

# RATHBONES' FUNDS UNDER MANAGEMENT GROW 8.6% TO £23.9 BILLION

This statement is a half-yearly financial report in accordance with the UK Listing Authority's Disclosure and Transparency Rules. It covers the six month period ended 30 June 2014.

## **Philip Howell, Chief Executive of Rathbone Brothers Plc, said:**

“The first six months of this year have been a busy and exciting period for Rathbones in which we have announced two acquisitions and a successful placing. We are pleased to have removed the uncertainty associated with the long-running legal proceedings, and believe that joining a settlement to do so is in the best commercial interests of the company.

“Notwithstanding relatively flat markets total net growth in funds under management was £1.5 billion in the first half of 2014, representing an annualised growth rate of 14.3% compared to 9.4% in the first half of 2013 and representing continued momentum both from organic and acquired growth. Including the impact of market movements, Rathbones' total funds under management at 30 June 2014 were £23.9 billion.

“The impact of recent acquisitions is expected to have a positive effect on earnings in 2015. We are continuing to invest carefully in the skills and systems required to achieve our growth objectives. Rathbones' outlook therefore remains positive.”

## **Highlights:**

- Total funds under management at 30 June 2014 were £23.9 billion, up 8.6% from £22.0 billion at 31 December 2013. This compared to a decrease of 0.1% in the FTSE 100 Index and an increase of 1.0% in the FTSE WMA (formerly APCIMS) Balanced Index over the same period.
- Total net organic and acquired growth in the funds managed by Rathbone Investment Management was £1.2 billion in the first six months of 2014, representing a net annual growth rate of 12.2% (2013: 9.3%). Net organic growth of £417 million for the first half represents an underlying annualised rate of net organic growth of 4.1% (2013: 3.9%). We have now completed the acquisition of part of Deutsche Asset & Wealth Management's London-based private client investment management business, which added £617 million of funds under management by 30 June 2014. The acquisition of the private client and charity investment management business of Jupiter Asset Management is expected to complete at the end of the third quarter, when funds under management will transfer to Rathbone Investment Management.
- Profit before tax was £30.9 million for the six months ended 30 June 2014, up 33.2% compared to £23.2 million in 2013. Underlying profit before tax (excluding charges in relation to client relationships and goodwill, gain on disposal of financial securities and transaction costs) increased 13.4% from £26.1 million to £29.6 million, representing a margin of 30.2% (2013: 29.6%).
- Earnings per share increased 33.7% to 51.6p (2013: 38.6p). The weighted average number of ordinary shares, used to calculate earnings per share, increased 2.0% from 45.6 million at 30 June 2013 to 46.5 million at 30 June 2014, largely as a result of the placing of 2.9% of the then issued share capital in April 2014.
- The board recommends a 19p interim dividend for 2014 (2013: 18p), an increase of 5.6% on 2013.
- Underlying operating income in Investment Management of £90.8 million in the first six months of 2014 (2013: £83.0 million) was up 9.4%. The average FTSE 100 Index was 6720 on our quarterly billing dates in 2014, compared to 6233 in 2013, an increase of 7.8%.
- Net interest income of £4.4 million in the first six months of 2014 has increased 4.8% from £4.2 million in 2013 largely due to an increase in average liquidity from £1.0 billion at 31 December 2013 to £1.1 billion at 30 June 2014 and more client lending.

- Underlying operating expenses of £68.5 million for the six months ended 30 June 2014 were up 10.5% on £62.0 million in the first half of 2013 largely as a result of business growth.
- Funds under management in Rathbone Unit Trust Management were £2.2 billion at 30 June 2014 (31 December 2013: £1.8 billion). Net inflows of £338 million in the first half of 2014 have increased from £67 million in 2013. Underlying operating income in Rathbone Unit Trust Management was £7.3 million in the six months ended 30 June 2014, an increase of 43.1% from £5.1 million in the first half of 2013.
- Late on 23 July 2014 the company joined into a conditional agreement to contribute £15 million to a settlement of legal proceedings in Jersey involving a former director and employee of a former subsidiary, Rathbone Trust Company Jersey Limited and in respect of legal proceedings against certain of Rathbones' civil liability (professional indemnity) insurers.

**Issued on 24 July 2014**

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Mark Nicholls, Chairman

Philip Howell, Chief Executive

Paul Stockton, Finance Director

Hugo Mortimer-Harvey

**Rathbone Brothers Plc**

Rathbone Brothers Plc is a leading provider of high-quality, personalised investment and wealth management services for private clients, charities and trustees. This includes discretionary investment management, unit trusts, tax planning, trust and company management, pension advice and banking services.

Rathbones has over 850 staff in 13 UK locations and Jersey, and has its headquarters in Curzon Street, London.

[www.rathbones.com](http://www.rathbones.com)

# INTERIM MANAGEMENT REPORT

## Financial highlights

Underlying profit before tax of £29.6 million was 13.4% up on the same half year period last year (2013: £26.1 million), reflecting more positive markets and continued growth in funds under management to £23.9 billion at 30 June 2014 (£22.0 billion at 31 December 2013). Underlying earnings per share were up 13.6% to 49.4p for the six months ended 30 June 2014 (2013: 43.5p), reflecting both the growth in earnings and the impact of issuing 1.3 million shares in April 2014 via a placing.

Profit before tax for the half year of £30.9 million (2013: £23.2 million) includes a one-off gain of £5.9 million from the sale of London Stock Exchange Group Plc ordinary shares, transaction costs of £1.0 million and charges in relation to client relationships and goodwill of £3.6 million. Basic earnings per share of 51.6p increased 33.7% on 38.6p last year.

Our interim dividend has been increased by 1p per share to 19p (2013 interim: 18p). The interim dividend will be paid on 8 October 2014.

## First half review

The first six months of this year have been a busy and exciting period for Rathbones. On 1 April 2014 we announced our intention to acquire the private client and charity investment management business of Jupiter Asset Management, and also part of Deutsche Asset & Wealth Management's London-based private client investment management business ("Deutsche Bank"). On 1 May 2014, Rathbone Trust Company Limited purchased 100% of law firm Rooper & Whately to add depth to the range of its advisory services.

The Deutsche Bank transaction completed on 5 June 2014 when we welcomed clients and their investment management team who brought £617 million of funds under management to Rathbones. This represents 95% of the total available funds under management which is a positive result. The Jupiter transaction is proceeding well and is expected to complete at the end of September 2014. Total Jupiter discretionary and other managed funds under management available for transfer equate to £1.6 billion, with a further £0.5 billion in execution only accounts.

We also announced a share placing of 1.3 million shares in April 2014, raising a net £23.6 million to fund future growth opportunities. The placing attracted strong support from investors such that it was achieved with no discount to the prevailing closing price.

Investment markets have remained relatively stable since the start of the year with the FTSE 100 trading within a narrow range and ending the half year at 6744; largely consistent with the end of 2013. The Wealth Management Association (WMA) Balanced Index ended the first half at 3429, up 1.0% compared to 3395 at 31 December 2013. Interest rates remained at historically low levels throughout the first half, but market commentaries are more consistently pointing to future rises which would positively impact our interest income.

We have continued to attract individual investment managers and new clients, drawn by our approach to portfolio management, quality systems and strong client service ethos. This was echoed by the results of the independent client survey we conducted in April, in which overall feedback was very positive. We are not complacent however and will continue to pursue opportunities to improve our service and engage more proactively with our clients. In May our charity team was named Charity Investment Manager of the Year for the second year running at the Citywealth Magic Circle Awards, which are voted for by clients.

Part of our commitment to our clients is to provide them with a clear and accurate account of how their portfolios have performed. In June 2014, after several years of hard work, we announced that Rathbone Investment Management had successfully attained full Global Investment Performance Standards (GIPS) accreditation. GIPS are a universally recognised indicator of investment performance reporting, and we believe this is a unique achievement for a major UK private client firm. We believe this demonstrates not only the robustness of our data disciplines and operational infrastructure, but also our commitment to provide our clients with the highest quality discretionary investment management service.

In our 2013 annual report we highlighted a number of initiatives which we would be focussing on in 2014 to position ourselves for further growth and ensure that we maintain a high standard of service to our existing clients. An example of this is our Asset Allocation Modelling system which has now been rolled out across all of our investment teams. Feedback has been positive, and investment managers are seeing the benefits of being able to manage portfolios more efficiently. We have also adopted a new team-based approach in our London office to help improve client service and manage capacity.

In addition to recruiting junior investment professionals and additional research team members, we believe that it is now appropriate to strengthen senior management in some other support areas in order to position ourselves for future growth. We recently welcomed a new head of our London charities team and we have now recruited a head of strategy and organisation development. We expect to also add a chief risk officer and a head of investment process and risk in the second half of this year.

