

Rathbone Brothers Plc  
Report and accounts 2015

Rathbones  
Look forward



## Introduction

- 1 Highlights of the year
- 2 Chairman's statement
- 4 Chief executive's statement

## Strategic report

- 8 Our market
- 10 Our business model
- 11 Our approach
- 16 Strategy and key performance indicators
- 20 Risk management

## Our performance

- 28 Group performance
- 31 Segmental review
- 40 Financial position
- 43 Liquidity and cash flow
- 44 Corporate responsibility report

## Governance

- 58 Directors
- 61 Directors' report
- 63 Corporate governance report
- 67 Executive committee report
- 69 Group risk committee report
- 70 Remuneration committee report
- 85 Audit committee report
- 88 Nomination committee report
- 89 Approval of strategic report
- 90 Statement of directors' responsibilities  
in respect of the report and accounts

## Consolidated financial statements

- 92 Independent auditor's report to the members  
of Rathbone Brothers Plc
- 96 Consolidated statement of comprehensive income
- 97 Consolidated statement of changes in equity
- 98 Consolidated balance sheet
- 99 Consolidated statement of cash flows
- 100 Notes to the consolidated financial statements

## Company financial statements

- 160 Company statement of changes in equity
- 161 Company balance sheet
- 162 Company statement of cash flows
- 163 Notes to the company financial statements

## Further information

- 182 Five year record
- 183 Corporate information
- 184 Our offices

- Strategic report as defined by chapter 4A of Companies Act 2006

Rathbone Brothers Plc, through its subsidiaries, 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.

As at 31 December 2015, Rathbones managed £29.2 billion of client funds, of which £26.1 billion were managed by Rathbone Investment Management.

# Highlights of the year

## Financial highlights

Funds under management	p28
<b>+7.4%</b>	2015: £29.2bn 2014: £27.2bn
Underlying <sup>1</sup> operating income	p28
<b>+14.1%</b>	2015: £229.2m 2014: £200.8m
Underlying <sup>2</sup> profit before tax	p29
<b>+14.3%</b>	2015: £70.4m 2014*: £61.6m
Profit before tax	p29
<b>+28.2%</b>	2015: £58.6m 2014*: £45.7m
Underlying operating margin <sup>3</sup>	p29
<b>0.0%</b>	2015: 30.7% 2014*: 30.7%
Underlying <sup>2</sup> earnings per share	p30
<b>+14.3%</b>	2015: 117.0p 2014*: 102.4p
Basic earnings per share	p30
<b>+28.2%</b>	2015: 97.4p 2014*: 76.0p
Dividends paid and proposed per share	p30
<b>+5.8%</b>	2015: 55.0p 2014: 52.0p

\* Restated following the adoption of IFRIC 21, as described in note 1

1 A reconciliation between underlying operating income and operating income is shown in note 3 to the consolidated financial statements

2 A reconciliation between underlying profit before tax and profit before tax is shown in table 2 of our performance on page 29

3 Underlying profit before tax as a % of underlying operating income

## Business highlights

### January

Our distribution strategy was launched, restructuring the way we work with our financial adviser and intermediary partners.

### May

We opened a new office in Glasgow, further increasing our presence in Scotland.

Our investment teams won the 'Private Client Asset Manager (Boutique) of the Year' award at the 2015 Citywealth Magic Circle Awards as well as claiming the 'Charity Investment Manager of the Year' award for the third year running.

### June

The roll-out of our new branding across all print and online communications began.

### July

We strengthened our management structure, by adding five members to our executive committee.

### August

Rathbone Investment Management issued £20.0 million of 10-year subordinated notes to support our future growth.

### October

Our charities team rose to fourth (2014: sixth) in the Charity Finance rankings for UK charity investment managers by funds under management.

### November

Our new rathbones.com website and online client portal was launched following an extensive development and upgrade.

### December

Funds under management in Rathbone Unit Trust Management passed £3.0 billion.

We completed the purchase of the remaining 80.1% of Vision Independent Financial Planning Limited and Castle Investment Solutions Limited on 31 December 2015.

Rathbone Pension & Advisory Services gained regulatory approval to integrate into Rathbone Investment Management.

We were awarded Investment Week's Gold Standard Award for Discretionary Portfolio Management for the second year in a row.

## Chairman's statement



**Mark Nicholls**  
Chairman

### Overview of 2015

In spite of subdued investment markets, 2015 was another strong year for Rathbones. Our total funds under management grew by 7.4% over the year to £29.2 billion (2014: £27.2 billion). In August we took the opportunity to raise £20 million of long term subordinated loan notes to support our future growth. In December, we completed the acquisition of the remaining 80.1% shareholding of Vision Independent Financial Planning Limited, an independent network of financial advisers. Over the year, we also welcomed a number of experienced investment managers and their clients to our business.

Profit before tax was £58.6 million in the year ended 31 December 2015, up 28.2% from the previous year as we saw the full benefit of our 2014 acquisitions (2014: £45.7 million). This translates into underlying earnings per share of 117.0p for 2015, up 14.3% on the 102.4p last year. The board is recommending a final dividend of 34p per share, which brings the total dividend for the year to 55p per share, an increase of 5.8% over last year.

### Our strategy

Last year we set out our strategic plan and, although all aspects of this are kept under review, our principal task this year has been implementation. We have strengthened our senior management team and made significant internal and external appointments to the executive committee. We have continued to invest in our research capabilities and our investment process. We have combined the distribution teams in our investment management and unit trust businesses. We have recently integrated our advisory business into our investment management business, thereby improving service delivery to clients. We are progressing with our plans for a private office.

“We have strengthened our senior management team and made significant internal and external appointments to the executive committee.”

We remain well aware of the demands that the delivery of these strategic objectives place on our people, together with the higher costs of implementation. We will therefore continue to move ahead with care so as not to increase risk unnecessarily nor undermine our profitability.

### Governance, culture and the board

The regulatory obligations on the board continue to increase with the ‘senior management regime’ about to be implemented. The board supports the need for the individual accountability of directors but believes strongly in the collective responsibility of the board.

Sound corporate governance is dependent on having a robust culture and we welcome the growing emphasis of our regulators on culture. The board believes Rathbones has a good and ethical culture that benefits our clients and all stakeholders. We are committed to ensuring that the right values are embedded throughout the organisation and that these values are upheld, notwithstanding the pressures of growth and change. We are working hard as a board to determine how best to monitor and preserve our culture bearing in mind our growth strategy. Indeed a particular responsibility of the chairman under the ‘senior management regime’ is to lead the development of the firm’s culture by the board. This will be a priority of mine.

“We are working hard as a board to determine how best to monitor and preserve our culture bearing in mind our growth strategy.”

During the year, in addition to regulatory matters, the board paid particular attention to monitoring our progress on delivery of our strategic objectives, to making changes to the management structure, to completing the acquisition of the remaining shareholding in Vision, to issuing subordinated loan notes and to planning the proposed move of our London office. We have also discussed how we operate as a board in light of the independent assessment carried out at the end of 2014 and considered what new skills the board requires and the timetable for succession. Sarah Gentleman joined the board as a non-executive director on 21 January 2015.

### Governance, culture and the board

In January 2016, we announced that Richard Loader will be stepping down as company secretary on 30 April 2016. The board would like to thank Richard for his much valued contribution to the success of the group since 1990 and we wish him well for the future.

## Risk

The report from the chairman of the group risk committee, Kathryn Matthews, is set out on page 16. We welcomed the arrival of Sarah Owen-Jones as chief risk officer in March 2015, who, with her team, has made considerable progress in developing a new risk management framework this year. Sarah has worked closely with the board to ensure we have appropriate information on a timely basis and has also helped streamline the reporting of risk throughout the organisation. We have decided that, following the creation of a conduct risk committee, which Sarah chairs, the conflicts of interest committee is no longer required.

We continue to believe that the most significant risks to our business are operational risks that arise from the growth in our business and regulatory risks that may arise from continual changes to rules and standards in our sector. An emerging operational risk is cyber risk and we are monitoring this carefully. The Financial Reporting Council published new risk guidance in September 2014, which requires us to report more formally this year on the principal risks facing the business and to provide clearer information on the long term viability of the business. These matters are discussed in more detail on page 20 to 26.

## Remuneration

The report from the chairman of the remuneration committee, David Harrel, is set out on pages 70 to 84. All executive directors have clear objectives, both corporate and personal. Management are developing proposals for remuneration schemes throughout the firm to reflect the changes to our business and the regulatory environment with which we must comply.

“Our employees have worked hard in a year of considerable change. It was particularly pleasing to see the positive results from our first company-wide employee satisfaction survey.”

## Employees

The high quality of our employees is a major differentiator for us and they are the biggest asset of our firm. Our employees have worked hard in a year of considerable change. It was particularly pleasing to see the positive results from our first company-wide employee satisfaction survey.

## Shareholders

We are fortunate to have a number of positively engaged institutional shareholders with a significant investment in the company. I thank them for their support and we intend to maintain a regular and constructive dialogue with them.

## Outlook

Whilst we remain beset by geopolitical uncertainties, we will continue to manage the business positively. We look forward to completing our recently announced London office move in early 2017, and continuing to take advantage of growth opportunities in the sector.

**Mark Nicholls**  
Chairman

23 February 2016

## Chief executive's statement



**Philip Howell**  
Chief Executive

### 2015 market environment

Investment markets started 2015 in a buoyant mood with the FTSE reaching an all time high in April, though they subsequently proved exceptionally challenging for our investment managers to navigate. Against this backdrop, our private client business, Investment Management, delivered a creditable investment performance overall and attracted net new funds under management of £1.4 billion. Our Unit Trusts business also proved its resilience by achieving net inflows of £371 million, taking funds under management to a new high of £3.1 billion at 31 December 2015.

### Strategic update

In spite of market conditions, we stayed focused on delivery of the medium-term strategy that we set out in 2014. We remain confident that we are on track to achieve our goals.

We have continued to enhance our investment management processes, and in particular invest in additional research and risk management resources to underpin the decisions made by our investment managers in serving our clients on an individual basis. This is a three year programme which is well underway. We have maintained our level of investment in the technology that supports investment teams, which we believe is a continued source of competitive advantage for Rathbones in the market.

"In spite of market conditions, we stayed focused on delivery of the medium-term strategy that we set out in 2014. We remain confident that we are on track to achieve our goals."

During the year, we reviewed our pricing structure to ensure that it remains competitive and introduced a new 'fee only' tariff for all new private clients. During the second half of 2015, we amended some fee schedules for some existing private clients in order to bring these more in line with the tariff for new clients. We hope the simplicity and transparency of our new tariffs will convince all clients of the benefits of a clean fee approach over time.

Net organic growth in the private client business, Investment Management, of 3.0% reflected market conditions and was at the lower end of our planned range. However, our strategic initiatives to boost business development remain on track, notably through our new distribution team collaborating with independent financial advisers, legal and accountancy firms. Progress in 2015 continued, with 10 strategic alliances and many more new professional relationships established during the year. Our plan to increase our involvement in the charities sector has also made strong progress with funds under management reaching £3.5 billion. Rathbones is now ranked fourth in the Charity Finance Fund Management survey, moving up two places from sixth last year. In parallel, our specialist ethical investment business, Rathbone Greenbank Investment, has established itself as a market leader in its field and now serves over 1,400 clients with £0.76 billion funds under management.

Our Unit Trusts business continues to demonstrate strong performance and, in contrast to many of its peers, achieved 24.0% growth to a new high in funds under management of £3.1 billion whilst also demonstrating its intrinsic operational leverage. Rathbone Unit Trust Management continues to play an integral role in our overall investment strategy.

"We continue to be alert to acquisition opportunities. Acquired growth from our new joiners in the year was very much in line with our expectations and importantly, client retention from our two major acquisitions in 2014 has been very strong."

Alongside these strategic initiatives, we continue to be alert to acquisition opportunities. Acquired growth from our new joiners in the year was very much in line with our expectations and importantly, client retention from our two major acquisitions in 2014 has been very strong.

### Strategic update

In May, we launched our new office in Glasgow, welcoming 14 new colleagues, and were very pleased to see them attract over £186 million new funds under management by 31 December 2015.

In October, we announced our intention to purchase the remaining 80.1% stake in Vision Independent Financial Planning Limited and Castle Investment Solutions Limited, with the transaction formally completing on 31 December 2015. Vision will retain its independent status, but is anticipated to contribute meaningfully to our net organic growth objectives. At the year end, Vision had £845 million funds under advice with the discretionary fund manager panel, along with 81 independent financial advisers and seven mortgage advisers operating nationally. It continues to demonstrate strong growth momentum.

“During 2015, we gradually introduced our new branding which is intended to more accurately convey the progressive attributes of the business, whilst not losing touch with the heritage and values that define our deep rooted culture.”

We continue to design and develop our Rathbone Private Office offering to serve clients with £10 million of investible assets and above. We are currently finalising arrangements with the third party platform identified to serve clients in this segment of the wealth spectrum and in 2016 we expect to add new private banking professionals to launch the initiative.

During 2015, we gradually introduced our new branding which is intended to more accurately convey the progressive attributes of the business, whilst not losing touch with the heritage and values that define our deep rooted culture. The final stage for the new branding was reached with the launch of our new website in November.

In anticipation of the growing demands upon the leadership team in delivering our growth strategy, we were pleased to welcome Sarah Owen-Jones as chief risk officer and promote four of our most experienced investment directors to the executive committee: Rupert Baron, Ivo Clifton, Andrew Morris and Richard Smeeton.

A year after launching our medium-term strategy, we considered it sensible to conduct a staff satisfaction survey. The results were very encouraging with an overall engagement score of 88%, substantially ahead of the financial services benchmark of 74%. This score collates the average percentage of responses to questions relating to pride, longevity, endeavour, advocacy and care. Naturally, the survey identified aspects on which we can improve and these have been added to the management agenda for the coming year. The survey highlighted the strong culture that has defined our business over decades, and one which we will continue to nurture as we grow. Importantly, some of the highest scores reflected our staff's understanding and commitment to delivery of the strategy.

### Financial performance

This year was a strong one financially as the benefits of our acquisitions supported results in what were challenging investment markets. With this backdrop, growth did prove more difficult, although total funds under management at 31 December 2015 were £29.2 billion, a 7.4% increase over 2014. Underlying profit before tax in 2015 increased 14.3% to £70.4 million from £61.6 million in 2014, in spite of the average FTSE 100 Index on our billing dates falling 3.6% to 6415.

“This year was a strong one financially as the benefits of our acquisitions supported results in what were challenging investment markets.”

Investment Management attracted £1.4 billion of net inflows in 2015 (2014: £4.0 billion), of which £0.7 billion (2014: £3.2 billion) represented acquired growth. The net organic growth rate for the year was 3.0% (2014: 4.0%). Charity funds under management increased to £3.5 billion from £3.3 billion in 2014, while the number of charity clients increased 5.9% to 1,213.

Our Unit Trusts business managed £3.1 billion of funds under management at 31 December 2015 (2014: £2.5 billion). The business attracted some £371 million of net funds in 2015; although a decrease of 33.0% on the £554 million reported last year, a strong performance when looking at the industry sectors in which we operate. Unit Trusts continues to exhibit strong operating leverage, with profit margin increasing to 32.7% in the year, an absolute increase of 6.9% over the prior year. Fund performance remains strong.

## Chief executive's statement

### Financial performance

Net interest income of £10.8 million increased by 17.4% on the £9.2 million in 2014, reflecting larger than average levels of liquidity. Our client loan book grew 14.8% to £111.8 million from £97.4 million at the end of 2014.

The increase in underlying operating expenses to £158.8 million reflected both the growth in the business and the costs of planned strategic initiatives. Our underlying operating margin was stable at 30.7% in line with a year ago. Underlying earnings per share of 117.0p were up 14.3% on the 102.4p earned in 2014. Profit before tax of £58.6 million was up on the £45.7 million reported last year. A full list of items excluded from underlying results is shown on page 29.

Our consolidated Common Equity Tier 1 ratio at 31 December 2015 (including verified profits for the year) stood at 16.4% compared to 17.7% at 31 December 2014. In August, Rathbone Investment Management completed an issue of Tier 2 capital in the form of £20 million of 10-year subordinated notes. Our consolidated leverage ratio (including audited profits for the year) at 31 December 2015 was 7.7% compared with 7.3% at 31 December 2014.

### Other notable events

In his Autumn Statement, the Chancellor announced a supplementary 8% tax surcharge on banking profits to come into effect from 1 January 2016. We were pleased to see that measures incorporated in the final version of the 2015 Finance Bill mean that as long as the accepting of deposits remains ancillary to our asset management activities, we will be exempt from the tax surcharge.

During the year, it became clear that we are fast reaching full capacity in the 44,000 sq ft of our London head office. This has come somewhat earlier than we had anticipated and is best explained by the fact that since moving into 1 Curzon Street in 2012, our funds under management in London have grown by 85% from £8.9 billion to £16.5 billion. Following an exhaustive search, we are pleased to have secured a long-term solution in committing to a 17 year lease on 75,000 sq ft at 8 Finsbury Circus. This is a brand new yet elegant building in one of the most prestigious addresses in the City, with excellent travel links. From 2018, our annual cost for this substantially larger space in the City will be broadly the same as what we would have been paying on our smaller Mayfair premises. We plan to move in early 2017.

“Following an exhaustive search, we are pleased to have secured a long-term solution in committing to a lease at 8 Finsbury Circus. This is a brand new yet elegant building in one of the most prestigious addresses in the City.”

### Outlook

Notwithstanding an uncertain market outlook, we have decided to continue to progress our strategic initiatives. Whilst this may impact our operating margin in the near term, we continue to strive for a margin of 30% in most market conditions, and will carefully balance our longer term investment against the near term impact of lower revenues during market downturns.

We enter 2016 with even more intense geopolitical tensions and economic risks than last year, and nearer home, the uncertainty of Britain's future place in Europe adds to the mix. This will require us to more frequently review the timing and priority of projects.

We continue to be alert to accretive acquisition opportunities that fit with our culture and investment philosophy. Notwithstanding the prospect of another year of market volatility, we are cautiously optimistic about our ability to protect our clients' interests whilst maintaining our strategic momentum.

**Philip Howell**  
Chief Executive

23 February 2016



# Strategic report

- 8 Our market
- 10 Our business model
- 11 Our approach
- 16 Strategy and key performance indicators
- 20 Risk management



## Our market

At Rathbones, our main focus is on the discretionary wealth market with around 92% of our funds under management falling into that category. We believe that face-to-face advice is truly valued by clients, helping to keep our investment managers in touch with their changing circumstances. Our aim is to build relationships for the longer term.

