Total own funds	**471.4**	338.7

1. Net book value of goodwill, client relationship intangible assets and software is deducted directly from own funds, less any related deferred tax
2. The retirement benefit asset is deducted directly from own funds

TABLE 20. GROUP'S OWN FUNDS REQUIREMENTS[1]

	2023 £m	2022 £m
Credit risk requirement	**72.3**	66.3
Market risk requirement	**–**	1.1
Operational risk requirement	**121.7**	65.9
Pillar 1 own funds requirement	**194.0**	133.3
Pillar 2A own funds requirement	**39.4**	40.0
Total Capital Requirement ('TCR')	**233.4**	173.3
Combined buffer:		
Capital Conservation Buffer (CCB)	**60.6**	41.6
Countercyclical Capital Buffer (CCyB)	**42.9**	13.5
Total Capital Requirement ('TCR') and Combined buffer	**336.9**	228.4

	2023 £m	2022 £m
Total capital surplus	**134.5**	110.3

The purpose of each component of the regulatory capital requirement and what it comprises is set out below.

PILLAR 1 OWN FUNDS REQUIREMENT

Pillar 1 determines a total risk exposure amount (also known as 'risk-weighted assets') for the group, taking into account expected losses in respect of the group's exposure to credit, counterparty credit, market and operational risks, and sets a minimum requirement for the amount of capital the group must hold.

The increase in credit risk to £72.3 million in 2023 was due to a revised allocation of the group's treasury assets along with the consequences of including IW&I exposures.

At 31 December 2023, the group's total risk exposure amount was £2,425.6 million (2022: £1,666.8 million). The increase was driven principally by the inclusion of IW&I exposures.

PILLAR 2A OWN FUNDS REQUIREMENT

The Pillar 2 requirement supplements the Pillar 1 minimum requirement with firm-specific Pillar 2A requirements and a framework of regulatory capital buffers.

The Pillar 2A own funds requirement is set by the PRA as part of its supervisory review process and the calculation of it remains confidential to the PRA. The requirement reflects those risks that are specific to the firm that are not fully captured under the Pillar 1 own funds requirement. The group-specific risks that are reflected in the Pillar 2A requirement are set out below:

PENSION OBLIGATION RISK

The potential for additional unplanned capital strain or costs that the group would incur in the event of a significant deterioration in the funding position of the group's defined benefit pension schemes. See note 10 for further detail on the movement in the year to the net defined benefit pension asset.

INTEREST RATE RISK IN THE BANKING BOOK

The group operates on a non-trading book basis, whereby all assets held are with the intent of holding to maturity. Assets are not actively traded in secondary markets for speculative purposes. The resulting interest rate risk represents losses that could arise for a 2% parallel shift in the Bank of England base rate. The exposure would measure the time to reprice interest bearing assets and liabilities.

CONCENTRATION RISK

Greater potential exposure as a result of the concentration of borrowers located in the UK relative to other overseas jurisdictions.

The group is also required to maintain a number of regulatory capital buffers, all of which must be met with CET1 capital.

CAPITAL CONSERVATION BUFFER (CCB)

The CCB is a general buffer, designed to provide for losses in the event of a stress, and is set by the PRA. The CCB is set at 2.5% of the group's total risk exposure amount as at 31 December 2023.

COUNTERCYCLICAL CAPITAL BUFFER (CCYB)

The CCyB is designed to act as an incentive for banks to constrain credit growth in times of heightened systemic risk. The value of the buffer is calculated as a percentage of the group's total risk exposure amount. For UK credit risk exposures, the percentage rate that applies is set by the Financial Policy Committee ('FPC'). For other jurisdictions where the group has exposures, the percentage rate applicable to each jurisdiction is applied.

The percentage buffer rate for UK exposures is currently 2.0%. The group has relevant credit exposures in other jurisdictions where a different rate applies, resulting in a weighted rate of 1.8% as at 31 December 2023.

CAPITAL MANAGEMENT
In managing the group's regulatory capital position, we take into account:

- potential future volatility in pension scheme valuations that affect both the level of CET1 own funds and the value of the Pillar 2A requirement for pension risk;
- expected additional increases in the UK countercyclical capital buffer rate; and
- the demands of acquisitions which would generate intangible assets and, therefore, directly reduce CET1 resources; and
- expected and potential regulatory developments.

We keep these issues under review by forecasting capital and liquidity on a monthly basis, whilst taking into account all known and anticipated macroeconomic and idiosyncratic changes.

The group's Pillar 3 disclosures are published annually on our website (rathbones.com/investor-relations/results-and-presentations) and provide further details about regulatory capital resources and requirements.

TOTAL ASSETS
Total assets at 31 December 2023 were £4.2 billion (2022: £3.4 billion), of which £2.3 billion (2022: £2.5 billion) represents the cash element of client portfolios that is held as a banking deposit.

RIM TREASURY ASSETS
As a licensed deposit taker, Rathbones Investment Management Limited holds our surplus liquidity on its balance sheet together with clients' cash. Cash in client portfolios held on a banking basis of £2.3 billion (2022: £2.5 billion) represented 4.7% of total Investment Management funds under management and administration at 31 December 2023, compared to 5.3% at the end of 2022. Cash held in client money accounts was £8.4 million (2022: £5.7 million). These balances are held off balance sheet in accordance Client Money Rules of the FCA.

During the year, the share of treasury assets held with the Bank of England reduced to £1.0 billion (2022: £1.4 billion), as investment in certificates of deposit and UK treasury bills increased in accordance with our treasury policy and risk appetite as the environment of rising interest rates presented greater opportunity for the management of our treasury assets.

The treasury department of Rathbones Investment Management, reporting through the banking committee to the board, operates in accordance with procedures set out in a board-approved treasury manual and monitors exposure to market, credit and liquidity risk. It invests in certain securities issued by a diversified range of highly-rated counterparties. These counterparties must be single 'A-' rated or higher by Fitch at the time of investment and are regularly reviewed by the banking committee.

IW&I TREASURY ASSETS
The manner in which Investec Wealth & Investment Limited (a wholly owned subsidiary of Rathbones Group Plc) holds its surplus client money is governed by the CASS rules. In this regard these monies are off-balance sheet.

The IW&I Cash & Credit Management Committee (CCMC) is mandated by the Operations Committee to consider, approve, and keep under review, the suitability of financial institutions for the placement of firm's and clients' cash deposits in accordance with the CASS rules on client money and assets. Approved institutions are subject to the IW&I Credit Policy and annual due diligence which is undertaken in accordance with the CASS rules. Total Client Money held was £1.3 billion as at 31 December 2023 (2022: £1.9 billion) representing 3.1% of Investment Management funds under management at 31 December 2023 compared to 4.7% at the end of 2022.

Investec Wealth & Investment Limited also hold Firm's money, which is on balance sheet, also subject to the IW&I Firms Credit Policy Statement and overseen by the CCMC. Total Firms Money held was £161.9 million as at 31 December 2023 (2022: £209.6 million)

The treasury department of Investec Wealth & Investment Limited are responsible for the cash management of both the Client and Firm's money, reporting to the CCMC and operating in accordance with the Treasury Mandate. Treasury monitor diversification and liquidity on a daily basis. Approved Institutions, other than group companies, must have a minimum of S&P Short Term rating of A-2, a S&P Long Term Rating of BBB+ and are reviewed quarterly by the CCMC.

LOANS TO CLIENTS
Loans are provided as a service to Wealth Management clients who have short to medium term cash requirements. Such loans are normally made on a fully secured basis against portfolios held in our nominee, with a requirement that the value of the loan is covered two times by the value of the secured portfolio. Loans are usually advanced for five years. In addition, charges may be taken on property held by the client to meet security cover requirements.

Our ability to provide such loans is a valuable additional service to clients who require bridging finance when buying and selling their homes.

Loans advanced to clients decreased to £101.7 million at end of 2023 (2022: £159.7 million). As borrowing costs increased, we saw lower demand for new loans as clients looked to reduce outstanding debt and finance their cash requirements from other means, including drawing down from investment portfolios, leading to higher outflows of funds under management and administration.

INTANGIBLE ASSETS
Intangible assets arise principally from acquired growth in funds under management and administration relating to business combinations and are categorised as goodwill and client relationships. Intangible assets reported on the balance sheet also include purchased and developed software.

At 31 December 2023, the total carrying value of goodwill and client relationship intangible assets was £1,010.5 million (2022: £342.7 million). The significant increase in 2023 is principally the result of the IW&I combination. In addition, other purchases of client relationship intangible assets of £2.6 million were capitalised during the year (2022: £1.0 million). £2.8 million of client relationship intangible assets were disposed of in the year, predominately in relation to earn-outs which were paid (2022: £2.6 million).

Client relationship intangible assets are amortised over the estimated life of the client relationship, which is generally a period between 10 and 15 years. Should client relationships be lost, any related intangible asset is derecognised in the relevant year. The total amortisation charge for client relationships in 2023, including the impact of any lost relationships, was £22.4 million (2022: £16.9 million). The increase in the year was the result of amortisation for the IW&I client relationship intangible asset during the final quarter following completion of the combination.

Goodwill, which arises from business combinations, is not amortised but is subject to a test for impairment at least annually. No goodwill was identified as impaired during the year. Further detail is provided in note 8.

CAPITAL EXPENDITURE

Capital expenditure during 2023 amounted to £4.5 million (2022: £8.0 million).

Expenditure on the development of our systems that was capitalised amounted to £4.0 million in the year, a reduction of £1.8 million relative to the prior year. Whilst we have continued our digital investment programme, the portion of this investment that represents development expenditure that falls to be capitalised under accounting standards has reduced in line with our increasing adoption of cloud-based, strategic technology solutions. The costs of cloud-based solutions are largely charged to profit or loss at the time the cost is incurred, with the subsequent benefit of a reduction in the level of depreciation cost in future years.

Property expenditure fell by £1.7 million in 2023. This reflected a pause in planned office refurbishments as we considered our property strategy for the newly enlarged group as a result of the IW&I combination.

DEFINED BENEFIT PENSION SCHEMES

We operate two defined benefit pension schemes. With effect from 30 June 2017, we closed both schemes, ceasing all future benefit accrual and breaking the link to salary.

At 31 December 2023 the combined schemes' liabilities, measured on an accounting basis, had increased to £101.1 million, up 6.8% from £94.7 million at the end of 2022. This increase primarily reflected a reduction in discount rates at the end of the year, and a small decrease in the assumed future rate of inflation. The reported position of the schemes as at 31 December 2023 was a surplus of £7.0 million (2022: surplus of £9.4 million).

The funding position of the schemes improved during 2023, with increased gilt yields driving a reduction in the schemes' liabilities. As a result of this, the Company supported the Trustees' decision to switch the schemes' assets into self-sufficiency credit funds in order to better secure the funding position against future changes in bond yields and inflation expectations. This switch has further lowered the level of gearing in the scheme's assets and reduced the exposure to future margin calls.

The triennial funding valuations, with a valuation date of 31 December 2022 were undertaken during the year by the scheme actuary. As for the previous valuations, a self-sufficiency funding basis was used to calculate the schemes' liabilities. The valuations were completed in August 2023 and identified that the shortfall in the schemes' funding position at 31 December 2022 was fully covered by the £2.75m deficit contribution made by the Company in August 2023. Therefore, no further deficit funding plan was necessary and the Company is not required to make any further contributions to the scheme at this time.

During 2023, the Company, working with the Trustees and the Scheme Actuary, undertook a review of the feasibility of insuring the schemes' liabilities via an insurance "buy in". In December 2023, a request for quotation was issued to a shortlist of insurers.

LIQUIDITY AND CASH FLOW

As a bank, we are subject to the PRA's ILAAP regime, which requires us to hold a suitable liquid assets buffer to ensure that short-term liquidity requirements can be met under certain stressed scenarios. Liquidity risks are actively managed on a daily basis and depend on operational and investment transaction activity.

Cash and balances at central banks amounted to £1.0 billion at 31 December 2023 (2022: £1.4 billion). We continue to hold a substantial portion of the group's overall liquidity with central banks. The reduction during the year reflects increased investment in both debt securities issued by high-quality counterparties, and central government issued short-dated treasury bills, which was in response to the rising interest rate environment.

Cash and cash equivalents, as defined by accounting standards, includes cash, money market funds and banking deposits, which had an original maturity of less than three months. Consequently, cash flows, as reported in the financial statements, include the impact of capital flows in treasury assets.

Net cash outflows from operating activities in the year largely reflect a £251.4 million decrease in banking client deposits (2022: £181.9 million increase). Cash held in client portfolios reduced due to portfolio asset allocation moving to alternative liquid assets, such as UK Government Treasury Bills, due to the high interest rate environment. Loans and advances to banks and customers decreased by £87.4 million in the year, this was partly attributable to the reclassification of a £14.5 million term deposit (2022: £30.0 million) that is due to mature within three months of the year end into cash and cash equivalents.

TABLE 21. EXTRACTS FROM THE CONSOLIDATED STATEMENT OF CASH FLOWS

	2023 £m	2022 £m
Cash and cash equivalents at the end of the year	**1,302.9**	1,572.7
Net cash inflows from operating activities	**(86.4)**	292.9
Net change in cash and cash equivalents	**(269.8)**	(80.9)

Cash used in investing activities included a net outflow of £241.8 million from the purchase of certificates of deposit (2022: net outflow of £278.1 million), as we continued to reduce the proportion of treasury assets held with the Bank of England in favour of UK Government short-dated Treasury Bills and debt securities. All investment decisions were made under the existing low risk appetite framework set by the RIM Banking Committee. Included within cash used in investing activities is cash of £172.6 million acquired from the acquisition of IW&I in the year.

The other significant non-operating cash flows during the year were as follows:

- outflows relating to the payment of dividends of £71.4 million (2022: £48.6 million);
- outflows relating to payments to acquire intangible assets of £5.6 million (2022: £8.8 million), which includes payments in respect of investment managers under earn-out agreements, and development of client applications;
- outflows of £5.1 million relating to capital expenditure on tangible property, plant and equipment (2022: £4.3 million), which relates predominantly to property fit-out costs; and inflows of £2.9 million from a partial sale of the group's shareholding in Euroclear.

RISK MANAGEMENT AND CONTROL

Our approach to risk management is fundamental to supporting the delivery of our strategic objectives. Our risk governance and risk processes are designed to enable the firm to manage risk effectively in accordance with our risk appetite and to support the long-term future of the firm.

MANAGING RISK

The board has overall responsibility for risk management across the group, regularly assessing the most significant risks and emerging threats to the group's strategy. The board delegates oversight of risk management activities to the group risk and audit committees. Our risk governance and risk management framework support the chief executive and executive committee members with their day-to-day responsibility for managing risk.

RISK CULTURE

The risk culture embedded across the group enhances the effectiveness of risk management and decision-making. The board promotes a strong risk culture, reinforced by our executive and senior management team, which encourages appropriate behaviours and collaboration on managing risk across the group.

Risk management is an integral part of everyone's day-to-day responsibilities and activities; it is linked to performance and development, as well as to the group's remuneration and reward schemes. We aim to create an open and transparent working environment, encouraging employees to engage positively in risk management in support of the achievement of our strategic objectives.

RISK GOVERNANCE AND THREE LINES OF DEFENCE

We operate a three lines of defence model to support risk governance and risk management across the group

GOVERNANCE			
BOARD	**AUDIT COMMITTEE**	**GROUP RISK COMMITTEE**	**EXECUTIVE COMMITTEE EXECUTIVE RISK COMMITTEE BANKING COMMITTEE**
Sets strategy and risk appetite across the group, and is ultimately accountable for risk management.	Monitors and reviews the effectiveness of internal controls with oversight of the internal audit function in line with the group's risk profile on behalf of the board. It also oversees the appointment and relationship with the external auditor.	Oversees effectiveness of the risk management framework and activity across the group. Advises the board on risk appetite, risk assessment, risk profile and risk culture.	First line committees with responsibility for management of risk and internal control across the group.