We continue to invest in our operations and IT platform to ensure that it remains up to date and robust. In the first half of the year we successfully completed the move of our Liverpool servers to a third party data centre. This strategy has not only enhanced our disaster recovery capability, but it has also freed up valuable IT resources to better support the business and to focus on further enhancements to our front office platform. These include the current upgrade programme in respect of our online portfolio service for clients and intermediaries, with the first phase completed at the end of June.

We continue to manage a busy regulatory agenda, with the impact of the Capital Requirements Directive (CRD) IV, new client asset rules and the US Foreign Account Tax Compliance Act (FATCA), among other regulatory developments.

Since 2012, we have reported on the progress of a claim relating to the management of a Jersey trust that was filed in Jersey against a former employee (and director) of a former subsidiary, Rathbone Trust Company Jersey Limited and others. We have also reported on the associated legal proceedings by Rathbones and the former employee against insurers on the excess layer of our civil liability insurance policy to seek confirmation of insurance cover.

Whilst we believe that the underlying Jersey claim would eventually prove unsuccessful and that effective insurance cover would be confirmed following the recent Court of Appeal hearing in the insurance proceedings, we have been mindful that litigation is never without risk and that we could face several more years of substantial legal costs as well as the potential unwarranted negative impact on our reputation. We have therefore concluded that joining a settlement of both the Jersey and insurance legal actions would be in the best commercial interests of the company and allow our senior management team to apply its full focus to executing our strategic plans. On 23 July 2014, the company therefore agreed to contribute £15 million to a conditional settlement agreement. This payment will be treated as an exceptional pre-tax charge in the second half of 2014.

### **Results and business performance**

Total group funds under management at 30 June 2014 were £23.9 billion up from £19.9 billion at the 2013 half year, and £22.0 billion at the end of 2013. Total net growth (excluding market movements) in the funds managed by our core investment management business was £1.2 billion in the first six months of 2014 (2013: £0.8 billion), which represents an annualised growth rate of 12.2% (2013: 9.3%).

First half growth benefitted from the Deutsche Bank transaction, which helped total acquired growth to rise to £819 million in the period (2013: £453 million). We expect the clients and investment teams of Jupiter's private client business to join Rathbones when the acquisition completes at the end of the third quarter. Net organic growth in the first half was satisfactory at £417 million and represents an annualised rate of 4.1% (2013: 3.9%).

Rathbone Unit Trust Management had a strong first half, attracting net inflows of £338 million (2013: £67 million). Funds under management, at 30 June 2014 stood at a new high of £2.2 billion up 22.2% from the 2013 year end with strong growth particularly coming from the income, global opportunities and ethical bond funds.

Underlying operating income of £98.1 million increased 11.4% from £88.1 million a year ago, reflecting continued growth in funds under management, solid investment performance and higher average markets on our quarterly billing dates. Net commission income of £23.5 million in the first half of 2014 was marginally higher than the £23.2 million in 2013, led by a particularly strong first quarter. Net interest income of £4.4 million was consistent with last year (2013: £4.2 million) as lower returns on treasury assets were compensated for by an increase in average liquidity to £1.1 billion (2013: £1.0 billion) and higher levels of interest earned on client loans of £1.3 million (2013: £1.0 million). Fees from advisory services and other income increased 16.1% to £7.2 million from £6.2 million one year ago, largely reflecting the gain of £0.6 million recognised on a £3.4 million repayment of Loan Notes (see note 10 to the condensed consolidated interim financial statements).

Cash and balances with central banks increased by 180% from £211 million at 31 December 2013 to £591 million at 30 June 2014. Loans and advances to customers decreased 3.9% in the first half of 2014 from £95.5 million at 31 December 2013 to £91.8 million at 30 June 2014 largely reflecting the Loan Notes repayment referred to above.

Underlying operating expenses over the last year increased 10.5% to £68.5 million from £62.0 million. Staff costs rose 13.0% to £47.9 million in the six months ending 30 June 2014 (2013: £42.3 million), reflecting salary inflation of 4%, higher introductory payments to investment managers (see note 13 to the condensed consolidated interim financial statements) and an increase in average full time equivalent headcount from 821 to 853 that reflects both the historic growth in the business and our expectations for the future. Variable staff awards for the first half year have increased 25.5% to £17.2 million (2013: £13.7 million) reflecting the growth in underlying profit, continuing net new business growth and higher values of deferred share based awards which, for cash settled schemes, are marked to market.

Other direct expenses of £20.6 million to the end of June 2014 remained stable compared to those incurred last year (2013: £19.7 million). These include £1.1 million of legal expenses associated with the claim and legal proceedings referred to above. Total expenses incurred to date in relation to the claim and proceedings have been £5.3 million.

Our underlying operating profit margin remains an important measure of our success and was 30.2% for the first half of 2014 compared to 29.6% a year ago. The second half of the year is expected to reflect the positive earnings impact of the Deutsche Bank transaction and, for the last quarter, the Jupiter transaction; together with the full effect of first half headcount growth and the additional costs of planned senior recruitment mentioned above.

In the first half of 2014 we recognised a one-off gain of £5.9 million in respect of the sale of London Stock Exchange Group Plc shares which had previously been marked to market through equity. This was partially offset by one-off costs of £1.0 million relating to acquisitions. Our effective tax rate in the first half was 22.3% (2013: 24.2%) reflecting the 2% reduction in the UK tax rate effective from 6 April 2014.

Total equity has increased 9.6% to £275 million at 30 June 2014 from £251 million at 31 December 2013. Our defined benefit pension schemes returned to a deficit of £3.7 million at 30 June 2014, reflecting a fall in gilt yields and lower member mortality than assumed at the previous triennial valuation. The triennial review of the schemes at 31 December 2013 is currently being undertaken and is expected to be completed in the second half of the year.

Our consolidated common equity tier 1 ratio as at 30 June 2014 (excluding unverified Rathbone Investment Management's profits for the first half) stood at 22.9%, as compared to 19.1% as at 31 December 2013. This reflects the impact of the share placing in April 2014, partially offset by the cost of the Deutsche Bank transaction which completed in June.

Our consolidated Basel III leverage ratio represents the group's common equity tier 1 capital as a percentage of its total balance sheet assets, adjusted largely to exclude intangible assets and investment in associates. The ratio as at 30 June 2014 (excluding unverified Rathbone Investment Management's profits for the first half) stood at 10.8%, as compared to 11.5% as at 31 December 2013.

## **Risks and key judgements**

We have made further progress in the first six months of 2014 in developing an independent risk management and oversight structure across the business, whilst continuing to promote risk awareness and responsibility at all levels throughout the firm. The group risk committee has considered the risks associated with recent acquisition activity and continues to develop best practices in our risk management and risk reporting.

The principal risks facing Rathbones in 2014 continue to be associated with our ambition to grow and develop our business, and also from regulatory developments impacting our sector; these are described in detail in the strategic report and group risk committee report of our 2013 annual report and accounts (pages 14-16 and page 53).

## **Board changes**

James Dean succeeded Oliver Corbett as Chairman of the audit committee on 3 June 2014. Oliver Corbett, who was approaching the end of his nine year tenure as an independent director, stepped down from the Board on 3 June 2014 to join the board of Close Brothers Group plc, as a non-executive director.

## **Outlook**

We have been considering a number of further strategic initiatives to develop the Rathbones group, whilst remaining true to our long-term vision to be the UK's leading independently-owned provider of investment management services to private clients, charities and trustees.

The impact of recent acquisitions is expected to have a positive effect on earnings in 2015. We are continuing to invest carefully in the skills and systems required to achieve our growth objectives. Rathbones' outlook therefore remains positive.