### The UK wealth market

- The UK asset management industry managed £6.8 trillion as at the end of 2014, up 9.7% from a year earlier. It is estimated that funds under management increased to £7.1 trillion in the first half of 2015<sup>1</sup>
- We operate in a highly fragmented market, with approximately 180 registered wealth management firms in the UK. Firms would need to manage over £20 billion funds under management each in order to hold a top 10 position in the industry<sup>2</sup>
- The population of high net worth (HNW) individuals in the UK, defined as those with >£650,000 of investable assets increased by 4.4% to reach 550,000 by the start of 2015, compared to 527,000 a year earlier<sup>3</sup>
- UK retail investors seek a wide range of services from security trade execution, direct investment in unit or investment trusts to fully tailored investment portfolios managed on a discretionary basis
- Financial advice is increasingly important as clients manage their individual circumstances in a fast-moving taxation and regulatory environment
- Investing in property remains an important alternative to a stocks and shares portfolio when providing for retirement
- In addition to balancing risk and reward and the needs of income generation versus capital preservation, charities are now increasingly interested in the implementation of an ethical investment policy

<sup>1</sup> The City UK Fund Management 2015 report

<sup>2</sup> PAM 2015, value of funds under management as at 31 December 2014

<sup>3</sup> Capgemini 2015 World Wealth Report: a HNW individual is defined as having >US\$1m of investable assets

### Total market



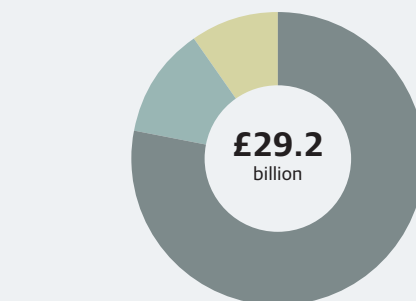
Source: The City UK Fund Management 2015 report

### Our market



- Private clients **£705 billion**
- Institutional (including charities) **£1,243 billion**
- Retail **£1,063 billion**

### Total Rathbones funds under management



- Private clients (Investment Management) **£22.6 billion**
- Institutional (charities Investment Management) **£3.5 billion**
- Retail (Unit Trusts) **£3.1 billion**

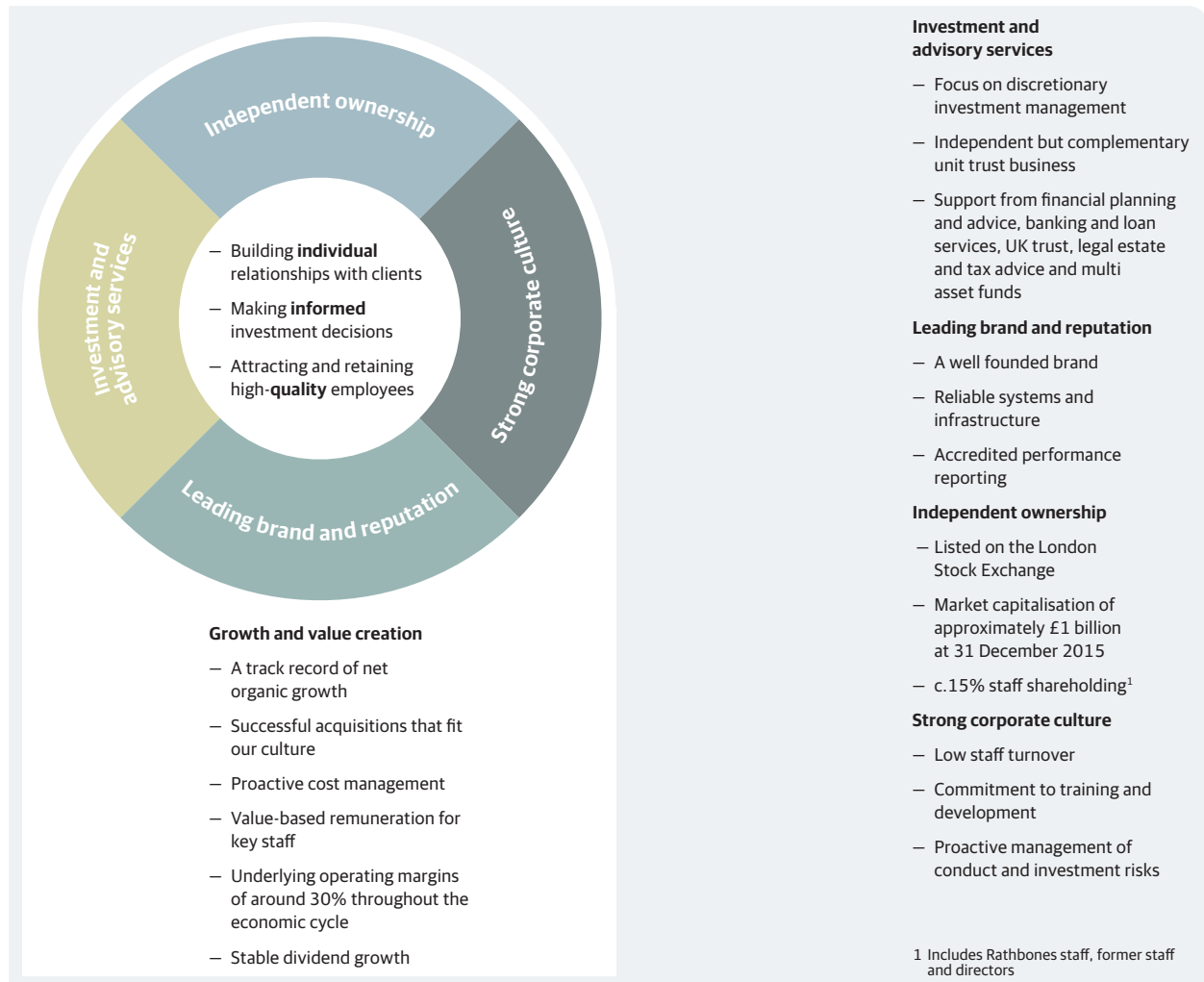
Today's investors face an increasingly complex set of opportunities and challenges. Rathbones is well placed to provide quality investment and advisory services to a wide range of clients, and to take advantage of growth opportunities that fit in with our culture.

Opportunities		Trends	
<p><b>Individual investors</b></p> <ul style="list-style-type: none"> <li>– A growing advice gap in the UK</li> <li>– An increasing need for individuals to fund their own retirement and plan adaptable investment strategies to meet the financial needs of them and their family</li> <li>– Government granted flexibility on pensions for clients to manage their retirement savings</li> <li>– The growing importance placed on ethical investing</li> <li>– Service gaps for individuals with &gt;£10 million to invest</li> <li>– Meeting the demands of investors and intermediaries wishing to hold assets offshore</li> <li>– More lending opportunities secured on investment portfolios</li> <li>– Trend away from defined benefit schemes has allowed for growth not only in defined contribution schemes but also in personal savings</li> <li>– The growing importance of multi asset investment solutions</li> <li>– Supporting intermediaries and their clients in investing in a range of focused unit trusts and OEICs</li> <li>– Solutions for investors seeking some guidance but who are unwilling to pay for full advice</li> </ul>	<p><b>Institutional investors</b></p> <ul style="list-style-type: none"> <li>– Providing institutional quality investment services to medium sized institutions, such as charities, tailored to their varying needs including capital preservation, income generation and ethical commitments</li> <li>– Keeping trustees informed through events and training on key issues</li> </ul>	<p><b>Acquisitions</b></p> <p>Due to the highly fragmented nature of the industry, scale is increasingly seen as a key driver of success. This has been evidenced through the volume of deal activity in recent years, as companies continue to struggle with organic growth.</p> <p>In light of the increasing burden imposed by enhanced regulatory requirements, many smaller competitors have begun to review their business models.</p> <p>Rathbones is well positioned to take advantage of the opportunities this may create provided they meet our stringent criteria and we remain cautious when considering further acquisitions in favour of preserving our strong culture.</p>	<p><b>Continued change</b></p> <p>The wealth and asset management industry continues to face regulatory and cost pressures. A low interest rate environment, concerns over deflation in the eurozone and a recession in many emerging markets comprise the backdrop for an industry transforming itself.</p> <p>We expect the complex and changing compliance environment to continue to profoundly affect the industry. MiFID II will have a widespread effect on the regulatory framework for the European wealth and asset management industry, particularly affecting how they distribute products, reward their advisers and communicate with clients.</p> <p>Regulatory change continues to impact banking models with little prospect of slowing down in the medium term.</p>

## Our business model

Our vision is to be the UK's leading independently-owned provider of investment and wealth management services to private clients, charities, professional intermediaries and trustees by building trusted relationships with our clients and delivering outstanding client service, value for money and investment excellence.

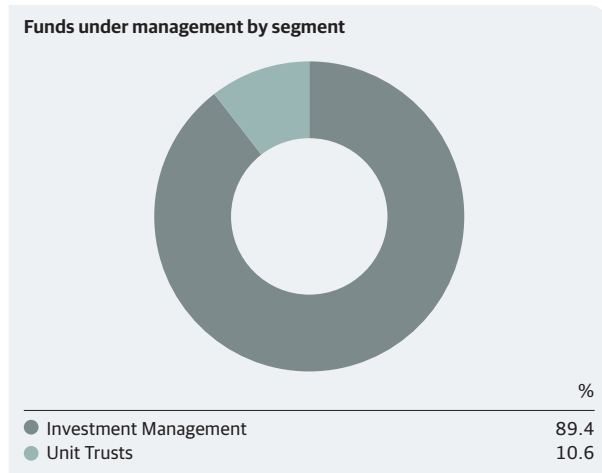
We are building on our successful business model to provide bespoke investment solutions delivered by high-quality professionals to a wider and more diverse client base. As a bank we are also able to provide lending solutions to our clients.



# Our approach

## A summary of our services

Rathbones manages £29.2 billion for clients, making us one of the UK's leading private client investment managers. We provide investment solutions to clients with as little as £1,000 to over £10 million to invest. Through Investment Management, we provide discretionary investment management solutions to private clients, charities and trustees. We also provide other banking, financial advisory, tax, legal and trust services. Through Unit Trusts, we provide unit trust and multi asset fund products, sold through intermediaries, to the retail sector.



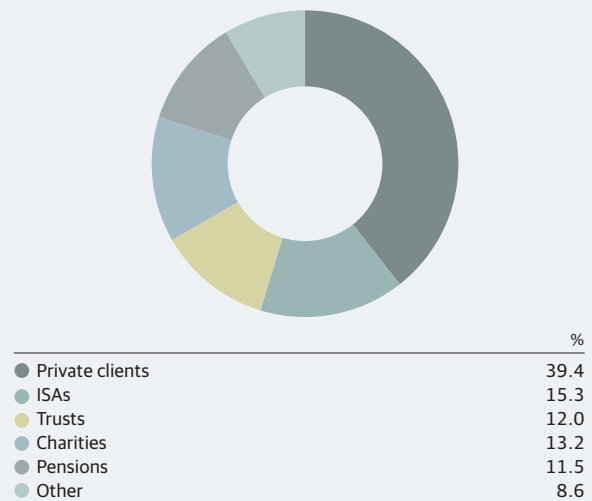
## Private clients

We aim to provide a high-quality service that is relevant to clients (and their advisers) looking for a discretionary investment management service. Our approach is to build face-to-face client relationships (supported by online services) and deliver a bespoke approach to investment management that tailors portfolios to individual needs by accessing the whole of the market without a bias towards in-house funds or services.

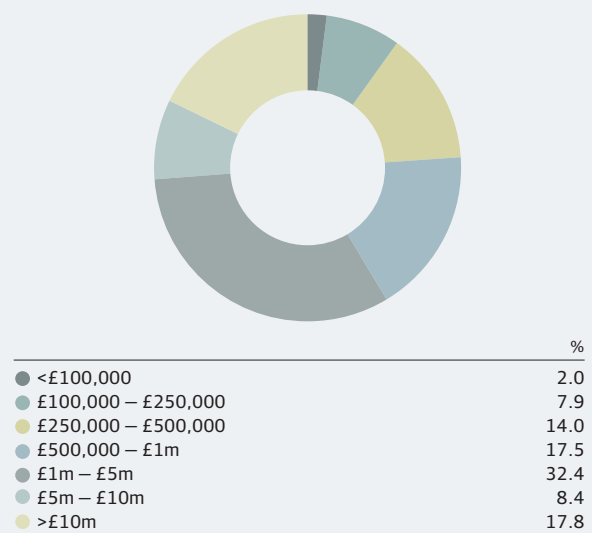
Our discretionary service is offered to clients with investible assets of £100,000 upwards, but our average client portfolio is around £500,000. Over half of the money we manage is in client relationships of greater than £1.0 million. During 2015, we received the Gold Standard Award for Discretionary Portfolio Management from Investment Week as well as the Magic Circle award for Private Client Asset Manager of the Year.

We also run the Rathbone Unitised Portfolio Service, which represents an investment opportunity for clients with fewer investible assets (£25,000 or more) who are still looking for a discretionary investment management service but who require a more model-based approach to portfolio construction. This solution uses the Rathbone Multi Asset Portfolios funds (see page 12) as building blocks and offers an attractive proposition for intermediaries requiring a service for smaller investors.

**Client account type by value of funds under management**



**Size of client relationship by value of funds under management**



## Charities and specialist services

Rathbones currently services over 1,200 clients totalling £3.5 billion through our charity business and manages investments from £10,000 to more than £50 million for charity organisations. We are proud to have moved to fourth place in this year's Charity Finance Fund Management Survey, up from sixth place in 2014. We also received the Magic Circle award for Charity Investment Manager of the Year during the year.

Our core team is diverse in both its experience and expertise with nine of our team members being charity trustees in their own right. We provide clients with direct access to the charity team in order to deliver a suitably tailored investment portfolio and ensure that we understand the challenges that our charity clients face.

## Rathbone Greenbank Investments

As concerns for ethical and sustainability issues rise, increasing numbers of people are seeking to reflect these values in their investments. Since 1992, Rathbone Greenbank Investments has worked with private individuals, trusts, charities and their professional advisers. Importantly, they only manage ethical and socially responsible investment portfolios, and are supported by a dedicated research team.

Rathbone Greenbank Investments is a prominent activist on ethical and sustainability issues, engaging directly with companies and government to improve business practices. As one of the pioneers in the field of ethically focused investments, Rathbone Greenbank works with over 1,400 clients across the UK and manages over £760 million in assets, an increase of 7.2% year-on-year.

## Private office

We began to build the Rathbone Private Office in October 2014 with the aim of combining many of the key business capabilities we already offer to clients through our trust, tax, family office support and banking services.

Nearly 18% of the portfolios we manage are worth, by value, over £10 million and there is a significant opportunity to expand our reach within the 'super high net worth' segment of the market (£10 million – £100 million), which appears to have been poorly served by international and UK private banks, and multi-family offices.

The third party platform arrangements essential to delivering a quality service have now been established and during 2016 we expect to hire private bankers to drive the initiative further forward.

## Financial planning

For those clients who do not have advisers of their own, we offer financial planning which provides 'whole of market' advice to clients. From 1 January 2016, Rathbone Pension & Advisory Services will be integrated into Rathbone Investment Management. This transition reflects the increasingly important role that financial planning plays in the wider business and aims to develop a more streamlined client experience. Over time we expect that financial planners will be able to work more closely with Rathbone Investment Management investment managers to ensure clients receive the best service possible.

## Unit Trusts

Our independent Unit Trusts business is a leading UK fund manager providing a range of actively managed specialist and multi asset unit trusts that are designed to meet core investment needs in the retail client market. These funds are distributed mainly through independent financial advisers in the UK and purchased through financial supermarkets and life assurance companies.

The business has been growing successfully and as at 31 December 2015, it managed £3.1 billion in funds under management, an increase of 24.0% over 2014. There is no incentive for private client investment managers to hold in-house unit trusts. At 31 December 2015, just over 1% of Rathbone Investment Management's funds under management were held in our own unit trusts.

During the year, we received a number of awards including being named by Morningstar as a top 10 group for five year risk-adjusted returns, receiving the Money Observer fund award for best fund in the Ethical/SRI Bond category for our Rathbone Ethical Bond Fund and receiving a five-star rating award for online services by the FT Adviser Online Service Awards.

## Multi asset funds

Rathbone multi asset funds provide a useful investment solution for clients with smaller investment portfolios (from £1,000 to invest) and are the building blocks for the collective investment management solution for smaller private clients delivered via the Rathbone Unitised Portfolio service. There are currently three multi asset strategies: strategic growth, enhanced growth and total return. These are all available to external investors and their advisers.

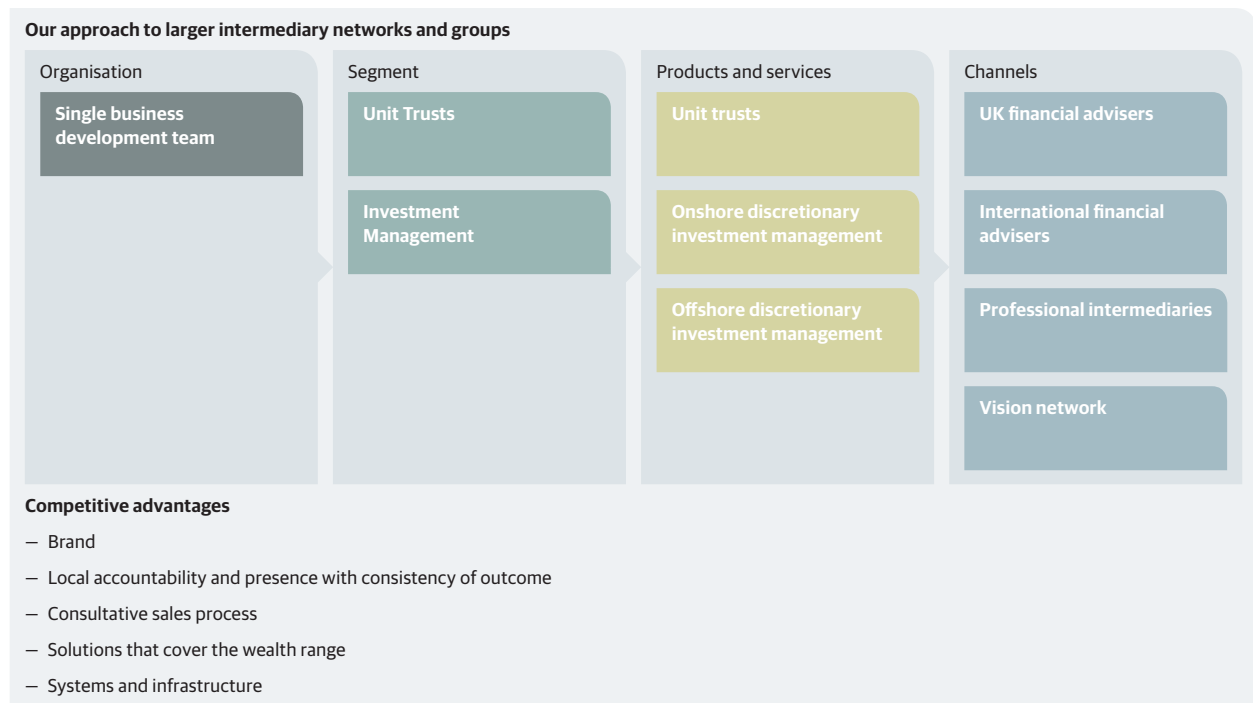
## Our approach to distribution

The most important source of growth for our discretionary investment services comes through the networks of our existing investment managers as well as referrals from our existing clients. These types of referrals account for approximately two thirds of new business.

In addition, we also operate a more structured intermediary approach to larger networks and groups. A combined sales team approach formally commenced on 1 January 2015 with the amalgamation of our business development and sales teams into a single unit. This unit promotes both our discretionary and unit trust services to the UK independent financial adviser and intermediary market.

This targeted independent financial adviser strategy is now embedded and has attracted 10 new partnerships in the year. We are focusing on building relationships with important lawyer and accountant groups and are building a more targeted management information infrastructure to assist with this. We also operate a small international distribution team targeting adviser networks in Europe.

On 31 December 2015, we completed the acquisition of the remaining stake in Vision Independent Financial Planning Limited. Vision will continue to operate independently providing access to distribution for Rathbones.



## Other services

### Banking and loan services

As a licensed deposit taker, we are able to offer our clients loans directly secured against their investment portfolios, or with a property element, as part of our portfolio management service. We maintain prudent lending ratios, offering only short to medium-term loans. We also provide some payment services.

### UK trust, legal, estate and tax advice

In addition to our investment services, we also have an in-house team skilled at providing trust, and some tax and legal services to clients. This advice is provided by Rathbone Trust Company Limited, which is regulated by the Solicitors Regulatory Authority.

### Proprietary operations and IT

Our investment management and financial advisory businesses are supported by an in-house operations and IT team predominantly centred in our Liverpool office. We have a dedicated in-house custody settlement platform, which means that we benefit from not having data reconciliation issues between multiple databases. By retaining the majority of functions in-house, rather than outsourcing them, we are able to control quality and service standards. Where we cannot achieve service differentiation or economies of scale we have outsourced; for example, in unit trust administration. During 2015, we improved our collective security settlement process and focused on streamlining and speeding up our client take-on processes.

## How we deliver our investment service

One of the most important virtues that set us apart from our peers is our individual relationship approach. Our clients have direct access to their investment managers who are accountable for everything from portfolio performance to administration. This means that clients know who is managing their money, and the investment managers know them. After meeting with clients to understand their individual circumstances, requirements and objectives, investment managers create personal investment plans that reflect individual circumstances.

Once the investment managers have properly assessed the needs of their client, they draw upon our investment process which is an important part of the service we provide.

This process collects guidance from a series of committees covering strategic asset allocation, stock selection, fixed income, third party or collective funds and corporate governance. These committees are supported by our research team, investment managers and unit trust managers. Of our 273 investment professionals, around 110 are actively involved in the daily running of our central investment process with many more contributing on a more ad hoc basis in terms of the dissemination of ideas and research.



## Our approach

In addition to the strong and flexible framework for our investment professionals to work within, we have also established an investment executive committee (IEC) which is responsible for monitoring the five investment committees and also the performance of individual investment managers on a risk-adjusted basis over one, three and five year periods. This includes the evaluation of overall performance against benchmarks and an assessment of portfolio risk. In addition to these, the IEC is also responsible for ensuring the investment process is appropriately resourced, and that the process can evolve to meet changing regulatory requirements and market conditions.

Our portfolios are usually based on our multi asset approach to investing, which provides us with the flexibility to meet individual needs. Our strategic asset allocation committee meets quarterly and is responsible for determining the weightings for our investment strategies. Our asset allocation framework is forward looking and dynamic. In order to construct portfolios effectively and manage risk, we divide assets into three building blocks, which play complementary roles: Liquidity, Equity-type risk and Diversifiers.

In 2014, Rathbone Investment Management received the Global Investment Performance Standards (GIPS®) accreditation for our performance measurement systems which has added further credibility to the data and systems that support our investment teams. In 2015, we were successfully verified for continued compliance with these standards.



## Strategy and key performance indicators

We have three key strategic objectives. The summary below outlines these objectives and links them to the key business risks that arise as we pursue them.

The following three pages show the ways in which we go about achieving our objectives, together with some key measures that demonstrate how we have performed.

### Strategic objectives

To provide high-quality investment management, tax, trust and pension services for private individuals, charities and trusts.

To provide a growing stream of dividend income for shareholders, delivered through steady and consistent growth in earnings per share.

To provide an interesting and stimulating career environment for staff, including a commitment that all employees share in the equity and profits of the business.