BUSINESS AREAS AND LINES OF DEFENCE		
FIRST LINE OF DEFENCE Senior management Business operations and control functions	**SECOND LINE OF DEFENCE** Risk, compliance and anti-money laundering functions	**THIRD LINE OF DEFENCE** Internal audit
RESPONSIBILITY Responsible for managing risk in line with risk appetite by developing and maintaining an effective system of internal control.	**RESPONSIBILITY** Responsible for the risk management framework and the independent oversight and challenge of first line risk management activity.	**RESPONSIBILITY** Responsible for providing independent assurance to senior management on the effectiveness of governance, risk management and internal control.

RISK MANAGEMENT FRAMEWORK (RMF) OVERVIEW

Our RMF provides the foundation for identifying, evaluating, managing and reporting risk and continually improving the effectiveness of risk management throughout the firm.

RISK APPETITE

The board approves the firm's risk appetite statement and framework at least annually to ensure it remains consistent with our strategic objectives and prudential responsibilities.

Specific risk appetite statements are set and measures established for each principal risk. The risk appetite framework supports strategic decision-making, as well as providing a mechanism to monitor our risk exposures.

The position against our risk appetite statements and measures is assessed and reported on a regular basis to the executive committee, group risk committee and the board.

Given the current economic outlook and the evolving regulatory landscape within the sector, the board remains committed to having a relatively low overall appetite for risk in line with our strategy. The board recognises our performance is susceptible to fluctuations in investment markets and has the potential to bear losses from financial and non-financial risks from time to time, either as reductions in income or increases in operating costs.

Risk appetite measures and thresholds have been approved by the board for 2024, taking into account the combination between Rathbones and IW&I. This year's measures reflect the scale of the enlarged group but, other than this, there have been no other material changes to our appetite for risk. As the business models integrate, our position against these measures will be closely monitored and exceptions reported as required.

RISK CATEGORIES	RISK APPETITE STATEMENT	STRATEGIC ALIGNMENT
BUSINESS AND STRATEGIC RISK	Business and strategic risks will be identified and actively managed to protect the ability to deliver sustainable growth. Change initiatives will be orientated towards longer-term client, stakeholder and societal expectations.	**BUSINESS RESILIENCE** Supporting and delivering growth 2
FINANCIAL RISK	Financial risks will be actively managed to preserve the group's overall resilience. Credit and market risk exposures will be managed to board approved instruments and limits in order to protect company assets and maintain prudent levels of liquidity and regulatory own funds. The group will also continually monitor and respond to risks arising from its pension scheme obligations	**FINANCIAL RESILIENCE** Supporting and delivering growth 2
NON-FINANCIAL RISK (CONDUCT AND OPERATIONAL)	Conduct and regulatory risks associated with our business are recognised; however, we have no appetite for intentionally inappropriate behaviour or action by any entity within the group or employees that could have a material detrimental impact on clients, key stakeholders and our reputation. Operational risks and losses can arise from inadequate or failed internal processes, people or systems, or from external events. We have an extremely low appetite for losses and no appetite for systemic or materially high-risk events that could affect the operational resilience of important business services.	**REGULATORY AND OPERATIONAL RESILIENCE** Enriching the client and adviser proposition and experience Inspiring our people Operating more efficiently 1 3 4

OUR STRATEGIC PRIORITIES

1 Enriching the client and adviser proposition and experience

2 Supporting and delivering growth

3 Inspiring our people

4 Operating more efficiently

RISK MANAGEMENT PROCESS

Our risk management process is a defined approach to identify, assess and respond to risks that could affect delivery of strategic objectives and annual business plans. The board, executive and senior management are actively involved in this process.

Risks are identified within a three-tier hierarchy, with the highest level containing business and strategic, financial, conduct and operational risks. Risks are assessed on an inherent and residual basis across a three-year period according to several impact criteria, which include consideration of the internal control environment and/or insurance mitigation.

We maintain a watch list to identify and evaluate current issues and emerging risks as a result of business development or changes in the regulatory landscape, as well as threats and issues in the wider external environment. This helps inform the view of the firm's current and longer-term risk profile, and influences management's decisions and actions.

Stress tests are undertaken to include consideration of the impact of a number of severe but plausible events that could impact the business. This work takes account of the availability and likely effectiveness of mitigating actions that could be taken to avoid or reduce the impact or likelihood of the underlying risks materialising.

The group's risk profile, risk register, watch list and stress tests are regularly reviewed and challenged by the executive, senior management, group risk committee and the board.

EXTERNAL EMERGING RISKS AND THREATS

Emerging risks, including legislative and regulatory change, which have the potential to impact the group and delivery of our strategic objectives, are monitored through our watch list.

During the year, the executive committee continued to recognise and respond to a number of emerging risks and threats to the financial services sector as a whole and to our business.

In addition, throughout 2023 we have continued to develop our approach to monitoring strategic risks and horizon threats.

Our view for 2024 is that we can reasonably expect current market conditions and uncertainties to remain, given the wide range of global economic and political scenarios which could emerge.

NEAR TERM	
GLOBAL AND UK SPECIFIC POLITICAL TENSIONS	Geopolitical risk remains a significant threat to financial stability. War in the Middle East and war between Russia and Ukraine as well as tension between the US and China has driven increased inflation and market volatility. To help us identify and monitor this risk we've partnered with geopolitical risk experts to define relevant red flags that will in turn help us to adjust our portfolios accordingly.
UK AND GLOBAL ECONOMIC CHALLENGES	The UK economy continues to show signs of stress accompanied by falling inflation. The former is mainly a consequence of past increases in interest rates, while the latter has been helped by easing global price levels, particularly for energy. Analysts predict the GDP growth for the UK will be modest and momentum in other economies will be slower.
CYBER THREATS AND SUPPLY CHAIN RESILIENCE	The sophistication of cyber attacks is ever-evolving, especially as our digital environment advances. Attacks have become far more persistent with a notable increase in frequency since the invasion of Ukraine. Rathbones is committed to enhancing the technology infrastructure to help mitigate the risk.
MEDIUM TERM	
CHANGING REGULATORY EXPECTATIONS	The regulatory landscape is an area of fast paced change centred on client advocacy, transparency and integrity. Of note Consumer Duty requirements have successfully been implemented throughout 2023. Work on fair consumer outcomes will continue following the issuance of the Dear CEO letter FCA Expectations for Wealth Managers and Stockbroking Firms. The look ahead shows that 2024 will be another busy year with key implementation dates for regulatory change.
PANDEMIC	Whilst operational resilience to a future pandemic is much improved following the COVID-19 outbreak, a future infectious disease epidemic could emerge and with that comes the economic repercussions and slow recovery from it.
CLIMATE CHANGE TRANSITION RISK	Climate and environmental risk is a key focus as we move towards achieving net zero emissions by 2050 or sooner. Alongside reviewing our governance structures, we will continue to integrate data, develop metrics and increase disclosures in our client reporting.
DIGITAL INNOVATION	Developing technology across the wealth management sector poses a continual threat to maintaining a competitive advantage. Digital capability is less of a barrier to engaging clients and servicing their needs, in particular younger generations where there is an expectation of online accessibility. Rathbones is implementing a strategic programme of change to ensure our digital technology meets the needs of our prospective and existing clients.
NEW ENTRANTS TO THE MARKET AND ARTIFICIAL INTELLIGENCE AI	The threat of new non-traditional entrants to the investment sector is a higher probability with Fintech developers challenging established investment providers with their products and services. In addition, AI capabilities, from advanced analytics, automation and predictive intelligence is fast becoming seen as a future competitive advantage within the financial sector.
LONGER TERM	
GENERATIONAL WEALTH CHANGE	Studies show that the over 45s and especially the post-war 'baby boomers' retain a significant portion of the UK wealth in the form of property and pensions. This wealth will begin to transfer to younger beneficiaries over the next 30 years. Generational differences could drive changes in behaviours and appetite towards investments.
SOCIAL CARE FINANCING	Accessibility and inequality in the adult social care sector has been a topic of concern for some time and it continues to be a risk to assets under management, with clients drawing on their investments to pay for their care fees.

PRINCIPAL RISKS

PROFILE AND MITIGATION OF PRINCIPAL RISKS

Overall, we believe the group's underlying risk profile is stable; however, during the past year it has fluctuated as a result of market volatility and the changing economic and political landscape. We continually assess our risk profile against both internal and external risk drivers and are investing further in our people, processes and technology to improve risk management. We remain focused on client service, the resilience of our business and wellbeing of our colleagues and we believe our approach continues to be effective.

Based upon our risk assessment processes, the board believes that the principal risks and uncertainties facing the group that could impact the delivery of our strategic objectives have been identified below. These risks continue to reflect our strategic initiatives and transformation programme, continual enhancements to the group's business model in response to environmental, societal and regulatory expectations, the evolving cyber threat landscape, operational resilience in relation to our supply chain, the importance of our people and the economic and political environment.

The board remains vigilant to potential risks that could arise from longer-term trends in society, the economy and markets, and to regulatory risks that, in turn, may arise from the continuing development of law, regulation and standards

Information about our principal risks is set out below. The risks are mapped out by their likelihood and impact on a residual risk basis, having considered the effectiveness of controls in place to mitigate the risk. This assessment considers a range of outcomes that could be experienced, including the crystallisation of other risks. For some, the impact of events can also be influenced by external factors, such as market conditions.

We use ratings of high, medium, low and very low in our risk assessment. High-risk items are those that have the potential to impact the delivery of strategic objectives, with medium, low and very low rated risks having less impact on the group. Likelihood is similarly based on a qualitative assessment.

We consider that the growth of the group following the combination with IW&I has proportionately increased the risk profile. The ratings of the risks below are relative to the new scale of the organisation.

2023 OVERVIEW

Throughout 2023 the principal risk profile has been relatively stable. We have reflected on both Rathbones' internal and external environment over the course of 2023 and have made some adjustments to the principal risks for 2024. We have removed credit as it is no longer a material concern due to the nature of our exposures. We have introduced a new risk, integration, in recognition of the recent completion of the combination with IW&I UK. We foresee this risk to be ongoing into 2024 and 2025. In light of macroeconomic conditions and changes in the regulatory landscape the prominence of investment performance has increased therefore this has been added. Change risk was a significant risk in 2023 and this remains the case for the year ahead. Rathbones' digital transformation continues to be a strategic imperative. Our remaining risks remained stable throughout 2023, with suitability risk reducing following extensive investment in the development of policies, procedures and oversight.

RISK AND OWNER	CONTROL ENVIRONMENT	RISK TREND 2023
CHANGE The risk that the change portfolio does not support delivery of the group's strategy **RISK OWNER:** chief operating officer **RISK PROFILE:** **RISK APPETITE MEASURES:** – Priority programmes rated red – Programme overspend	– Executive and board oversight of material change programmes – Differentiated governance approach to strategic change programmes and business projects – Dedicated change delivery function and use of internal and, where required, external subject matter experts – Two-stage assessment, challenge and approval of project plans – Planning and budgeting, monitoring of variances and actions to address.	↑ This risk has increased in 2023 as our digital transformation programmes moved through critical delivery milestones. Executive and senior management oversight has remained agile and focused on targeted delivery outcomes, benefits realisation, budget alignment and the impact of change on our risk profile.
INTEGRATION The risk that the integration of systems, people and processes fails or is ineffective **RISK OWNER:** chief operating officer **RISK PROFILE:** **RISK APPETITE MEASURES:** – Budget compliance – Cost synergy	– Integration project plan – Executive oversight of integration programme – Board oversight of programme delivery – Transformation office programme board oversight and delivery-focused operating model – Cost/benefit monitoring – KRI tracking – External party appointed to provide independent assurance.	↑ This is a new risk in 2023 as we begin the process of integrating Rathbones and IW&I businesses. An Integration Management Office (IMO) was established in September to coordinate the delivery of our integration. The impact of integration on other risks will be considered throughout 2024.
INVESTMENT PERFORMANCE The risk that investment performance fails to meet clients' objectives or expectations **RISK OWNER:** managing Director Rathbones Investment Management **RISK PROFILE:** **RISK APPETITE MEASURES:** – Actual performance versus performance benchmark – Portfolio alignment – Assessment of fund value rating	– Investment policy – Performance versus benchmarking monitoring – Defined investment strategy – Exception reporting – Product and proposition oversight – Client engagement and portfolio reviews.	↑ Challenging market conditions are likely to continue in 2024. The position of client portfolios and investment performance are closely monitored.
PENSION The risk that the cost of funding our defined benefit pension schemes increases, or their valuation affects dividends, reserves and regulatory own funds **RISK OWNER:** chief financial officer **RISK PROFILE:** **RISK APPETITE MEASURES:** – Pillar 2A Net Stressed deficit – IFRS deficit	– Board, senior management and trustee oversight – Monthly valuation estimates – Triennial independent actuarial valuations – Investment policy – Senior management review and defined management actions – Annual ICAAP.	→ The group continues to work with the pension scheme trustees and advisers to manage this risk.

RISK TREND		RISK PROFILE	
↑	Increasing		High
→	Stable		Medium
↓	Decreasing		Low
N	New		

RISK AND OWNER	CONTROL ENVIRONMENT	RISK TREND 2023
REGULATORY COMPLIANCE AND LEGAL The risk of failure by the group or a subsidiary to fulfil its regulatory or legal requirements and comply with the introduction of new or updated regulations and laws **RISK OWNER:** group chief executive officer and chief risk officer **RISK PROFILE:** Medium **RISK APPETITE MEASURES:** – Compliance monitoring review outcomes – Regulatory review outcomes – Complaints data	– Board and executive oversight – Management oversight and active involvement with industry bodies – Compliance monitoring programme to examine the control of key regulatory risks – Separate anti-money laundering function with specific responsibility – Oversight of industry and regulatory developments – Documented policies and procedures – Employee training and development – Panel of external legal advisers – Whistleblowing policy and process.	Stable While this risk has remained stable in 2023, the landscape and expectations on firms and our sector continue to evolve. We have continued to invest in and develop our first and second line oversight teams, including the deployment of software to support regulatory compliance. The introduction of Consumer Duty in 2023 was a key priority and its significance continued as new policies, procedures and governance begun to be embedded.
SUSTAINABILITY The risk that the business model does not respond sufficiently to changing market conditions, including environmental and social factors, such that sustainable growth, market share or profitability are adversely affected **RISK OWNER:** group chief executive officer **RISK PROFILE:** Medium **RISK APPETITE MEASURES:** – Net organic growth rate – Net organic outflow rate – Climate targets – Diversity targets	– Board, executive and responsible business committee oversight – A documented strategy, including responsible investment policy – Monitoring of strategic risks – Annual business targets, subject to regular review and challenge – Regular reviews of pricing structure and client propositions – Continued investment in the investment process, service standards and marketing – Regular competitor benchmarking and analysis – Trade body participation – ESG factors integrated into the investment process – Dedicated responsible investment project to drive changes to achieve sustainability goals – Diversity targets included in risk appetite measures.	Stable 2023 has presented challenging market conditions given the external environment, including a volatile economic and political landscape. We do, however, have a strong balance sheet and recognised market position. Climate risk has been integrated into our risk management framework to support the transition to net zero. Our stakeholders will become more demanding in response to evolving expectations of firms to manage climate and other ESG risks, which remain a key priority of our responsible business agenda.
INFORMATION SECURITY AND CYBER The risk of inappropriate access to manipulation, or disclosure of, client or company-sensitive information **RISK OWNER:** chief operating officer **RISK PROFILE:** Medium **RISK APPETITE MEASURES:** – Number of cyber incidents – Number of data privacy events – Cyber external threat landscape rating	– Board and executive oversight – Data governance committee and information security steering group oversight – Information security policy, data protection policy and associated procedures – System access controls and encryption – Penetration testing and multi-layer network security – Training and employee awareness programmes – Physical security.	Stable The threat landscape in 2023 continues to be influenced by the volatile external environment. However, we continue to invest in our control environment and resources to improve our security posture and ensure our infrastructure and employees are well positioned against an ever-changing threat landscape.