*Mark Nicholls*  
Chairman  
23 July 2014

*Philip Howell*  
Chief Executive  
23 July 2014

*This interim statement 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 this interim statement. Forward looking statements contained within the interim statement should be treated with some caution due to the inherent uncertainties, including economic, regulatory and business risk factors, underlying any such forward looking statements.*

*We undertake no obligation to update any forward looking statements whether as a result of new information, future events or otherwise. The interim statement has been prepared by Rathbone Brothers Plc to provide information to its shareholders and should not be relied upon by any other party or for any other purpose.*

## STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE INTERIM STATEMENT

We confirm to the best of our knowledge that:

- the condensed set of financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU;
- the interim management report includes a fair view of the information required by:
  - a) DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and
  - b) DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

*Philip Howell*  
Chief Executive

23 July 2014

# CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

## for the six months ended 30 June 2014

	Note	Unaudited Six months to 30 June 2014 £'000	Unaudited Six months to 30 June 2013 £'000 (re-presented - note 1)	Audited Year to 31 December 2013 £'000
Interest and similar income		4,712	4,540	9,212
Interest expense and similar charges		(346)	(302)	(604)
<b>Net interest income</b>		<b>4,366</b>	<b>4,238</b>	<b>8,608</b>
Fee and commission income		96,663	86,900	174,325
Fee and commission expense		(5,328)	(4,910)	(9,938)
<b>Net fee and commission income</b>		<b>91,335</b>	<b>81,990</b>	<b>164,387</b>
Dividend income		73	29	127
Net trading income		973	569	1,226
Other operating income		1,283	1,209	1,972
Share of profit of associates		85	66	89
Gain on disposal of financial securities	4	5,932	-	-
<b>Operating income</b>		<b>104,047</b>	<b>88,101</b>	<b>176,409</b>
Charges in relation to client relationships and goodwill	13	(3,617)	(2,876)	(6,306)
Transaction costs	5	(1,001)	-	-
Other operating expenses		(68,508)	(62,001)	(125,899)
<b>Operating expenses</b>		<b>(73,126)</b>	<b>(64,877)</b>	<b>(132,205)</b>
<b>Profit before tax</b>		<b>30,921</b>	<b>23,224</b>	<b>44,204</b>
Taxation	7	(6,902)	(5,615)	(9,453)
<b>Profit for the period attributable to equity holders of the company</b>		<b>24,019</b>	<b>17,609</b>	<b>34,751</b>
<b>Other comprehensive income:</b>				
<i>Items that will not be reclassified to profit or loss</i>				
Net remeasurement of defined benefit liability/asset		(6,747)	9,671	2,188
Deferred tax relating to the net remeasurement of defined benefit liability/asset		1,349	(2,224)	(788)
<i>Items that may be reclassified to profit or loss</i>				
Revaluation of available for sale investment securities:				
- net gain from changes in fair value		696	824	2,072
- net profit on disposal transferred to profit or loss during the period		(5,932)	-	(5)
		(5,236)	824	2,067
Deferred tax relating to revaluation of available for sale investment securities		1,047	(190)	(298)
<b>Other comprehensive income net of tax</b>		<b>(9,587)</b>	<b>8,081</b>	<b>3,169</b>
<b>Total comprehensive income for the period net of tax attributable to equity holders of the company</b>		<b>14,432</b>	<b>25,690</b>	<b>37,920</b>
Dividends paid and proposed for the period per ordinary share	8	19.0p	18.0p	49.0p
Dividends paid and proposed for the period		9,084	8,322	22,645
Earnings per share for the period attributable to equity holders of the company:	9			
- basic		51.6p	38.6p	76.1p
- diluted		51.2p	38.4p	75.6p

The accompanying notes form an integral part of the condensed consolidated interim financial statements.



# CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

## for the six months ended 30 June 2014

Note	Share capital £'000	Share premium £'000	Merger reserve £'000	Available for sale reserve £'000	Own shares £'000	Retained earnings £'000	Total equity £'000
At 1 January 2013	2,298	62,160	31,835	2,948	(5,844)	136,096	229,493
Profit for the period						17,609	17,609
Net remeasurement of defined benefit asset						9,671	9,671
Revaluation of available for sale investment securities				824			824
Deferred tax relating to components of other comprehensive income				(190)		(2,224)	(2,414)
Other comprehensive income net of tax	-	-	-	634	-	7,447	8,081
Dividends paid						(13,800)	(13,800)
Issue of share capital	16	14	2,546				2,560
Share-based payments:							
- value of employee services						1,300	1,300
- cost of own shares acquired					(289)		(289)
- cost of own shares vesting					446	(446)	-
- tax on share-based payments						19	19
<b>At 30 June 2013 (unaudited)</b>	<b>2,312</b>	<b>64,706</b>	<b>31,835</b>	<b>3,582</b>	<b>(5,687)</b>	<b>148,225</b>	<b>244,973</b>
Profit for the period						17,142	17,142
Net remeasurement of defined benefit asset						(7,483)	(7,483)
Revaluation of available for sale investment securities							
- net gain from changes in fair value				1,248			1,248
- net profit on disposal transferred to profit or loss during the period				(5)			(5)
Deferred tax relating to components of other comprehensive income				(108)		1,436	1,328
Other comprehensive income net of tax	-	-	-	1,135	-	(6,047)	(4,912)
Dividends paid						(8,296)	(8,296)
Issue of share capital	16	3	778				781
Share-based payments:							
- value of employee services						1,618	1,618
- cost of own shares acquired					(320)		(320)
- cost of own shares vesting					285	(285)	-
- tax on share-based payments						14	14
<b>At 31 December 2013 (audited)</b>	<b>2,315</b>	<b>65,484</b>	<b>31,835</b>	<b>4,717</b>	<b>(5,722)</b>	<b>152,371</b>	<b>251,000</b>
Profit for the period						24,019	24,019
Net remeasurement of defined benefit liability						(6,747)	(6,747)
Revaluation of available for sale investment securities							
- net gain from changes in fair value				696			696
- net profit on disposal transferred to profit or loss during the period				(5,932)			(5,932)
Deferred tax relating to components of other comprehensive income				1,047		1,349	2,396
Other comprehensive income net of tax	-	-	-	(4,189)	-	(5,398)	(9,587)
Dividends paid						(14,734)	(14,734)
Issue of share capital	16	75	26,151				26,226
Share-based payments:							
- value of employee services						(873)	(873)
- cost of own shares acquired					(1,250)		(1,250)
- cost of own shares vesting					1,524	(1,524)	-
- tax on share-based payments						162	162
<b>At 30 June 2014 (unaudited)</b>	<b>2,390</b>	<b>91,635</b>	<b>31,835</b>	<b>528</b>	<b>(5,448)</b>	<b>154,023</b>	<b>274,963</b>

The accompanying notes form an integral part of the condensed consolidated interim financial statements.

# CONSOLIDATED INTERIM BALANCE SHEET

## as at 30 June 2014

	Note	Unaudited 30 June 2014 £'000	Unaudited 30 June 2013 £'000	Audited 31 December 2013 £'000
<b>Assets</b>				
Cash and balances with central banks		591,005	213,004	211,005
Settlement balances		39,893	44,157	19,611
Loans and advances to banks		110,760	135,908	106,327
Loans and advances to customers	10	91,801	81,085	95,543
Investment securities:				
- available for sale		38,841	37,799	53,985
- held to maturity		453,714	606,008	575,838
Prepayments, accrued income and other assets	11	80,102	43,561	46,368
Property, plant and equipment	12	10,970	12,067	11,522
Deferred tax asset		3,834	-	1,699
Investment in associates		1,366	1,288	1,296
Intangible assets	13	117,797	105,808	104,969
Surplus on retirement benefit schemes	15	-	9,297	1,614
<b>Total assets</b>		<b>1,540,083</b>	<b>1,289,982</b>	<b>1,229,777</b>
<b>Liabilities</b>				
Deposits by banks		4,202	-	-
Settlement balances		65,298	60,012	27,626
Due to customers		1,084,295	928,952	891,897
Accruals, deferred income and other liabilities		47,669	38,938	45,376
Current tax liabilities		6,310	4,618	3,972
Provisions for liabilities and charges	14	53,671	11,419	9,906
Deferred tax liability		-	1,070	-
Retirement benefit obligations	15	3,675	-	-
<b>Total liabilities</b>		<b>1,265,120</b>	<b>1,045,009</b>	<b>978,777</b>
<b>Equity</b>				
Share capital	16	2,390	2,312	2,315
Share premium	16	91,635	64,706	65,484
Merger reserve		31,835	31,835	31,835
Available for sale reserve		528	3,582	4,717
Own shares		(5,448)	(5,687)	(5,722)
Retained earnings		154,023	148,225	152,371
<b>Total equity</b>		<b>274,963</b>	<b>244,973</b>	<b>251,000</b>
<b>Total liabilities and equity</b>		<b>1,540,083</b>	<b>1,289,982</b>	<b>1,229,777</b>

The condensed consolidated interim financial statements were approved by the Board of directors and authorised for issue on 23 July 2014 and were signed on their behalf by:

*Philip Howell*  
Chief Executive

*Paul Stockton*  
Finance Director

Company registered number: 01000403

The accompanying notes form an integral part of the condensed consolidated interim financial statements.

# CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

## for the six months ended 30 June 2014

	Note	Unaudited Six months to 30 June 2014 £'000	Unaudited Six months to 30 June 2013 £'000	Audited Year to 31 December 2013 £'000
<b>Cash flows from operating activities</b>				
Profit before tax		30,921	23,224	44,204
Share of profit of associates		(85)	(66)	(89)
Net profit on disposal of available for sale investment securities	4	(5,932)	-	(5)
Net interest income		(4,366)	(4,238)	(8,608)
Net (recoveries)/impairment charges on impaired loans and advances		(551)	6	290
Net (release)/charge for provisions	14	(29)	89	500
Profit on disposal of property, plant and equipment		-	-	(1)
Depreciation, amortisation and impairment		6,105	4,967	10,580
Defined benefit pension scheme charges		1,727	1,570	3,188
Defined benefit pension contributions paid		(3,185)	(3,326)	(4,744)
Share-based payment charges		2,881	2,410	4,833
Interest paid		(350)	(318)	(615)
Interest received		5,140	5,611	9,802
		<b>32,276</b>	<b>29,929</b>	<b>59,335</b>
Changes in operating assets and liabilities:				
- net decrease in loans and advances to banks and customers		13,796	10,242	37,904
- net increase in settlement balance debtors		(20,282)	(31,551)	(7,005)
- net increase in prepayments, accrued income and other assets		(1,993)	(4,352)	(6,678)
- net increase in amounts due to customers and deposits by banks		196,598	99,993	62,936
- net increase in settlement balance creditors		37,672	41,420	9,034
- net decrease in accruals, deferred income, provisions and other liabilities		(1,735)	(6,154)	(409)
		<b>256,332</b>	<b>139,527</b>	<b>155,117</b>
<b>Cash generated from operations</b>		<b>256,332</b>	<b>139,527</b>	<b>155,117</b>
Tax paid		(4,139)	(3,921)	(9,830)
<b>Net cash inflow from operating activities</b>		<b>252,193</b>	<b>135,606</b>	<b>145,287</b>
<b>Cash flows from investing activities</b>				
Dividends received from associates		15	15	30
Acquisition of business combinations, net of cash acquired		(569)	-	-
Purchase of property, equipment and intangible assets		(6,003)	(13,269)	(19,415)
Proceeds from sale of property, plant and equipment		-	-	1
Purchase of investment securities		(281,916)	(511,008)	(839,938)
Proceeds from sale and redemption of investment securities		409,934	464,025	823,062
<b>Net cash generated from/(used in) investing activities</b>		<b>121,461</b>	<b>(60,237)</b>	<b>(36,260)</b>
<b>Cash flows from financing activities</b>				
Issue of ordinary shares	19	24,976	2,271	2,732
Dividends paid		(14,734)	(13,800)	(22,096)
<b>Net cash generated from/(used in) financing activities</b>		<b>10,242</b>	<b>(11,529)</b>	<b>(19,364)</b>
<b>Net increase in cash and cash equivalents</b>		<b>383,896</b>	<b>63,840</b>	<b>89,663</b>
Cash and cash equivalents at the beginning of the period		319,828	230,165	230,165
<b>Cash and cash equivalents at the end of the period</b>	19	<b>703,724</b>	<b>294,005</b>	<b>319,828</b>

The accompanying notes form an integral part of the condensed consolidated interim financial statements.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## 1. Basis of preparation

Rathbone Brothers Plc ('the company') is the parent company of a group of companies ('the group') that provides personalised investment and wealth management services for private clients, charities and trustees. The group also provides financial planning, private banking, offshore fund management and trust administration services. The group's primary activities are set out in the 'Our Business' section on pages 6 to 11 of the annual report and accounts for the year ended 31 December 2013 and have not materially changed since that date.

These condensed consolidated interim financial statements, on pages 6 to 23, are presented in accordance with IAS 34 'Interim Financial Reporting' as adopted by the EU. The condensed consolidated interim financial statements have been prepared on a going concern basis, using the accounting policies, methods of computation and presentation set out in the group's financial statements for the year ended 31 December 2013 except as disclosed below. The condensed consolidated interim financial statements should be read in conjunction with the group's audited financial statements for the year ended 31 December 2013, which are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

The information in this announcement does not comprise statutory financial statements within the meaning of section 434 of the Companies Act 2006. The group's financial statements for the year ended 31 December 2013 have been reported on by its auditors and delivered to the Registrar of Companies. The report of the auditors on those financial statements was unqualified and did not draw attention to any matters by way of emphasis. It also did not contain a statement under section 498 of the Companies Act 2006.

### *Developments in reporting standards and interpretations*

#### Standards affecting the financial statements

In the current period, the group has not adopted any new or revised standards that have affected the financial statements.

#### Changes in accounting disclosure

Following a review of broker contracts during the second half of 2013, the group concluded it would be more transparent to show broker commissions receivable and payable on a gross basis in the income statement and re-presented these costs as fee and commission expense in the 2013 consolidated financial statements. In these condensed consolidated interim financial statements, fee and commission income for the six months ended 30 June 2013 have been re-presented accordingly. This re-presentation has increased fee and commission income by £909,000 and fee and commission expense by the same amount. The re-presentation has had no impact on net operating income, profit or equity in any period.

Segmental information has been re-presented to show how centrally incurred indirect expenses are allocated to each line item in the segmental table (note 2).

#### Standards not affecting the reported results or the financial position

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

- Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)
- Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36)

IFRS 10 'Consolidated Financial Statements', IFRS 11 'Joint Arrangements', and IFRS 12 'Disclosure of Interests in Other Entities', which are effective in 2014, were adopted early in 2013.

## 1. Basis of preparation (continued)

### New standards and interpretations

A number of new standards and amendments to standards and interpretations are effective for annual and interim periods beginning after 1 January 2014 and, therefore, have not been applied in preparing these condensed consolidated interim financial statements. None of these is expected to have a significant effect on the condensed consolidated interim financial statements and the consolidated financial statements of the group, except for IFRS 9 'Financial Instruments', IFRS 15 'Revenue from Contracts with Customers' and IFRIC 21 'Levies'.

IFRS 9 'Financial Instruments' and IFRS 15 'Revenue from Contracts with Customers' are not expected to become mandatory for periods commencing before 1 January 2018 and 1 January 2017 respectively. The group does not plan to adopt these standards early and the extent of their impact has not been determined. These standards have not yet been adopted by the EU. IFRS 9 'Financial Instruments' could change the classification and measurement of financial assets and the timing and extent of credit provisioning. IFRS 15 'Revenue from Contracts with Customers' could change how and when revenue is recognised from contracts with customers and is expected to extend the period during which awards accruing to new investment managers are capitalised.

IFRIC 21 'Levies' has been endorsed by the EU and is applicable for periods commencing 17 June 2014; the group will adopt it from 1 January 2015. IFRIC 21 'Levies' will change the point at which the group recognises a liability in respect of Financial Services Compensation Scheme (FSCS) levies. From 1 January 2015, the group will recognise a liability in respect of FSCS levies from the date at which the triggering event specified in the legislation occurs. The triggering event for recognition of FSCS levies will change from 31 December of the preceding financial year to 1 April of the current financial year, resulting in levies recognised in the current financial year being derecognised and recognised in the following financial year. If the company had adopted IFRIC 21 in 2014, it would have resulted in a decrease in profit after tax of £220,000 (30 June 2013: £151,000 decrease; 31 December 2013: £92,000 increase) and a decrease (30 June 2013: decrease; 31 December 2013: increase) in equity of the same amount.

## 2. Segmental information

For management purposes, the group is organised into two operating divisions: Investment Management and Unit Trusts. Centrally incurred indirect expenses are allocated to these operating segments on the basis of the cost drivers that generate the expenditure; principally the headcount of staff directly involved in providing those services from which the segment earns revenues, the value of funds under management 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 to the executive committee.