### Principal risks to strategy



Performance and advice	p23
Processing	p25
Regulatory	p23
Reputational	p23

Performance and advice	p23
Processing	p25
Regulatory	p23

Regulatory	p23
Reputational	p23

To provide high-quality investment management, tax, trust and pension services for private individuals, charities and trusts.

**Our 2014 strategic objectives:**

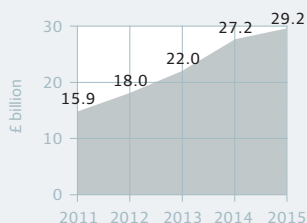
- Simplify our pricing structures to provide value for money and greater transparency to clients
- Strengthen our in-house research capability to deepen our UK and international securities coverage, and ensure that access to research output is prompt and consistent
- Harness the experience of our business development functions, now operating as a single sales team, in order to extend our intermediary relationships
- Develop, over the medium term, an ‘advisory managed’ service for clients seeking greater involvement in portfolio management decisions
- Gradually realign and develop our existing Super High Net Worth capabilities for clients with >£10m of investible assets under the banner of the Rathbone Private Office
- Promote more communication with clients and continue to develop our online service capability to support this
- Enhance our investment performance measurement and reporting, building upon our GIPS accreditation
- Develop our multi asset investment solution for clients with <£100,000
- Continue to invest in and develop the framework for controlling investment and conduct risks

**In 2015 we have:**

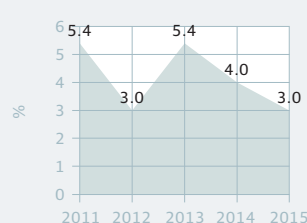
- Introduced a new clean fee only rate for new private clients from 1 January 2015 and, in July, amended fee schedules for some existing private clients in order to bring these more in line with the tariff for new clients
- Begun the implementation of a three year plan to enhance our research function which is focused on three core areas: improving research communications with investment managers, building stronger team resources in the equity analyst teams across Rathbone Investment Management and Rathbone Unit Trust Management and improving our risk capabilities
- Strengthened our engagement with financial intermediaries, operating a combined sales team across Investment Management and Unit Trusts and acquired Vision Independent Financial Planning Limited
- Gained regulatory approval to integrate Rathbone Pension & Advisory Services into Rathbone Investment Management
- Begun to build a Rathbone Private Office by adding key hires including a head of investment solutions and a project manager, and identifying a quality third party platform
- Significantly upgraded our website and online experience for all users
- Streamlined processes to support and promote our multi asset solution
- Added resources and tools to our performance, quality assurance and investment risk teams

**Key performance indicators**

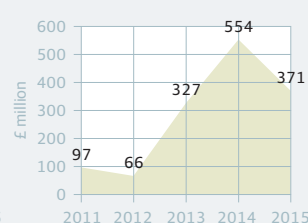
Total funds under management



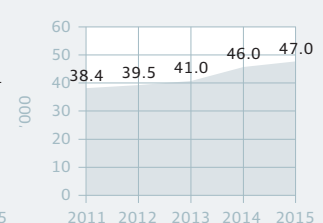
Net organic growth rates in Investment Management funds under management



Unit Trusts net inflows



Number of Investment Management clients



To provide a growing stream of dividend income for shareholders, delivered through steady and consistent growth in earnings per share.

**Our 2014 strategic objectives:**

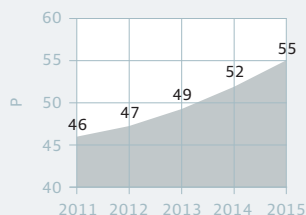
- Actively search for suitable bolt-on acquisition opportunities and selectively recruit experienced investment managers to join us
- Target net organic growth of 5% per annum throughout the economic cycle in our core investment management business
- Develop our range of unit trust and multi asset funds in areas that fit our expertise and where we can add value
- Continue to operate a conservative treasury policy
- Invest in business systems to foster a better understanding of profitability drivers at an individual or team level
- Build our corporate charitable footprint and enhance our social responsibility credentials
- Continue to communicate regularly and transparently with the market and shareholders
- Maintain open and effective relationships with regulators and tax authorities

**In 2015 we have:**

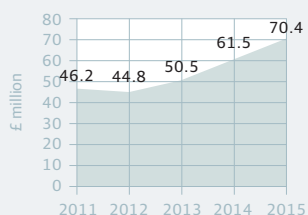
- Announced the purchase of the remaining 80.1% of Vision Independent Financial Planning Limited and Castle Investment Solutions Limited in October 2015, with the transaction completing on 31 December 2015
- Recruited 11 investment professionals and their support teams in the year
- Issued Tier 2 capital in the form of £20 million 10-year subordinated notes to take advantage of suitable acquisition opportunities
- Maintained a high rate (>95%) of client retention from acquisitions
- Achieved a net organic growth rate of 3% in our investment management business
- Continued to expand our national presence by opening up an office in Glasgow
- Maintained our treasury policy of holding counterparties of Fitch single 'A' rated and above, holding £583 million with the Bank of England at 31 December 2015 (2014: £727 million)
- Re-signed to the United Nations Principles for Responsible Investment, a set of voluntary guidelines that help companies to address social, ethical, environmental and corporate governance issues in the investment process
- Maintained market communication standards and invested in a corporate management information system that will offer improved support to business decisions at all levels
- Continued to have open dialogue with regulators and tax authorities respecting the change to a 'flexible' model of supervision set out by the Financial Conduct Authority

**Key performance indicators**

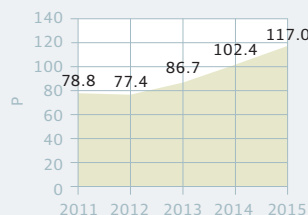
Dividend per share



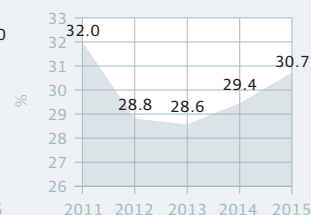
Underlying profit before tax



Underlying earnings per share



Underlying operating margin



To provide an interesting and stimulating career environment for staff, including a commitment that all employees share in the equity and profits of the business.

**Our 2014 strategic objectives:**

- Promote a ‘team’ approach and wide investment process participation amongst investment managers
- Review remuneration structures to reflect changes in the economic, regulatory and competitive environment
- Proactively manage any capacity issues in investment management teams
- Invest in leadership and management skills development across the business
- Drive greater share ownership across the business through remuneration schemes for investment personnel and key support managers, and actively encourage ownership for other staff

**In 2015 we have:**

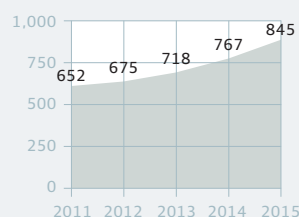
- Actively involved over 110 investment managers in various management and investment committees
- Reviewed all remuneration structures in light of changes to UK bank employee regulations
- Benchmarked a wide number of roles across the business and ensured that reward levels remain relevant and competitive
- Restructured a number of investment teams to increase growth capacity
- Strengthened the executive committee in July with the addition of chief risk officer Sarah Owen-Jones along with four senior investment managers: Rupert Baron, Ivo Clifton, Andrew Morris and Richard Smeeton
- Continued investment in training, with a particular focus on leadership programmes and qualification support
- Increased the number of SIP participants to 973 from 871 a year earlier, and the number of outstanding SAYE share options to 484,364 from 394,700 during the same period
- Conducted our first ever company-wide employee satisfaction survey resulting in a very strong engagement score of 88%, substantially ahead of the financial services benchmark of 74%
- Agreed the move of our London headquarters to a new 75,000 sq ft property at 8 Finsbury Circus to facilitate growth and provide a more spacious working environment for employees

**Key performance indicators**

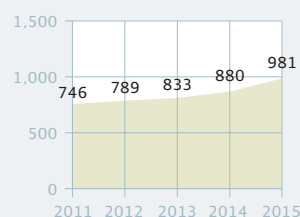
Staff turnover



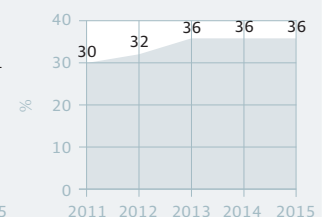
Number of participants with SIP partnership shares



Average full time equivalent employees



Variable staff costs as a percentage of underlying profit before tax and variable staff costs



## Risk management

We have continued to enhance the group's risk management framework and evolve the main components of its risk governance, risk processes and risk infrastructure. During 2015, we appointed a dedicated chief risk officer to strengthen our operating model and infrastructure for risk management. We have reviewed, developed and aligned the group's risk management framework and risk committees, to reflect emerging themes which together support our three lines of defence model. This has ensured the risk management framework and risk processes continue to provide a structured and consistent approach across the group.

### Three lines of defence

Rathbones adopts a three lines of defence model to support its risk management framework. Under the framework, responsibility and accountability for risk management are effectively broken down as follows:

First line: Senior management and operational business units are responsible for managing risks, by developing and maintaining effective internal controls to mitigate risk.

Second line: The risk function and compliance function maintain a level of independence from the first line. They are responsible for providing oversight and challenge of the first line's day-to-day management, monitoring and reporting of risks to both senior management and governing bodies.

Third line: The internal audit function is responsible for providing an independent assurance to both senior management and governing bodies as to the effectiveness of the group's governance, risk management and internal controls.

### Risk appetite

Rathbones' risk appetite is defined as both the amount and type of risk the group is prepared to take or retain in the pursuit of its strategy. Our appetite is subject to regular review to ensure it remains aligned to our strategic goals. Within our risk appetite framework there are some overarching parameters, alongside specific primary and secondary measures for each risk category. At least annually the board and group risk committee will formally review and approve the risk appetite statement for the group and assess whether Rathbones has operated in accordance with its stated risk appetite measures during the year. Overall, and notwithstanding the business growth and strategic change programme for 2016, the board remains committed to having a relatively low overall appetite for risk and to ensuring Rathbones' internal controls mitigate risk to within appropriate levels. The board continues to recognise that the business is susceptible to fluctuations in investment markets

and will bear losses from financial and operational risks from time-to-time, either as reductions in income or increases in operating costs.

### Identification and profiling of principal risks

Rathbones classifies risks using a hierarchical approach. The highest level (Level 1) identifies risks as financial, conduct or operational. The next level (Level 2) contains 16 risk categories which are listed below. Detailed risks (Level 3) are then identified as a subset of Level 2 risks and are captured and maintained within a group risk register, which is the principal tool for monitoring risks. The classification ensures a structured approach to identifying all known material risks to the business and those emerging risks which may impact future performance, and is regularly reviewed.

Rathbones reviews and monitors its risk exposures closely, considering the potential impact and any management actions required to mitigate the impact of emerging issues and future events. To ensure we identify our principal risks, regular reviews take place with risk owners, senior management and business units across the group. The risk function conducts these reviews and risk workshops during the year. A watch list is maintained to record any current concerns, emerging issues and future events which will or could have the potential to impact Rathbones' risk profile and may therefore require active management, process changes or systems development. The group's risk profile, risk register and watch list are regularly reviewed by the executive, senior management, board and governance committees.

Rathbones assesses risks using a 1 – 4 scoring system, with each Level 3 risk rated by assessing the likelihood of its occurrence in a five year period and the associated impact. A residual risk score and overall risk rating of high, medium or low is then derived for the five year period by taking into account an assessment of the internal control environment or insurance mitigation.

### Risk assessment process

As part of the risk management framework, the board and senior management are actively involved in a continuous risk assessment process. A regular review and risk assessment is conducted for the board's strategic plan, supported by the annual Internal Capital Adequacy Assessment Process (ICAAP) and Individual Liquidity Adequacy Assessment (ILAA) work which assesses the principal risks facing the group.

**Risk assessment process**

Activities undertaken in relation to ICAAP, ILAA and reverse stress testing support the risk assessment process, and stress tests include consideration of the impact of a number of material severe but plausible events that could impact the business. The work also takes account of the availability and likely effectiveness of mitigating actions that could be taken to avoid or reduce the impact or occurrence of the underlying risks.

Day-to-day, our risk assessment process considers both the impact and likelihood of risk events, which could materialise affecting the delivery of strategic goals and annual business plans. A top-down and bottom-up approach ensures that the risk assessment process is challenged and reviewed on a regular basis. The board and senior management receive regular reports and information from line management, risk oversight functions and specific risk committees.

The group executive, group risk committee and other key risk focused committees consider the risk assessments and provide challenge, which is reported through the governance framework and considered by the board.

**Profile and mitigation of principal risks**

Forty-one Level 3 risks continue to form the basis of the group’s risk register, each of which is classified under one of the 16 Level 2 risk categories.

Rathbones’ approach to managing risk is underpinned by an understanding of our current risk exposures and how risks change over time.

During the year there have been some changes to the 16 Level 2 risk categories; however, the underlying risk profile and ratings for the majority of Level 2 risks have remained consistent during 2015. The following table summarises the most important changes to the risk ratings.

Ref Risk	Risk change in 2015	Description of change
A Credit	▲	Allocation of treasury assets to certificates of deposit has increased by £278 million, whilst cash held with central banks has decreased by £144 million.
D Pension	▲	As the scheme matures and grows, its valuation becomes more sensitive to changes in expectations of future interest rates and inflation.
G Regulatory	▲	Volume of regulation remains high together with continued focus on conduct, remuneration and taxation across the financial services industry.
K Data integrity and security	▲	Continued increase in the threat of cyber attack within the financial services sector.

During the year, the executive committee continued to recognise a number of emerging risks and threats to the business model and financial services sector as a whole, particularly in the areas of cyber risk and geopolitical risk. These have been taken into account in assessing our risk profile.

Based upon the risk assessment processes identified above, the board believes that the principal risks and uncertainties facing the group have been identified within the information below, and has recognised the impact of strategic change in the year. The board continues to believe that the most significant risks to the business are operational risks that arise from the growth in our business, and regulatory risks that may arise from continual changes to rules and standards in our sector.

Our overall risk profile and ways in which we mitigate risks are analysed below. The board receives assurance from senior management and line management responsible as the first line of defence that the systems of internal control are operating effectively, and from the activities of the second line and third line that there are no material control issues which would affect the board’s view of its principal risks and uncertainties.

In line with current guidance, we also include in the tables the potential impacts (I) the firm might face and our assessment of the likelihood (L) of each principal risk arising in the event it materialises. These assessments take into account the controls in place to mitigate the risks. However, as always the case, should a risk materialise, a range of outcomes (both in scale and type) might be experienced. This is particularly relevant for firms such as Rathbones where the outcome of a risk event can be influenced by market conditions as well as internal control factors.

We have used ratings of high, medium and low in this risk assessment. We perceive high risk items as those which have the potential to impact the delivery of strategic objectives, with medium and low rated items having proportionately less impact on the firm. Likelihood is similarly based on a qualitative assessment.

## Financial risks

Ref	Level 2 risk	Residual rating		How the risk arises	Key mitigators
		I	L		
A	<p><b>Credit</b></p> <p>The risk that one or more counterparties fail to fulfil contractual obligations, including stock settlement</p>	Low	Low	This risk can arise from placing funds with other banks and holding interest-bearing securities. There is also a limited level of lending to clients	<ul style="list-style-type: none"> <li>– Banking committee oversight</li> <li>– Counterparty limits and credit reviews</li> <li>– Treasury policy and procedures</li> <li>– Active monitoring of exposures</li> <li>– Client loan policy and procedures</li> <li>– Annual Individual Capital Adequacy Assessment Process</li> </ul>
B	<p><b>Liquidity</b></p> <p>The risk of having insufficient financial resources to meet obligations as they fall due, or that to secure access to such resources would be at an excessive cost</p>	Low	Low	This risk can arise through day-to-day operations in so far as a significant proportion of client funds could be withdrawn in a short time period and marketable assets may not be realised in time and at the value required	<ul style="list-style-type: none"> <li>– Banking committee oversight</li> <li>– Daily treasury procedures, reconciliations and reporting to senior management</li> <li>– Cash flow forecasting</li> <li>– Contingency funding plan</li> <li>– Annual Individual Liquidity Adequacy Assessment (including stress testing)</li> </ul>
C	<p><b>Market</b></p> <p>The risk that earnings or capital will be adversely affected by changes in the level or volatility of interest rates, foreign currency exchange rates or market prices</p>	Low	Low	This risk can arise through two primary areas: the exposure to mismatch between repricing of the firm's own financial assets and liabilities and, to a lesser extent, transactional foreign exchange risk	<ul style="list-style-type: none"> <li>– Banking committee oversight</li> <li>– Documented policies and procedures</li> <li>– Daily monitoring of interest rates, exchange rates, maturity mismatch and extent of marketable assets</li> <li>– Robust application of policy and investment limits</li> </ul>
D	<p><b>Pension</b></p> <p>The risk that the cost of our defined benefit pension schemes increases, or its valuation affects dividends, reserves and capital</p>	Med	Low	This risk can arise through a sustained deficit between the schemes' assets and liabilities. A number of factors impact a deficit including increased life expectancy, falling interest rates and falling equity prices	<ul style="list-style-type: none"> <li>– Board, senior management and trustee oversight</li> <li>– Monthly valuation estimates</li> <li>– Triennial independent actuarial valuations</li> <li>– Investment policy</li> <li>– Senior management review and defined management actions</li> <li>– Annual Individual Capital Adequacy Assessment Process</li> </ul>

Further detailed discussion of the group's exposures to financial risks is included in note 32 to the consolidated financial statements.



## Conduct risks

Ref	Level 2 risk	Residual rating		How the risk arises	Key mitigators
		I	L		
E	<p><b>Business model</b></p> <p>The risk that the business model does not respond in an optimal manner to changing market conditions such that sustainable growth, market share or profitability is adversely affected</p>	High	Med	This risk can arise from both strategic decisions which fail to consider the current operating environment or can be influenced by external factors such as material changes in regulation, or legislation within the financial services sector	<ul style="list-style-type: none"> <li>– Board and executive oversight</li> <li>– A documented strategy</li> <li>– Annual business targets, subject to regular review and challenge</li> <li>– Regular reviews of pricing structure</li> <li>– Continued investment in the investment process, service standards and marketing</li> <li>– Trade body participation</li> <li>– Regular competitor benchmarking and analysis</li> </ul>
F	<p><b>Performance and advice</b></p> <p>The risk that clients receive inappropriate financial, trust or investment advice, inadequate documentation or unsuitable portfolios resulting in a failure to meet clients' investment and/or other objectives or expectations</p>	Med	Med	This risk can arise through a failure to appropriately understand the wealth management needs of our clients and a failure to apply suitable advice or investment strategies, along with having inadequate tools and systems in place to support our client facing financial professionals	<ul style="list-style-type: none"> <li>– Investment governance and structured committee oversight</li> <li>– Management oversight and segregated quality assurance and performance teams</li> <li>– Performance measurement and attribution analysis</li> <li>– Weekly investment management meetings</li> <li>– Monthly investment manager peer reviews through sampling</li> <li>– Compliance monitoring</li> </ul>
G	<p><b>Regulatory</b></p> <p>The risk of failure by the group (and/or a subsidiary) to fulfil regulatory requirements and comply with the introduction of new or changes to the existing regulation</p>	High	Low	This risk can arise from failures by the business to comply with existing regulation or failure to identify and react to regulatory change	<ul style="list-style-type: none"> <li>– Board and executive oversight</li> <li>– Active involvement with industry bodies</li> <li>– Compliance monitoring programme to examine the control of key regulatory risks</li> <li>– Separate anti-money laundering role with specific responsibility</li> <li>– Oversight of industry and regulatory developments</li> <li>– Close contact with the regulators</li> <li>– Documented policy and procedures</li> <li>– Staff training and development</li> </ul>
H	<p><b>Reputational</b></p> <p>The risk of reputational damage from financial and non-financial events or failing to meet stakeholders' expectations</p>	Med	Low	This risk can arise due to a variety of reasons, primarily within Rathbones. This could be from the conduct of the company or its employees, and from the service or products provided to clients	<ul style="list-style-type: none"> <li>– Staff training and development</li> <li>– Board and executive oversight</li> <li>– Strong corporate values and approach to governance</li> <li>– Positive culture regarding risk and regulation, supported by appropriate remuneration practices</li> <li>– Appropriate emphasis on the control environment through the three lines of defence</li> <li>– Proactive and positive communications with key stakeholders</li> <li>– Crisis response plan</li> <li>– Monitoring of company performance relative to competitors</li> </ul>