RISK TREND		RISK PROFILE	
↑	Increasing	●	High
→	Stable	●	Medium
↓	Decreasing	●	Low
N	New		

RISK AND OWNER	CONTROL ENVIRONMENT	RISK TREND 2023
THIRD-PARTY SUPPLIER The risk of one or more third-party suppliers failing to provide or perform authorised and/or outsourced services to standards expected by the group, impacting the ability to deliver core services. This includes intra-group outsourcing activity. **RISK OWNER:** chief operating officer and chief executive officer, Rathbone Asset Management **RISK PROFILE:** **RISK APPETITE MEASURES:** – Supplier chain performance	– Board and executive oversight – Third-party supplier and outsourcing framework – Senior dedicated relationship managers – Supplier contracts and defined service level agreements/KPIs – Supplier due diligence and approval process – Close liaison, contractual reviews and regular service review meetings – Documented policy and procedures – Whistleblowing policy and process.	Our framework for third-party supplier and outsourcing risk management has continued to be embedded and developed in 2023. We continue to focus on technology enhancements to further improve our controls in this area, which also supports operational resilience. The change agenda will continue to drive this work as we on-board new strategic partners.
PEOPLE The risk of loss of key employees, lack of skilled resources or inappropriate behaviour or actions. This could lead to lack of capacity or capability threatening the delivery of business objectives, or to behaviour leading to complaints, litigation or regulatory action **RISK OWNER**: chief people officer **RISK PROFILE:** **RISK APPETITE MEASURES:** – Regretted leavers – Turnover ratio – Employee behaviour	– Board and executive oversight – Succession and contingency planning – Transparent, consistent and competitive remuneration schemes – Contractual clauses with restrictive covenants – Continual investment in employee training and development – Employee engagement survey – Appropriate balanced performance measurement system – Culture monitoring and reporting – Conduct risk framework and committee – Training and competence framework – Whistleblowing policy and process.	We have continued to operate effectively in spite of a difficult labour market over the past few years. Continued high inflation and cost of living pressures will remain a risk driver into next year. Management action, and our agile approach to support our colleagues, has been positively received however, we continue to engage frequently through our employee survey tool. Employee engagement continues to be positive with satisfaction scores exceeding the industry benchmarks.
SUITABILITY The risk of an unsuitable client outcome either through service, investment mandate, investment decisions taken, investment recommendations made or portfolio or fund construction **RISK OWNER:** managing director rathbones investment management **RISK PROFILE:** **RISK APPETITE MEASURES:** – Timely portfolio reviews – Timely client reviews – Quality scores	– Board, executive and general managers committee oversight – Investment governance and structured committee oversight – Management oversight and segregated quality assurance and performance teams – Performance measurement information and attribution analysis – 'Know your client' (KYC) suitability processes – Weekly investment management meetings – Training and competence framework – Investment manager reviews through supervisor sampling – Compliance monitoring – Defined investment mandates and tracking – Exception reporting – Complaints analysis.	We have continued to improve processes and oversight of investment and suitability risk in 2023, focusing on training, management information and new ways of working. The successful launch of our 'Reliance on Adviser' proposition in particular has supported the improvement of this risk. Our ongoing investment in technology will also further improve suitability processes and controls in 2024.

RISK TREND		RISK PROFILE	
	Increasing		High
	Stable		Medium
	Decreasing		Low
N	New		

VIABILITY STATEMENT

ASSESSMENT OF THE COMPANY'S PROSPECTS

The board reviews its strategic plan annually. This, alongside the ICAAP and ILAAP, forms the basis for capital planning which is discussed periodically with the Prudential Regulation Authority (PRA).

During the year, the board has considered a number of stress tests and scenarios which focus on material or severe but plausible events that could impact the business and the company's financial position. The board also considers the plans and procedures in place in the event that contingency funding is required to replenish regulatory capital or liquidity. On a monthly basis, critical capital projections and sensitivities have been refreshed and reviewed, taking into account current or expected market movements and business developments.

The board's assessment considers all the principal risks identified by the group and assesses the sufficiency of our response to all Pillar 1 risks (defined as credit, market and operational risks, including conduct) to the required regulatory standards. In addition, the crystallisation of the following events was considered for enhanced stress testing: a significant fall in the value of FUMA, a loss of business/competitive threat from a reputational event, integration risk, business expansion and a combined FUMA fall and reputational event. The economic and commercial impacts of the global pandemic on the prospects of the company were also factored into the assessment.

The group considers the possible impacts of serious business interruption as part of its operational risk assessment process and remains mindful of the importance of maintaining its reputation.

Since the business is almost wholly UK-situated, it does not suffer from any other material client, geographical or counterparty concentrations.

While this stress test does not consider all of the risks that the group may face, the directors consider that this sever but plausible stress testing-based assessment of the group's prospects is reasonable in the circumstances of the inherent uncertainty involved.

VIABILITY STATEMENT

In accordance with the UK Corporate Governance Code, the board has assessed the prospects and viability of the group over a three-year period considering the risk factors identified above. The directors have considered the firm's current position and the potential impact of the principal risks and uncertainties set out above. As part of the viability statement, the directors confirm that they have carried out a robust assessment of both the principal risks facing the group, and stress tests and scenarios that would threaten the sustainability of its business model, and its future performance, solvency or liquidity.

The board regularly reviews business performance and at least annually its current strategic plan, alongside a strategic risk assessment. The board also considers five-year projections as part of its annual regulatory reporting cycle, including strategic and investment plans.

However, the directors have determined and continue to believe that a three-year period to 31 December 2026 constitutes an appropriate and prudent period over which to provide its viability statement given the uncertainties associated with economic and political factors and their potential impact on investment markets over a longer period.

This three-year view is also more aligned to the firm's detailed stress testing and capital planning activity. There is no reason to believe the five-year view would be different but, as always, there is more uncertainty over a longer time horizon particularly in relation to external factors.

Stress testing and scenario analysis shows that the group would remain profitable in excess of our risk appetite tolerances for capital and liquidity, and able to withstand the impact of such scenarios. An example of a mitigating action in such scenarios would be a reduction in costs, specifically around change initiatives, along with a reduction in dividend.

SCENARIOS MODELLED INCLUDE:

- Market-wide stress (capital & liquidity): a 30% fall in FUMA for a one-year period, with recovery over the following three years and Foreign Exchange illiquidity
- Idiosyncratic reputational stress (capital & liquidity): a reputation-affecting cyber event, social media or ESG-related event causing outflow of 20% of FUMA together with associated compensation and rectification costs
- Idiosyncratic integration stress (capital): a specific stress relating to the planned integration of IW&I into the group, resulting in outflow of 15% of FUMA together with additional integration costs and cost synergies not being achieved
- Combined stress (capital and liquidity): aggregation of the above market-wide and integration stresses.

Based on this assessment, the directors confirm that they have a reasonable expectation that the company will be able to continue in operation and meet its liabilities as they fall due over the period to 31 December 2026.

GOING CONCERN

Details of the group's business activities, results, cash flow and resources, together with the risks it faces and other factors likely to affect its future development, performance and position are set out in the chair's statement, chief executive's review, financial performance and segmental review.

The group companies are regulated by the Prudential Regulation Authority (PRA) and/or the Financial Conduct Authority (FCA) and perform annual capital adequacy and liquidity assessments, which include the modelling of certain extreme stress scenarios. The company publishes Pillar 3 disclosures annually on its website which provide detail about its regulatory capital resources and requirements. In July 2015, Rathbone Investment Management issued £20 million of 10-year subordinated loan notes to finance future growth which were repaid in August 2021. In October 2021, Rathbones Group Plc issued £40 million of 10-year subordinated loan notes to finance future growth. The group has no other external borrowings.

The directors believe that the company is well placed to manage its business risks successfully despite the continuing uncertain economic and geopolitical outlook. As the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2023

	Note	2023 £m	2022 £m
Interest and similar income		**128.8**	46.3
Interest expense and similar charges		**(77.1)**	(28.0)
Net interest income		**51.7**	18.3
Fee and commission income		**538.6**	462.7
Fee and commission expense		**(29.7)**	(27.5)
Net fee and commission income		**508.9**	435.2
Other operating income		**10.5**	2.4
Operating income		**571.1**	455.9
Charges in relation to client relationships and goodwill		**(25.2)**	(19.5)
Acquisition-related and integration costs	5	**(44.3)**	(13.5)
Other operating expenses		**(444.0)**	(358.8)
Operating expenses		**(513.5)**	(391.8)
Profit before tax		**57.6**	64.1
Taxation	6	**(20.1)**	(15.1)
Profit after tax		**37.5**	49.0
Profit for the year attributable to equity holders of the company		**37.5**	49.0
Other comprehensive income:			
Items that will not be reclassified to profit or loss			
Net remeasurement of defined benefit asset/liability	10	**(5.8)**	(7.1)
Deferred tax relating to net remeasurement of defined benefit asset/liability		**1.5**	3.4
Other comprehensive income net of tax		**(4.3)**	(3.7)
Total comprehensive income for the year net of tax attributable to equity holders of the company		**33.2**	45.3
Dividends paid and proposed for the year per ordinary share	7	**87.0p**	84.0p
Dividends paid and proposed for the year		**62.9**	49.3
Earnings per share for the year attributable to equity holders of the company:	12		
– basic		**52.6p**	83.6p
– diluted		**50.8p**	81.5p

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2023

	Note	Share capital £m	Share premium £m	Merger reserve £m	Own shares £m	Retained earnings £m	Total equity £m
At 1 January 2022		3.1	291.0	77.0	(36.6)	288.8	623.3
Profit for the year		–	–	–	–	49.0	49.0
Net remeasurement of defined benefit liability	10	–	–	–	–	(7.1)	(7.1)
Deferred tax relating to components of other comprehensive income		–	–	–	–	3.4	3.4
Other comprehensive income net of tax		–	–	–	–	(3.7)	(3.7)
Dividends paid	7	–	–	–	–	(48.6)	(48.6)
Issue of share capital		0.1	19.0	–	–	–	19.1
Share-based payments:							
– cost of share-based payment arrangements		–	–	–	–	25.9	25.9
– cost of vested employee remuneration and share plans		–	–	–	–	(12.8)	(12.8)
– cost of own shares vesting		–	–	–	2.7	(2.7)	–
– cost of own shares acquired		–	–	–	(18.7)	–	(18.7)
– tax on share-based payments						1.3	1.3
At 31 December 2022		3.2	310.0	77.0	(52.6)	297.2	634.8
Profit for the year		**-**	**-**	**-**	**-**	**37.5**	**37.5**
Net remeasurement of defined benefit asset	10	**-**	**-**	**-**	**-**	**(5.8)**	**(5.8)**
Deferred tax relating to components of other comprehensive income		**-**	**-**	**-**	**-**	**1.5**	**1.5**
Other comprehensive income net of tax		**-**	**-**	**-**	**-**	**(4.3)**	**(4.3)**
Dividends paid	7	**-**	**-**	**-**	**-**	**(71.4)**	**(71.4)**
Issue of share capital		**2.2**	**2.3**	**747.4**			**751.9**
Share-based payments:							
– cost of share-based payment arrangements		**-**	**-**	**-**	**-**	**24.0**	**24.0**
– cost of vested employee remuneration and share plans		**-**	**-**	**-**	**-**	**(6.0)**	**(6.0)**
– cost of own shares vesting		**-**	**-**	**-**	**13.0**	**(13.0)**	**–**
– cost of own shares acquired		**-**	**-**	**-**	**(16.0)**	**-**	**(16.0)**
– tax on share-based payments		**-**	**-**	**-**	**-**	**(0.3)**	**(0.3)**
At 31 December 2023		**5.4**	**312.3**	**824.4**	**(55.6)**	**263.7**	**1,350.2**

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2023

	Note	2023 £m	2022 £m
Assets			
Cash and balances with central banks		**1,038.3**	1,412.9
Settlement balances		**165.7**	65.8
Loans and advances to banks		**266.9**	194.7
Loans and advances to customers		**115.6**	169.8
Investment securities:			
– fair value through profit or loss		**1.2**	11.2
– amortised cost		**1,294.6**	1,045.2
Prepayments, accrued income and other assets		**225.3**	126.7
Property, plant and equipment		**16.1**	12.7
Right-of-use assets		**64.5**	39.1
Current tax asset (UK)		**3.9**	3.5
Intangible assets	8	**1,025.3**	356.2
Net defined benefit asset	10	**7.0**	9.4
Total assets		**4,224.4**	3,447.2
Liabilities			
Deposits by banks		**12.4**	1.0
Settlement balances		**172.1**	70.0
Due to customers		**2,253.3**	2,516.1
Accruals and other liabilities		**209.6**	114.3
Provisions	9	**25.5**	12.9
Lease liabilities		**74.9**	50.5
Current tax liabilities (overseas)		**0.5**	0.2
Net deferred tax liability		**86.0**	7.5
Subordinated loan notes		**39.9**	39.9
Total liabilities		**2,874.2**	2,812.4
Equity			
Share capital		**5.4**	3.2
Share premium		**312.3**	310.0
Merger reserve		**824.4**	77.0
Own shares		**(55.6)**	(52.6)
Retained earnings		**263.7**	297.2
Total equity		**1,350.2**	**634.8**
Total liabilities and equity		**4,224.4**	3,447.2

Company registered number: 01000403

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2023

	Note	2023 £m	2022 £m
Cash flows from operating activities			
Profit before tax		**57.6**	64.1
Change in fair value through profit or loss		**(1.0)**	0.3
Net interest income		**(51.7)**	(18.3)
Recoveries on financial instruments		**0.1**	(0.1)
Net charge for provisions	9	**9.4**	2.0
Depreciation, amortisation and impairment		**47.1**	35.0
Foreign exchange movements		**3.4**	(7.1)
Defined benefit pension scheme (credits)/charges	10	**(0.5)**	(0.3)
Defined benefit pension contributions paid	10	**(2.9)**	(3.9)
Share-based payment charges		**24.0**	25.9
Interest paid		**(67.7)**	(20.9)
Interest received		**111.9**	33.9
		129.7	110.6
Changes in operating assets and liabilities:			
– net decrease in loans and advances to banks and customers		**87.4**	8.4
– net decrease in settlement balance debtors		**133.3**	3.9
– net (increase)/decrease in prepayments, accrued income and other assets		**(36.2)**	1.9
– net (decrease)/increase in amounts due to customers and deposits by banks		**(251.5)**	181.9
– net (decrease)/increase in settlement balance creditors		**(123.6)**	9.8
– net increase/(decrease) in accruals, provisions and other liabilities		**1.0**	(5.9)
Cash (used in)/generated from operations		**(59.9)**	**310.5**
Tax paid		**(29.5)**	(17.6)
Net cash (outflow)/inflow from operating activities		**(89.4)**	**292.9**
Cash flows from investing activities			
Cash acquired on acquisition of subsidiaries		**172.6**	–
Purchase of property, plant, equipment and intangible assets		**(10.7)**	(13.1)
Payment of deferred consideration		**–**	(10.9)
Purchase of investment securities		**(2,059.9)**	(1,262.5)
Proceeds from sale and redemption of investment securities		**1,818.1**	984.4
Net cash used in investing activities		**(79.9)**	**(302.1)**
Cash flows from financing activities			
Issue of ordinary shares	14	–	9.3
Repurchase of ordinary shares	14	**(16.0)**	(18.6)
Dividends paid	7	**(71.4)**	(48.6)
Payment of lease liabilities		**(7.5)**	(8.5)
Interest paid		**(5.6)**	(5.3)
Net cash used in financing activities		**(100.5)**	**(71.7)**
Net decrease in cash and cash equivalents		**(269.8)**	**(80.9)**
Cash and cash equivalents at the beginning of the year		**1,572.7**	1,653.6
Cash and cash equivalents at the end of the year	14	**1,302.9**	**1,572.7**

NOTES TO THE CONSOLIDATED STATEMENTS

1 PRINCIPAL ACCOUNTING POLICIES

In preparing the financial information included in this statement the group has applied accounting policies which are in accordance with UK-adopted International Accounting Standards at 31 December 2023. The accounting policies have been applied consistently to all periods presented in this statement, except as detailed below.