	Investment Management £'000	Unit Trusts £'000	Indirect expenses £'000	Total £'000
<b>Six months ended 30 June 2014 (unaudited)</b>				
Net investment management fee income	56,800	6,151	-	62,951
Net commission income	23,547	-	-	23,547
Net interest income	4,366	-	-	4,366
Fees from advisory services and other income	6,129	1,122	-	7,251
<b>Underlying operating income</b>	<b>90,842</b>	<b>7,273</b>	<b>-</b>	<b>98,115</b>
Staff costs - fixed	(21,734)	(1,606)	(7,358)	(30,698)
Staff costs - variable	(12,533)	(1,315)	(3,374)	(17,222)
<b>Total staff costs</b>	<b>(34,267)</b>	<b>(2,921)</b>	<b>(10,732)</b>	<b>(47,920)</b>
Other direct expenses	(7,065)	(1,323)	(12,200)	(20,588)
Allocation of indirect expenses	(21,645)	(1,287)	22,932	-
<b>Underlying operating expenses</b>	<b>(62,977)</b>	<b>(5,531)</b>	<b>-</b>	<b>(68,508)</b>
<b>Underlying profit before tax</b>	<b>27,865</b>	<b>1,742</b>	<b>-</b>	<b>29,607</b>
Charges in relation to client relationships and goodwill (note 13)	(3,617)	-	-	(3,617)
<b>Segment profit before tax</b>	<b>24,248</b>	<b>1,742</b>	<b>-</b>	<b>25,990</b>
Gain on disposal of financial securities (note 4)				5,932
Transaction costs (note 5)				(1,001)
<b>Profit before tax</b>				<b>30,921</b>
Taxation (note 7)				(6,902)
<b>Profit for the period attributable to equity holders of the company</b>				<b>24,019</b>
Segment total assets	1,499,922	35,628	-	1,535,550
Unallocated assets				4,533
<b>Total assets</b>				<b>1,540,083</b>

## 2. Segmental information (continued)

Six months ended 30 June 2013 (unaudited) (re-presented - note 1)	Investment Management £'000	Unit Trusts £'000	Indirect expenses £'000	Total £'000
Net investment management fee income	50,062	4,425	-	54,487
Net commission income	23,188	-	-	23,188
Net interest income	4,238	-	-	4,238
Fees from advisory services and other income	5,529	659	-	6,188
<b>Underlying operating income</b>	<b>83,017</b>	<b>5,084</b>	<b>-</b>	<b>88,101</b>
Staff costs - fixed	(20,166)	(1,577)	(6,867)	(28,610)
Staff costs - variable	(10,240)	(610)	(2,917)	(13,767)
<b>Total staff costs</b>	<b>(30,406)</b>	<b>(2,187)</b>	<b>(9,784)</b>	<b>(42,377)</b>
Other direct expenses	(8,882)	(1,186)	(9,556)	(19,624)
Allocation of indirect expenses	(18,157)	(1,183)	19,340	-
<b>Underlying operating expenses</b>	<b>(57,445)</b>	<b>(4,556)</b>	<b>-</b>	<b>(62,001)</b>
<b>Underlying profit before tax</b>	<b>25,572</b>	<b>528</b>	<b>-</b>	<b>26,100</b>
Charges in relation to client relationships and goodwill	(2,876)	-	-	(2,876)
<b>Segment profit before tax</b>	<b>22,696</b>	<b>528</b>	<b>-</b>	<b>23,224</b>
Taxation (note 7)				(5,615)
<b>Profit for the period attributable to equity holders of the company</b>				<b>17,609</b>
Segment total assets	1,247,549	25,619	-	1,273,168
Unallocated assets				16,814
<b>Total assets</b>				<b>1,289,982</b>

  

Year ended 31 December 2013 (audited) (re-presented - note 1)	Investment Management £'000	Unit Trusts £'000	Indirect expenses £'000	Total £'000
Net investment management fee income	104,222	9,651	-	113,873
Net commission income	42,051	-	-	42,051
Net interest income	8,608	-	-	8,608
Fees from advisory services and other income	10,456	1,421	-	11,877
<b>Underlying operating income</b>	<b>165,337</b>	<b>11,072</b>	<b>-</b>	<b>176,409</b>
Staff costs - fixed	(39,848)	(3,059)	(13,939)	(56,846)
Staff costs - variable	(20,588)	(1,799)	(5,546)	(27,933)
<b>Total staff costs</b>	<b>(60,436)</b>	<b>(4,858)</b>	<b>(19,485)</b>	<b>(84,779)</b>
Other direct expenses	(19,456)	(2,400)	(19,264)	(41,120)
Allocation of indirect expenses	(36,348)	(2,401)	38,749	-
<b>Underlying operating expenses</b>	<b>(116,240)</b>	<b>(9,659)</b>	<b>-</b>	<b>(125,899)</b>
<b>Underlying profit before tax</b>	<b>49,097</b>	<b>1,413</b>	<b>-</b>	<b>50,510</b>
Charges in relation to client relationships and goodwill	(6,306)	-	-	(6,306)
<b>Segment profit before tax</b>	<b>42,791</b>	<b>1,413</b>	<b>-</b>	<b>44,204</b>
Taxation (note 7)				(9,453)
<b>Profit for the year attributable to equity holders of the company</b>				<b>34,751</b>
Segment total assets	1,195,571	23,556	-	1,219,127
Unallocated assets				10,650
<b>Total assets</b>				<b>1,229,777</b>

The following table reconciles underlying operating income to operating income:

	Unaudited Six months to 30 June 2014 £'000	Unaudited Six months to 30 June 2013 £'000	Audited Year to 31 December 2013 £'000
Underlying operating income	<b>98,115</b>	88,101	176,409
Gain on disposal of financial securities (note 4)	<b>5,932</b>	-	-
<b>Operating income</b>	<b>104,047</b>	88,101	176,409

Included within Investment Management operating income is £179,000 (30 June 2013: £415,000; 31 December 2013: £829,000) of fees and commissions receivable from Unit Trusts. Intersegment sales are charged at prevailing market prices.

## 2. Segmental information (continued)

### Geographic analysis

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

	Unaudited Six months to 30 June 2014 £'000	Unaudited Six months to 30 June 2013 £'000	Audited Year to 31 December 2013 £'000
United Kingdom	100,915	85,371	170,786
Jersey	3,132	2,730	5,623
<b>Operating income</b>	<b>104,047</b>	<b>88,101</b>	<b>176,409</b>

The group's non-current assets are substantially all located in the United Kingdom.

### Major clients

The group is not reliant on any one client or group of connected clients for generation of revenues. At 30 June 2014, the group provided investment management services to over 43,000 clients (30 June 2013: 40,000; 31 December 2013: 41,000).

## 3. Business combinations

### Rooper & Whately

On 1 May 2014, the group acquired the trade and assets of Rooper & Whately, a partnership that provides legal services, to add depth to the range of its advisory services. Initial cash consideration of £569,000 was paid in 2 tranches in May 2014. Deferred, contingent consideration is also payable in November 2014, the value of which is dependent on the cash realised from collection of the work in progress and debtor balances acquired with the business. If the full book value is realised, then the deferred payment will total £42,000. A provision for this amount has been recognised at 30 June 2014 (note 14).

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

30 June 2014 (unaudited)	Carrying amounts £'000	Fair value adjustments £'000	Recognised values £'000
Loans and advances to customers	41	-	41
Prepayments, accrued income and other assets	223	-	223
Intangible assets	-	303	303
Goodwill	-	239	239
Accruals, deferred income and other liabilities	(195)	-	(195)
<b>Total net assets acquired</b>	<b>69</b>	<b>542</b>	<b>611</b>
Cash			569
Deferred contingent consideration			42
<b>Total consideration</b>			<b>611</b>

Included within the condensed consolidated statement of comprehensive income for the six months ended 30 June 2014 is a loss before tax of £42,000 relating to the acquired business.

The fair value of acquired loans and advances to customers and prepayments, accrued income and other assets is equal to the contractual amounts receivable, all of which are expected to be collected.

Goodwill of £239,000 arises as a result of expected synergies once the business is fully integrated into the group and future growth of the group's business as a result of this acquisition. It is expected to be deductible for tax purposes.

Acquisition related costs totalling £20,000 for legal and professional advice have been recognised in transaction costs (note 5) in the period in relation to this transaction (six months ended 30 June 2013 and year ended 31 December 2013: £nil).

If the group had made the acquisition on 1 January 2014, the loss before tax included in the consolidated results would have been £126,000.

### 3. Business combinations (continued)

#### Jupiter Asset Management Limited's private client and charity investment management business

On 1 April 2014, the group announced that it had agreed to purchase Jupiter Asset Management Limited's private client and charity investment management business. It is expected that the acquisition will complete on 26 September 2014. As a result of the agreement, at 30 June 2014, the group has recognised a liability of £32,000,000 (note 14), being the minimum amount payable under the acquisition agreement, and a corresponding recoverable amount of £32,000,000 (note 11).

### 4. Gain on disposal of financial securities

During the year, the group disposed of its remaining holding of 300,000 shares in London Stock Exchange Group Plc for cash consideration of £5,932,000. The group recognised a gain on disposal of £5,932,000, which was recycled from the available for sale reserve.

### 5. Transaction costs

Transaction costs incurred in the period include £975,000 of legal and advisory fees in relation to the acquisitions of Rooper & Whately and Jupiter Asset Management Limited's private client and charity investment management business respectively (note 3) and the transaction to take over part of Deutsche Asset & Wealth Management's London-based private client investment management business (note 13).

Listing authority fees of £26,000 in relation to the placing of ordinary shares (note 16) have also been included in transaction costs.