## Operational risks

Ref	Level 2 risk	Residual rating		How the risk arises	Key mitigators
		I	L		
I	<p><b>Business change</b></p> <p>The risk that the planning or implementation of change is ineffective or fails to deliver desired outcomes, the impact of which may lead to unmitigated financial exposures</p>	Med	Low	This risk can arise if the business is too aggressive and unstructured with its change programme to manage project risks, resource capacity and capabilities to deliver business benefits. The firm also recognises the risks associated with its planned office move in London, which will lead to the subletting of some premises	<ul style="list-style-type: none"> <li>– Executive and board oversight of material change programmes</li> <li>– Group programme board</li> <li>– Dedicated project office function, use of internal and, where required, external subject matter experts</li> <li>– Documented business plans and IT strategy</li> <li>– Two-stage assessment, challenge and approval of project plans</li> <li>– Documented project and change procedures</li> </ul>
J	<p><b>Business continuity</b></p> <p>The risk that an internal or external event results in either failure or detriment to core business processes or services</p>	Med	Low	This risk can arise from the business failing to effectively control and administer its core operating systems, manage current and future resource requirements and maintain appropriate security of its infrastructure	<ul style="list-style-type: none"> <li>– Group business continuity committee oversight</li> <li>– Documented crisis/incident management and disaster recovery plans</li> <li>– Regular disaster recovery testing</li> <li>– Continuous monitoring of IT systems availability</li> <li>– Off-site data centre</li> </ul>
K	<p><b>Data integrity and security</b></p> <p>The risk of a lack of integrity of, inappropriate access to (or disclosure of) client or company-sensitive information</p>	Med	Low	This risk can arise from the firm failing to maintain and keep secure at all times sensitive and confidential data through its operating infrastructure, including the activities of employees and cyber threats	<ul style="list-style-type: none"> <li>– Data security committee oversight</li> <li>– Data protection policy and procedures</li> <li>– System access controls and encryption</li> <li>– Penetration testing and multi layer network security</li> <li>– Training and employee awareness programmes</li> <li>– Physical security at all locations</li> </ul>
L	<p><b>Fraud</b></p> <p>The risk of fraudulent action either internal or external being taken against the group (and/or a subsidiary)</p>	Med	Low	This risk can arise from failures to implement appropriate management controls to detect or mitigate impropriety either within or external to the business and services provided	<ul style="list-style-type: none"> <li>– Executive oversight</li> <li>– Documented policies and procedures</li> <li>– Segregation of duties between front and back office</li> <li>– System authority and payment limits</li> <li>– System access controls</li> <li>– Training and employee awareness programmes</li> </ul>
M	<p><b>Legal</b></p> <p>The risk of legal action being taken against the group (and/or a subsidiary) or failure to comply with legislative requirements resulting in financial loss and reputational damage</p>	Med	Low	This risk can arise from inappropriate behaviour of individuals or from the inadequate drafting of the firm's contractual documentation	<ul style="list-style-type: none"> <li>– Executive oversight</li> <li>– Retained specialist legal advisers</li> <li>– Routine control of risks which might lead to litigation if adverse outcomes are experienced by clients or other third parties</li> <li>– Documented policies and procedures</li> <li>– Training and employee awareness programmes</li> </ul>

## Risk management

### Operational risks

Ref	Level 2 risk	Residual rating		How the risk arises	Key mitigators
		I	L		
N	<p><b>Outsourcing</b></p> <p>The risk of one or more third parties failing to provide or perform outsourced services to standards expected by the group, impacting the ability to deliver core services</p>	Med	Low	This risk can arise due to significant unknown operational changes at key outsourced relationships or a material change to their business model which affects their ability to provide the required services for Rathbones	<ul style="list-style-type: none"> <li>– Executive oversight</li> <li>– Supplier due diligence and regular financial reviews</li> <li>– Active relationship management, including regular service review meetings</li> <li>– Service level agreements and monitoring of key performance indicators</li> <li>– Compliance monitoring</li> </ul>
O	<p><b>People</b></p> <p>The risk of loss of key staff, lack of skilled resources and inappropriate behaviour or actions. This could lead to lack of capacity or capability threatening the delivery of business objectives or behaviour leading to complaints, regulatory action or litigation</p>	Med	Med	This risk can arise across all areas of the business as a result of resource management failures or from external factors such as increased competition or material changes in regulation	<ul style="list-style-type: none"> <li>– Executive oversight</li> <li>– Succession and contingency planning</li> <li>– Transparent, consistent and competitive remuneration schemes</li> <li>– Contractual clauses with restrictive covenants</li> <li>– Continual investment in staff training and development</li> <li>– Employee engagement survey</li> <li>– Appropriate balanced performance measurement system</li> </ul>
P	<p><b>Processing</b></p> <p>The risk that the design or execution of client/financial/settlement transaction processes (including dealing activity) are inadequate or fail to deliver an appropriate level of service and protection to client or company assets</p>	Low	Med	This risk can arise from the failure of management to implement and control operational processes and systems to support the volumes of transactions processed on a daily basis	<ul style="list-style-type: none"> <li>– Authorisation limits and management oversight</li> <li>– Dealing limits and supporting system controls</li> <li>– Active investment in automated processes</li> <li>– Counter review/four-eyes processes</li> <li>– Segregation of duties</li> <li>– Document procedures</li> <li>– Annual controls assessment (ISA 3402 report)</li> </ul>

## Assessment of the company's prospects

The board prepares or reviews its strategic plan annually, completing the Internal Capital Adequacy Assessment Process (ICAAP) and Individual Liquidity Adequacy Assessment (ILAA) work which forms the basis for capital planning and regular discussion with the Prudential Regulatory 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 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. 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 all Pillar 1 risks (credit, market and operational risks) to required regulatory standards. In addition, the following risks were focused on for enhanced stress testing: equity market risk, interest rate risk, a loss of business/competition risk, business expansion risk and pension obligation risk.

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

Whilst this review does not consider all of the risks that the group may face, the directors consider that this 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 taking into account the risk assessments (which are based upon a five year period as detailed above). The directors have taken into account 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 the principal risks facing the group including those that would threaten its business model, future performance, solvency or liquidity.

The directors have determined that a three year period to 31 December 2018 constitutes an appropriate period over which to provide its viability statement. The board does consider five year projections as part of its annual regulatory reporting cycle and its opinion of the likelihood of risks materialising; however, the uncertainties associated with predicting the future impact of investment markets on the business make a three year period more aligned with its detailed capital planning activity.

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 all fall due over the period to 31 December 2018.

## Our performance

28	Group performance
31	Segmental review
40	Financial position
43	Liquidity and cash flow
44	Corporate responsibility report



## Group performance

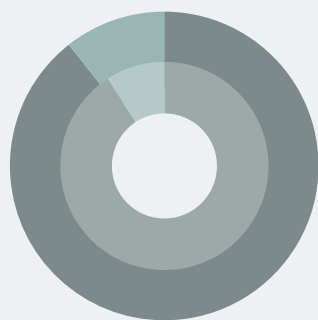


**Paul Stockton**  
Finance Director

Financial performance remained strong in 2015 due to continuing growth and the full benefit of 2014 acquisitions impacting results. Total funds under management increased 7.4% to £29.2 billion (2014: £27.2 billion). Overall, the FTSE 100 Index ended the year 4.9% down at 6242 while the FTSE WMA Balanced Index closed down 0.2% at 3531.

Our performance

**Chart 1. Group funds under management**



	2015 £bn	2014 £bn
● Investment Management	26.1	24.7
● Unit Trusts	3.1	2.5
	<b>29.2</b>	<b>27.2</b>

**Table 1. Group's overall performance**

	2015 £m (unless stated)	2014* £m (unless stated)
Underlying operating income	229.2	200.8
Underlying operating expenses	(158.8)	(139.2)
Underlying profit before tax <sup>1</sup>	70.4	61.6
Underlying operating margin <sup>2</sup>	30.7%	30.7%
Profit before tax	58.6	45.7
Effective tax rate	20.8%	21.9%
Taxation	(12.2)	(10.0)
Profit after tax	46.4	35.7
Underlying earnings per share	117.0p	102.4p
Earnings per share	97.4p	76.0p
Dividend per share <sup>3</sup>	55.0p	52.0p

\* Restated following the adoption of IFRIC 21, as described in note 1

1 A reconciliation between underlying profit before tax and profit before tax is shown in table 2

2 Underlying profit before tax as a percentage of underlying operating income

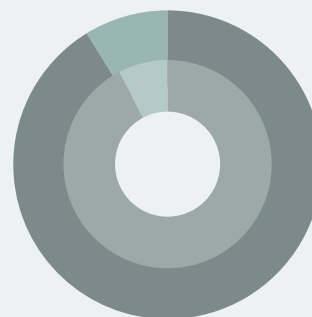
3 The total interim and final dividend proposed for the financial year

## Group underlying operating income

Underlying operating income increased 14.1% to £229.2 million driven largely by the positive impact of 2014 acquisitions and organic growth. A detailed analysis of each component of income is set out in the segmental review on pages 31 to 39.

A reconciliation between underlying operating income and reported operating income is provided on page 111.

**Chart 2. Group underlying operating income**



	2015 £m	2014 £m
● Investment Management	209.0	185.3
● Unit Trusts	20.2	15.5
	<b>229.2</b>	<b>200.8</b>

## Group underlying operating expenses

Underlying operating expenses increased 14.1% to £158.8 million, largely reflecting a combination of fixed and variable staff costs as the business grows as well as property, IT, marketing and rebranding expenditure during the year (see chart 3).

Total fixed staff costs increased by 18.7% to £73.5 million in 2015, including inflation of 3.6% and growth of 11.5% in average full time equivalent headcount to 981 (2014: 880). Total variable staff costs increased by 12.8% to £39.7 million reflecting growth in profits and funds under management. Variable staff costs in 2015 represented 17.3% of underlying operating income (2014: 17.5%) and 36.1% of underlying profit before tax and variable staff costs (2014: 36.4%).

2016 will reflect the full year impact of hiring activity in 2015 in addition to salary inflation of around 3%.

Underlying operating expenses also included £3.3 million (2014: £2.8 million) for awards payable to new investment managers for the introduction of new clients where those managers have been in situ for more than 12 months (see note 2.1 to the financial statements).

### Group underlying operating expenses

In 2016, incremental costs of approximately £5.7 million are expected to be incurred to support the implementation of our strategic initiatives.

### Capital expenditure

As planned, capital expenditure increased by £1.2 million, largely as a result of opening a new office in Glasgow and additional office space in Liverpool.

### Group underlying profit before tax/operating margin

Underlying profit before tax and earnings per share are considered by the board to be a better reflection of true business performance than looking at our results on a statutory basis only. These measures are widely used by research analysts covering the group. Underlying results exclude income and expenditure falling in the seven categories explained below. A full reconciliation between underlying profit and profit attributable to shareholders is provided in table 2.

Underlying profit before tax grew 14.3% from £61.6 million in 2014 to £70.4 million driven largely by the positive impact from 2014 acquisitions and organic growth. The underlying operating margin, which is calculated as the ratio of underlying profit before tax to underlying operating income, was 30.7% for the year ended 31 December 2015 (2014: 30.7%). Profit before tax increased 28.2% to £58.6 million for the year, up from £45.7 million in 2014.

**Table 2. Reconciliation of underlying profit before tax to profit before tax**

	2015 £m	2014* £m
Underlying profit before tax	70.4	61.6
Charges in relation to client relationships and goodwill	(11.0)	(8.3)
Head office relocation costs	(0.4)	—
Acquisition-related costs	(0.4)	(1.1)
Refund of levies for the Financial Services Compensation Scheme	—	1.0
Gain on disposal of financial securities	—	6.8
Gain on disposal of pension administration business	—	0.7
Contribution to legal settlement	—	(15.0)
<b>Profit before tax</b>	<b>58.6</b>	<b>45.7</b>

\* Restated following the adoption of IFRIC 21, as described in note 1

### Charges in relation to client relationships and goodwill (note 22)

As explained in notes 1.15 and 2.1, client relationship intangible assets are created when we acquire a business or a team of investment managers. The amortisation charge associated with these assets represents a significant non-cash item. It has, therefore, been excluded from underlying profit, which represents largely cash-based earnings. Charges for amortisation of client relationship intangibles in the year ended 31 December 2015 were £11.0 million (2014: £8.3 million), reflecting historic acquisitions.

### Head office relocation costs (note 9)

On 6 January 2016, we exchanged contracts for a 17 year lease on office space at 8 Finsbury Circus with the intention of moving the London head office to the new premises in 2017. As a result, we have reviewed our estimates of the useful life of assets in the current premises and the timing of dilapidations payments due under the existing leases, resulting in total accelerated charges of £0.4 million in 2015 (2014: £nil).

In addition to the charge in 2015, the move is also expected to result in accounting charges of up to £9.5 million in 2016. These charges reflect the rental costs of 8 Finsbury Circus, as well as provisions for dilapidations on the new property and accelerated depreciation charges for 1 Curzon Street.

A non-cash charge will also be incurred when our current Curzon Street premises are vacated, which is expected to be in the first quarter of 2017, representing the discounted cost of the remaining lease obligations in Curzon Street (which end in 2023) net of expected income from subletting. Based on current assumptions, this charge could amount to approximately £8 million.

### Acquisition-related costs (notes 8, 21 and 35)

Net costs of £0.4 million were incurred in relation to the acquisitions of Vision Independent Financial Planning Limited ('Vision') and Castle Investment Solutions Limited ('Castle'), which were completed on 31 December 2015. This includes the impact of fair value adjustments for our 19.9% holding in the companies prior to the acquisition, the write off of the related options and associated professional fees.

As described in note 35, deferred payments to vendors who are remaining in employment of £10.2 million will be charged to profit or loss over the deferral period. Of this, £6.0 million is expected to be charged in 2016.

**Group underlying profit before tax/operating margin**

In 2014, professional fees of £1.1 million were incurred in relation to the purchase of part of Deutsche Asset & Wealth Management's London-based private client investment management business and the acquisition of Jupiter's private client and charity investment management business.

**Refund of levies for the Financial Services Compensation Scheme (note 6)**

In December 2014, the Financial Services Compensation Scheme announced that they had made recoveries of approximately £50 million in relation to the failure of Keydata and other intermediaries. The share of recoveries returned to us was £1.0 million. No such amounts arose in 2015.

**Gain on disposal of financial securities (note 6)**

During 2014, we disposed of our remaining holdings of shares in the London Stock Exchange Group Plc and Euroclear Plc, raising £6.8 million from the disposals. We acquired the shares as we were a member of the London Stock Exchange and Crest at the time of their respective listings. No such income arose in 2015.

**Gain on disposal of pension administration business (note 6)**

On 31 December 2014, we disposed of our self-invested personal pension (SIPP) administration business, which was no longer considered to be a core component of our activities. This generated net proceeds of £0.7 million.

**Contribution to legal settlement (note 7)**

In 2014, we contributed £15.0 million to a settlement of legal proceedings in Jersey involving a former director and employee of a former subsidiary and in respect of legal proceedings against certain of our civil liability (professional indemnity) insurers. No such costs were incurred in 2015.

**Taxation**

The tax charge for 2015 was £12.2 million (2014: £10.0 million), and represents an effective tax rate of 20.8% (2014: 21.9%). A full reconciliation of the income tax expense is provided in note 11 to the financial statements.

The Finance Bill 2015, which included provisions for the UK corporation tax rate to be reduced to 19% in April 2017 and 18% in April 2020, gained royal assent in November 2015. Deferred tax balances have therefore been calculated based on these reduced rates where timing differences are forecast to unwind in future years.

The Finance Bill 2015 also introduced a banking surcharge, which adds 8% to the effective tax rate for banks exceeding certain thresholds relating to the scale of banking operations. However, the measures incorporated in the final version of the Finance Bill 2015 mean that as long as the accepting of deposits remains ancillary to our asset management activities, we will be exempt from the tax surcharge.

**Basic earnings per share**

Basic earnings per share for the year ended 31 December 2015 were 97.4p, up significantly from the 76.0p reported in 2014, which incorporated the impact of the placing of 1,343,000 shares during that year. On an underlying basis, earnings per share increased by 14.3% to 117.0p in 2015 (see note 13 to the financial statements).

**Dividends**

In light of the results for the year, the board has proposed a final dividend for 2015 of 34p. This results in a full year dividend of 55p, an increase of 3p on 2014 (5.8%). The proposed dividend is covered 1.8 times by basic earnings and 2.1 times by underlying earnings.

**Chart 3. Group underlying operating expenses £m**



## Segmental review

The group is managed through two key operating segments, Investment Management and Unit Trusts. The activities of the group are described in detail in the strategic report on pages 11 to 15.

The Investment Management segment comprises those activities described under the headings: private clients, charities and specialist services, Greenbank, private office and other services as well as the group's treasury operations. The Investment Management segment also includes Vision and Castle, which were acquired on 31 December 2015 (see note 35). However, as these businesses were not part of the group until the very end of the year, they have been excluded from the analysis below.

The Unit Trusts segment comprises those activities described under the unit trust funds and multi asset funds headings.

### Investment Management

The financial performance of Investment Management is largely driven by the value of funds under management. 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 loans to clients, as described below. Portfolios are closely managed by investment managers, who maintain relationships with clients that are critical to the retention of client accounts.

Year-on-year changes in the key performance indicators for Investment Management are shown in table 3.

**Table 3. Investment Management – key performance indicators**

	2015	2014
Funds under management at 31 December <sup>1</sup>	<b>£26.1bn</b>	£24.7bn
Underlying rate of net organic growth in Investment Management funds under management <sup>1</sup>	<b>3.0%</b>	4.0%
Underlying rate of total net growth in Investment Management funds under management <sup>1</sup>	<b>5.7%</b>	19.6%
Average net operating basis point return <sup>2</sup>	<b>76.2bps</b>	77.2bps
Number of Investment Management clients	<b>47,000</b>	46,000
Number of investment managers	<b>260</b>	249

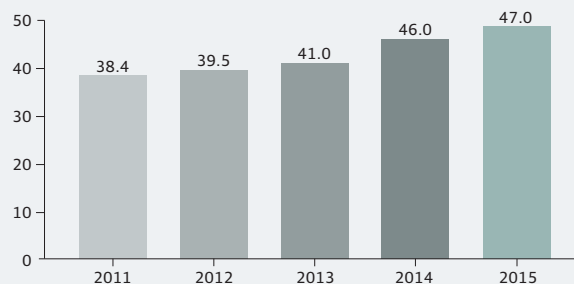
<sup>1</sup> See table 4

<sup>2</sup> See table 7

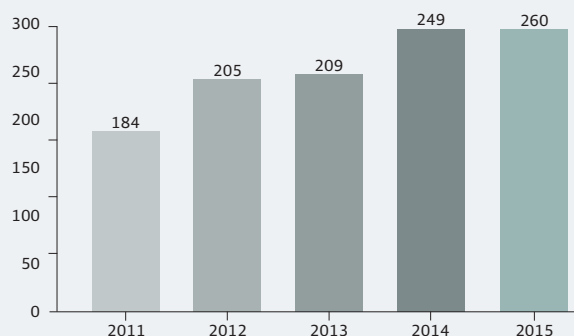
During 2015, Investment Management has continued to attract new clients both organically and through acquisitions. The total number of clients (or groups of closely related clients) increased from approximately 46,000 in 2014 to over 47,000 during the year, with the 2014 number bolstered by the addition of some 2,800 clients joining as a result of the Deutsche Asset & Wealth Management and Jupiter Asset Management transactions. During 2015, the total number of investment managers increased to 260 at 31 December 2015 from 249 at the end of 2014.

**Chart 4. Investment Management – number of clients and investment managers**

Number of Investment Management clients '000



Number of investment managers



The average net operating basis point return on funds under management has fallen slightly in 2015; although fee returns have increased, this was offset by poorer than expected commission levels in weaker second half markets.

## Investment Management

## Funds under management

Investment Management funds under management increased by 5.7% to £26.1 billion at 31 December 2015 from £24.7 billion at the start of the year. This increase is analysed in table 4.

Table 4. Investment Management – funds under management

	2015 £bn	2014 £bn
As at 1 January	24.7	20.2
Inflows	3.0	5.5
– organic <sup>1</sup>	2.3	2.3
– acquired <sup>2</sup>	0.7	3.2
Outflows <sup>1</sup>	(1.6)	(1.5)
Market adjustment <sup>3</sup>	–	0.5
As at 31 December	26.1	24.7
Net organic new business <sup>4</sup>	0.7	0.8
Underlying rate of net organic growth <sup>5</sup>	3.0%	4.0%
Underlying rate of total net growth <sup>6</sup>	5.7%	19.6%

1 Value at the date of transfer in/(out)

2 Value at 31 December

3 Represents the impact of market movements and investment performance

4 Organic inflows less outflows

5 Net organic new business as a percentage of opening funds under management

6 Net organic new business and acquired inflows as a percentage of opening funds under management

Investment Management net organic growth of 3.0% (2014: 4.0%) was below the targeted 5.0% organic growth across the economic cycle, largely reflecting market conditions during the year.

All areas of Investment Management contributed to growth in 2015, with referrals from existing clients remaining a key source of new business. Charity funds under management continued to grow strongly and reached £3.5 billion at 31 December 2015, up 6.1% from £3.3 billion at the start of the year. The most recent Charity Finance survey placed the group as the fourth largest charity investment manager in the UK by funds under management as at 30 June 2015.

Investment Management retained marketing focus on intermediaries during the year. Funds under management in accounts linked to independent financial advisers (IFAs) and provider panel relationships increased by £0.6 billion during 2015, ending the year at £5.5 billion compared to £4.9 billion in 2014. Vision and Castle, which the group purchased the remainder of on 31 December 2015, represented £634 million, up from £496 million in 2014. Net inflows arising from those clients introduced to the group by Vision during the year have been reported within organic growth.

Acquired inflows of £3.2 billion in 2014 included £2.6 billion from the purchase of part of Deutsche Asset & Wealth Management's London-based private client investment management business and the acquisition of Jupiter Asset Management's private client and charity investment management business in June 2014 and September 2014 respectively.