2 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The group makes judgements and estimates that affect the application of the group's accounting policies and reported amounts of assets, liabilities, income and expenses within the next financial year. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The following key accounting policies involve critical judgements made in applying the accounting policy and involve material estimation uncertainty.

2.1 CLIENT RELATIONSHIP INTANGIBLES (NOTE 8)

CRITICAL JUDGEMENTS

Client Relationship intangibles purchased through corporate transactions

When the group purchases client relationships through transactions with other corporate entities, a judgement is made as to whether the transaction should be accounted for as a business combination or as a separate purchase of intangible assets. In making this judgement, the group assesses the assets, liabilities, operations and processes that were the subject of the transaction against the definition of a business combination in IFRS 3. In particular, consideration is given to whether ownership of a corporate entity has been acquired, among other factors.

Payments to newly recruited investment managers

The group assesses whether payments made to newly recruited investment managers under contractual agreements represent payments for the acquisition of client relationship intangible assets or remuneration for ongoing services provided to the group. If these payments are incremental costs of acquiring investment management contracts and are deemed to be recoverable (i.e., through future revenues earned from the FUMA that relate to the investment management contract), they are capitalised as client relationship intangible assets (note 8). Otherwise, they are judged to be in relation to the provision of ongoing services and are expensed as remuneration cost in the period that they are transferred. Upfront payments made to investment managers upon joining are expensed as incurred, as they are not judged to be incremental costs for acquiring the client relationships.

ESTIMATION UNCERTAINTY

Amortisation of client relationship intangibles

The group makes estimates as to the expected duration of client relationships to determine the period over which related intangible assets are amortised. The amortisation period is estimated with reference to historical data on the longevity of client relationships. During the year, client relationship intangible assets were amortised over a period of between 10 and 15 years.

Amortisation of £25.2 million (2022: £19.5 million was charged during the year). At 31 December 2023, the carrying value of client relationship intangible assets was £502.7 million (2022: £175 million). A reduction of one year in the amortisation period of the group's client relationship intangible assets would increase the annual amortisation charge by £4.0 million.

2.2 RETIREMENT BENEFIT OBLIGATIONS (NOTE 10)

CRITICAL JUDGEMENTS

Key judgement was applied in determining that the group will be eligible to receive the surplus associated with the pension schemes in recognising a pension asset.

ESTIMATION UNCERTAINTY

The principal assumptions underlying the reported surplus of £7.0 million (2022: £9.4 million surplus) are set out in note 10.

In order to set these assumptions, the group engages qualified actuaries to estimate a range of long-term trends and market conditions to determine the value of the surplus or deficit on the group's retirement benefit schemes, based on the group's expectations of the future. Long-term forecasts and estimates are inherently highly subjective and subject to risk that actual events may be significantly different to those forecast. If actual events deviate from the assumptions made by the group then the reported surplus or deficit in respect of retirement benefit obligations may be materially different from that recognised.

The sensitivities of the retirement benefit obligations to changes in all of the underlying estimates are set out in note 29. Of these, the most sensitive assumption is the discount rate used to measure the defined benefit obligation. Increasing the discount rate by 0.5% would decrease the schemes' liabilities by £7.7 million (2022: £7.1 million). Increasing the future rate of inflation by 0.5% would increase the schemes' liabilities by £4.4 million (2022: £5.0 million). A lower or higher movement in these assumptions would result in multiples of these figures. A 0.5% decrease would reduce the scheme's liabilities by £4.2 million.

2 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY CONTINUED

2.3 BUSINESS COMBINATIONS (NOTE 4)

2.3.1 INVESTEC WEALTH & INVESTMENT

During the year, the group acquired the entire share capital of Investec Wealth & Investment ('IW&I'). The group has accounted for the transaction as a business combination. Note 4 contains further detail on the areas of significant judgement and critical accounting estimates outlined below.

ESTIMATION UNCERTAINTY

Fair value of consideration transferred

Total consideration transferred to Investec Bank Plc comprised 27,056,463 ordinary shares and 17,481,868 convertible non-voting ordinary shares. The fair value of the ordinary shares issued was determined with reference to the share price of Rathbones Group Plc at close of business on 20 September 2023 (being the day before legal completion of the transaction), which was £17.22 per share at close. The fair value of the non-voting shares of £16.36 was calculated by applying a 5.0% discount to the closing share price of £17.22, to reflect the fact that the shares are non-marketable and non-transferable. This produced a total value for consideration paid of £751.9 million. A 2.0% decrease in the discount applied would have resulted in a £6.0 million increase in the value of the consideration paid; an increase in the discount would have had an equal and opposite effect.

Fair value of goodwill and net assets acquired

The fair value of net assets acquired was valued at £411.8 million (see note 4 for a detailed breakdown).

Goodwill of £340.1 million was recognised at acquisition, and represents the future economic benefit expected from an acquired workforce, expected future growth and future client relationships, as well as operational and revenue synergies. The allocation of goodwill between the group's cash-generating units has been based on their respective relative values.

Client relationship intangible assets of £350.3 million were recognised during the year in relation to the acquisition of IW&I. The multi-period earnings model used to value the intangible assets used estimates of client longevity and investment performance to derive a series of discounted cash flows. This was determined with reference to management's best estimates of future performance and estimates of the return required to determine an appropriate discount rate. These assets are being amortised over an average 14-year useful life. A 5.0% increase in the estimated fair value of client relationship intangible assets would increase client relationship assets by £17.5 million, with a corresponding increase in deferred tax liabilities of £4.4 million and a decrease in goodwill of £13.1 million.

The group has applied judgement in determining the allocation of acquired goodwill to the relevant cash-generating units expected to benefit from the acquisition. The allocation of goodwill is provisional and shall be reviewed and completed before the end of the first annual period after the acquisition. See note 8.

OTHER AREAS OF FOCUS

The financial statements include other accounting estimates related to the acquisition of IW&I. While these areas do not meet the definition under IAS 1 of significant accounting estimates or critical accounting judgements, the recognition and measurement of certain material balances are based on assumptions and/or are subject to longer term uncertainties.

ESTIMATION UNCERTAINTY

Fair value of equity-settled awards

Share-based incentive awards were granted to certain Investec Wealth & Investment employees as part of the acquisition (see note 4). These awards require the recipients to remain in employment for a specific period, and to achieve certain conditions relating to the integration of IW&I. The awards will be accounted for as remuneration for ongoing services and will be expensed over the deferral period. The cumulative expense at year end of £3.1 million reflects the number of equity instruments granted that are expected to ultimately vest, as based on expected future attrition rates. A decrease of 10% in the total unvested options outstanding at year end would decrease the profit or loss charge for the last quarter of the year by £0.3 million, and therefore this is not considered to be a material estimate.

2.3.2 SAUNDERSON HOUSE

ESTIMATION UNCERTAINTY

In 2021, the group acquired the entire share capital of Saunderson House Limited as part of a business combination. The equity-settled deferred payments that are contingent on the recipients remaining employees of the group for a specific period are accounted for as remuneration for ongoing services from employment. The group's estimate of the amounts ultimately payable will be expensed over the deferral period.

The Saunderson House management incentive scheme is subject to the achievement of certain operational and performance targets at 31 December 2024. A profit or loss charge has been recognised in equity for the expected consideration payable. Under the terms of the agreements, the award is calculated as 0.1% of funds under management ('FUM') at the test date of 31 December 2024. The FUM award ranges from a payment of £nil to a maximum possible payment in shares of £7.5 million; £0.5 million of this pool has already been granted to a group of employees. In addition to this are integration and discretionary awards, capped at £1.0 million and £0.5 million, respectively.

2 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY CONTINUED

2.3 BUSINESS COMBINATIONS (NOTE 4) CONTINUED

2.3.2 SAUNDERSON HOUSE CONTINUED

The minimum threshold for pay-out of this award was previously £5.0 billion in FUM; this was reduced to £3.5 billion during the year, following review by the Group Executive Committee, to rebase the scheme to reflect current market conditions. Management's best estimate of the FUM award at the year-end was £4.8 million, and is based on expected funds under management at 31 December 2024. The discretionary and integration awards are expected to be paid in full.

The maximum FUM award of £7.5 million would result in an additional charge to profit or loss in 2023 of £1.0 million. A payment of £nil would result in a reversal of the accumulated profit or loss charge since commencement of the award of £3.7 million in 2023.

3 SEGMENTAL INFORMATION

IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the group that are regularly reviewed by the chief operating decision-maker, which takes the form of the Group Executive Committee, in order to allocate resources to the segment and to assess its performance.

For management purposes, the group is organised into two operating segments: Wealth Management and Asset Management. Centrally incurred indirect expenses are allocated to these operating segments on the basis of the cost drivers that generate the expenditure; principally, these are the headcount of staff directly involved in providing those services from which the segment earns revenues, the value of funds under management and administration and the segment's total revenue.

The allocation of these costs is shown in a separate column in the table below, alongside the information presented for internal reporting, Wealth Management Segmental Assets relate to assets held within the Investment Management, Banking and Trust Business Segments. Asset Management Segmental Assets are assets held solely within the Asset Management Business Segment. Unallocated Segmental Assets relate to the Net Defined Benefit Asset held on the balance sheet.

IW&I has been identified as a separate operating segment of the group. The results of the segment have been presented in aggregate with the group's Wealth Management segment, on the basis that their long-term characteristics are expected to align following the initial integration period of the business.

31 December 2023	Wealth Management £m	Asset Management £m	Indirect expenses £m	Total £m
Net investment management fee income	350.1	64.7	–	414.8
Net commission income	53.6	–	–	53.6
Net interest income	49.9	1.8	–	51.7
Fees from advisory services and other income	50.3	0.7	–	51.0
Operating income	**503.9**	**67.2**	**–**	**571.1**
Staff costs – fixed	(147.2)	(7.1)	(51.8)	(206.1)
Staff costs – variable	(78.2)	(13.4)	(15.9)	(107.5)
Total staff costs	**(225.4)**	**(20.5)**	**(67.7)**	**(313.6)**
Other direct expenses	(53.7)	(12.2)	(64.5)	(130.4)
Allocation of indirect expenses	(119.4)	(12.8)	132.2	-
Underlying operating expenses	**(398.5)**	**(45.5)**	**–**	**(444.0)**
Underlying profit before tax	**105.4**	**21.7**	**–**	**127.1**
Charges in relation to client relationships and goodwill (note 8)	(25.2)	–	–	(25.2)
Acquisition-related and integration costs (note 5)	(11.0)	–	(33.3)	(44.3)
Segment profit before tax	**69.2**	**21.7**	**(33.3)**	**57.6**
Profit before tax attributable to equity holders of the company				**57.6**
Taxation (note 6)				(20.1)
Profit for the year attributable to equity holders of the company				**37.5**

	Wealth Management £m	Asset Management £m	Unallocated Assets £m	Total £m
Segment total assets	4,099.6	117.8	7.0	4,224.4

Investec Wealth & Investment has been identified as a separate operating segment of the group. The results of the segment have been presented in aggregate with the group's Wealth Management segment, on the basis that their long-term characteristics are expected to align following the initial integration period of the business.

3 **SEGMENTAL INFORMATION** CONTINUED

31 December 2022	Wealth Management £m	Asset Management £m	Indirect expenses £m	Total £m
Net investment management fee income	274.8	62.2	–	337.0
Net commission income	48.9	–	–	48.9
Net interest income	17.8	0.5	–	18.3
Fees from advisory services and other income	51.4	0.3	–	51.7
Operating income	392.9	63.0	–	455.9
Staff costs - fixed	(109.5)	(7.0)	(42.0)	(158.5)
Staff costs - variable	(66.9)	(11.2)	(9.0)	(87.1)
Total staff costs	(176.4)	(18.2)	(51.0)	(245.6)
Other direct expenses	(41.5)	(9.6)	(62.2)	(113.3)
Allocation of indirect expenses	(104.4)	(8.8)	113.2	-
Underlying operating expenses	(322.3)	(36.6)	–	(358.9)
Underlying profit before tax	70.6	26.4	–	97.0
Charges in relation to client relationships and goodwill (note 8)	(19.5)	–	–	(19.5)
Acquisition-related and integration costs (note 5)	(10.0)	–	(3.4)	(13.4)
Segment profit before tax	41.1	26.4	(3.4)	64.1
Profit before tax attributable to equity holders of the company	–	–	–	64.1
– Taxation (note 6)	–	–	–	(15.1)
Profit for the year attributable to equity holders of the company	–	–	–	49.0

	Wealth Management £m	Asset Management £m	Unallocated Assets £m	Total £m
Segment total assets	3,323.4	114.4	9.4	3,447.2

3 **SEGMENTAL INFORMATION** CONTINUED

The following table reconciles underlying operating expenses to operating expenses:

	2023 £m	2022 £m
Underlying operating expenses	444.0	358.8
Charges in relation to client relationships and goodwill (note 8)	25.2	19.5
Acquisition-related and integration costs (note 5)	44.3	13.5
Operating expenses	**513.5**	391.8

GEOGRAPHIC ANALYSIS

The following table presents operating income analysed by the geographical location of the group entity providing the service:

	2023 £m	2022 £m
United Kingdom	553.4	442.0
Channel Islands	17.7	13.8
Rest of the World	–	0.1
Operating income	**571.1**	455.9

The following is an analysis of the carrying amount of non-current assets analysed by the geographical location of the assets:

	2023 £m	2022 £m
United Kingdom	1,103.0	404.6
Channel Islands	2.9	3.4
Non-current assets	**1,105.9**	408.0

TIMING OF REVENUE RECOGNITION

The following table presents operating income analysed by the timing of revenue recognition of the operating segment providing the service:

	2023		2022	
	Wealth Management £m	Asset Management £m	Wealth Management £m	Asset Management £m
Products and services transferred at a point in time	44.4	-	41.2	-
Products and services transferred over time	459.5	67.2	351.7	63.0
Operating income	**503.9**	**67.2**	392.9	63.0

MAJOR CLIENTS

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

4 BUSINESS COMBINATIONS

INVESTEC WEALTH & INVESTMENT

On 21 September 2023, the group completed its acquisition of 100% of the ordinary share capital of Investec Wealth & Investment Limited (IW&I) from Investec Bank Plc. Investec Wealth & Investment Limited owns 100% of the ordinary share capital in Investec Wealth & Investment (Channel Islands) Limited and Murray Asset Management UK Limited. Results were consolidated with effect from 30 September 2023, as the effect of transactions and activities in the period from 21 September 2023 to 30 September 2023 on the consolidated financial statements was not material.

IW&I specialises in the provision of wealth and investment management services in the UK and Channel Islands, catering to private clients, clients of professional advisers and charities. The group expects to capture significant scale benefits from the combination, due to the consolidation of technology platforms and operations, enablement functions, third party services and property, in addition to utilising the benefits of the group's banking licence once IW&I clients are migrated.

CONSIDERATION TRANSFERRED

Total consideration transferred to Investec Bank Plc comprised a share issue of 27,056,463 ordinary shares and 17,481,868 convertible non-voting ordinary shares. Based on Rathbones' issued share capital at completion, the total shares transferred to Investec Bank Plc amounted to an economic interest in Rathbones Group Plc of 41.25%, but in accordance with the terms of the acquisition 29.9% of the total voting rights in Rathbones.