### 6. Staff numbers

The average number of employees, on a full time equivalent basis, during the period was as follows:

	Unaudited Six months to 30 June 2014	Unaudited Six months to 30 June 2013	Audited Year to 31 December 2013
Investment Management:			
- investment management services	523	501	506
- advisory services	72	69	70
Unit Trusts	30	30	30
Shared services	228	221	227
	<b>853</b>	<b>821</b>	<b>833</b>

### 7. Taxation

The tax expense for the six months ended 30 June 2014 was calculated based on the estimated average annual effective tax rate. The overall effective tax rate for this period was 22.3% (six months ended 30 June 2013: 24.2%; year ended 31 December 2013: 21.3%).

	Unaudited Six months to 30 June 2014 £'000	Unaudited Six months to 30 June 2013 £'000	Audited Year to 31 December 2013 £'000
United Kingdom taxation	6,398	4,986	10,211
Overseas taxation	79	24	64
Deferred taxation	425	605	(822)
	<b>6,902</b>	<b>5,615</b>	<b>9,453</b>

The underlying UK corporation tax rate for the year ending 31 December 2014 is 21.5% (2013: 23.2%).

At 30 June 2014, the UK Government's proposal that the UK corporation tax rate be reduced to 20.0% over the three years from 2012 had been substantively enacted. Deferred tax assets and liabilities are calculated at the rate that is expected to be in force when the temporary differences unwind, but limited to the extent that such rates have been substantively enacted.



## 8. Dividends

An interim dividend of 19.0p per share is payable on 8 October 2014 to shareholders on the register at the close of business on 12 September 2014 (30 June 2013: 18.0p). In accordance with IFRS, the interim dividend has not been included as a liability in this interim statement. A final dividend for 2013 of 31.0p per share was paid on 19 May 2014.

## 9. Earnings per share

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

	Unaudited Six months to 30 June 2014 Pre-tax £'000	Unaudited Six months to 30 June 2014 Post-tax £'000	Unaudited Six months to 30 June 2013 Pre-tax £'000	Unaudited Six months to 30 June 2013 Post-tax £'000	Audited Year to 31 December 2013 Pre-tax £'000	Audited Year to 31 December 2013 Post-tax £'000
Underlying profit attributable to equity holders	29,607	22,988	26,100	19,816	50,510	39,591
Gain on disposal of financial securities (note 4)	5,932	4,657	-	-	-	-
Charges in relation to client relationships and goodwill (note 13)	(3,617)	(2,840)	(2,876)	(2,207)	(6,306)	(4,840)
Transaction costs (note 5)	(1,001)	(786)	-	-	-	-
<b>Profit attributable to equity holders</b>	<b>30,921</b>	<b>24,019</b>	<b>23,224</b>	<b>17,609</b>	<b>44,204</b>	<b>34,751</b>

Basic earnings per share has been calculated by dividing profit attributable to equity holders by the weighted average number of shares in issue throughout the period, excluding own shares, of 46,523,342 (30 June 2013: 45,589,267; 31 December 2013: 45,667,571).

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

	Unaudited 30 June 2014	Unaudited 30 June 2013	Audited 31 December 2013
Weighted average number of ordinary shares in issue during the period – basic	46,523,342	45,589,267	45,667,571
Effect of ordinary share options/Save As You Earn	26,901	50,045	45,814
Effect of dilutive shares issuable under the Share Incentive Plan	131,247	48,007	60,078
Effect of contingently issuable ordinary shares under Long Term Incentive Plans	193,905	212,570	222,122
<b>Diluted ordinary shares</b>	<b>46,875,395</b>	<b>45,899,889</b>	<b>45,995,585</b>

	Unaudited Six months to 30 June 2014	Unaudited Six months to 30 June 2013	Audited Year to 31 December 2013
Underlying earnings per share for the period attributable to equity holders of the company:			
- basic	49.4p	43.5p	86.7p
- diluted	49.0p	43.2p	86.1p

## 10. Loans and advances to customers

	Unaudited 30 June 2014 £'000	Unaudited 30 June 2013 £'000	Audited 31 December 2013 £'000
Overdrafts	3,703	3,453	2,424
Investment management loan book	86,960	73,615	89,211
Trust and pension debtors	1,124	1,203	1,071
Other debtors	14	2,814	2,837
	<b>91,801</b>	<b>81,085</b>	<b>95,543</b>

Other debtors included loan notes ('Notes') with a nominal value of £5,000,000 that were issued by the acquirer of the group's Jersey trust operations in 2008 and which were carried at amortised cost, less provision for impairment. The Notes were settled on 28 February 2014 for £3,400,000 in cash. As a result, impairment losses of £565,000 have been reversed in the period and the corresponding gain has been included in other operating income within profit or loss for the period.

## 11. Prepayments, accrued income and other assets

Included in other assets is a receivable of £32,000,000 relating to the acquisition of Jupiter Asset Management Limited's private client and charity investment management business (notes 3 and 14).

## 12. Property, plant and equipment

During the six months ended 30 June 2014, the group purchased assets with a cost of £899,000 (six months ended 30 June 2013: £1,495,000; year ended 31 December 2013: £2,385,000). No assets were acquired through business combinations (six months ended 30 June 2013 and year ended 31 December 2013: £nil).

No assets were disposed of in the six months ended 30 June 2014 (six months ended 30 June 2013: no disposals).

Assets with a net book value of £2,000 were disposed of during the year ended 31 December 2013 resulting in a gain on disposal of £1,000.

## 13. Intangible assets

	Goodwill £'000	Client relationships £'000	Software development costs £'000	Purchased software £'000	Total Intangibles £'000
<b>Cost</b>					
At 1 January 2014	47,241	74,974	3,535	16,668	142,418
Internally developed in the period	-	-	207	-	207
Purchased in the period	-	15,403	-	1,327	16,730
Acquired through business combinations (note 3)	239	303	-	-	542
Disposals	-	(479)	-	-	(479)
<b>At 30 June 2014</b>	<b>47,480</b>	<b>90,201</b>	<b>3,742</b>	<b>17,995</b>	<b>159,418</b>
<b>Amortisation and impairment</b>					
At 1 January 2014	-	22,487	2,869	12,093	37,449
Charge in the period	350	3,267	170	864	4,651
Disposals	-	(479)	-	-	(479)
<b>At 30 June 2014</b>	<b>350</b>	<b>25,275</b>	<b>3,039</b>	<b>12,957</b>	<b>41,621</b>
<b>Carrying value at 30 June 2014 (unaudited)</b>	<b>47,130</b>	<b>64,926</b>	<b>703</b>	<b>5,038</b>	<b>117,797</b>
Carrying value at 30 June 2013 (unaudited)	47,241	53,753	664	4,150	105,808
Carrying value at 31 December 2013 (audited)	47,241	52,487	666	4,575	104,969

The total amount charged to profit or loss in the period, in relation to goodwill and client relationships, was £3,617,000 (six months ended 30 June 2013: £2,876,000; year ended 31 December 2013: £6,306,000). A further £904,000 (six months ended 30 June 2013: £184,000; year ended 31 December 2013: £480,000) was expensed as staff costs during the period, representing amounts due for client relationships introduced more than 12 months after the cessation of any non-compete period.

Purchases of client relationships relate to payments made to investment managers and third parties for the introduction of client relationships. Client relationships purchased in the period includes £13,738,000 (six months ended 30 June 2013 and year ended 31 December 2013: £nil) relating to the purchase of part of Deutsche Asset & Wealth Management's London-based private client investment management business. The group made an initial payment of £1,000,000 on 5 June 2014 and deferred consideration of £12,738,000 is payable in four tranches between September 2014 and January 2016 (note 14).

Goodwill and client relationships acquired through business combinations include £239,000 and £303,000 respectively, in relation to the acquisition of Rooper & Whately during the period (note 3).

During the period, the group updated its assessment of goodwill allocated to the investment management and trust and tax cash generating units (CGUs) for impairment. An initial assessment of goodwill acquired with Rooper & Whately was also performed. The recoverable amounts of goodwill allocated to the CGUs are determined from value-in-use calculations. There was no indication of impairment of goodwill allocated to the investment management or Rooper & Whately CGUs during the period.

The calculated recoverable amount of goodwill allocated to the trust and tax CGU at 30 June 2014 was £1,604,000, which was lower than the carrying value of £1,954,000 at 31 December 2013. The recoverable amount was calculated based on forecast earnings for the current year, extrapolated using a growth rate of 1.5% for revenues and 3.0% for expenditure for a ten year period (31 December 2013: 2.7% and 3.0% respectively). The pre-tax rate used to discount the forecast cash flows was 14% as the group judges this discount rate appropriately reflects the market in which the CGU operates and, in particular, its small size. The group has therefore recognised an impairment charge of £350,000 during the period. This impairment has been included in the Investment Management segment in the segmental analysis (note 2).