In total, net organic and acquired growth added £1.4 billion to Investment Management funds under management in 2015 (2014: £4.0 billion), representing an underlying rate of total net growth of 5.7% (2014: 19.6%).

Average investment returns across all Investment Management clients were positive in 2015, and at 3.5% total return, were 0.8% above the FTSE WMA Balanced Index. This was due in large part to sector allocations across UK equities and in particular to Investment Management's underweight position in the oil and mining sectors throughout the year, where the continued weakness in the price of oil and commodities hampered these stocks. In 2015, Investment Management maintained a lower overseas exposure than the FTSE WMA Indices, but stock selection was good particularly in European collectives.

## Financial performance

Investment Management income is derived from:

- a tiered scale of investment management or advisory fees, which are applied based on the value of clients' funds under management;
- commissions, which are levied on transactions undertaken on behalf of clients who are not on a fee only tariff; and
- an interest margin earned on the cash held in clients' portfolios and on loans to clients.

On 1 January 2015, Investment Management launched a revised tariff for new clients. The new rates are intended to provide increased transparency to clients on the overall level of charges, and are in line with the trend away from commissions within the industry. In July, our existing private clients who were on our old fee only or fee and commission rates were moved onto the new rate cards.

Investment Management

Table 5. Investment Management – financial performance

	2015 £m	2014 £m
Net investment management fee income <sup>1</sup>	143.8	120.5
Net commission income	43.1	43.7
Net interest income <sup>2</sup>	10.8	9.2
Fees from advisory services <sup>3</sup> and other income	11.3	11.9
Underlying operating income	209.0	185.3
Underlying operating expenses <sup>4</sup>	(145.2)	(127.8)
Underlying profit before tax	63.8	57.5
Underlying operating margin <sup>5</sup>	30.5%	31.0%

- 1 Net investment management fee income is stated after deducting fees and commission expenses paid to introducers
- 2 Presented net of interest expense paid on client accounts; excludes interest on own reserves and interest payable on Tier 2 loan notes issued
- 3 Fees from advisory services includes income from trust, tax and pension advisory services
- 4 See table 8
- 5 Underlying profit before tax as a percentage of underlying operating income

Net investment management fee income increased by 19.3% from £120.5 million to £143.8 million in 2015, benefiting from the fee tariff increase during the third quarter and a full year's income from clients subject to the transactions with Jupiter Asset Management and Deutsche Asset & Wealth Management. For the majority of clients, fees are calculated based on a tiered fee scale applied to the value of funds at Investment Management's quarterly charging dates. Average funds under management on these billing dates in 2015 were £25.7 billion, up 15.8% from 2014.

Table 6. Investment Management – average funds under management

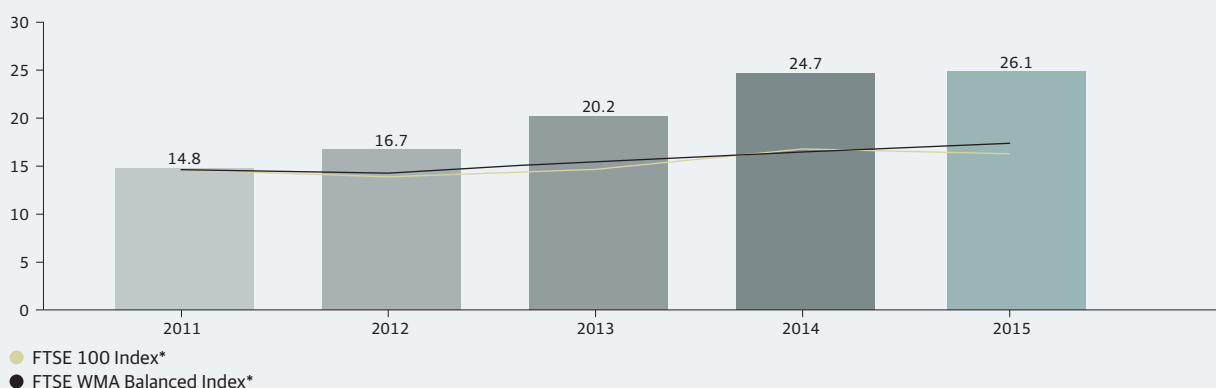
	2015 £bn	2014 £bn
Valuation dates for billing:		
– 5 April	26.1	20.7
– 30 June	25.6	21.6
– 30 September	24.8	22.0
– 31 December	26.1	24.7
Average	25.7	22.2
Average FTSE 100 level <sup>1</sup>	6415	6657

1 Based on the corresponding valuation dates for billing

In 2015, net commission income of £43.1 million was down 1.4% on £43.7 million in 2014. This was primarily due to market sentiment, particularly in the second half of the year, as well as the positive impact in 2014 of work to rebalance the portfolios of new clients who joined us through our acquisitions in that year. The fee tariff changes in 2015 also depressed commission income as new clients now pay a fee only rate.

Net interest income of £10.8 million in 2015 was 17.4% above the £9.2 million in 2014 as Investment Management increased the amount invested in fixed income securities over the course of the year as conditions in inter-bank markets improved. Cash held at the Bank of England fell from £727.2 million at 31 December 2014 to £583.2 million at the end of 2015. The Investment Management loan book contributed £2.9 million to net interest income in 2015 (2014: £2.7 million). Included in net interest income is £0.5 million of interest payable on the Tier 2 notes issued in August 2015.

Chart 5. Investment Management – funds under management five year growth £bn



\* Index figures show how funds under management would have changed between 2011 and 2015 if they had tracked each index

# Brand

We aspire to hold a reputation amongst our clients and peers of professionalism, reliability, efficiency and trustworthiness. We believe that our new brand identity reflects the way we operate as we continue to move with the times, blending new ideas and the latest technology with our long-standing investment management experience and constant values.

Our refreshed brand identity conveys the 3IQ attributes – Individual, Independent, Informed and Quality, which are at the heart of our corporate culture and the way we do business.

We have now deployed our new website, marketing materials and various internal/external branding materials.

Our performance



## Investment Management

Overall, we saw a slight decrease in the return earned on average funds under management to 76.2 bps from 77.2 bps in 2014, as the reduction in commission income offset growth in fees.

Table 7. Investment Management – revenue margin

	2015 bps	2014 bps
Basis point return <sup>1</sup> from:		
– fee income	56.0	54.2
– commission	16.8	19.7
– interest	3.4	3.3
Basis point return on funds under management	76.2	77.2

1 Underlying operating income (see table 5), excluding interest on own reserves, interest payable on Tier 2 notes issued, fees from advisory services and other income, divided by the average funds under management on the quarterly billing dates (see table 6)

Underlying operating expenses in Investment Management for 2015 were £145.2 million, compared to £127.8 million in 2014, an increase of 13.6%. This is highlighted in table 8.

Table 8. Investment Management – underlying operating expenses

	2015 £m	2014 £m
Staff costs <sup>1</sup>		
– fixed	51.3	43.9
– variable	29.4	25.8
Total staff costs	80.7	69.7
Other operating expenses	64.5	58.1
Underlying operating expenses	145.2	127.8
Underlying cost/income ratio <sup>2</sup>	69.5%	68.9%

1 Represents the costs of investment managers and teams directly involved in client-facing activities

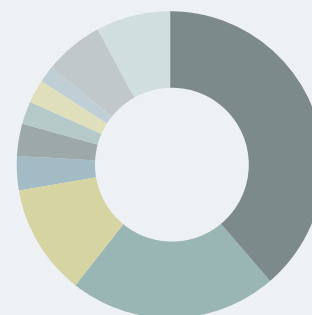
2 Underlying operating expenses as a percentage of underlying operating income (see table 5)

Fixed staff costs of £51.3 million increased by 16.9% year-on-year, principally reflecting a 14.4% increase in average headcount and growth in pension costs due to low gilt yields at the beginning of 2015. Variable staff costs are also higher, reflecting higher underlying profitability and growth in funds under management.

Other operating expenses of £64.5 million include property, depreciation, settlement, IT, finance and other central support services costs. The year-to-year increase of £6.4 million (11.0%) reflects increased investment in the business, recruitment and higher variable awards in line with growth in business profitability.

## Unit Trusts

Chart 6: Unit Trusts funds



	2015 £m	2014 £m
● Rathbone Income Fund	1,188	995
● Rathbone Global Opportunities Fund	674	504
● Rathbone Ethical Bond Fund	359	255
● Rathbone Global Alpha Fund	112	110
● Rathbone Active Income Fund for Charities	105	52
● Rathbone Recovery Fund	73	74
● Rathbone Blue Chip Income and Growth Fund	71	67
● Rathbone Strategic Bond Fund	56	65
● Rathbone Multi Asset Portfolios	189	164
● Other funds	246	234
	<b>3,073</b>	<b>2,520</b>

Unit Trusts' financial performance is principally driven by the value and growth of funds under management. Year-on-year changes in the key performance indicators for Unit Trusts are shown in table 9.

Table 9. Unit Trusts – key performance indicators

	2015	2014
Funds under management at 31 December <sup>1</sup>	£3.1bn	£2.5bn
Underlying rate of net growth in Unit Trusts funds under management <sup>1</sup>	16.0%	33.3%
Underlying profit before tax <sup>2</sup>	£6.6m	£4.0m

1 See table 10

2 See table 12

# Property

## London

We have grown very successfully in London in recent years. In the four year period that we have been at Curzon Street, London funds under management have grown from £8.9 billion to £16.5 billion as at 31 December 2015. As a result, the need for a larger property to cater for current and future staff was required earlier than originally anticipated. In early 2017, Rathbones' head office will move from its 44,000 sq ft space at 1 Curzon Street to a 75,000 sq ft space at new development, 8 Finsbury Circus.

We believe with its quality architecture and strong transport links, 8 Finsbury Circus will provide a welcoming environment for our clients. Crucially, it will also allow all of our London-based staff to work together under one roof whilst also creating capacity for future growth.

## Liverpool

During 2015, we expanded our office space in Liverpool by approximately 18%, adding a further 12,000 sq ft to our existing 65,000 sq ft in the Port of Liverpool Building.

## Glasgow

In May, we opened a new 5,000 sq ft office in Glasgow, welcoming 14 new colleagues to the Athenaeum building.



- 1 Our new London head office at 8 Finsbury Circus
  - 2 The Port of Liverpool building\*
- \* Photograph: Chris Howells

Unit Trusts

Funds under management

The recent upward trend in the retail asset management industry's sales stuttered in 2015 with net retail sales of £17.6 billion, down £3.2 billion on 2014, as reported by the Investment Association (IA). The IA cited a slow start in the first quarter because of macro economic issues, but sales growth recovered after that and industry funds under management rose to £870 billion by the end of the year (2014: £835 billion). Sales across the industry remained concentrated in a relatively small number of funds.

Equity remained the best selling asset class, with net sales of £8.4 billion in 2015, only £0.2 billion down on 2014. UK Equity Income, where Unit Trusts have particular expertise and two strong product offerings, was again the best selling IA sector in 2015 overall with £4.3 billion net retail sales. Global was the second best region at £2.2 billion net retail sales.

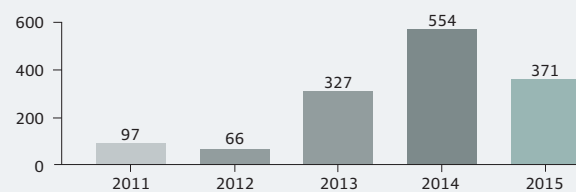
Against this backdrop, Unit Trusts' positive momentum continued through 2015 with gross sales of over £0.9 billion (2014: £1.0 billion). As a result, Unit Trusts' funds under management closed the year up 24.0% at £3.1 billion (see table 10). Net inflows of £0.4 billion (2014: £0.6 billion) continued to be spread across the range of funds, with the Income, Global Opportunities and Ethical Bond funds seeing particularly strong sales in the year.

Table 10. Unit Trusts – funds under management

	2015 £bn	2014 £bn
As at 1 January	2.5	1.8
Net inflows	0.4	0.6
– inflows <sup>1</sup>	0.9	1.0
– outflows <sup>1</sup>	(0.5)	(0.4)
Market adjustments <sup>2</sup>	0.2	0.1
As at 31 December	3.1	2.5
Underlying rate of net growth <sup>3</sup>	16.0%	33.3%

- 1 Valued at the date of transfer in/(out)
- 2 Impact of market movements and relative performance
- 3 Net inflows as a percentage of opening funds under management

Chart 7: Unit Trusts – annual net flows £m



During 2015, the range of funds maintained their strong long-term performance track record, which is critical to sales momentum.

Table 11. Unit Trusts – fund performance

2015/(2014) Quartile ranking <sup>1</sup> over:	1 year	3 years	5 years
Rathbone Blue Chip Income and Growth Fund	1 (2)	2 (2)	2 (2)
Rathbone Ethical Bond Fund	1 (2)	1 (1)	1 (1)
Rathbone Global Opportunities Fund	1 (2)	1 (1)	1 (1)
Rathbone Income Fund	1 (1)	1 (1)	1 (1)
Rathbone Recovery Fund	1 (4)	1 (2)	2 (1)
Rathbone Strategic Bond Fund <sup>2</sup>	2 (2)	2 (3)	n/a (n/a)

- 1 Ranking of institutional share classes at 31 December 2015 and 2014 against other funds in the same IA sector
- 2 Performance data for the Rathbone Strategic Bond Fund is not yet available beyond three years as the fund was launched on 3 October 2011

Investors continued to switch from retail to institutional units across all of our funds during the year. Institutional units carry a lower annual management charge (typically half that of retail units) but do not allow for any form of trail commission. By 31 December 2015 some 76% of holdings in Unit Trusts' retail funds were in institutional units (31 December 2014: 60%).

# Research

## Source

We have extensive in-house investment expertise and resources from Rathbone Investment Management and Rathbone Unit Trust Management and blend these skills with outside specialists to ensure clients benefit from the best investment thinking. We also use economic analysis from several independent groups. They inform our process as trusted advisers and we have developed these relationships over many years.

## Committees

Investment managers can access guidance from a series of committees covering strategic asset allocation, stock selection, fixed income, third party or collective funds and corporate governance. These committees are supported by our research team and benefit from participation from investment managers and unit trust managers. Of our 273 investment professionals, around 110 are actively involved in the running of our central investment process with many more contributing on a more ad hoc basis in terms of the dissemination of ideas and research.

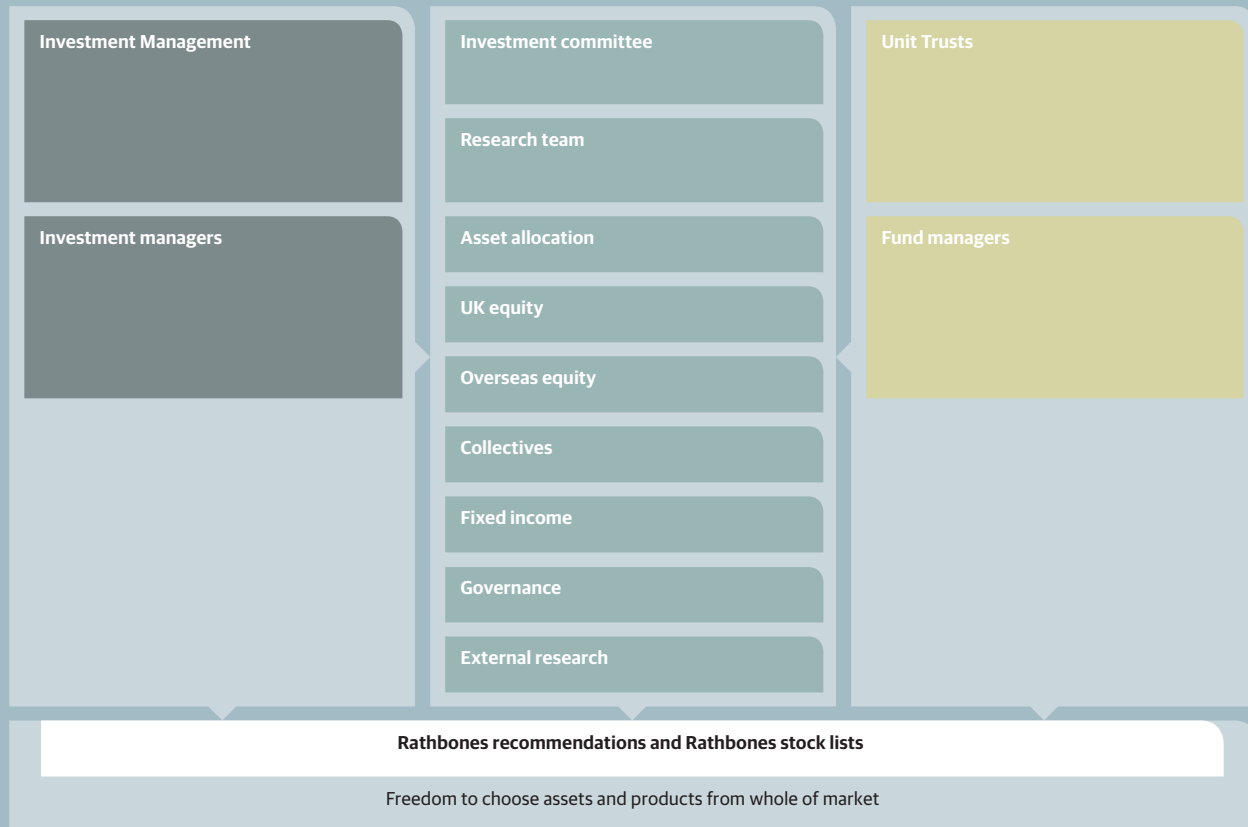
## Output

Output from our investment process is delivered in a variety of ways to teams across Rathbones. This material is widely used to support the investment choices made for clients from across the full breadth of the market.

## Future plans

We have begun the implementation of a three year plan to enhance our research function which is focused on three core areas: improving research communications with investment managers, building stronger team resources in the equity analyst teams across Rathbone Investment Management and Rathbone Unit Trust Management, and improving our risk capabilities to help meet the requirements of our many clients.

Our performance





Unit Trusts

Financial performance

Unit Trusts' income is primarily derived from:

- annual management charges, which are calculated on the daily value of funds under management, net of rebates and trail commission payable to intermediaries; and
- net dealing profits, which are earned on the bid-offer spread from intra-day sales and redemptions of units and market movements on the very small stock of units that are held on our books overnight.

**Table 12. Unit Trusts – financial performance**

	2015 £m	2014 £m
Net annual management charges	17.6	13.3
Net dealing profits	2.2	1.9
Interest and other income	0.4	0.3
Underlying operating income	20.2	15.5
Underlying operating expenses <sup>1</sup>	(13.6)	(11.5)
Underlying profit before tax	6.6	4.0
Underlying operating margin <sup>2</sup>	32.7%	25.8%

<sup>1</sup> See table 13  
<sup>2</sup> Underlying profit before tax divided by underlying operating income

Net annual management charges increased 32.3% to £17.6 million in 2015, driven principally by the rise in average funds under management. Net annual management charges as a percentage of average funds under management increased to 63 bps (2014: 60 bps) as the total income from the Rathbone Multi Asset Portfolio Service units are now recognised within the Unit Trusts segment following the transfer to Unit Trusts of the fund manager, whereas 25 bps was previously recognised in Investment Management. Excluding the impact of this change, the return fell marginally to 59 bps.

Net dealing profits of £2.2 million increased by 15.8% on £1.9 million in 2014 due to a higher level of redemptions in the first half of the year. Underlying operating income as a percentage of average funds under management grew to 72 bps in 2015 from 70 bps in 2014.

**Table 13. Unit Trusts – underlying operating expenses**

	2015 £m	2014 £m
Staff costs:		
– fixed	3.0	3.3
– variable	3.8	2.8
Total staff costs	6.8	6.1
Other operating expenses	6.8	5.4
Underlying operating expenses	13.6	11.5
Underlying cost/income ratio <sup>1</sup>	67.3%	74.2%

<sup>1</sup> Underlying operating expenses as a percentage of underlying operating income (see table 12)

Fixed staff costs of £3.0 million for the year ended 31 December 2015 were 9.1% lower than the £3.3 million recorded in 2014. Following the combination of the Investment Management and Unit Trusts sales teams, the cost of the sales team is now recognised within Investment Management which recharges the cost to Unit Trusts. The cost of inter-segment recharges is reported within other operating expenses.

Variable staff costs of £3.8 million were 35.7% higher than £2.8 million in 2014 as higher profitability and growth in gross sales drove increases in profit share and sales commissions.

Other operating expenses have increased by 25.9% to £6.8 million, reflecting an increase in third party administration costs in line with growth in the business, and higher inter-segment charges as noted above.