The fair value of the ordinary shares issued was determined with reference to the share price of Rathbones Group Plc at close of business on 20 September 2023, and was assessed to be £17.22 per share. The fair value of the non-voting shares of £16.36 was calculated by applying a 5.0% discount to this share price, to reflect the fact the shares are non-marketable and non-transferable. This produced a total value for consideration paid of £751.9 million.

As the share issue was in pursuance of the arrangement to acquire 100% of the shares in IW&I, the premium on the share issue, being £749.8 million, qualifies for merger relief. This has been recognised within the merger reserve.

The regulatory announcement for the acquisition on 4 April 2023 used a share price of £18.84 to derive an implied equity value of £839 million. However, the group's share price has reduced since the announcement, resulting in a lower value for the shares issued at the completion date of the acquisition (21 September 2023).

The convertible non-voting ordinary shares rank pari passu with the ordinary shares, except that they do not carry voting rights. Investec Bank Plc may convert the convertible non-voting ordinary shares into ordinary shares on a 1-for-1 basis, provided that at no time shall Investec group hold more than 29.9% of the Rathbones group's enlarged voting rights. Both the ordinary shares and convertible non-voting ordinary shares qualify as common equity tier 1 capital of the Rathbones group.

DEFERRED INCENTIVE AWARDS

An ancillary matters agreement, which was signed at the time of the combination announcement in April, includes detail of deferred awards and contingent payments to be made to a group of Investec W&I employees under the Rathbones Integration Incentive Scheme. These payments require the recipients of the awards to remain in employment with the group for the duration of the respective deferral periods, and therefore these amounts have not been included in the acquisition accounting. The cost for these equity-settled awards is being charged to profit or loss and spread over each vesting period. Details of the share awards are as follows:

	Gross amount £m	Grant date	Grant date fair value £m	Vesting date
Rathbone Integration Incentive Scheme	39.0	6 October 2023	31.2	22 September 2027

The Rathbone Integration Incentive Scheme awards of £39.0 million is payable in shares, and will vest in three equal tranches annually on the second, third and fourth anniversary of the completion date, subject to conditions relating to the client migration process. Vesting of the final one-third of the shares on the fourth anniversary of the date of grant will be subject to engagement in the client migration process. The gross amount of £39.0 million represents management's best estimate as to the extent to which these conditions will be achieved. These awards are being accounted for as an equity-settled share-based payment under IFRS 2. The grant date fair value was determined with reference to the share price at grant less the value of expected dividends over the period to vesting, as no dividend shares have been granted on this award. There are no market-related performance conditions attached to this award.

The group recognised a charge of £3.0 million in relation to this scheme in 2023 and all share options are outstanding at the end of the period.

A Business Enablement award of £6.9 million was also granted during the year and is payable predominantly in cash to different groups of employees in key business enablement functions. For those recipients who are classified by the group as material risk-takers in accordance with remuneration regulations, 50% of their award will be payable in shares. Approximately 30% of the total award will vest on 31 March 2024, and the remainder will vest on 31 March 2025, subject to the recipients remaining employed until this date and other conditions being met.

4 BUSINESS COMBINATIONS CONTINUED

The group treats the cash element of the award as an employee benefit under IAS 19, with a corresponding liability recognised for the services received at the balance sheet date, and the share element of the awards as equity-settled share-based payments under IFRS 2.

The group recognised a charge of £1.8 million in relation to this scheme in 2023.

These costs are being reported as staff costs within acquisition-related costs (see note 5).

IDENTIFIABLE ASSETS ACQUIRED AND LIABILITIES ASSUMED

The group uses the acquisition method to account for business combinations. The identifiable net assets of the IW&I group have been remeasured at fair value at the acquisition date as follows:

21 September 2023	Carrying amounts £m	Fair value £m	Recognised amounts £m
Settlement assets	233.3	–	233.3
Property, plant and equipment	5.0	–	5.0
Trade and other receivables	45.5	–	45.5
Loans and advances to customers	0.7	–	0.7
Software assets (note 8)	3.7	–	3.7
Client relationship intangible assets (note 8)	20.0	330.3	350.3
Cash and cash equivalents	172.6	–	172.6
Right-of-use assets	31.8	1.1	32.9
Settlement liabilities	(225.7)	–	(225.7)
Trade and other payables	(30.0)	–	(30.0)
Accruals and deferred income	(51.7)	–	(51.7)
Deferred tax liabilities	4.6	(87.6)	(83.0)
Lease liabilities	(39.8)	8.7	(31.1)
Provisions (note 9)	(10.7)	–	(10.7)
Total net assets acquired	**159.3**	**252.5**	**411.8**

The fair value of £350.3 million for the client relationship intangible assets has been measured using a multi-period earnings method (note 8). The model uses estimates of client longevity and investment performance to derive a series of cash flows, which are discounted to a present value to determine the fair value of the client relationships acquired. These assets were valued separately by client group, being direct private clients, corporates, intermediaries and charities, to reflect their differing revenue margins and attrition rates. The average weighted life of the four groups has been calculated at 14 years.

The deferred tax liability of £87.6 million arising on recognition of the client relationship intangible assets is equal to its carrying value at the applicable tax rate and affects the amount of goodwill that is recognised as part of the business combination.

No brand has been acquired as part of the transaction.

The group measured the acquired lease liabilities using the present value of the remaining lease payments as if the leases were new leases at the acquisition date. The corresponding right-of-use assets were measured at an amount equal to the lease liabilities, adjusted to reflect favourable or unfavourable terms of the leases when compared to market terms. However, no off-market terms that required an additional adjustment to the right-of-use assets were identified. Assumptions of when the group expects to terminate these leases were reflected in the valuation.

A contingent liability assumed in a business combination is recognised at the acquisition date even if an outflow of economic benefits is not probable, provided it is a present obligation arising from past events and its fair value can be measured reliably. No contingent liabilities have been recognised at acquisition. Circumstances which potentially exposed certain clients of IW&I to detriment arose in the ordinary course of business prior to the date of acquisition. An estimate of the potential outflow has been calculated at £1.1 million. A liability was not recognised at the year end, however all economic outflows arising from this were indemnified by Investec Group at acquisition. The asset relating to the amount receivable under the indemnity would be measured on the same basis as the related liability and there would therefore be no impact on acquired goodwill.

Included within other creditors is £8.3 million payable by Investec W&I to Investec Bank Plc in relation to amounts recharged for the provision of payroll and other services.

4 **BUSINESS COMBINATIONS** CONTINUED

Settlement balances and other receivables are current assets that are deemed to be collectible with no allowance for doubtful debts required. Trade and settlement payables are generated through the normal course of business and are classified as current liabilities expected to be settled through payments in the short-term. The carrying value of these was therefore determined to approximate fair value.

The fair value of all other net assets acquired were deemed to be equal to their carrying value.

GOODWILL

Goodwill of £340.1 million arising on the excess of consideration over the fair value of the net assets acquired represents the future economic benefit expected from an acquired workforce, expected future growth and future client relationships, as well as operational and revenue synergies. Where goodwill arises on consolidation within the group it is not deductible for tax purposes, and nor is any impairment of goodwill in future periods.

	£m
Total consideration	**751.9**
Fair value of identifiable net assets acquired (see above)	**411.8**
Goodwill	**340.1**

If the group had made the acquisition on 1 January 2023, IW&I would have contributed £358.4 million to group operating income and £85.8 million to profit before tax, as based on the company's results for the year to 31 December 2023.

SAUNDERSON HOUSE

On 20 October 2021, the group acquired 100% of the ordinary share capital of the Saunderson House group.

OTHER DEFERRED PAYMENTS

In addition to a total cash consideration of £98.9 million paid in prior years, the sale and purchase agreement details other deferred and contingent payments to be made to the vendors for the sale of the shares of Saunderson House. However, these payments require the recipients to remain in employment with the group for the duration of the respective deferral periods. Hence, they are being treated as remuneration for post-combination services, and the cost is therefore charged to the income statement over the respective vesting periods. Details of each of these elements is as follows:

	Gross amount £m	Grant date	Grant date fair value £m	Vesting date
Initial share consideration	5.2	20 October 2021	5.5	20 October 2024
Deferred share consideration	4.1	20 October 2021	4.1	20 October 2022
Management incentive scheme	5.5	20 December 2021	4.8	31 December 2024

All of these payments are to be made 100% in shares and are being accounted for as equity-settled share-based payments under IFRS 2.

- Initial share consideration of £5.2 million was issued on the date of acquisition, however it does not vest until the third anniversary of the acquisition date, subject to the vendors remaining employed until this date. As the share issuance is in pursuance of the arrangement to acquire the shares of the Saunderson House group, the premium of £5.2 million on the issuance of these shares has been recognised within the merger reserve.
- Deferred share consideration of £4.1 million was settled in shares during the prior year on the first anniversary of the acquisition date, and was subject to the vendors remaining in employment with the group.

An incentive plan is in place for the Saunderson House senior management team, which is subject to certain operational and financial performance targets. The consideration vests in the fourth year following the acquisition date. The gross amount represents management's best estimate as to the extent to which these targets will be achieved. The award ranges from a minimum payment of £nil to a cap of £7.5 million (see note 2.3).

These costs are being reported as staff costs within acquisition-related costs (see note 5).

5 ACQUISITION-RELATED AND INTEGRATION COSTS

During 2023 £44.3 million of acquisition-related and integration costs were incurred (2022: £13.5 million).

	2023 £m	2022 £m
Acquisition of Speirs & Jeffrey	1.0	3.5
Acquisition of Investec Wealth & Investment	36.5	–
Acquisition of Saunderson House	6.8	10.0
Acquisition-related and Integration costs	**44.3**	13.5

Total acquisition-related staff costs worth £11.0 million (2022: 10.0 million) during the year relate to equity-settled share-based payments.

COSTS RELATING TO THE ACQUISITION OF INVESTEC WEALTH & INVESTMENT

The group has incurred the following costs in relation to the acquisition of IW&I, summarised by the following classification within the income statement:

	2023 £m	2022 £m
Acquisition costs:		
Staff costs	6.2	–
Legal and Advisory Fees	21.3	–
Integration Costs	9.0	–
Acquisition-related and Integration costs	**36.5**	–

Non-staff acquisition costs of £21.3 million (2022: £nil) and integration costs of £9.0 million (2022: £nil) have not been allocated to a specific operating segment (note 3).

The Legal and advisory fees of £21.3 million are one-off costs incurred on executing the transaction (2022: £nil).

The group incurred costs of £2.2 million in the year that were deemed to be incremental to the share issue that occurred on 21 September 2023. These costs have been recognised as a deduction to the merger reserve.

From 30 September 2023 to 31 December 2023, Investec W&I contributed £87.9 million to the group's total operating income, and £15.0 million to the group's profit before tax. This excludes integration costs of the acquired business since acquisition, and amortisation of the acquired client relationship intangible assets.

COSTS RELATING TO THE ACQUISITION OF SPEIRS & JEFFREY

The group has incurred the following costs in relation to the 2018 acquisition of Speirs & Jeffrey, summarised by the following classification within the income statement:

	2023 £m	2022 £m
Acquisition costs:		
Staff costs	1.0	3.5
Acquisition-related and Integration costs	**1.0**	3.5

COSTS RELATING TO THE ACQUISITION OF SAUNDERSON HOUSE

The group has incurred the following costs in relation to the acquisition of Saunderson House, summarised by the following classification within the income statement:

	2023 £m	2022 £m
Acquisition costs:		
Staff costs	3.9	6.5
Legal and advisory fees	0.8	-
Integration costs	2.1	3.4
Acquisition-related and Integration costs	**6.8**	9.9

Non-staff acquisition costs of £0.8 million (2022: £nil) and Integration costs of £2.1 million (2022: £3.4 million) have not been allocated to a specific operating segment (note 3).

Staff costs of £3.9 million (2022: 6.5 million) are related to deferred remuneration.

6 INCOME TAX EXPENSE

	2023 £m	2022 £m
Current tax:		
– charge for the year	**22.8**	16.5
– adjustments in respect of prior years	**1.1**	0.3
Deferred tax:		–
– credit for the year	**(1.9)**	(1.3)
– adjustments in respect of prior years	**(1.9)**	(0.4)
	20.1	15.1

The tax charge is calculated based on our best estimate of the amount payable as at the balance sheet date. Any subsequent differences between these estimates and the actual amounts paid are recorded as adjustments in respect of prior years.

The tax charge on profit for the year is higher (2022: higher) than the standard rate of corporation tax in the UK of 23.5% (2022: 19.0%). 23.5% is a composite tax rate since the UK corporation tax rate was 19.0% until the 31st March 2023 and 25.0% for the remainder of the financial year.

The differences are explained below:

	2023 £m	2022 £m
Tax on profit from ordinary activities at the standard rate of 23.5% (2022: 19.0%)	**13.6**	12.2
Effects of:		
– disallowable expenses	**8.0**	0.9
– share-based payments	**(0.2)**	–
– tax on overseas earnings	**(0.7)**	(0.2)
– adjustments in respect of prior year	**(0.8)**	(0.1)
– deferred payments to previous owners of acquired companies (note 5)	**0.3**	1.2
– change in corporation tax rate on deferred tax	**(0.1)**	1.1
	20.1	15.1

£0.4 million of current tax on share-based payments was charged to equity during the year (2022: £0.1 million).

On 11 July 2023, the United Kingdom government, where the parent company is incorporated, enacted the Pillar II income taxes legislation effective from 1 January 2024. Under the legislation, the parent company will be required to pay, in the United Kingdom, top-up tax on profits of its subsidiaries located in territories outside the United Kingdom that are taxed at an effective tax rate of less than 15%. The jurisdiction in which an exposure to this tax may exist is the Channel Islands. The group is continuing to assess the impact of the Pillar II income taxes legislation on its future financial performance following the Investec acquisition. Based on our initial evaluations, we do not expect there to be a material additional Pillar II exposure for the group.

7 DIVIDENDS

	2023 £m	2022 £m
Amounts recognised as distributions to equity holders in the year:		
– final dividend for the year ended 31 December 2022 of 56.0p (2021: 54.0p) per share	**33.4**	32.0
– interim dividend for the year ended 31 December 2023 of 29.0p (2022: 28.0p) per share	**17.5**	16.6
– second interim dividend for the year ended 31 December 2023 of 34.0p (2022:0p) per share	**20.5**	–
Dividends paid in the year of 119.0p (2022: 82.0p) per share	**71.4**	48.6
Proposed final dividend for the year ended 31 December 2023 of 34.0p (2022: 56.0p) per share	**24.9**	32.8

An interim dividend of 29.0p per share was paid on 25 August 2023 to shareholders on the register at the close of business on 4 August 2023 (2022: 28.0p).

A second interim dividend of 34.0 per share was paid on 11 October 2023 to shareholders on the register at the close of business on 20 September 2023 (2022: nil).

A final dividend declared of 24.0p per share (2022: 56.0p) is payable on 14 May 2024 to shareholders on the register at the close of business on 19 April 2024. The final dividend is subject to approval by shareholders at the Annual General Meeting on 9 May 2024 and has not been included as a liability in these financial statements.

8 INTANGIBLE ASSETS

Goodwill of £340.1 million was recognised as part of the acquisition of IW&I. (see note 4). This has been provisionally allocated between the IW&I cash-generating unit ('CGU') and the Wealth Management group of CGUs in the year, before being reviewed for impairment. This allocation will be reviewed in 2024.

The group does not believe there are any key assumptions where reasonable changes could occur which could give rise to a material adjustment in the carrying value.

Client relationships of £350.3 million were recognised as part of the acquisition of IW&I (see note 4). An average useful life of 14 years was assigned to these relationships, based on observed historic attrition rates.

	2023 £m	2022 £m
Goodwill	**507.8**	167.7
Other intangible assets	**517.5**	188.5
	1,025.3	356.2

GOODWILL

Goodwill acquired in a business combination is allocated, at acquisition, to the groups of cash-generating units (CGUs) that are expected to benefit from that business combination.