## 14. Provisions for liabilities and charges

	Deferred, variable costs to acquire client relationship intangibles £'000	Legal and compensation £'000	Property-related £'000	Total £'000
At 1 January 2013	10,167	216	826	11,209
Charged to profit or loss	-	36	82	118
Unused amount credited to profit or loss	-	-	(29)	(29)
Net charge to profit or loss	-	36	53	89
Other movements	6,243	-	-	6,243
Utilised/paid during the period	(6,043)	(79)	-	(6,122)
<b>At 30 June 2013 (unaudited)</b>	<b>10,367</b>	<b>173</b>	<b>879</b>	<b>11,419</b>
Charged to profit or loss	-	331	95	426
Unused amount credited to profit or loss	-	(14)	(1)	(15)
Net charge to profit or loss	-	317	94	411
Other movements	1,538	-	-	1,538
Utilised/paid during the period	(3,455)	(7)	-	(3,462)
<b>At 1 January 2014 (audited)</b>	<b>8,450</b>	<b>483</b>	<b>973</b>	<b>9,906</b>
Charged to profit or loss	-	170	54	224
Unused amount credited to profit or loss	-	(253)	-	(253)
Net credit to profit or loss	-	(83)	54	(29)
Business combinations (note 3)	32,042	-	-	32,042
Other movements	14,404	-	-	14,404
Utilised/paid during the period	(2,571)	(81)	-	(2,652)
<b>At 30 June 2014 (unaudited)</b>	<b>52,325</b>	<b>319</b>	<b>1,027</b>	<b>53,671</b>
Payable within 1 year	38,754	319	10	39,083
Payable after 1 year	13,571	-	1,017	14,588
<b>At 30 June 2014 (unaudited)</b>	<b>52,325</b>	<b>319</b>	<b>1,027</b>	<b>53,671</b>

Other movements in provisions relate to deferred payments to investment managers and third parties for the introduction of client relationships, which have been capitalised in the period. At 30 June 2014, this includes £12,738,000 (30 June 2013 and 31 December 2013: £nil) in relation to the purchase of part of Deutsche Asset & Wealth Management's London-based private client investment management business on 5 June 2014. The final amount payable will be based on the value of transferred funds under management retained by the group at 31 December 2015.

At 30 June 2014, business combinations includes a provision of £32,000,000, being the minimum consideration payable for the acquisition of Jupiter Asset Management Limited's private client and charity investment management business (30 June 2013 and 31 December 2013: £nil). The final amount payable will be calculated based on the value of funds under management that have transferred from Jupiter Asset Management Limited to the group, measured on 26 September 2014 (note 3). This balance also includes £42,000 (30 June 2013 and 31 December 2013: £nil) in relation to deferred contingent consideration payable following the acquisition of Rooper and Whately (note 3).

At 30 June 2014, deferred, variable costs to acquire client relationship intangibles includes a final amount payable of £4,010,000 in relation to the deferred consideration for the purchase of Taylor Young Investment Management Limited's private client base (30 June 2013: £4,108,000; 31 December 2013: £3,943,000). The final amount was calculated based on the value of transferred funds under management at 30 April 2014 and is payable in October 2014.

Property-related provisions include £1,027,000 in relation to dilapidation provisions expected to arise on leasehold premises held by the group (30 June 2013: £879,000; 31 December 2013: £973,000). Dilapidation provisions are calculated using a discounted cash flow model; during the six months ended 30 June 2014, the impact of discounting has increased the provisions by £54,000 (30 June 2013: £82,000; 31 December 2013: £125,000).

Provisions payable after 1 year are expected to be settled within 2 years of the balance sheet date, except for property-related provisions of £1,017,000, which are expected to be settled within 22 years of the balance sheet date, which corresponds to the longest lease for which a dilapidations provision is being held.

## 15. Long term employee benefits

The group operates two defined benefit pension schemes providing benefits based on pensionable salary for some executive directors and staff employed by the company. For the purposes of calculating the pension benefit obligations, the following assumptions have been used:

	Unaudited 30 June 2014 % p.a.	Unaudited 30 June 2013 % p.a.	Audited 31 December 2013 % p.a.
Rate of increase in salaries	4.40	4.40	4.50
Rate of increase of pensions in payment:			
- Laurence Keen Scheme	3.60	3.60	3.60
- Rathbones 1987 Scheme	3.30	3.30	3.40
Rate of increase of deferred pensions	3.40	3.40	3.50
Discount rate	4.40	4.80	4.60
Inflation (Retail Prices Index)	3.40	3.40	3.50

The assumed life expectations of members retiring, aged 65 were:

	Unaudited 30 June 2014 Males	Unaudited 30 June 2014 Females	Unaudited 30 June 2013 Males	Unaudited 30 June 2013 Females	Audited 31 December 2013 Males	Audited 31 December 2013 Females
Retiring today	24.2	26.2	24.1	26.1	24.1	26.1
Retiring in 20 years	26.5	28.1	26.4	28.1	26.4	28.1

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

	Unaudited Rathbone 1987 Scheme 30 June 2014 £'000	Unaudited Laurence Keen Scheme 30 June 2014 £'000	Unaudited Rathbone 1987 Scheme 30 June 2013 £'000	Unaudited Laurence Keen Scheme 30 June 2013 £'000	Audited Rathbone 1987 Scheme 31 December 2013 £'000	Audited Laurence Keen Scheme 31 December 2013 £'000
Present value of defined benefit obligations	(142,093)	(15,915)	(116,812)	(13,862)	(129,765)	(14,603)
Fair value of scheme assets	137,742	16,591	124,647	15,324	129,949	16,033
<b>Total (deficit)/surplus</b>	<b>(4,351)</b>	<b>676</b>	<b>7,835</b>	<b>1,462</b>	<b>184</b>	<b>1,430</b>

The group made special contributions into its pension schemes of £1,963,000 during the period (30 June 2013: £2,068,000; 31 December 2013: £2,236,000).

Triennial funding valuations of the two schemes as at 31 December 2013 are currently being carried out and are expected to be completed later in the year.

## 16. Share capital

The following movements in share capital occurred during the period:

	Number of shares	Exercise price pence	Share capital £'000	Share premium £'000	Total £'000
At 1 January 2013	45,954,071		2,298	62,160	64,458
Shares issued:					
- to Share Incentive Plan	79,686	1,296.0 - 1,510.0	4	1,081	1,085
- to Save As You Earn scheme	175,233	696.0 - 984.0	9	1,213	1,222
- on exercise of options	24,786	743.5 - 1,172.0	1	252	253
<b>At 30 June 2013 (unaudited)</b>	<b>46,233,776</b>		<b>2,312</b>	<b>64,706</b>	<b>67,018</b>
Shares issued:					
- to Share Incentive Plan	51,962	1,460.0	3	756	759
- to Save As You Earn scheme	158	934.0 - 1,106.0	-	2	2
- on exercise of options	1,768	1,172.0	-	20	20
<b>At 31 December 2013 (audited)</b>	<b>46,287,664</b>		<b>2,315</b>	<b>65,484</b>	<b>67,799</b>
Shares issued:					
- on Placing	1,343,000	1,814.0	66	23,511	23,577
- to Share Incentive Plan	117,859	1,634.0 - 1,946.0	6	2,101	2,107
- to Save As You Earn scheme	26,788	934.0	1	249	250
- on exercise of options	33,976	743.5 - 1,172.0	2	290	292
<b>At 30 June 2014 (unaudited)</b>	<b>47,809,287</b>		<b>2,390</b>	<b>91,635</b>	<b>94,025</b>

At 30 June 2014, the group held 420,589 own shares (30 June 2013: 504,610; 31 December 2013: 493,848).

On 1 April 2014, the company issued 1,343,000 shares by way of a placing for cash consideration at £18.14 per share (representing no discount to the prevailing market price) which raised £23,577,000, net of £784,000 placing costs, which have been offset against share premium arising on the issue.

## 17. Financial instruments

Debt securities comprise bank and building society certificates of deposit, which have fixed coupons, and at 30 June 2014, the group also held UK treasury bills. The fair value of debt securities at 30 June 2014 was £454,833,000 (30 June 2013: £607,152,000; 31 December 2013: £577,602,000) and the carrying value was £453,714,000 (30 June 2013: £606,008,000; 31 December 2013: £575,838,000). Fair value for held to maturity assets is based on market bid prices. The fair values of the group's other financial assets and liabilities are not materially different from their carrying 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 30 June 2014 (unaudited)	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
<b>Assets</b>				
Available for sale securities:				
- equity securities	491	-	699	1,190
- money market funds	-	37,651	-	37,651
Derivative financial instruments	-	-	1,030	1,030
<b>Total financial assets</b>	<b>491</b>	<b>37,651</b>	<b>1,729</b>	<b>39,871</b>
At 30 June 2013 (unaudited)	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
<b>Assets</b>				
Available for sale securities:				
- equity securities	4,455	-	692	5,147
- money market funds	-	32,652	-	32,652
Derivative financial instruments	-	-	1,030	1,030
<b>Total financial assets</b>	<b>4,455</b>	<b>32,652</b>	<b>1,722</b>	<b>38,829</b>
At 31 December 2013 (audited)	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
<b>Assets</b>				
Available for sale securities:				
- equity securities	5,642	-	691	6,333
- money market funds	-	47,652	-	47,652
Derivative financial instruments	-	-	1,030	1,030
<b>Total financial assets</b>	<b>5,642</b>	<b>47,652</b>	<b>1,721</b>	<b>55,015</b>

There have been no transfers between levels during the period. The fair value of listed equity securities is their quoted price. Money market funds are demand securities and changes to estimates of interest rates will not affect their fair value. The fair value of money market funds is their daily redemption value.