## Financial position

**Table 14. Group's financial position**

	2015 £m (unless stated)	2014* £m (unless stated)
<b>Capital resources:</b>		
– Common Equity Tier 1 ratio <sup>1</sup>	<b>16.4%</b>	17.7%
– Total Own Funds ratio <sup>2</sup>	<b>18.4%</b>	17.7%
– Total equity	<b>300.2</b>	271.3
– Tier 2 subordinated loan notes	<b>19.5</b>	–
– Risk-weighted assets	<b>794.1</b>	632.8
– Return on assets <sup>3</sup>	<b>2.6%</b>	2.5%
– Leverage ratio <sup>4</sup>	<b>7.7%</b>	7.3%
<b>Other resources:</b>		
– Total assets	<b>1,833.6</b>	1,668.1
– Treasury assets <sup>5</sup>	<b>1,453.2</b>	1,317.1
– Investment management loan book <sup>6</sup>	<b>111.8</b>	97.4
– Intangible assets from acquired growth <sup>7</sup>	<b>164.3</b>	153.6
– Tangible assets and software <sup>8</sup>	<b>17.0</b>	16.3
<b>Liabilities:</b>		
– Due to customers <sup>9</sup>	<b>1,402.9</b>	1,282.4
– Net defined benefit liability	<b>4.5</b>	13.7

- \* Restated following the adoption of IFRIC 21, as described in note 1  
 1 Common Equity Tier 1 capital as a proportion of total risk exposure amount  
 2 Total own funds (see table 15) as a proportion of total risk exposure amount  
 3 Profit after tax divided by average total assets  
 4 Common Equity Tier 1 capital as a percentage of total assets, excluding intangible assets and investment in associates, plus certain off balance sheet exposures  
 5 Balances with central banks, loans and advances to banks and investment securities (excluding available for sale equity investments)  
 6 See note 16 to the consolidated financial statements  
 7 Net book value of acquired client relationships and goodwill (note 22)  
 8 Net book value of property, plant and equipment and computer software (notes 19 and 22)  
 9 Total amounts of cash in client portfolios held by Rathbone Investment Management as a bank (note 24)

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

Our consolidated Common Equity Tier 1 (CET1) ratio is higher than the banking industry norm. This reflects the low-risk nature of our banking activity. The CET1 ratio has fallen to 16.4% from 17.7% at the previous year end mainly due to the increase in intangible assets arising from the acquisition of Vision and Castle, as well as an increase in the value of treasury assets invested in the money markets.

The leverage ratio was 7.7% at 31 December 2015, up from 7.3% at 31 December 2014. The leverage ratio represents our (CET1) capital as a percentage of our total assets, excluding intangible assets and investment in associates, plus certain off balance sheet exposures.

In addition to our CET1 resources, on 3 August 2015 Rathbone Investment Management issued £20 million of 10-year Tier 2 subordinated loan notes. The issue of the notes introduces gearing into our balance sheet as a way of financing future growth in a cost-effective and capital-efficient manner. The notes are repayable in August 2025, with a call option for the issuer in August 2020 and annually thereafter. Interest is payable at a fixed rate of 5.856% until the first call option date and at a fixed margin of 4.375% over 6-month LIBOR thereafter (note 27).

As required under PRA rules we perform an Internal Capital Adequacy Assessment Process (ICAAP) and Individual Liquidity Adequacy Assessment (ILAA) annually, which includes performing a range of stress tests to determine the appropriate level of regulatory capital and liquidity that we need to hold. In addition, we monitor a wide range of capital and liquidity statistics on a daily, monthly or less frequent basis as required. Surplus capital levels are forecast on a monthly basis, taking account of proposed dividends and investment requirements, to ensure that appropriate buffers are maintained. Investment of proprietary funds is controlled by our treasury department.

## Regulatory capital

We are classified as a banking group under the Capital Requirements Directive and are therefore required to operate within a wide range of restrictions on capital resources and banking exposures that are prescribed by the Capital Requirements Regulation, as applied in the UK by the Prudential Regulation Authority (PRA). At 31 December 2015, the group had regulatory capital resources of £146.1 million (2014: £111.8 million) as follows:

**Table 15. Regulatory capital resources**

	2015 £m	2014* £m
Share capital and share premium	<b>100.1</b>	95.4
Reserves	<b>206.3</b>	181.4
Less:		
– Own shares	<b>(6.2)</b>	(5.5)
– Intangible assets <sup>1</sup>	<b>(170.4)</b>	(159.5)
Total Common Equity Tier 1 capital resources	<b>129.8</b>	111.8
Tier 2 capital resources	<b>16.3</b>	–
Total own funds	<b>146.1</b>	111.8

- \* Restated following the adoption of IFRIC 21, as described in note 1  
 1 Net book value of goodwill, client relationship intangibles and software are deducted directly from capital resources

**Table 16. Group Pillar 1 own funds requirement**

	2015 £m	2014 £m
Credit risk requirement	<b>36.5</b>	26.7
Market risk requirement	<b>0.3</b>	0.2
Operational risk requirement	<b>26.7</b>	23.7
Pillar 1 own funds requirement	<b>63.5</b>	50.6
Pillar 2A own funds requirement	<b>26.8</b>	14.9
Total Pillar 1 & 2A own funds requirements	<b>90.3</b>	65.5

## Financial position

### Regulatory capital

As at 31 December 2015, the surplus of own funds over total Pillar 1 and 2A own funds requirements was £55.8 million, up from £46.3 million at the end of 2014.

In addition to the Pillar 1 and Pillar 2A own funds requirements, we are also required to hold capital to cover company-specific Pillar 2B buffers (which provide for potential risks arising from external market factors over the cycle) that are agreed confidentially with the PRA from time-to-time.

We face a number of risks to our regulatory capital surplus over the foreseeable future, the principals of which are:

- the staged introduction of CRD IV buffers over the next four years;
- developments in the PRA's interpretation and implementation of EU Directives affecting regulatory capital; and
- future acquisitions which generate intangible assets and, therefore, reduce CET1 resources.

We keep these issues under constant review to ensure that any necessary capital raising activities are carried out in a planned and controlled manner.

### Capital resources

The consolidated balance sheet remains healthy with total equity of £300.2 million at 31 December 2015, up 10.7% from £271.3 million at the end of 2014, primarily reflecting the impact of retained earnings over the year and an improvement in the reported position of our defined benefit pension schemes.

The business is primarily funded by equity, supported by £20 million of subordinated loan notes which fall due in 2025.

### Total assets

Total assets at 31 December 2015 were £1,833.6 million (2014: £1,668.1 million), of which £1,402.9 million (2014: £1,282.4 million) represents cash in client portfolios that is held as a banking deposit.

### Treasury assets

As a licensed deposit taker, Rathbone Investment Management holds our surplus liquidity on its balance sheet together with clients' cash. Cash in client portfolios as held on a banking basis represented 5.5% of total Investment Management funds at 31 December 2015 compared to 5.2% at the end of 2014. Cash held in client money accounts was £4.5 million (2014: £6.4 million).

The treasury department of Rathbone 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 as described in note 32 to the financial statements. The treasury department invests in a range of securities issued by a relatively large number of counterparties. These counterparties must be single 'A' rated or higher by Fitch and are regularly reviewed by the banking committee. During the year, we decreased the share of treasury assets held with the Bank of England to £583.2 million from £727.2 million at 31 December 2014 to take advantage of more attractive investment opportunities.

### Loans to clients

Loans are provided as a service to Investment 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 name, requiring two times cover, and are usually advanced for up to one year (see note 16 to the financial statements). In addition, equitable charges may be taken on property held by the client to meet security cover requirements. All loans (and any extensions to the initial loan period) are subject to review by the banking committee. Our ability to provide such loans is a valuable additional service, for example, to clients that require bridging finance when moving home.

We have continued to increase the size of the investment management loan book during 2015, to take advantage of the higher demand for client loans. Loans advanced totalled £111.8 million at the end of 2015 (2014: £97.4 million).

## Intangible assets

Intangible assets arise principally from acquired growth in funds under management and are categorised as goodwill and client relationships. At 31 December 2015, the total carrying value of intangible assets arising from acquired growth was £164.3 million (2014: £153.6 million). During the year, client relationship intangible assets of £15.8 million were capitalised (2014: £51.2 million), including £4.5 million relating to the acquisition of Vision and Castle. Goodwill totalling £5.9 million was acquired during 2015 (2014: £11.0 million).

Client relationship intangibles are amortised over the estimated life of the client relationship, generally a period of 10 to 15 years. When client relationships are lost, any related intangible asset is derecognised in the year. The total amortisation charge for client relationships in 2015, including the impact of any lost relationships, was £10.7 million (2014: £7.9 million).

Goodwill which arises from business combinations is not amortised, but is subject to a test for impairment at least annually. During the year, the goodwill relating to the trust and tax business was found to be impaired as the growth forecasts for that business have not kept pace with cost inflation. An impairment charge of £0.3 million was recognised in relation to this element of goodwill (2014: £0.4 million). Further detail is provided in note 22 to the financial statements.

## Capital expenditure

During 2015, we have continued to invest for future growth with capitalised expenditure on our premises and systems totalling £5.8 million (2014: £4.6 million). Investment in new systems continues at a steady pace as we continue to improve the efficiency of our systems and our back office. Although some of this is driven by regulatory change, much is driven by our desire to optimise the service that our clients receive and to give our investment managers the tools they need to manage portfolios more easily.

New investment accounted for approximately 76% of capital expenditure in 2015, with the balance being maintenance and replacement of existing software and equipment. This split is broadly consistent with the spending pattern in the recent past, although there was only very limited expenditure on property during the year.

During 2016, we expect to incur fit out costs of the new premises at 8 Finsbury Circus. These costs will be capitalised and amortised over the period of the 17 year lease.

## Defined benefit pension schemes

We operate two defined benefit pension schemes, both of which have been closed to new members for several years.

The increase in corporate bond yields during the latter stages of 2015 has been the primary factor responsible for improving the valuation of the schemes in our balance sheet at 31 December 2015 to a combined deficit of £4.5 million compared to a combined deficit of £13.7 million at 31 December 2014. Full details of the assumptions underlying the accounting valuation and associated sensitivities are included in note 28 to the financial statements.

Triennial funding valuations form the basis of the annual contributions that we make into the schemes. Funding valuations of the schemes were last carried out as at 31 December 2013. As a result there have been no changes to the level of regular contributions made to the schemes.

## Liquidity and cash flow

**Table 17. Extracts from the consolidated statement of cash flows**

	2015 £m	2014 £m
Cash and cash equivalents at the end of the year	<b>703.6</b>	835.8
Net cash inflows from operating activities	<b>176.5</b>	417.7
Net change in cash and cash equivalents	<b>(132.2)</b>	516.0

Fee income is largely collected directly from client portfolios and expenses, by and large, are predictable; consequently we operate with a modest amount of working capital. Larger cash flows are principally generated from banking and treasury operations when investment managers make asset allocation decisions about the amount of cash to be held in client portfolios.

As a bank, we are subject to the PRA's ILAA 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 was £583.2 million at 31 December 2015 (2014: £727.2 million).

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 (see note 37 to the financial statements). Consequently cash flows, as reported in the financial statements, include the impact of capital flows in treasury assets. In 2015, the average duration of treasury assets was increased, which has driven the reported reduction in cash and cash equivalents.

Net cash flows from operating activities include the effect of a £120.8 million increase in banking client deposits (2014: £390.5 million increase) and a £5.6 million increase in the component of treasury assets placed in term deposits for more than three months (2014: £11.1 million increase).

In addition, cash flows included a net outflow of £278.3 million from the purchase of longer dated certificates of deposit (2014: £152.7 million net inflow from maturities of longer dated certificates of deposit), which is shown within investing activities in the consolidated statement of cash flows.

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

- outflows relating to the payment of dividends of £25.8 million (2014: £23.8 million);
- outflows relating to payments to acquire intangible assets (other than as part of a business combination) of £20.3 million (2014: £14.3 million);
- inflow of £19.5 million from the issue of Tier 2 securities on 3 August 2015 net of legal fees;
- net outflow of £3.5 million for the acquisition of Vision Independent Financial Planning Limited and Castle Investment Solutions Limited on 31 December 2015 (net of cash acquired); and
- £2.5 million of capital expenditure on property, plant and equipment (2014: £1.7 million).



**Philip Howell**  
Chief Executive

## Social and environmental committee chairman's annual statement

Rathbones' corporate responsibility strategy aims to ensure that social, environmental and ethical considerations are taken into account throughout the business. The social and environmental committee (SEC), which I chair, is responsible for ensuring that Rathbones effectively manages its sustainability issues. It is formed by members of staff from key functions such as facilities, HR, marketing, IT and investment management. It meets three to four times a year and reports directly to the executive committee of the board.

During the 2014/15 reporting period our carbon footprint increased by 174 tCO<sub>2</sub>e (6.0%). An increase was expected due to the growth of the business as well as an increase in the number of flights following the launch of our Glasgow office and of our international distribution strategy. On a more positive note, paper related emissions fell despite updating our printed materials as part of our rebrand.

With regard to environmental, social and governance (ESG) matters as they affect our business, the board believes that the SEC has identified and assessed the significant risks to the company. The SEC, however, is not only about highlighting potential risks but also opportunities for the company to play its part as a good employer and as a contributor to the communities and environment in which we work and our clients live. This report provides an overview of our activities – more information can be found on our website.

The Rathbone Brothers Foundation has continued to support small local charities where its donations can make a real difference. Our support of young people has continued in 2015 through our partnerships with English Lacrosse and Lacrosse Scotland and initiatives such as our financial awareness programme. We were also proud to sponsor the University of Liverpool's innovative ARION1 engineering team who broke the men's British land speed record for a human powered vehicle in 2015.

We remain a constituent company of the FTSE4Good Index series and a signatory to the UN-backed Principles for Responsible Investment (PRI).

**Philip Howell**  
Chairman of the SEC

23 February 2016

## Our strategy

Rathbones' corporate responsibility strategy can be summarised as follows:

### Investing for clients

- Maintain and develop the relationships we have with our clients, treat them fairly and continue to meet their needs.
- Consider corporate responsibility and governance issues in the companies in which we invest on behalf of our clients.

### Developing our employees

- Motivate and reward appropriately, encouraging their development.

### Working with communities

- Engage in the communities in which we operate.

### Our environmental impact

- Manage our environmental impact and reduce our carbon footprint by the efficient use of resources.

## Investing for clients

### Responsible investment

Rathbones specialises in discretionary private client investment management. We manage assets for clients based on their preferences and needs. Central processes provide equity analysis, strategic asset allocation advice and other core investment processes, shared by the group, but it is central to our business model that investment managers retain their independence to buy and sell securities for clients. As such, a general, top-down, responsible investment policy is not considered workable or appropriate for Rathbones at this time.

Nonetheless, we are long-term investors and ESG factors form a key part of our equity analysis. The issue of governance as a risk factor is covered by the work of the Rathbones group corporate governance committee recognising that governance issues can be material in the companies in which we invest on behalf of our clients. As well as conducting our own in-house analysis, we subscribe to specialist providers of ESG research as part of our research budget. Social, environmental and ethical considerations are also taken into account for specific mandates throughout the group, particularly those managed by our specialist ethical investment unit, Rathbone Greenbank Investments, and a number managed by our charities team.

Through Rathbone Greenbank Investments and Rathbone Unit Trust Management's Ethical Bond Fund, the company is able to provide investment services tailored to clients'

interests in the area of socially responsible or sustainable investment. Where appropriate, the company is also able to participate in new share issues offered by companies that provide environmentally or socially beneficial products or services.

As at 31 December 2015, Rathbone Greenbank Investments had £0.76 billion of funds under management, equivalent to 2.91% of Rathbone Investment Management's assets under management. The Rathbone Ethical Bond Fund had £359.4 million of funds under management.

### Affiliations

Rathbone Brothers Plc has been both a signatory and respondent to the CDP (Carbon Disclosure Project) since 2006. We are also a signatory to the CDP sister programmes on Water Disclosure and Forests. Rathbone Greenbank Investments became a CDP Investor Member in 2015. The group has been a signatory to the UN-backed PRI since September 2009, and continues to play an active role in the PRI Clearinghouse, a global platform for collaborative engagement initiatives which aims to encourage sustainable long-term value. Out of over 1,000 members of this leading initiative, Rathbones was named as one of the top 20 most active and influential members of the Clearinghouse in 2014, a significant achievement given our size relative to other PRI members. In addition, Rathbone Greenbank Investments is a long-standing member of influential responsible investor groups such as the UK Sustainable and Investment Finance Association (UKSIF) and the Ecumenical Council for Corporate Responsibility. Rathbone Greenbank Investments also became a member of the Institutional Investors Group on Climate Change (IIGCC) in 2015, expanding engagement work in the realm of climate policy engagement.

### Voting

The cornerstone of all responsible investment is an active and considered approach to proxy voting. Since 2010, the group's voting activity has been coordinated by its corporate governance committee, established in line with Rathbones' obligations under the PRI, and pays heed to the Financial Reporting Council UK Stewardship Code. Composed of investment managers and other representatives from across the business, and supported by a permanent corporate governance manager, the committee maintains the group policy on corporate governance, and oversees its application in proxy voting in conjunction with advice from an external corporate governance consultant, Institutional Shareholder Services (ISS). Advice and research received by the committee supplements the analysis carried out internally as part of the investment process.

### Investing for clients

The committee issues voting recommendations for consideration by investment managers who retain the ability to vote independently of this advice if they consider it appropriate.

Rathbone Investment Management exercises the voting rights attached to approximately 90% of the UK equity it holds on behalf of its clients. Voting is also undertaken on any company if requested by an underlying shareholder.

Rathbone Unit Trust Management, as an institutional investor, meets its obligations as a signatory to the Stewardship Code. It significantly expanded the scope of proxy voting in 2015 and now employs ISS to vote actively on all of its holdings.

Votes are entered in line with UK corporate governance best practice, overseen by the corporate governance manager and fund investment managers. During 2015, the committee oversaw active proxy voting on 4,894 resolutions at 443 company meetings. Voting on these resolutions includes consideration of such issues as executive remuneration, auditor independence, appointment of directors and non-financial reporting.

We are committed to transparency in this area and in 2015 began producing bi-annual reports on our proxy voting and shareholder engagement activities. These reports can be found on the socially responsible investment section of our website.

### Engagement

Engagement with companies on ESG matters is largely undertaken by Rathbone Greenbank Investments' ethical research team and the corporate governance manager on behalf of the corporate governance committee. Engagement may occur as a result of fundamental analysis of companies' ESG reporting or through collaborative efforts initiated by interest groups such as CDP, UKSIF or the PRI Clearinghouse. It covers a wide range of themes spanning the whole of the ESG spectrum.

Our clients played an important role in supporting shareholder resolutions at the annual general meetings (AGMs) of two major European oil and gas companies in the past year, seeking the additional reporting of climate change information. The resolutions themselves received board support and were adopted with large majorities at the respective AGMs.

### FTSE4Good ESG ratings scores

As institutional investors around the world focus on the ESG practices of the companies they invest in, ESG risk measures are an increasingly important part of the investment process. The FTSE4Good Index and ratings have been designed to measure the performance of companies that meet or exceed globally recognised standards.

The Index's latest semi-annual review for which ratings scores were published (June 2015) confirmed Rathbone Brothers Plc as a constituent of the FTSE4Good Index Series, awarding the company the following ESG ratings:

Pillars	Score (0 – 5)
Environmental	3.0
Social	3.2
Governance	2.7

Within the Financial Services super sector, Rathbones' percentile score was 82/100 (2014:82/100) meaning that we outscored 82% of our peers on our management of ESG issues.

### CDP disclosure and performance score

In 2015, we improved our CDP Disclosure Score from 78 to 90 while our Performance Band moved from D to E. The Disclosure Score (out of 100) measures the level of transparency in company responses; the Performance Band (A–E, but only calculated for companies with disclosure scores above 50) measures how effectively companies are addressing climate risk.



## Developing our employees

### Our approach

Our business success is based on delivering a highly professional and personal service to our clients and we believe this can only be achieved by having engaged and motivated employees with a diverse range of backgrounds, skills and experiences. Our employee strategy, policies and investment plans are all designed to achieve these goals.

We are firmly committed to evolving our people policies and practices and increasing employee engagement in the coming years in line with our values. Our goal continues to be the delivery of the highest possible quality of service to our clients through talented and professional employees.

Employee statistics	%
Female employees	50
Employees working part-time	11
Resignation rate in 2015	5

### Learning

We continue to support the development of all our employees and have maintained our average investment per person at a significant level of £563 and an average of two days. These figures are a very conservative estimate because there is much more employee development that has no direct cost and is conducted at the desk.

Our aim when delivering high-quality programmes is to ensure that employees have the best opportunity to put their learning into practice. We do this by engaging with line managers and other stakeholders in the business to ensure that the opportunity and support is in place for employees to use new skills. We have implemented new initiatives across the group to ensure that all employees have access to development for their current and possible future roles.

#### Leadership and management development

We have developed a comprehensive suite of management and leadership courses. This is designed to enable the business to identify high potential employees and progress them through key stages of learning from being highly effective team members to ultimately growing into senior leadership roles. In particular, a new leadership programme was implemented this year. Senior managers from various functions and locations came together on a modular programme focusing on how to lead their teams to achieve corporate goals. The programme culminated in a presentation about leadership changes and the value of the learning. Having established this format with our senior leaders this programme will cascade to other managers

during 2016 to improve leadership and management skills across the group.