The carrying amount of goodwill has been allocated as follows:

	Wealth Management £m	Investec W&I £m	Asset Management £m	Total £m
Cost				
At 1 January 2022	167.7	–	1.9	169.6
Acquired through business combinations (note 4)	–	–	–	–
At 1 January 2023	**167.7**	**–**	**1.9**	**169.6**
Acquired through business combinations (note 4)	**82.1**	**258.0**	**–**	**340.1**
At 31 December 2023	**249.8**	**258.0**	**1.9**	**509.7**
Impairment				
At 1 January 2022	–	–	1.9	1.9
Charge for the year	**–**	**–**	**–**	**–**
At 31 December 2023	**–**	**–**	**1.9**	**1.9**
Carrying amount at 31 December 2023	**249.8**	**258.0**	**–**	**507.8**
Carrying amount at 31 December 2022	167.7	–	–	167.7
Carrying amount at 1 January 2022	167.7	–	–	167.7

IMPAIRMENT

The recoverable amounts of the groups of CGUs to which goodwill is allocated are assessed using value-in-use calculations. The group prepares cash flow forecasts derived from the most recent financial budgets approved by the board, which cover the three-year period from the end of the current financial year. This is extrapolated for five years based on recent historic annual revenue and cost growth for each group of CGUs (see table below), adjusted for significant historic fluctuations in industry growth rates where relevant, as well as the group's expectation of future growth.

A five-year extrapolation period is chosen as this aligns with the period covered by the group's Internal Capital Adequacy Assessment Process ('ICAAP') modelling. A terminal growth rate is applied to year five cash flows, which takes into account the net growth forecasts over the extrapolation period and the long-term average growth rate for the industry. The group estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the group of CGUs.

The pre-tax rate used to discount the forecast cash flows for each group of CGU is shown in the table below; these are based on a risk-adjusted weighted average cost of capital. The group judges that these discount rates appropriately reflect the markets in which each group of CGUs operate.

8 INTANGIBLE ASSETS CONTINUED

There was no impairment to the goodwill allocated to the Wealth Management group of CGUs or to the Investec CGU during the period. The group has considered any reasonably foreseeable changes to the assumptions used in the value-in-use calculation for the Wealth Management group of CGUs to its cash flow projections and the level of risk associated with those cash flows. Based on this assessment, no such change would result in an impairment of the goodwill allocated to this CGU.

	IW&I	Wealth management	
At 31 December	2023	2023	2022
Discount rate	**15.0%**	**14.1%**	14.1%
Average annual revenue growth rate	**4.0%**	**1.1%**	4.3%
Average annual profit margin	**26.8%**	**14.3%**	25.6%
Terminal growth rate	**1.5%**	**1.5%**	1.0%

The increase in the terminal growth rate to 1.5% in 2023 is to align this with current expectations of long-term UK economic growth. The fall in the average annual revenue growth rate since the prior year primarily reflects the group's latest forecasts for the Saunderson House client migration by operating segment, and lower levels of forecast commission income.

OTHER INTANGIBLE ASSETS

	Client relationships £m	Software development costs £m	Purchased software £m	Total £m
Cost				
At 1 January 2022	302.6	11.7	53.1	367.4
Internally developed in the year	–	1.8	–	1.8
Purchased in the year	1.0	–	1.8	2.8
Disposals	(2.7)	–	–	(2.7)
At 1 January 2023	**300.9**	**13.5**	**54.9**	**369.3**
Internally developed in the year	**–**	**1.0**	**–**	**1.0**
Acquired through business combinations (note 4)	**350.3**	**1.7**	**2.0**	**354.0**
Purchased in the year	**2.6**	**–**	**2.2**	**4.8**
Disposals	**(2.8)**	**–**	**–**	**(2.8)**
At 31 December 2023	**651.0**	**16.2**	**59.1**	**726.3**
Amortisation and impairment				
At 1 January 2022	109.0	8.5	41.3	158.8
Amortisation charge	19.5	1.5	3.6	24.6
Disposals	(2.6)	–	–	(2.6)
At 1 January 2023	**125.9**	**10.0**	**44.9**	**180.8**
Amortisation charge	**25.2**	**1.8**	**3.8**	**30.8**
Disposals	**(2.8)**	**–**	**–**	**(2.8)**
At 31 December 2023	**148.3**	**11.8**	**48.7**	**208.8**
Carrying amount at 31 December 2023	**502.7**	**4.4**	**10.4**	**517.5**
Carrying amount at 31 December 2022	175.0	3.5	10.0	188.5
Carrying amount at 1 January 2022	193.6	3.1	11.8	208.5

Purchases of client relationships of £2.6 million (2022: £1 million) in the year relate to payments made to investment managers and third parties for the introduction of client relationships.

The total amount charged to profit or loss in the year in relation to goodwill and client relationships was £25.2 million (2022: £19.5 million).

Purchased software with a cost of £36.4 million (2022: £35.2 million) has been fully amortised but is still in use.

9 PROVISIONS

	Deferred, variable costs to acquire client relationship intangibles £m	Deferred consideration in business combinations £m	Legal and compensation £m	Property-related £m	Onerous Contract £m	Total £m
At 1 January 2022	8.6	–	2.1	4.6	–	15.3
Charged to profit or loss	–	–	0.8	1.2	–	2.0
Unused amount credited to profit or loss	–	–	–	–	–	–
Net charge to profit or loss	–	–	0.8	1.2	–	2.0
Other movements	1.0	–	–	–	–	1.0
Utilised/paid during the year	(5.2)	–	(0.2)	–	–	(5.4)
At 1 January 2023	**4.4**	**–**	**2.7**	**5.8**	**–**	**12.9**
Charged to profit or loss	**–**	**–**	**9.1**	**0.2**	**1.2**	**10.5**
Unused amount credited to profit or loss	**–**	**(0.1)**	**(1.1)**	**–**	**–**	**(1.2)**
Net charge to profit or loss	**–**	**(0.1)**	**8.0**	**0.2**	**1.2**	**9.3**
Acquisitions through business combinations (Note 4)	**–**	**3.4**	**1.9**	**5.4**	**–**	**10.7**
Other movements	**2.6**	**–**	**–**	**–**	**–**	**2.6**
Utilised/paid during the year	**(2.3)**	**–**	**(7.7)**	**–**	**–**	**(10.0)**
At 31 December 2023	**4.7**	**3.3**	**4.9**	**11.4**	**1.2**	**25.5**
Payable within 1 year	**4.2**	**0.3**	**4.2**	**3.8**	**1.2**	**13.7**
Payable after 1 year	**0.5**	**3.0**	**0.7**	**7.6**	**–**	**11.8**
	4.7	**3.3**	**4.9**	**11.4**	**1.2**	**25.5**

DEFERRED, VARIABLE COSTS TO ACQUIRE CLIENT RELATIONSHIP INTANGIBLES

Other movements in provisions relate to deferred payments to investment managers and third parties for the introduction of client relationships, which have been previously capitalised.

LEGAL AND COMPENSATION

During the ordinary course of business the group may, from time to time, be subject to complaints, as well as threatened and actual legal proceedings (which may include lawsuits brought on behalf of clients or other third parties) both in the UK and overseas. Any such material matters are periodically reassessed, with the assistance of external professional advisers where appropriate, to determine the likelihood of the group incurring a liability. In those instances where it is concluded that it is more likely than not that a payment will be made, a provision is established to the group's best estimate of the amount required to settle the obligation at the relevant balance sheet date. The group's best estimate is based on legal advice and management's expectation of the most likely settlement outcome, which in some cases is calculated by external professional advisers. The timing of settlement of provisions for client compensation or litigation is dependent, in part, on the duration of negotiations with third parties.

DEFERRED CONSIDERATION IN BUSINESS COMBINATIONS

Deferred Consideration in Business Combinations relates to Investec Wealth & Investment's deferred consideration provision on their acquisitions of Murray Asset Management and The Share Centre.

PROPERTY-RELATED

Property-related provisions of £11.4 million relate to dilapidation provisions expected to arise on leasehold premises held by the group (2022: £5.8 million). Dilapidation provisions are calculated using a discounted cash flow model.

In 2023 the group did not utilise the property provision (2022: £nil). The impact of discounting led to an additional charge of £0.2 million (2022: additional charge of £1.2 million) being recognised during the year.

AMOUNTS PAYABLE AFTER ONE YEAR

Property-related provisions of £7.6 million are expected to be settled within 11 years of the balance sheet date, which corresponds to the longest lease for which a dilapidations provision is being held. Remaining provisions payable after one year are expected to be settled within 13 years of the balance sheet date.

ONEROUS CONTRACT

During the year, the group terminated a support agreement with a third-party service provider. The onerous element of the contract represented a cost of £1.2 million to the group, which was recognised as a provision at the year end.

10 LONG-TERM EMPLOYEE BENEFITS

DEFINED CONTRIBUTION PENSION SCHEME

The group operates a defined contribution group personal pension scheme and contributes to various other personal pension arrangements for certain directors and employees. The total contributions made to these schemes during the year were £ 21.0 million (2022: £ 15.2 million). The group also operates a defined contribution scheme for overseas employees, for which the total contributions were £0.1 million (2022: £0.1 million).

DEFINED BENEFIT PENSION SCHEMES

The group operates two defined benefit pension schemes that operate within the UK legal and regulatory framework: the Rathbone 1987 Scheme and the Laurence Keen Retirement Benefit Scheme. The schemes are currently both clients of Rathbones Investment Management, with investments managed on a discretionary basis, in accordance with the statements of investment principles agreed by the trustees. Scheme assets are held separately from those of the group.

The trustees of the schemes are required to act in the best interest of the schemes' beneficiaries. The appointment of trustees is determined by the schemes' trust documentation and legislation. The group has a policy that one third of all trustees should be nominated by members of the schemes.

The Laurence Keen Scheme was closed to new entrants and future accrual with effect from 30 September 1999. Past service benefits continue to be calculated by reference to final pensionable salaries. From 1 October 1999, all the active members of the Laurence Keen Scheme were included under the Rathbone 1987 Scheme for accrual of retirement benefits for further service. The Rathbone 1987 Scheme was closed to new entrants with effect from 31 March 2002 and to future accrual from 30 June 2017.

The schemes are valued by independent actuaries at least every three years using the projected unit credit method, which looks at the value of benefits accruing over the years following the valuation date based on projected salary to the date of termination of services, discounted to a present value using a rate that reflects the characteristics of the liability. The valuations are updated at each balance sheet date in between full valuations. The latest full actuarial valuations were carried out as at 31 December 2022.

In June 2023, the High Court handed down a judgement that casts doubt on the validity of previous pension scheme amendments made by schemes which were previously contracted out. This was in the Court Case of Virgin Media Limited Vs NTL Pension Trustees II Limited, where it was determined that a Deed of Amendment was not valid because the accompanying written actuarial confirmation under Section 37 of the Pensions Act 1995 was not present. An appeal to the ruling is due to be heard this year. In the meantime, there remains a risk that the benefits of schemes affected by the ruling turn out to be incorrect. The Rathbone 1987 Scheme was never contracted out and so is not impacted by this ruling, however there could be a potential impact on the Lawrence Keen Scheme if any amendments are found to be invalid. The impact is not known at this time but is not expected to be material for the group based on information currently available to the Actuary, we will continue to monitor.

The assumptions used by the actuaries, to estimate the schemes' liabilities, are the best estimates chosen from a range of possible actuarial assumptions. Due to the timescale covered by the liability, these assumptions may not necessarily be borne out in practice.

The principal actuarial assumptions used, which reflect the different membership profiles of the schemes, were:

	Laurence Keen Scheme		Rathbone 1987 Scheme	
	2023 % (unless stated)	2022 % (unless stated)	**2023 % (unless stated)**	2022 % (unless stated)
Rate of increase of salaries	**n/a**	n/a	**n/a**	n/a
Rate of increase of pensions in payment	**3.70**	3.60	**2.90**	3.20
Rate of increase of deferred pensions	**3.10**	3.20	**3.10**	3.20
Discount rate	**4.40**	4.70	**4.40**	4.70
Inflation*	**3.10**	3.20	**3.10**	3.20
Percentage of members transferring out of the schemes per annum	**2.00**	2.00	**2.00**	2.00
Average age of members at date of transferring out (years)	**52.50**	52.50	**52.50**	52.50

* Inflation assumptions are based on the Retail Prices Index

10 LONG-TERM EMPLOYEE BENEFITS CONTINUED

Over the year, the financial assumptions have been amended to reflect changes in market conditions. Specifically:

1. the discount rate has decreased by 0.3% to reflect a decrease in the yields available on AA-rated Corporate Bonds;
2. the assumed rate of future inflation has decreased by 0.1% and reflects expectations of long-term inflation as implied by changes in the Bank of England inflation yield curve;
3. the assumed rates of future increases to pensions in payment, where linked to inflation, have decreased by 0.3% for the Rathbone 1987 Scheme and, for the Laurence Keen Scheme increased by 0.1%

Over the year the mortality assumptions have been updated. The CMI model used to project future improvements in mortality has been updated from the 2021 version to the 2022 version.

2% of members not yet in receipt of their pension are assumed to transfer out of the scheme each year (2022: 2%).

The proportion of members assumed to be married at retirement age is 80% (2022: 80%)

The assumed duration of the liabilities for the Laurence Keen Scheme is 12 years (2022: 13 years) and the assumed duration for the Rathbone 1987 Scheme is 16 years (2022: 16 years).

The normal retirement age for members of the Laurence Keen Scheme is 65 (60 for certain former directors). The normal retirement age for members of the Rathbone 1987 Scheme is 60 for service prior to 1 July 2009 and 65 thereafter, following the introduction of pension benefits based on Career-Average Revalued Earnings (CARE) from that date. The assumed life expectancy for the membership with improvements in line with the CMI 2022 tables with a long-term rate of improvement of 1.5% p.a. The assumed life expectancies on retirement were:

		2023		2022	
		Males	**Females**	Males	Females
Retiring today:	aged 60	**27.6**	**29.5**	28.2	29.9
	aged 65	**22.8**	**24.5**	23.3	24.9
Retiring in 20 years:	aged 60	**29.4**	**31.2**	29.9	31.6
	aged 65	**24.3**	**26.1**	24.9	26.6

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

	2023			2022		
	Laurence Keen Scheme £m	**Rathbone 1987 Scheme £m**	**Total £m**	Laurence Keen Scheme £m	Rathbone 1987 Scheme £m	Total £m
Present value of defined benefit obligations	**(7.3)**	**(93.8)**	**(101.1)**	(7.2)	(87.5)	(94.7)
Fair value of scheme assets	**8.2**	**99.9**	**108.1**	8.1	96.0	104.1
Net defined benefit asset/(liability)	**0.9**	**6.1**	**7.0**	0.9	8.5	9.4

The amounts recognised in profit or loss, within operating expenses, are as follows:

	2023			2022		
	Laurence Keen Scheme £m	**Rathbone 1987 Scheme £m**	**Total £m**	Laurence Keen Scheme £m	Rathbone 1987 Scheme £m	Total £m
Interest expense	**(0.1)**	**(0.4)**	**(0.5)**	(0.1)	(0.2)	(0.3)
	(0.1)	**(0.4)**	**(0.5)**	(0.1)	(0.2)	(0.3)

Remeasurements of the net defined benefit asset have been reported in other comprehensive income. The actual return on scheme assets was a rise in value of £0.4 million (2022: £4.4 million fall) for the Laurence Keen Scheme and a rise in value of £3.6 million (2022: £58.8 million fall) for the Rathbone 1987 Scheme.