### Level 3 financial instruments

#### Available for sale equity securities

The fair value of unlisted equity securities is calculated by reference to tangible net asset values from the published information of the underlying company with a 25% liquidity discount applied.

A 5 percentage point increase in the liquidity discount applied to the calculation of the fair value of the unlisted equity securities would, in isolation, result in a decrease in fair value of £46,000 (30 June 2013: £46,000; 31 December 2013: £46,000). A 5 percentage point decrease would have an equal and opposite effect.

#### Derivative financial instruments

In 2012, the group entered into certain options over the equity instruments of its associates. Further details regarding these option contracts can be found in note 20 of the annual report and accounts for the year ended 31 December 2013.

The fair value of the option contracts is calculated using a probability weighted expected return model, based on potential valuation outcomes under a range of business growth forecast scenarios. The key assumptions underlying the forecast growth in profitability of the associates in the model are the growth of funds under management, revenue margins and the discount rate used to calculate the present value of the cash flows. The key assumptions are flexed in each scenario to generate a potential valuation for the options. The probability of each scenario occurring is estimated, based on the group's judgement in light of the economic conditions prevailing at the time. The fair value of the options is calculated as the weighted average of the valuations derived under each scenario, taking account of the associated probabilities of occurrence.

## 17. Financial instruments (continued)

Changing one or more of the key assumptions to reasonably possible alternatives would have the following effects on the fair value of the contracts. These effects have been calculated by running the valuation model using the alternative estimates of the key assumptions. Any interrelationship between the assumptions is not considered to have a significant impact within the range of reasonably possible alternative assumptions.

Impact on fair value of:	Increase in the assumption £'000	Decrease in the assumption £'000
10% change in the fees and commission charged to clients	888	(672)
5 percentage point change in commissions payable	(629)	829
10% change in the rate of growth in funds under management	314	(314)
1 percentage point change in the discount rate	(261)	281

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

	Available for sale equity securities £'000	Derivative financial instruments £'000	Total £'000
At 1 January 2014	691	1,030	1,721
Total unrealised gains and losses recognised in:			
- other comprehensive income	8	-	8
<b>At 30 June 2014 (unaudited)</b>	<b>699</b>	<b>1,030</b>	<b>1,729</b>

The gain relating to the available for sale equity securities is included within 'changes in fair value of available for sale investment securities' in other 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.

## 18. Contingent liabilities and commitments

- a) Indemnities are provided in the normal course of business to a number of directors and employees who provide tax and trust advisory services in connection with them acting as trustees/directors of client companies and providing other services.

As reported in the 2013 report and accounts, a claim relating to the management of a Jersey trust had been filed against a former employee (and director) of Rathbone Trust Company Jersey Limited (RTCJ) and others, and the company had issued proceedings to confirm insurance cover against certain of Rathbones' civil liability (professional indemnity) insurers. On 23 July 2014, the company entered into a conditional agreement to contribute to a settlement of legal proceedings in relation to both these cases (see note 21).

- b) Capital expenditure authorised and contracted for at 30 June 2014 but not provided for in the condensed consolidated interim financial statements amounted to £490,000 (30 June 2013: £708,000; 31 December 2013: £159,000).
- c) The contractual amounts of the group's commitments to extend credit to its clients are as follows:

	Unaudited 30 June 2014 £'000	Unaudited 30 June 2013 £'000	Audited 31 December 2013 £'000
Guarantees	578	578	578
Undrawn commitments to lend of 1 year or less	14,800	6,054	15,941
	<b>15,378</b>	<b>6,632</b>	<b>16,519</b>

The fair value of the guarantees is £nil (30 June 2013 and 31 December 2013: £nil).

- d) In addition to Financial Services Compensation Scheme levies accrued in the period, further levy charges may be incurred in future years, although the ultimate cost remains uncertain.

## 19. Consolidated interim statement of cash flows

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

	Unaudited Six months to 30 June 2014 £'000	Unaudited Six months to 30 June 2013 £'000	Audited Year to 31 December 2013 £'000
Cash and balances at central banks	591,005	213,004	211,005
Loans and advances to banks	75,068	48,349	61,171
Available for sale investment securities	37,651	32,652	47,652
	<b>703,724</b>	<b>294,005</b>	<b>319,828</b>

Available for sale investment securities are amounts invested in money market funds which are realisable on demand.

Cash flows arising from issue of ordinary shares comprise:

	Unaudited Six months to 30 June 2014 £'000	Unaudited Six months to 30 June 2013 £'000	Audited Year to 31 December 2013 £'000
Share capital issued (note 16)	75	14	17
Share premium on shares issued (note 16)	26,151	2,546	3,324
Shares issued in relation to share-based schemes for which no cash consideration was received	(1,250)	(289)	(609)
	<b>24,976</b>	<b>2,271</b>	<b>2,732</b>

## 20. Related party transactions

The key management personnel of the group 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.

Dividends totalling £59,000 were paid in the period (six months ended 30 June 2013: £55,000; year ended 31 December 2013: £84,000) in respect of ordinary shares held by key management personnel.

At 30 June 2014, key management personnel and their close family members had gross outstanding deposits of £1,052,000 (30 June 2013: £1,232,000; 31 December 2013: £436,000) and gross outstanding loans of £6,586,000 (30 June 2013: £610,000; 31 December 2013: £6,488,000) which were made on normal business terms. A number of the company's directors 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.

The group managed 21 unit trusts and OEICs during the first half of 2014 (six months ended 30 June 2013: 20 unit trusts and OEICs; year ended 31 December 2013: 22 unit trusts and OEICs). Total management charges of £11,188,000 (six months ended 30 June 2013: £9,015,000; year ended 31 December 2013: £19,169,000) were earned during the period, calculated on the bases published in the individual fund prospectuses, which also state the terms and conditions of the management contract with the group. Management fees owed to the group as at 30 June 2014 totalled £1,960,000 (30 June 2013: £1,544,000; 31 December 2013: £1,785,000).

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

## 21. Events after the consolidated interim balance sheet date

On 23 July 2014 the company entered into a conditional agreement to contribute to a settlement of legal proceedings in Jersey involving a former director and employee of Rathbone Trust Company Jersey Limited and in respect of legal proceedings against certain of Rathbones' civil liability (professional indemnity) insurers (where the case has recently been heard in the English Court of Appeal but judgment not yet handed down). Both sets of proceedings were reported on in the 2013 report and accounts.

The terms of settlement are confidential and conditional upon various matters, including receiving Court approval in Jersey. Upon the settlement becoming unconditional, the company will contribute £15 million as its share of the settlement. The settlement is expected to become unconditional before the end of September 2014.

# INDEPENDENT REVIEW REPORT TO RATHBONE BROTHERS PLC

We have been engaged by the Company to review the condensed set of financial statements in the half yearly financial report for the six months ended 30 June 2014 which comprises the consolidated interim statement of comprehensive income, consolidated interim statement of changes in equity, consolidated interim balance sheet, consolidated interim statement of cash flows and the related explanatory notes. We have read the other information contained in the half yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with the terms of our engagement to assist the Company in meeting the requirements of the Disclosure and Transparency Rules ("the DTR") of the UK's Financial Conduct Authority ("the UK FCA"). Our review has been undertaken so that we might state to the Company those matters we are required to state to it in this 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 for our review work, for this report, or for the conclusions we have reached.

## **Directors' responsibilities**

The half yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half yearly financial report in accordance with the DTR of the UK FCA.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the EU. The condensed set of financial statements included in this half yearly financial report has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU.

## **Our responsibility**

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half yearly financial report based on our review.

## **Scope of review**

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half yearly financial report for the six months ended 30 June 2014 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FCA.

*Richard Faulkner (Senior Statutory Auditor)*  
*for and on behalf of KPMG LLP, Statutory Auditor*  
Chartered Accountants  
15 Canada Square, London E14 5GL

23 July 2014