We have also aligned some of our management development to formal qualifications. A number of managers have successfully achieved a level 5 qualification awarded by the Chartered Management Institute which included a module on managing operational risk which was tailored to the specific issues in Rathbones. We will continue to support this type of development where the formal recognition of learning is appropriate.

#### Continuing professional development (CPD)

Our client-facing employees continue to meet and mostly exceed the required CPD targets set by our regulators. Investment managers have the opportunity to further improve their technical and management skills to ensure that the highest levels of client service are maintained. As an example, this year saw some significant changes in pensions legislation and so all investment managers attended a session to understand the implications.

We have implemented some enhancements to our core IT systems and, as in previous years, employees have attended training to enable them to take advantage of increased efficiencies in managing investments and client service.

#### Talent development

Rathbones is keen to develop a pipeline of high-calibre talent to ensure appropriate skills and succession planning for the future. The first apprenticeship programme which started in 2013 has now finished with four apprentices joining the organisation in the operations and investment management teams. In light of the success of this programme a further group has now been recruited and their training is well underway.

A graduate development programme has now been established as we have seen the increase in the employment of graduate trainees. The programme brings together employees from London and around the regions and comprises a combination of experience at the desk, classroom and online training on the technical skills of investment management and managing clients. We have partnered with a very experienced training provider to tailor the content to the requirements of our organisation.

#### Career development and performance management

We have further developed our career frameworks to help employees see their future pathway for progression within the organisation. There is further work to do in this area and there is a commitment to help employees and managers with the skills required for career management.

### Developing our employees

The performance management process is reviewed on an ongoing basis and during 2015 we tailored our approach further to prompt more meaningful performance discussions. The emphasis in 2016 will be on more regular and informal reviews with better quality and timely feedback.

### Diversity and inclusion

Rathbones is an equal opportunities employer and it is our policy to ensure that all job applicants and employees are treated fairly and on merit regardless of their race, gender, marital status, age, disability, religious belief or sexual orientation.

Rathbones now has two women non-executive directors and has thus achieved our commitment to meet Lord Davies' target of 25% female board representation. For Rathbones as a whole, we have a broadly 50:50 balance between males and females. While female representation at a senior executive management level is low, representation in senior and middle management roles in support departments, our investment research team and within the unit trust business is good and continues to improve.

Historically, women are less well represented in investment management roles and addressing this imbalance is a key priority. We are working hard to bring in more women in graduate trainee positions (our graduate and apprenticeship programmes currently comprises broadly equal numbers of men and women) and by encouraging more applications from women to our work experience and financial career programmes. Our work-life balance provisions are designed to be attractive to women who wish to enter our industry as well as to encourage parents to remain in work with us when raising a family.

We are also targeting the progression and development of existing female employees with opportunities for training such as our early career team worker programme. During 2014 and 2015, seven women participated in this programme and two of them have since been promoted into management roles.

At the next level, a further 23 women attended management development programmes ranging from leadership skills and introduction to management courses to the Henley Business School Leadership Programme.

### Performance and reward

We offer a comprehensive remuneration package which is regularly reviewed to ensure that we remain competitive. This is supported by challenging objective setting and appraisal processes to align reward to corporate goals and motivate and encourage high performance.

All employees have the opportunity to participate in a pension arrangement and are eligible to receive at least a 3% contribution from the company to a group personal pension arrangement. In addition, we provide health and well-being initiatives including private medical cover, annual medical examinations to all staff and an employee confidential advice service. Employees are encouraged to identify with and to become involved in the financial performance of the group through a Share Incentive Plan (SIP) and a Save As You Earn (SAYE) scheme.

### Employee relations

Engagement with our employees is crucial to the continuing success of the group. We communicate regularly and openly with our employees on matters affecting them and on the issues that have an impact on the performance of the group and actively seek their feedback on these matters. In September 2015, we carried out an employee engagement survey which resulted in an overall engagement score of 88%. We have since shared the results with our employees and in 2016 we will be following up on the feedback from all areas of the business to consider what we are doing well and can build upon and where we can make improvements.

Rathbones recognises the importance of an appropriate work-life balance, both to the health and welfare of employees and to the business. Employees are not expected to work long hours on a consistent or ongoing basis and any overtime is voluntary. Holiday entitlement begins at 25 days per annum for all employees, increasing to 30 days after five years' service, with the opportunity to buy up to five additional days of flexible leave each year.

## Working with communities

### Donations and fundraising

During the year, the group made total charitable donations of £353,000, representing 0.60% of group pre-tax profits (2014: £253,000, representing 0.55% of group pre-tax profits). This included a payment of £140,000 to the Rathbone Brothers Foundation (2014: £100,000). It also included the matching of employee donations made through the tax efficient Give As You Earn (GAYE) payroll giving scheme. In 2015, Rathbones' employees made payments totalling £182,000 (2014: £191,000) through this scheme, which is administered by the Charities Aid Foundation. The company matched staff donations of up to £200 per month made through GAYE and in 2015 donated £152,000 (2014: £134,000) to causes chosen by employees through this method.

During 2015, the Rathbone Brothers Foundation, the company's charitable fund founded in 2012, considered many requests for assistance and met a number of charities. Significant donations were made to:

- Basing House – a team of volunteers from Rathbones spent two days restoring the Lady of the House garden at Basing House, a major Tudor palace and castle in the village of Old Basing. While it once rivalled Hampton Court Palace in its size and opulence, today only its foundations and earthworks remain. However, it is open to the public and a favourite place for families to visit. The foundation made a contribution to the costs of the garden restoration.
- Autism Jersey – a small local charity that enables people with autism to lead full and inclusive lives and enjoy a reasonable degree of independence. Rathbones' Jersey office has agreed to partner with Autism Jersey over three years.
- Cambridge Central Aid Society – founded in 1880, this small charity provides relief from poverty for Cambridge residents, giving grants to provide essential needs and help families maintain their dignity.
- The Connections Bus Project – this is a youth club open to children in all villages in the Cambridge area. It provides internet access, sports equipment and trained staff who help to supervise and educate the young people involved.

### Education and youth development

Our corporate responsibility programme continues to develop strongly with a committed focus on youth development. The Rathbones Financial Awareness Programme is a significant element of our investment in young people, which involves investment managers delivering presentations to 16–24 year olds within our offices and at schools around the UK. The programme aims to equip those attending with the necessary information to take ownership of their finances at a young age.

We are also lead sponsors of various other youth development programmes such as the Chalke Valley History Festival for Schools, the dot-art art competition, the Bang Goes the Borders science festival and the University of Liverpool students' attempt to break the human-powered land speed record in Nevada. Rathbones further acknowledges the importance of sport in the lives of young people to teach key life skills and has agreed ongoing partnerships with English Lacrosse and Lacrosse Scotland up until 2017. Our involvement to date has had a significant impact on the development of the sport, particularly with the introduction of additional initiatives to encourage participation in the sport at community level.

Further information on all of our initiatives for young people can be found at [www.rathbones.com/about-us/sponsorships-and-partnerships](http://www.rathbones.com/about-us/sponsorships-and-partnerships).

### Local communities

Rathbones is committed to supporting the communities in which it is based. Regional offices are encouraged to get involved in their local communities and support charities and initiatives that they feel are important to the area.

## Our environmental impact

As a responsible investor, Rathbones lead by example in our approach to environmental matters. We strive to understand our environmental impact and act, where possible, to reduce it.

This is the eighth annual report on our carbon footprint. This year has seen Rathbones undergo rebranding and launch an international distribution strategy. These activities have had an impact on our environmental performance as explained below.

### Scope

Our reporting period covers the 12 months to 30 September 2015 (2014/15). 2012/13 is our baseline year. During 2014/15 we opened a new office in Glasgow which has increased our reporting boundary.

This year is the first time that we have reported our Scope 2 emissions using the new World Resources Institute's (WRI) market-based method. This new method recognises the use of low carbon electricity tariffs and allows organisations to realise this benefit in their carbon footprint. Consequently we are reporting two emissions totals: the traditional total using location-based conversion factors and a total using the new market-based conversion factors. This approach ensures that our reporting is in-line with best practice.

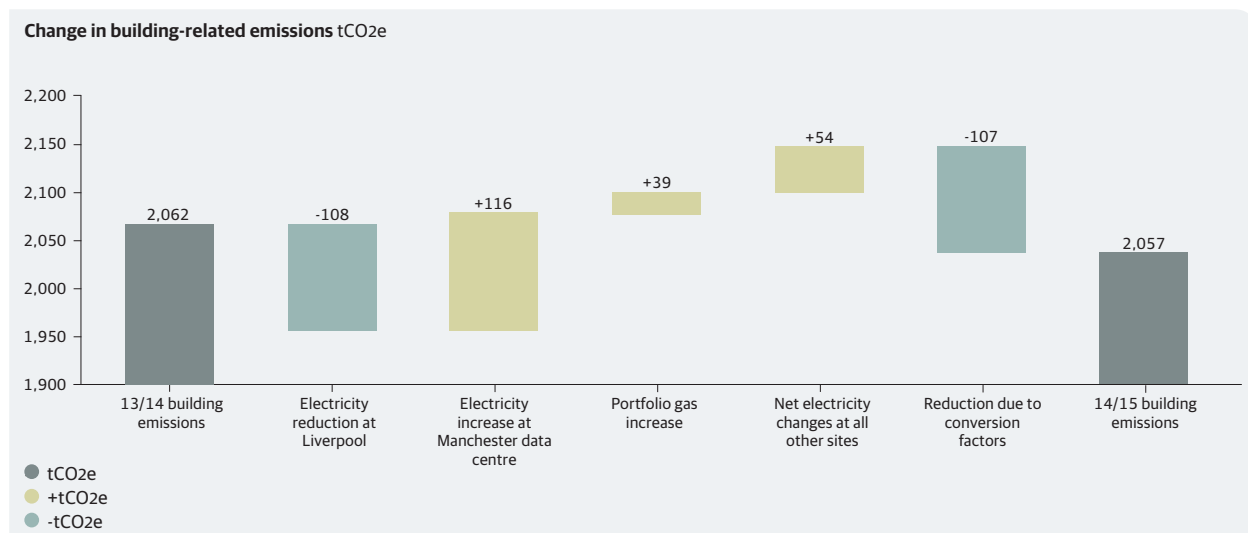
### Building energy use

Our building-related emissions make up 67% of our total carbon footprint. This year our total building energy consumption increased by 7%, from 4,793,111 kWh to 5,106,221 kWh. However, our emissions decreased by 0.3% to 2,057 tCO<sub>2</sub>e as shown in the chart below. The decrease in emissions despite increased energy consumption is largely due to a 7% decrease in the conversion factor associated with electricity.

Within the buildings energy use the most significant change was at our Liverpool office where electricity consumption decreased by over 23%. This was due to the transfer of our computing assets to an external data centre in Manchester.

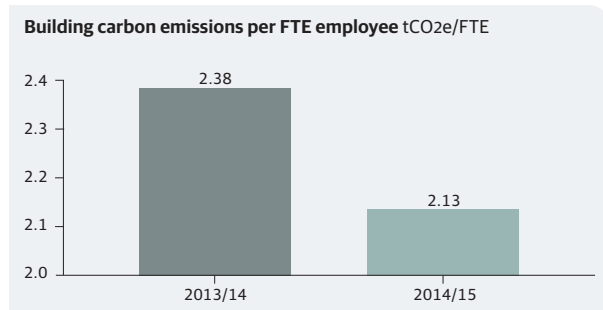
This move has a dual benefit in terms of reducing our energy usage and associated emissions; energy consumption on-site in Liverpool has decreased, whilst we are able to reap the benefits of a highly energy efficient data centre, which has driven down energy usage associated with our IT. The emissions related to these relocated IT assets have moved from Scope 2 (when on-site in Liverpool) to Scope 3 (where we account for our outsourced IT activities).

There was also a 15% increase in gas consumption, which may be due to 2014/15 being a slightly colder year with 14% more heating degree days than in 2013/14.



**Our environmental impact**

During the year we opened a new office in Glasgow and increased our office space at our Liverpool site. Consequently, the average total internal floor area increased by 88m<sup>2</sup> to 14,518m<sup>2</sup>. Employee numbers also increased during the year with an 11% increase in full time equivalent (FTE) employees from 867 to 965. However, our buildings carbon footprint per FTE employee, did not match this growth, falling by 10.4% to 2.13 tCO<sub>2</sub>e/FTE due to more efficient usage of space.



During 2015, Rathbones submitted notification of Energy Savings Opportunity Scheme (ESOS) compliance to the Environmental Agency. ESOS is a mandatory energy assessment scheme set up by the UK government in response to the EU's 2012 Energy Efficiency Directive.

In order to comply with ESOS:

- Rathbones measured 100% of their building energy consumption and staff business mileage for 2014
- Carbon Smart carried out an energy audit of the Curzon Street office in London, which accounts for 54% of Rathbones' total gas and electricity use. This included the identification of energy efficiency improvement opportunities.

Seven energy saving opportunities were identified; four were rejected due to a poor return on investment. The most significant viable opportunity was related to plant upgrades at Curzon Street. However, given the imminent move away from Curzon Street, this opportunity will not be pursued.

In early 2017 Rathbones is moving the London office from Curzon Street to a BREEAM<sup>1</sup> 'Excellent' rated building in the City. This move should result in future reductions in the 2016/17 carbon footprint (assuming the transition period when two buildings are in operation is minimal).

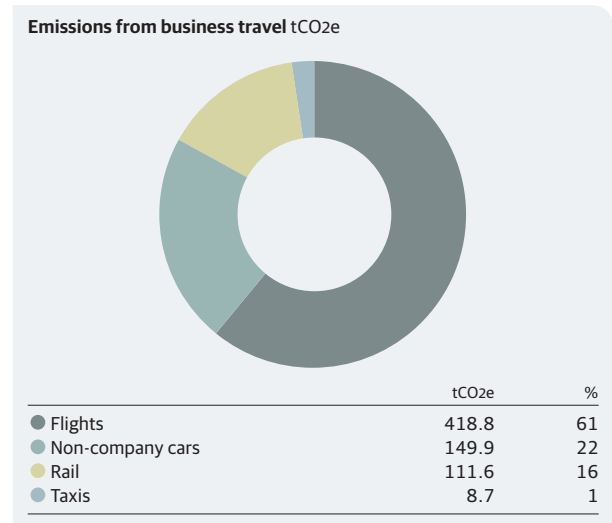
1 BREEAM is the BRE's sustainability assessment for buildings. 'Excellent' is the second highest certification rating

However, we will need to monitor our use of the building and energy consumption carefully to ensure there is no performance gap between the designed energy efficiency of the building and its actual performance in use.

**Travel**

Emissions from business travel increased significantly this year to 689 tCO<sub>2</sub>e, an increase of 46% over 2013/14. Business travel accounts for 22% of our total carbon footprint. Total business travel emissions per FTE employee have increased by 31% to 0.7 tCO<sub>2</sub>e/FTE.

The increase in emissions is mainly due to travel by the new international distribution team to Europe and North America, and flights to and from our new Glasgow office. The total number of flights has increased by 33% from 1,490 in 2013/14 to 1,984 in 2014/15.

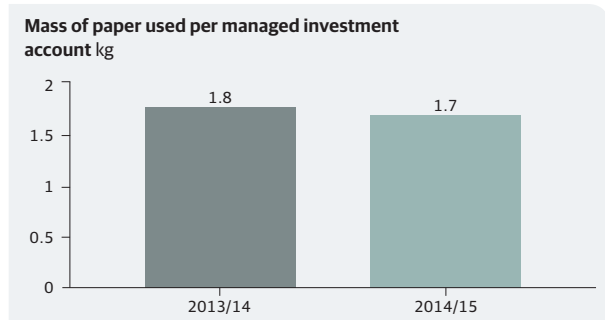


**Our environmental impact**

**Paper**

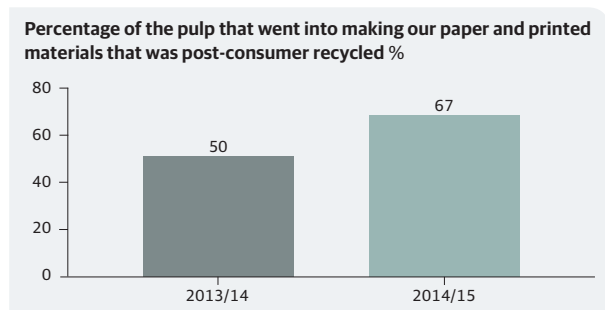
2014/15 saw a small decrease in the emissions relating to our paper use. Our emissions fell to 308 tCO<sub>2</sub>e from 311 tCO<sub>2</sub>e in 2013/14.

Whilst the business has grown with an increase of nearly 3,000 additional managed investment accounts, paper use per managed investment account fell from 1.8 kg to 1.7 kg.



This reduction is pleasing as Rathbones went through a rebranding exercise in 2014/15. This was carefully managed to ensure that old stock was run down over time, minimising wastage. However, much of the rebrand work took place after the 2014/15 reporting period. Consequently, there may be an increase in the next reporting period (and an increase in 2016/17 due to the London office move) although effective resource management, as demonstrated this year, should minimise this increase.

A further success was the 17% increase in the recycled content of the paper that we use, reversing and improving on last year's 7% decline.



**Waste**

This year the amount of waste generated per FTE employee rose to 380 kg, an increase of 4% on 2013/14. We did, however, reduce our waste electrical and electronic equipment by 377 kg to 2,364 kg. Although we produced more waste, we actually recycled a greater proportion of it. This year our recycling rate hit 85% compared with 81% in 2013/14.

Part of the increase in total waste can be explained by the maturity of the new waste protocol implemented over the last year which has improved the granularity of the data available from our London and Liverpool offices, where most of our waste is produced. Sending food waste to compost has contributed to the increase in the recycling rate.

Of the 15% of our waste that is not recycled, approximately 25% is sent to energy from waste facilities and the remainder is sent to landfill.

**Refrigerants**

This is the third year we have collated our refrigerant figures. We are pleased to report that only our external data centre in London required a refrigerant refill during the reporting year. This contributed 2 tCO<sub>2</sub>e to our carbon footprint, a considerable reduction on the 51 tCO<sub>2</sub>e attributed to refrigerants last year.

**Carbon footprint**

Our total carbon footprint for 2013/14 was reported as 2,926 tCO<sub>2</sub>e. However, in the course of calculating this year's footprint a minor error was found, which means the 2013/14 results need to be restated as 2,907 tCO<sub>2</sub>e.

For 2014/15 our total carbon footprint is 3,081 tCO<sub>2</sub>e. This is a 6% increase on the restated 2013/14 results. Compared to our baseline year of 2012/13, our carbon footprint has increased by 7% from 2,882 tCO<sub>2</sub>e.

The most significant increase has come from the increased emissions from flights. The move to the Manchester data centre means that there has been a transfer of emissions from Scope 2 to Scope 3.

**Carbon intensity**

Despite the overall increase in our carbon footprint, our staff carbon intensity has fallen by nearly 5% this year to 3.2 tCO<sub>2</sub>e per FTE employee. Our emissions in relation to operating income have also reduced to 13.39 tCO<sub>2</sub>e/£m from 13.89 tCO<sub>2</sub>e/£m in 2013/14. We remain confident that further efficiencies can be delivered as we execute our growth strategy.

Our performance

## Our environmental impact

### Best practice Scope 2 reporting methodology

In 2015, the WRI introduced updates to the Greenhouse Gas Protocol (GHG) stating that organisations should provide two numbers to reflect the emissions from the purchase of electricity, heat, steam or cooling. The location-based method reflects average emissions intensity of grids on which energy consumption occurs. The market-based method reflects emissions from electricity that companies have chosen.

Electricity is arranged through the landlord for the majority of sites including the largest sites in London and Liverpool. In these instances, it has not been possible to obtain a specific tariff and consequently a market-based conversion factor. For the sites where Rathbones have a direct contract with the electricity supplier (Aberdeen, Chichester, Kendal, Newcastle and Winchester) it has not been possible to obtain a market-based conversion factor. Consequently the national grid average emission factor has been used throughout and this year the location-based and market-based carbon footprints are the same. This is not an unexpected outcome as this is the first year of the protocol and the required market-based conversion factors are not yet widely available. With time this situation should improve and there may be an opportunity for Rathbones to engage with its landlords and move to tariffs containing a greater proportion of renewable energy, thus reaping the benefit of a reduction in the market-based carbon footprint.

### Carbon offsetting

We have used the services of ClimateCare to purchase 3,081 tonnes of carbon credits to offset our residual CO<sub>2</sub>e emissions. This year's portfolio again comprises three high-quality emission reduction projects, which also offer tangible community benefits:

- a project cutting carbon and providing access to safe drinking water through the provision of gravity-driven, point-of-use water filters in Kenya. The use of the filters reduces demand for wood as a fuel as families no longer have to boil water for purification
- a project distributing more efficient cook stoves to families in Ghana. The Gyapa model cook stove requires half of the fuel of a traditional stove, cutting energy use and reducing harmful emissions. The Global Burden of Disease Study 2010 estimates that four million premature deaths occur every year as a result of smoke exposure from traditional cooking
- a wind energy project in Rajkot district, Gujarat, India. The development of a 25.2MW wind farm across five villages provides clean, renewable and more stable supplies of energy to the local communities, reducing demand for coal-fired generation in this region.