10 LONG-TERM EMPLOYEE BENEFITS CONTINUED

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

	2023			2022		
	Laurence Keen Scheme £m	Rathbone 1987 Scheme £m	Total £m	Laurence Keen Scheme £m	Rathbone 1987 Scheme £m	Total £m
At 1 January	7.2	87.5	94.7	11.2	144.4	155.6
Interest cost	0.3	4.1	4.4	0.2	2.7	2.9
Actuarial experience gains	0.1	3.4	3.5	0.1	3.6	3.7
Actuarial gains/(losses) arising from:						
– demographic assumptions	(0.1)	(1.5)	(1.6)	–	0.1	0.1
– financial assumptions	0.2	2.8	3.0	(3.6)	(59.5)	(63.1)
Past service cost	–	–	–	–	–	–
Benefits paid	(0.4)	(2.5)	(2.9)	(0.7)	(3.8)	(4.5)
At 31 December	7.3	93.8	101.1	7.2	87.5	94.7

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

	2023			2022		
	Laurence Keen Scheme £m	Rathbone 1987 Scheme £m	Total £m	Laurence Keen Scheme £m	Rathbone 1987 Scheme £m	Total £m
At 1 January	8.1	96.0	104.1	13.0	154.9	167.9
Remeasurement of net defined benefit asset/(liability)						
– interest income	0.4	4.5	4.9	0.3	2.9	3.2
– return on scheme assets (excluding amounts included in interest income)	–	(0.8)	(0.8)	(4.6)	(61.8)	(66.4)
Contributions from the sponsoring companies	0.1	2.8	2.9	0.1	3.8	3.9
Benefits paid	(0.4)	(2.6)	(3.0)	(0.7)	(3.8)	(4.5)
At 31 December	8.2	99.9	108.1	8.1	96.0	104.1

The Schemes' assets are fully invested with Legal & General Investment Management in Self-Sufficiency Credit Funds and Absolute Return Bond Funds and no assets are invested in Rathbones Funds. The Schemes invest in self-sufficiency strategies, which aim to fully hedge the interest and inflation rate risk. The Trustees will review the asset allocation on a regular basis to ensure the strategy remains appropriate.

The analysis of the scheme assets, measured at bid prices, at the balance sheet date was as follows:

Laurence Keen Scheme	2023 Fair value £m	2022 Fair value £m	2023 Current allocation %	2022 Current allocation %
Equity instruments:				
– United Kingdom	–	0.2		
– Eurozone	–	0.2		
– North America	–	0.7		
– Other	–	0.5		
	–	1.6	–	19
Debt instruments:				
– United Kingdom corporate bonds	0.4	4.3		
	0.4	4.3	5	54
Liability-driven investments	7.8	2.0	93	25
Cash	0.1	0.1	2	1
Other	–	0.1	–	1
At 31 December	8.3	8.1	100	100

10 LONG-TERM EMPLOYEE BENEFITS CONTINUED

Rathbone 1987 Scheme	2023 Fair value £m	2022 Fair value £m	2023 Current allocation %	2022 Current allocation %
Equity instruments:				
– United Kingdom	–	4.2		
– Eurozone	–	2.5		
– North America	–	13.5		
– Other	–	6.1		
	–	26.3	–	28
Debt instruments:				
– United Kingdom corporate bonds	–	37.7		
	–	37.7	–	39
Liability-driven investments	**98.4**	30.8	**99**	32
Cash	**1.5**	1.2	**1**	1
Other	–	–	–	–
At 31 December	**99.9**	96.0	**100**	100

The key assumptions affecting the results of the valuation are the discount rate, future inflation, mortality, the rate of members transferring out and the average age at the time of transferring out. In order to demonstrate the sensitivity of the results to these assumptions, the actuary has recalculated the defined benefit obligations for each scheme by varying each of these assumptions in isolation whilst leaving the other assumptions unchanged. Changes to these assumptions of a different, but similar, magnitude would result in a broadly proportional change in these figures. Where the changes to these assumptions are more significant the impact will be more significant, but potentially not proportional. These events within the sensitivity analysis are unlikely to occur in isolation. For example, in order to demonstrate the sensitivity of the results to the discount rate, the actuary has recalculated the defined benefit obligations for each scheme using a discount rate that is 0.5% higher than that used for calculating the disclosed figures. A similar approach has been taken to demonstrate the sensitivity of the results to the other key assumptions. A summary of the sensitivities in respect of the total of the two schemes' defined benefit obligations is set out below.

	Combined impact on schemes' liabilities	
	(Decrease)/ increase £m	(Decrease)/ increase %
0.5% increase in:		
– discount rate	(7.7)	(7.6)
0.5% increase in:		
– rate of inflation	4.4	4.4
1-year increase to:		
– longevity at 60	4.2	4.1

The total contributions made by the group to the 1987 Scheme during the year were £2.8 million (2022: £3.8 million).

There have been contributions of £0.2 million (2022: £0.2 million) made by the group to the Laurence Keen Scheme during the year.

Contributions for the year are in line with those agreed as part of the actuarial valuation as at 31 December 2023.

Per IAS 19, companies are required to limit the value of any defined benefit asset to the lower of the surplus in the plan and the defined benefit asset ceiling, where the asset ceiling is the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The company expects to access any surplus assets remaining in the plan once all members have left after gradual settlement of the liabilities. Therefore, the net asset is deemed to be recoverable and the effect of the asset ceiling is £nil.

11 FAIR VALUES

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

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

At 31 December 2023	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Assets				
Fair value through profit or loss:				
equity securities	–	–	**1.2**	**1.2**
	–	–	**1.2**	**1.2**

At 31 December 2022	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Assets				
Fair value through profit or loss:				
equity securities	8.1	-	3.1	11.2
	8.1	-	3.1	11.2

The group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred. There have been no transfers between levels during the year (2022: none).

The fair value of listed equity securities is their quoted price.

The fair values of the group's other financial assets and liabilities are not materially different from their carrying values, with the exception of the following:

- Investment debt securities measured at amortised cost comprise bank and building society certificates of deposit, which have fixed coupons, and treasury bills. The fair value of the debt securities at 31 December 2023 was £1,296.8 million (2022: £1,053.5 million) and the carrying value was £1,294.6 million (2022: £1,045.3 million). Fair value of debt securities is based on market bid prices, and hence would be categorised as level 1 within the fair value hierarchy.
- Subordinated loan notes comprise Tier 2 loan notes. The fair value of the loan notes at 31 December 2023 was £37.4 million (2022: £41.2 million) and the carrying value was £39.9 million (2022: £39.9 million). Fair value of the loan notes is based on discounted future cash flows using current market rates for debts with similar remaining maturity, and hence would be categorised as level 2 in the fair value hierarchy.

LEVEL 3 FINANCIAL INSTRUMENTS

FAIR VALUE THROUGH PROFIT OR LOSS

At 31st December 2023, the group held 517 shares in Euroclear Holdings SA, which are classed as Level 3 in the fair value hierarchy, since readily available observable market data is not available. At the prior year-end, the Group held 1,809 shares which were valued at £3.1 million by reference to the indicative price derived from the most recent transactions of the shares in the market. During the year, the group sold 1,292 of its shares in two separate transactions. The price was used to value the remaining shares at year-end.

The valuation at the balance sheet date has been adjusted for movements in exchange rates since the acquisition date. A 10% weakening of the euro against sterling, occurring on 31 December 2022, would have reduced equity and profit after tax by £0.1 million (2022: £0.3 million). A 10% strengthening of the euro against sterling would have had an equal and opposite effect.

Changes in the fair values of financial instruments categorised as level 3 within the fair value hierarchy were as follows:

	2023	2022
At 1 January	**3.1**	2.5
Total unrealised gains/(losses) recognised in profit or loss	**1.0**	0.6
Total disposals	**(2.9)**	-
At 31 December	**1.2**	3.1

The gains or losses relating to the fair value through profit or loss equity securities is included within 'other operating income' in the consolidated statement of comprehensive income.

There were no other gains or losses arising from changes in the fair value of financial instruments categorised as level 3 within the fair value hierarchy.

12 EARNINGS PER SHARE

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

	2023			2022		
	Pre-tax £m	**Taxation £m**	**Post-tax £m**	Pre-tax £m	Taxation £m	Post-tax £m
Underlying profit attributable to shareholders	**127.1**	**(30.3)**	**96.8**	97.1	(20.4)	76.7
Charges in relation to client relationships and goodwill (note 8)	**(25.2)**	**5.9**	**(19.3)**	(19.5)	3.7	(15.8)
Acquisition-related and integration costs (note 5)	**(44.3)**	**4.3**	**(40.0)**	(13.5)	1.6	(11.9)
Profit attributable to shareholders	**57.6**	**(20.1)**	**37.5**	64.1	(15.1)	49.0

Basic earnings per share has been calculated by dividing profit attributable to shareholders by the weighted average number of shares in issue throughout the year, excluding own shares, of 71,269,129 (2022: 58,618,521). This includes 17,481,868 convertible non-voting shares issued as consideration for the IW&I transaction. In total, 44,538,331 shares were issued as a result of the IW&I transaction on 21 September. This has resulted in a mismatch between the weighted average number of shares and the total number of shares of 108,065,997 million due to the shares in the weighted average share calculation being prorated from 21 September to year end.

Diluted earnings per share is the basic earnings per share, adjusted for the effect of contingently issuable shares under the Saunderson House initial share consideration and Executive Incentive Plan, employee share options remaining capable of exercise, expected shares to be issued under the KEEP Support Function award, expected shares to be issued within the Rathbones Integration Incentive Award Scheme and any dilutive shares to be issued under the Share Incentive Plan, all weighted for the relevant period.

	2023	2022
Weighted average number of ordinary shares in issue during the year – basic	**71,269,129**	58,618,521
Effect of ordinary share options/Save As You Earn	**443,865**	595,055
Effect of dilutive shares issuable under the Share Incentive Plan	**2,517**	671
Effect of contingently issuable shares under the Executive Incentive Plan	**294,770**	563,816
Effect of contingently issuable shares under Saunderson House initial share consideration (note 4)	**272,952**	272,952
Effect of expected shares to be issued under the Key Employee Equity Plan Support Function Award	**314,600**	–
Effect of expected shares to be issued under the Rathbones Integration Incentive Scheme Award	**1,276,744**	–
Diluted ordinary shares	**73,874,577**	60,051,015

	2023	2022
Earnings per share for the year attributable to equity holders of the company:		
– basic	**52.6p**	83.6p
– diluted	**50.8p**	81.6p
Underlying earnings per share for the year attributable to equity holders of the company:		
– basic	**135.8p**	130.8p
– diluted	**131.0p**	127.7p

Underlying earnings per share is calculated in the same way as earnings per share, but by reference to underlying profit attributable to shareholders.

13 RELATED PARTY TRANSACTIONS

TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

The remuneration of the key management personnel of the group, who are defined as the company's directors and other members of senior management who are responsible for planning, directing and controlling the activities of the group, is set out below.

Gains on options exercised by directors during the year totalled £nil (2022: £nil). Further information about the remuneration of individual directors is provided in the audited part of the directors' remuneration report.

	2023 £m	2022 £m
Short-term employee benefits	**13.2**	10.2
Post-employment benefits	**0.3**	0.3
Other long-term benefits	**1.3**	0.3
Share-based payments	**2.6**	0.4
	17.4	11.2

Dividends totalling £0.3 million were paid in the year (2022: £0.2 million) in respect of ordinary shares held by key management personnel and their close family members.

At 31 December 2023, key management personnel and their close family members had gross outstanding deposits of £1.0 million (2022: £1.7 million) and gross outstanding banking loans of £0.1 million (2022: nil). A number of the group's key management personnel and their close family members make use of the services provided by companies within the group. Charges for such services are made at various staff rates. All transactions were made on normal business terms.

OTHER RELATED PARTY TRANSACTIONS

The group's transactions with the pension funds are described in note 10. At 31 December 2023, no amounts were outstanding with either the Laurence Keen Scheme or the Rathbone 1987 Scheme (2022: none).

As a result of the IW&I transaction on 21 September 2023, Rathbones Group Plc is an associate of Investec Bank PLC. As at the 31 December there was a net payable balance with Investec Bank PLC of £8.3 million (2022: £nil). IW&I outsources payroll to Investec Bank PLC (for which a charge is levied under the transitional services agreement), the balance outstanding as at the reporting date is predominantly related to IW&I employee salary costs and associated payroll taxes. During the period from acquisition, Investec Bank PLC have provided certain services to IW&I via the transitional services agreement. The total expense for these services recognised during the period from 21 September 2023 to 31 December 2023 is £4.8 million (2022: £nil). These amounts were fully paid as at 31 December 2023. IW&I partially sublets certain regional office space to Investec Bank PLC companies and charges Investec Bank PLC for use of research, total fees receivable under these arrangements 21 September 2023 to 31 December 2023 were £0.1 million and £0.3 million respectively (2022: nil).

One group subsidiary, Rathbones Asset Management Limited, has authority to manage the investments within a number of unit trusts. During 2023, the group managed 28 unit trusts, Sociétés d'Investissement à Capital Variable (SICAVs) and open-ended investment companies (OEICs) (together, 'collectives') (2022: 32 unit trusts and OEICs).

The group charges each fund an annual management fee for these services, but does not earn any performance fees on the unit trusts. The management charges are calculated on the bases published in the individual fund prospectuses, which also state the terms and conditions of the management contract with the group.

The following transactions and balances relate to the group's interest in the unit trusts:

Year ended 31 December	2023 £m	2022 £m
Total management fees	**69.6**	68.2

As at 31 December	2023 £m	2022 £m
Management fees owed to the group	**6.5**	5.6
Holdings in unit trusts	**–**	8.1
	6.5	13.7

Total management fees are included within 'fee and commission income' in the consolidated statement of comprehensive income.

13 RELATED PARTY TRANSACTIONS CONTINUED

Management fees owed to the group are included within 'accrued income' and holdings in unit trusts are classified as 'fair value through profit or loss equity securities' in the consolidated balance sheet. The maximum exposure to loss is limited to the carrying amount on the balance sheet as disclosed above.

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

14 CONSOLIDATED STATEMENT OF CASH FLOWS

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

	2023 £m	2022 £m
Cash and balances at central banks	1,036.0	1,408.0
Loans and advances to banks	266.9	164.7
At 31 December	**1,302.9**	1,572.7

Mandatory reserve deposits of £2.3 million (2022: £5.0 million) are held with central banks in accordance with statutory requirements. As these deposits are not held in demand accounts and are not available to finance the group's day-to-day operations, they are excluded from cash and cash equivalents.

Cash flows arising from the issue/(repurchase) of ordinary shares comprise:

	2023 £m	2022 £m
Share capital issued	2.2	0.1
Share premium on shares issued	2.3	18.9
Merger reserve on shares issued	747.4	-
Shares issued in relation to share-based schemes and business combinations for which no cash consideration was received	(751.9)	(9.8)
Proceeds from issue of share capital	**–**	9.3
Shares repurchased and placed into the employee benefit trust	(16.0)	(18.6)
Net issue/(repurchase) of ordinary shares	**(16.0)**	(9.3)

In 2022, £5.7 million of shares were issued for the vesting of the Speirs & Jeffrey second earn-out consideration. £4.1 million of shares were also issued for the Saunderson House deferred share consideration. There was no cash consideration received for these transactions. £18.6 million of shares were repurchased and placed into the group EBT in the prior year.

During the year, £751.9 million of shares were issued as consideration for the IW&I transaction, there was no cash consideration received for this transaction. In addition to this, £16.0 million of shares were repurchased and placed into the group EBT.

14 CONSOLIDATED STATEMENT OF CASH FLOWS CONTINUED

A reconciliation of the movements of financing liabilities and equity to cash flows arising from financing activities is as follows:

	Subordinated loan notes £m	Lease liabilities £m	Liabilities from financing activities £m	Share capital/ premium £m	Reserves £m	Retained earnings £m	Total equity £m	Total £m
At 1 January 2023	**39.9**	**50.5**	**90.4**	**313.2**	**24.4**	**297.2**	**634.8**	**725.2**
Changes from financing cash flows								
Proceeds from issue of share capital	–	–	–	2.3	(2.3)	–	–	–
Payments for share repurchases	–	–	–	–	(16.0)	–	(16.0)	(16.0)
Dividends paid	–	–	–	–	–	(71.4)	(71.4)	(71.4)
Interest charge	(2.3)	(3.3)	(5.6)	–	–	–	–	(5.6)
Payment for lease liabilities	–	(7.5)	(7.5)	–	–	–	–	(7.5)
Total financing cash flows	**(2.3)**	**(10.8)**	**(13.1)**	**2.3**	**(18.3)**	**(71.4)**	**(87.4)**	**(100.5)**
Total non-cash movements	**2.3**	**35.2**	**37.5**	**2.2**	**762.7**	**37.9**	**802.8**	**840.3**
At 31 December 2023	**39.9**	**74.9**	**114.8**	**317.7**	**768.8**	**263.7**	**1,350.2**	**1,465.0**

	Subordinated loan notes £m	Lease liabilities £m	Liabilities from financing activities £m	Share capital/ premium £m	Reserves £m	Retained earnings £m	Total equity £m	Total £m
At 1 January 2022	39.9	55.0	94.9	294.1	40.3	288.8	623.2	718.1
Changes from financing cash flows								
Proceeds from issue of share capital	–	–	–	9.3	–	–	9.3	9.3
Payments for share repurchases	–	–	–	–	(18.6)	–	(18.6)	(18.6)
Dividends paid	–	–	–	–	–	(48.6)	(48.6)	(48.6)
Interest charge	(2.3)	(3.1)	(5.4)	–	–	–	–	(5.4)
Payment for lease liabilities	–	(8.5)	(8.5)	–	–	–	–	(8.5)
Total financing cash flows	(2.3)	(11.6)	(13.9)	9.3	(18.6)	(48.6)	(57.9)	(71.8)
Total non-cash movements	2.3	7.1	9.4	9.8	2.7	57.0	69.5	78.9
At 31 December 2022	39.9	50.5	90.4	313.2	24.4	297.2	634.8	725.2

15 EVENTS AFTER THE BALANCE SHEET DATE

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

16 FINANCIAL INFORMATION

There have been no material events occurring between the balance sheet date and the date of signing this report. The financial information set out in this preliminary announcement has been extracted from the Group's financial statements, which have been approved by the Board of directors and agreed with the Company's auditor.

The financial information set out above does not constitute the Company's statutory financial statements for the years ended 31 December 2023 or 2022. Statutory financial statements for 2022 have been delivered to the Registrar of Companies. Statutory financial statements for 2023 will be delivered to the Registrar of Companies following the Company's Annual General Meeting. The auditor has reported on both the 2023 and 2022 financial statements. Their reports were unqualified and did not draw attention to any matters by way of emphasis. They also did not contain statements under Section 498 of the Companies Act 2006.

17 FORWARD LOOKING STATEMENTS

This announcement contains certain forward-looking statements, which are made by the directors in good faith based on the information available to them at the time of their approval of the 2023 annual report. Statements contained within this announcement should be treated with some caution due to the inherent uncertainties (including but not limited to those arising from economic, regulatory and business risk factors) underlying any such forward-looking statements. This announcement has been prepared by Rathbones Group Plc to provide information to its shareholders and should not be relied upon for any other purpose.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF RATHBONES GROUP PLC
ON THE PRELIMINARY ANNOUNCEMENT OF RATHBONES GROUP PLC

As the independent auditor of Rathbones Group Plc we are required by UK Listing Rule LR 9.7A.1(2)R to agree to the publication of Rathbones Group Plc's preliminary announcement statement of annual results for the period ended 31 December 2023.

The preliminary statement of annual results for the period ended 31 December 2023 includes:

- Disclosures required by the Listing Rules;
- Chair's statement;
- Group Chief Executive's review;
- Financial performance;
- Segmental review;
- Financial position;
- Liquidity and cash flow;
- Risk management and control;
- Principal risks;
- Consolidated statement of comprehensive income;
- Consolidated statement of changes in equity;
- Consolidated balance sheet;
- Consolidated statement of cash flows; and
- Notes 1 to 17 to the preliminary announcement.

We are not required to agree to the publication of presentations to analysts, trading statement, interim management statement or half-yearly financial report.

The directors of Rathbones Group Plc are responsible for the preparation, presentation and publication of the preliminary statement of annual results in accordance with the UK Listing Rules.

We are responsible for agreeing to the publication of the preliminary statement of annual results, having regard to the Financial Reporting Council's Bulletin "The Auditor's Association with Preliminary Announcements made in accordance with UK Listing Rules".

STATUS OF OUR AUDIT OF THE FINANCIAL STATEMENTS

Our audit of the annual financial statements of Rathbones Group Plc is complete and we signed our auditor's report on 5 March 2024. Our auditor's report is not modified and contains no emphasis of matter paragraph.

Our audit report on the full financial statements sets out the following key audit matters which had the greatest effect on our overall audit strategy; the allocation of resources in our audit; and directing the efforts of the engagement team, together with how our audit responded to those key audit matters and the key observations arising from our work. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we did not provide a separate opinion on these matters.

ACQUISITION ACCOUNTING FOR INVESTEC WEALTH & INVESTMENT LIMITED AND SUBSIDIARY ENTITIES

KEY AUDIT MATTER DESCRIPTION

Rathbones Group acquired 100% of the share capital of Investec Wealth & Investment Limited and its subsidiary entities ("IW&I") through an all-share transfer on 21 September 2023. The total consideration was £751.9m of which £350.3m was attributed to recognition of client relationship intangible assets, which are being amortised over a weighted average of 14 years, and £340.1m to goodwill.

As detailed in the summary of principal accounting policies in note 1 and note 2 in the full annual report (included within note 1 and note 2 to this announcement), and as disclosed in note 8 in the full annual report (included within note 4 and note 8 to this announcement),, acquisition accounting requires management to make a number of judgments to determine the fair value of acquired identifiable assets. Management have engaged external specialists to assist with these judgements. We have identified the valuation of the IW&I client relationship intangible assets as a fraud risk, given the inherent judgment, complexity and level of estimation involved.

The significant assumptions that underpin the client relationship intangible assets valuation in management's model include: the forecasted cash flows, useful economic life and the discount rate.

HOW THE SCOPE OF OUR AUDIT RESPONDED TO THE KEY AUDIT MATTER

In order to respond to the key audit matter, we performed the following procedures:

- obtained an understanding of relevant controls over the acquisition accounting, in particular the identification and measurement of the client relationship intangible assets and goodwill and controls over the acquisition accounting related judgments;
- assessed the competence, capability and objectivity of management's experts;
- assessed management's accounting analysis of the acquisition and the accounting treatment in line with the requirements of IFRS 3;
- engaged our in-house valuation specialists to: assist in the evaluation of the methodology and the key assumptions used in the valuation of the client relationship intangible assets acquired; independently determine an appropriate discount rate for the calculation and assessed the methodology used to establish useful economic lives of assets;
- tested the key data inputs used to determine the useful economic life for completeness and accuracy;
- challenged the entity's forecast cash flows by comparing with approved business plans, historical performance and objective macro-economic indications to assess the achievability of the forecasts;
- tested the completeness and accuracy of the data inputs into the underlying models used in determining the client relationship intangible assets valuation and the goodwill value;
- reviewed the share purchase agreement to corroborate the overall deal structure and transaction price, and agreed the value of the total consideration to supporting documentation;
- with the assistance of our tax specialists, assessed the tax implications arising from this acquisition; and
- checked the disclosures included in the financial statements to determine whether all information has been included for a business combination under IFRS 3.

KEY OBSERVATIONS

We conclude that the acquisition accounting in relation to the IW&I transaction and the related disclosures as at 31 December 2023, is appropriate.

IMPAIRMENT OF CLIENT RELATIONSHIP INTANGIBLE ASSETS AND GOODWILL

KEY AUDIT MATTER DESCRIPTION

The group holds client relationship intangible assets of £517.5 million (2022: £188.5 million) comprising both client relationships acquired through business combinations and through acquisition of individual investment managers and their client portfolios and goodwill of £507.8 million (2022: £167.7 million).

As detailed in the summary of principal accounting policies in notes 1 and 2 in the full annual report (included within note 1 to this announcement), client relationship intangible assets are reviewed for indicators of impairment at each balance sheet date and, if an indicator of impairment exists, an impairment test is performed. Goodwill is tested for impairment at least annually, whether or not indicators of impairment exist.

For client relationship intangible assets, in determining the appropriate impairment triggers for each client portfolio, there is a degree of management judgement. This assessment is based on movements in the value of funds under management and the loss of client relationships in advance of their amortisation period.

For goodwill, the impairment assessment is performed by comparing the carrying amount of each cash generating unit ("CGU") to its recoverable amount from its value-in-use ("VIU"), calculated using a discounted cash flow method. In determining the VIU for the CGUs, management is required to make assumptions in relation to an appropriate income growth rate, expenditure growth rate and the discount rate. The discount rate, annual revenue growth rate and terminal growth rate used are disclosed in note 22 in the full annual report (included within note 8 to this announcement).

We have identified this as a key audit matter given the inherent judgement and level of estimation in the assumptions that support the annual impairment reviews. In the prior period, we identified this as a fraud risk, however, as a result of increased headroom on the most material impairment reviews, we did not deem this to be a fraud risk in the current period.

HOW THE SCOPE OF OUR AUDIT RESPONDED TO THE KEY AUDIT MATTER

We obtained an understanding of relevant controls in relation to the impairment review process for client relationship intangible assets for both acquired portfolios and individual relationships and for goodwill.

For client relationship intangible assets, we specifically tested the assumptions used by management as part of the impairment review exercise to assess whether they meet the requirements of IAS 36 "Impairment of Assets". We assessed the key assumptions around the impairment triggers identified for each client portfolio, which we have assessed for reasonableness, and we evaluated the accuracy of the inputs used by management.

Where management's review indicated that an impairment trigger had occurred, we assessed the relevant assumptions and judgements made by management in determining whether an impairment needed to be recognised through the calculation of the assets' VIU. To challenge management's VIU model we performed the following procedures:

- tested the key data inputs used to determine the useful economic life for completeness and accuracy;
- recalculated the underlying calculation to ensure mathematical accuracy;
- stressed management's assumptions to determine the point at which an impairment would need to be recognised;
- with the involvement of our valuation specialists, we independently determined an appropriate discount rate for the calculation; and
- with the involvement of our in-house economic specialists reviewed the growth rate assumptions used for funds under management to challenge whether they were in line with consensus.

For goodwill, in order to challenge the appropriateness of the income and expenditure growth assumptions used in the VIU calculation, we have challenged the assumptions used by management against historical actual performance and checked for consistency with forecasts used elsewhere in the business. We challenged the determination of the discount rate applied by benchmarking to appropriate market rates of interest. We also independently re-performed management's VIU calculation.

We have checked the disclosures included within the financial statements to determine whether all required information has been included for the impairment of client relationship intangible assets and goodwill.

KEY OBSERVATIONS

We concluded that management's approach and conclusion was appropriate and that the carrying value of client relationship intangible assets and goodwill as at 31 December 2023 is appropriate.

DEFINED BENEFIT PENSION SCHEME ASSUMPTIONS

KEY AUDIT MATTER DESCRIPTION

The group has recognised a defined benefit pension scheme net asset of £7.0 million (2022: net asset of £9.4 million). The net asset comprises scheme assets of £108.1 million (2022: £104.1 million) and a defined benefit obligation of £101.1 million (2022: £94.7 million).

The calculation of the defined benefit obligation is sensitive to changes in underlying assumptions and is considered to be a key source of estimation uncertainty for the group as detailed in note 2 in the full annual report (included within note 2 to this announcement) and disclosed in note 29 in the full annual report (included within note 10 to this announcement). We have therefore identified this as a key audit matter.

The key assumptions are in respect of the discount rate, inflation rate and mortality rate where small changes to these assumptions could result in a material change to the valuation of the defined benefit obligation.

HOW THE SCOPE OF OUR AUDIT RESPONDED TO THE KEY AUDIT MATTER

In order to evaluate the appropriateness of the assumptions used by management, we obtained an understanding of relevant controls over the determination of assumptions and the calculation of the obligation to be recognised in the financial statements.

With the involvement of our in-house actuarial specialists, we made direct enquiries of the group's actuary to review and challenge each of the key assumptions used in the IAS 19 ("Employee Benefits") pension valuation. In particular, we assessed each assumption used by management against independently determined benchmarks derived using market data.

We have checked the disclosures included within the financial statements to determine whether all required information has been included for a defined benefit pension scheme.

KEY OBSERVATIONS

We concluded that each of the key assumptions used by management to estimate the defined benefit obligation are consistent with the requirements of IAS 19 and that the valuation of the defined benefit pension scheme net asset has been appropriately determined as at 31 December 2023.

INVESTMENT MANAGEMENT FEE REVENUE RELATING TO BESPOKE FEES

KEY AUDIT MATTER DESCRIPTION

As detailed in the summary of principal accounting policies in notes 1 and 3 in the full annual report (included within note 3 to this announcement), revenue comprises net investment management fee income of £414.8 million (2022: £337.0 million), net commission income of £53.6 million (2022: £48.9 million), net interest income of £51.7 million (2022: £18.3 million) and fees from advisory services and other income of £51.0 million (2022: £57.1 million).

Investment management ("IM") fees from the IM segment account for approximately 80% of total revenue and are based on a percentage of an individual client's funds under management ("FUM"). Due to its many long standing client relationships and history of acquisitions, the number of fee schedules managed by the group is voluminous. This means that a number of clients are on bespoke rates rather than the current standard rates or legacy rates that were standard previously or at the time of acquisition. We identified a risk of potential fraud in respect to bespoke rates.

As a result, we identified a key audit matter relating to the risk that, whether due to error or fraud, incorrect bespoke fee rates could be used to calculate investment management fees.

HOW THE SCOPE OF OUR AUDIT RESPONDED TO THE KEY AUDIT MATTER

We tested controls over the calculation of IM fees. This included controls relating to the set-up of client fee rates, rate card amendments, the valuation of FUM and the system generated investment management fees, including associated IT controls.

We used data analytics to recalculate the system generated amount for the total fee population. We agreed a sample of bespoke client fee rates through to client contracts and the value of FUM to third party sources. Where manual fee rate amendments were made to system generated fees, we inspected evidence of authority and rationale.

We have checked the disclosures included within the financial statements to determine whether all required information has been included for revenue.

KEY OBSERVATIONS

We concluded that the investment management fee revenue is appropriately recognised for the year ended 31 December 2023.

PROCEDURES PERFORMED TO AGREE TO THE PRELIMINARY ANNOUNCEMENT OF ANNUAL RESULTS

In order to agree to the publication of the preliminary announcement of annual results of Rathbones Group Plc we carried out the following procedures:

(a) checked that the figures in the preliminary announcement covering the full year have been accurately extracted from the audited or draft financial statements and reflect the presentation to be adopted in the audited financial statements;

(b) considered whether the information (including the management commentary) is consistent with other expected contents of the annual report;

(c) considered whether the financial information in the preliminary announcement is misstated;

(d) considered whether the preliminary announcement includes a statement by directors as required by section 435 of CA 2006 and whether the preliminary announcement includes the minimum information required by UKLA Listing Rule 9.7A.1;

(e) where the preliminary announcement includes alternative performance measures ("APMs"), considered whether appropriate prominence is given to statutory financial information and whether:

- the use, relevance and reliability of APMs has been explained;
- the APMs used have been clearly defined, and have been given meaningful labels reflecting their content and basis of calculation;
- the APMs have been reconciled to the most directly reconcilable line item, subtotal or total presented in the financial statements of the corresponding period; and
- comparatives have been included, and where the basis of calculation has changed over time this is explained.

(f) read the management commentary, any other narrative disclosures and any final interim period figures and considered whether they are fair, balanced and understandable.

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

Manbhinder Rana FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
5 March 2024