### Carbon footprint tCO<sub>2</sub>e<sup>2</sup>

	2014/15 (location-based)	2014/15 (market-based)	2013/14 (restated)	2012/13
<b>Scope 1</b>				
Natural gas	301	301	261	281
Refrigerant	2	2	51	23
<b>Scope 2</b>				
Purchased electricity	1,332	1,332	1,450	1,463
<b>Scope 3</b>				
Data centre <sup>3</sup>	314	314	224	133
Business travel	689	689	473	311
Paper	308	308	311	333
Waste	25	25	11	9
Electricity transmission and distribution	110	110	127	136
<b>Total tonnes tCO<sub>2</sub>e</b>	<b>3,081</b>	<b>3,081</b>	2,907	2,882

### Carbon intensity

	2014/15	2013/14 (restated)	2012/13	Carbon intensity tCO <sub>2</sub> e*		
				2014/15	2013/14 (restated)	2012/13
Staff (FTE)	965	867	829	3.2	3.4	3.5
Net internal area of offices (m <sup>2</sup> )	14,518	14,430	14,430	0.21	0.20	0.20
Operating income (£m)	230.1	209.3	176.4	13.39	13.89	16.34
Funds under management (£bn)	29.2	27.2	22.0	106	107	131

\* Carbon intensity is total (all scopes) tCO<sub>2</sub>e per: FTE; m<sup>2</sup>; £m of operating income; £bn funds under management

<sup>2</sup> The Greenhouse Gas Protocol defines three scopes of greenhouse gas emissions. Please refer to the glossary for further information

<sup>3</sup> Many of our core IT facilities at our London and Liverpool offices have been outsourced to data centres. As per the Greenhouse Gas Protocol, emissions from the data centre have been moved to Scope 3. However, where we have stated a figure for overall electricity use we have included the data centre, as we felt this is the more transparent approach

**Our environmental impact**

**Objectives**

**Progress against our 2014/15 objectives**

- 1 Increase our efforts to encourage client usage of Rathbones Online, which will lead to a reduction in paper printing and postage costs.

**Achieved**

The number of registered Rathbones Online users increased from 21,956 to 26,086 in 2015. 46% accessed their account in 2015 (2014: 37%).

- 2 Explore the use of video conferencing for client meetings.

**Not achieved**

There are a number of security issues associated with the use of video conferencing for client meetings and so this has not been progressed.

- 3 Explore options for extending food waste collection to other offices.

**Not achieved**

Where offices were large enough to warrant the use of a private food waste collection service, this option is not currently available.

- 4 Seek advice from our suppliers on increasing the recycled content of the paper they use in publications.

**Achieved**

Paper stocks with a mix of virgin and recycled sources have been reintroduced across the range of our printed marketing materials. We continue to endeavour to select paper stocks that are Forestry Stewardship Council (FSC) certified wherever possible.

**Our 2015/16 objectives**

- 1 To ensure that energy efficiency measures are adopted where possible during the fit-out of the new London headquarters.
- 2 To ensure that furniture, fittings and equipment at the Curzon Street office are recycled or reused wherever possible.
- 3 To minimise travel that is not booked through our agents or which is not in accordance with the group travel policy introduced in 2015.
- 4 To encourage our landlords to source energy from renewable sources.

**Carbon Smart opinion statement**



Carbon Smart's statement provides Rathbones and its stakeholders with a third party assessment of the quality and reliability of Rathbones' carbon footprint data for the reporting period 1 October 2014 to 30 September 2015. It does not represent an independent third party assurance of Rathbones' management approach to sustainability.

Carbon Smart has been commissioned by Rathbones for the eighth consecutive year to calculate Rathbones' carbon footprint for all offices for its 2015 corporate responsibility report. Through this engagement Carbon Smart has assured Rathbones that the reported carbon footprint is representative of the business and that the data presented is credible and compliant with appropriate standards and industry practices. Data has been collected and calculated following the ISO 14064 – part 1 standard and verified against the WRI GHG Protocol principles of completeness, consistency and accuracy.

Carbon Smart's work has included interviews with key Rathbones' personnel, a review of internal and external documentation, interrogation of source data and data collection systems including comparison with the previous years' data.

Carbon Smart has concluded the points listed below.

**Relevance**

We have ensured the GHG inventory appropriately reflects the GHG emissions of the company and serves the decision-making needs of users, both internal and external to the company.

**Completeness**

Rathbones continues to use the operational control approach to defining their organisational boundaries. Rathbones calculates total direct Scope 1, 2 and major Scope 3 emissions. Reported environmental data covers all employees and all entities that meet the criteria of being subject to control or significant influence of the reporting organisation.



**Carbon Smart opinion statement****Consistency**

In order to ensure comparability, we have used the same calculation methodologies and assumptions as for the previous year.

**Transparency**

Where relevant, we have included appropriate references to the accounting and calculation methodologies, assumptions and re-calculations performed.

**Accuracy**

To our knowledge, data is considered accurate within the limits of the quality and completeness of the data provided.

**Data quality**

Carbon Smart has assessed the data quality against the WRI GHG Protocol principles. Data from each emission source has been rated 1 (poorest) to 5 (best). There has been no change in the rating for 2014/15; overall data quality has remained at 4.0. Our observations on data quality include:

- Rathbones relies on benchmarking performance for gas and electricity at Lymington and the new office at Glasgow. Benchmark data is also used for Birmingham's gas consumption
- Gas consumption at London, Liverpool and Cambridge (which account for 88% of total gas consumption) is extrapolated based on proportion of occupancy of the buildings
- The new waste monitoring protocol improves the rigour applied to waste analysis by supplying more discrete data.

	% of total carbon footprint 2014/15	Data quality		
		2014/15	2013/14	2012/13
Overall		<b>4.0</b>	4.0	3.8
Scope 1	<b>10%</b>	<b>4.3</b>	4.0	4.0
Scope 2	<b>43%</b>	<b>4.0</b>	4.0	3.0
Scope 3	<b>47%</b>	<b>4.3</b>	4.5	4.5

Ben Murray  
Director

Carbon Smart Limited  
23 February 2016

**Compliance with regulations**

Rathbones complies with the regulations for reporting greenhouse gas emissions. Following an operational control approach to defining our organisational boundary, our 2014/15 greenhouse gas emissions from business activities amounted to:

- 303 tCO<sub>2</sub>e resulting from the combustion of fuel and the operation of any facilities (classified as Scope 1 in this report); and
- 1,332 tCO<sub>2</sub>e from the purchase of electricity by the company for its own use (classified as Scope 2 in this report).

For 2013/14 our greenhouse gas emissions resulting from business activities amounted to 312 tCO<sub>2</sub>e for Scope 1 and 1,450 tCO<sub>2</sub>e for Scope 2. It has not been practical to gather data on energy use at our Birmingham, Glasgow and Lymington offices (6% of the total floor area of our buildings). We have used typical energy consumption benchmarks to calculate the energy use at these sites based on floor area (only gas at Birmingham). We have stated the following carbon intensity metrics for 2014/15: 106 tCO<sub>2</sub>e per £bn funds under management and 13.39 tCO<sub>2</sub>e per £m operational income. For the previous reporting period, this was 107 tCO<sub>2</sub>e per £bn and 13.89 tCO<sub>2</sub>e per £m respectively.

The methodology used is in accordance with the requirements of the following standards: the World Resources Institute Greenhouse Gas Protocol (revised version) – this includes the new best-practice Scope 2 guidance using the market-based method; 'Environmental Reporting Guidelines: Including mandatory greenhouse gas emissions reporting guidance' (Defra, October 2013) and ISO 14064 – part 1. Whilst our financial reporting year is the calendar year, our reporting period for greenhouse gas emissions is 1 October to 30 September.

## Glossary

### Baseline year

This is the year that we measure our performance in subsequent years against. The 2012/13 data is now our baseline for performance comparison because of significant changes to our reporting. Historically 2007/08 was the baseline year.

### Operational control approach

This refers to how our organisational boundaries have been defined. We use an operational control approach, which includes direct and indirect emissions from those buildings which we have operational (as opposed to financial) control over.

### BREEAM

A sustainability assessment method for buildings. The BREEAM assessment process evaluates the procurement, design, construction and operation of a development against targets that are based on performance benchmarks. Assessments are carried out by independent, licensed assessors, and developments rated and certified on a scale of Pass, Good, Very Good, Excellent and Outstanding.

### Carbon dioxide equivalent (CO<sub>2</sub>e)

This is a universal unit of measurement that allows the global warming potential of different greenhouse gases to be compared as prescribed by the Kyoto Protocol.

### CDP

An independent organisation that works with companies to measure and disclose (self-report) their environmental information including data on greenhouse gas emissions and water use. In 2014, nearly 2,000 businesses reported climate change data to CDP.

### Conversion factors

These are used to convert different activities into tonnes of carbon dioxide equivalent (tCO<sub>2</sub>e). For example, consuming 1,000 kWh of UK gas is currently equal to emitting approximately 0.185 tCO<sub>2</sub>e. The amount of CO<sub>2</sub>e generated per kWh of UK grid electricity changes from year-to-year following changes to the way we generate our electricity.

### Environmental, social and governance (ESG)

ESG is the term for the criteria used in what is known as socially responsible investing. ESG factors offer portfolio managers added insight into the quality of a company's management, sustainability, ethical impact, culture, risk profile and other characteristics.

### Heating degree days

These are a measure of the severity and duration of cold weather. For every degree the outside temperature drops below 15°C in a day counts as a degree day. The colder the weather, the larger the degree day value for that day. For example, two days at 10°C counts as 10 degree days.

### kWh

A kilowatt hour is a unit of energy. One kWh is roughly equivalent to using a desktop computer for four hours.

### Location-based emissions

For Scope 2 emissions, a location-based method reflects the average emissions intensity of grids on which energy consumption occurs (using mostly grid average emission factor data).

### Market-based emissions

For Scope 2 emissions, a market-based method reflects emissions from electricity that companies have purposefully chosen (or their lack of choice).

### Reporting regulations

The Companies Act 2006 (Strategic and Directors' Reports) Regulations 2013.

### Scope

The Greenhouse Gas Protocol defines three categories or 'scopes' of emissions.

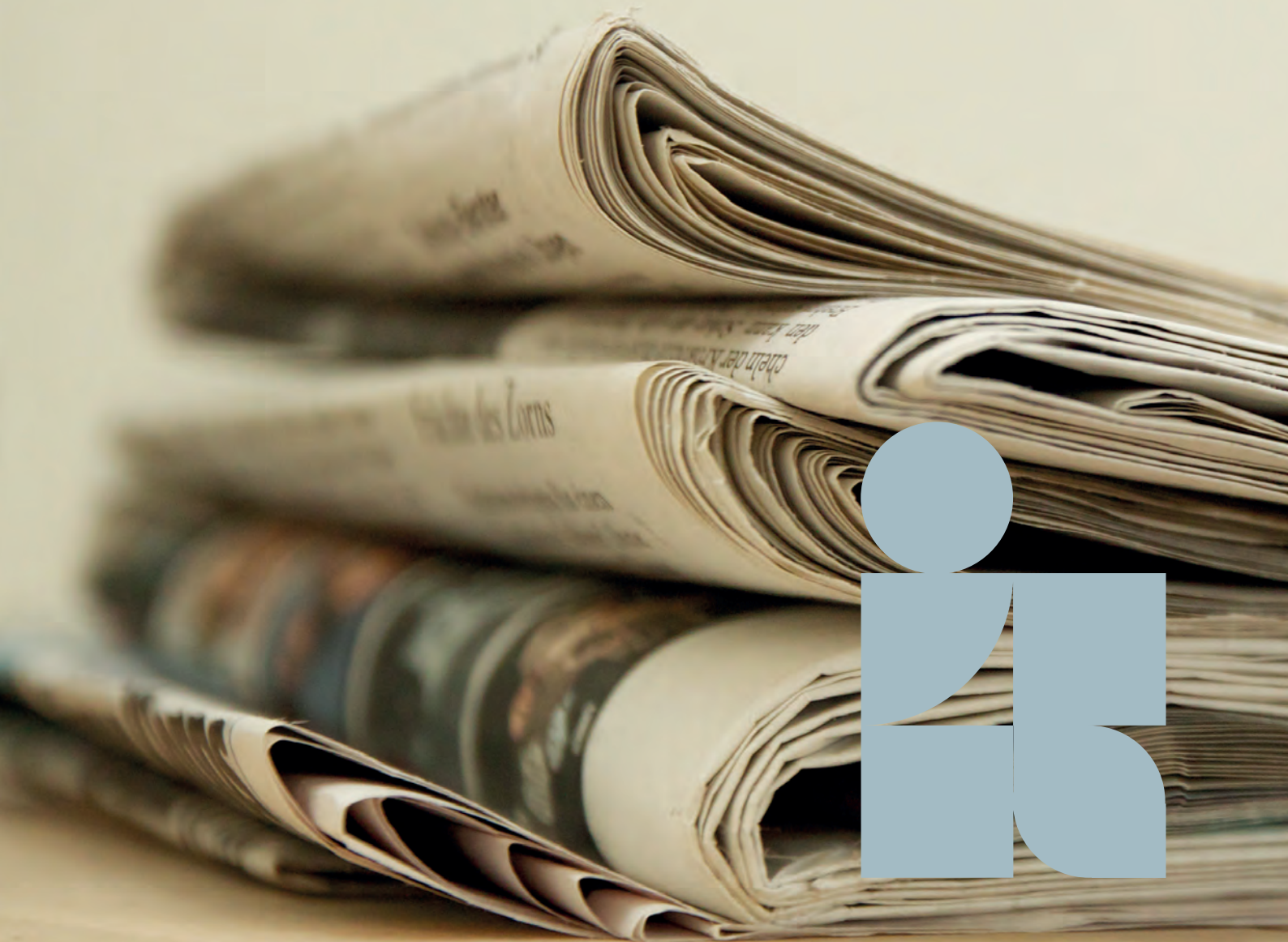
- **Scope 1** (Direct emissions): emissions directly into the atmosphere (e.g. from natural gas and refrigerants)
- **Scope 2** (Indirect emissions): emissions from the consumption of purchased electricity
- **Scope 3** (Other indirect emissions): emissions from Rathbones' use of products and services such as business travel, water, paper etc.

### Transmission and distribution (T&D)

This is the energy loss that occurs when getting the electricity from a power station to the point of use. To account for electricity emissions fully, Defra requires that organisations account for the T&D loss associated with the electricity they purchase. Defra have historically included T&D under a single conversion factor for electricity consumption. Since 2012/13 purchased electricity has been separated into 'Electricity generation' and 'Losses from T&D'. This change resulted in a proportion of our carbon emissions previously being reported against Scope 2 being moved to Scope 3.

## Governance

58	Directors
61	Directors' report
63	Corporate governance report
67	Executive committee report
69	Group risk committee report
70	Remuneration committee report
85	Audit committee report
88	Nomination committee report
89	Approval of strategic report
90	Statement of directors' responsibilities in respect of the report and accounts



# Directors

## Board committees

The principal board committees are the audit, executive, nomination, remuneration, and group risk committees. The board has delegated full authority to the executive committee, subject to a list of matters which are reserved for decision by the full board. The other board committees have formal terms of reference, which are reviewed and approved by the board on an annual basis. These are available on request from the company's registered office and on the group website.



A	Audit committee: Full details of its role are set out in the audit committee report	p85
E	Executive committee: Full details of its role are set out in the executive committee report	p67
N	Nomination committee: Full details of its role are set out in the nomination committee report	p88
Re	Remuneration committee: Full details of its role are set out in the remuneration committee report	p70
Ri	Group risk committee: Full details of its role are set out in the group risk committee report	p69

### Committee membership

	E	A	Re	N	Ri
Mark Nicholls			●	●	
Philip Howell	●				
Paul Stockton	●				
Paul Chavasse	●				
David Harrel		●	●	●	●
James Dean		●	●	●	●
Sarah Gentleman		●	●	●	●
Kathryn Matthews		●	●	●	●

- Committee member
- Committee chairman

## Chairman



**Mark Nicholls**  
Chairman

Appointment: 01/12/2010

Age: 66

Board committees: Re N

Mark Nicholls is a lawyer and corporate financier. After studying law at Cambridge he qualified as a solicitor at Linklaters before joining S G Warburg in 1976. He became a director in 1984 and head of investment banking in 1994. In 1996 he joined Royal Bank of Scotland and became head of their private equity group, leaving in 2003 to pursue a plural career. He is currently chairman of the West Bromwich Building Society and a non-executive director of Northern Investors Company PLC. He became chairman following the annual general meeting (AGM) in May 2011 and is considered to be independent.

## Executive directors



**Philip Howell**  
Chief Executive  
Appointment: 01/12/2013  
Age: 60  
Board committees: E

Following an early military career, Philip spent over 30 years in the investment banking and private banking sectors, undertaking a range of leadership roles as well as gaining considerable general management experience. He was with Barclays for 24 years, which included leadership assignments in Asia and South Africa, and subsequently as head of strategy and corporate development focused on the international and private banking divisions. He continued his involvement in private wealth management, firstly as chief executive of Fortis Private Banking and subsequently of Williams de Broë before joining Rathbones in 2013.



**Paul Stockton**  
Finance Director  
Appointment: 24/09/2008  
Age: 50  
Board committees: E

Paul Stockton qualified as a chartered accountant with Price Waterhouse (now PwC) in 1992. In 1999 he joined Old Mutual Plc as group financial controller, becoming director of finance in 2001 and finance director of Gerrard Limited eight months later. Two years after the sale of Gerrard in 2005 he left to work for Euroclear and, subsequently, as a divisional finance director of the Phoenix Group. He joined Rathbones in 2008 and is also a non-executive director of the Financial Services Compensation Scheme.



**Paul Chavasse**  
Head of Investment  
Appointment: 26/09/2001  
Age: 51  
Board committees: E

Paul Chavasse started his career working for the institutional fund management arm of NatWest, which was later merged with Gartmore. After a period in the private client businesses of NatWest and Coutts, his final role was as head of NatWest Portfolio Management in Bristol before joining Rathbones as chief operating officer in 2001. He became head of investment in March 2012. Following a management restructuring in July 2015, he now oversees our investment process, research and the development of our client services.

## Non-executive directors



**David Harrel**  
Senior Independent Director  
Appointment: 01/12/2007  
Age: 67  
Board committees: A Re N Ri

David Harrel was one of the founding partners of S J Berwin LLP in 1982, and was made senior partner in 1992. He relinquished this role in 2006 and is now a consultant to the firm. David has a variety of other appointments. He is non-executive chairman of Fairpoint Group plc, a member of the board of the English National Opera and a trustee of the Clore Duffield Foundation. He is chairman of the remuneration committee.



**Sarah Gentleman**  
Non-executive Director  
(Independent)  
Appointment: 21/01/2015  
Age: 45  
Board committees: A Re N Ri

Sarah Gentleman started her career as a consultant at McKinsey & Company and then worked for several years in the telecoms and digital sectors, latterly as chief financial officer of the LCR Telecom Group. In 1999 she joined the internet bank Egg, the internet banking subsidiary of Prudential, where she was responsible for business development and strategy. In 2005, she joined Sanford C. Bernstein & Co, the institutional research and trading arm of Alliance Bernstein as a banking analyst covering the European banking sector. Sarah graduated from Cambridge University with a degree in Natural Sciences and also has an MBA from INSEAD.



**James Dean**  
Non-executive Director  
(Independent)  
Appointment: 01/11/2013  
Age: 58  
Board committees: A Re N Ri

James Dean is a chartered accountant with over 30 years' experience working in financial services. James worked in a variety of roles at Ernst & Young over a period of 14 years, including holding the position of managing partner for the UK Financial Services Audit Practice for four years. He holds a number of other non-executive directorships including Liverpool Victoria Friendly Society and is chairman of The Stafford Railway Building Society. He is chairman of the audit committee.



**Kathryn Matthews**  
Non-executive Director  
(Independent)  
Appointment: 06/01/2010  
Age: 56  
Board committees: A Re N Ri

Kathryn Matthews has spent her entire career in investment management, most recently as chief investment officer, Asia Pacific (ex Japan) for Fidelity International. Prior to that, she held senior appointments with William M Mercer, AXA Investment Managers, Santander Global Advisers and Baring Asset Management. She is a non-executive director of Hermes Fund Managers Limited, Aperam S.A. and J P Morgan Chinese Investment Trust Plc and chairman of Montanaro UK Smaller Companies Investment Trust Plc. She is on the board of trustees of the Nuffield Trust and is a non-executive member of the Council of the Duchy of Lancaster. She is chairman of the group risk committee.

## Directors' report



**Richard Loader**  
Company Secretary

### Group results and company dividends

The Rathbone Brothers Plc group profit after taxation for the year ended 31 December 2015 was £46,371,000 (2014: £35,637,000). The directors recommend the payment of a final dividend of 34.0p (2014: 33.0p) on 23 May 2016 to shareholders on the register on 29 April 2016. An interim dividend of 21.0p (2014: 19.0p) was paid on 7 October 2015 to shareholders on the register on 11 September 2015. This results in total dividends of 55.0p (2014: 52.0p) per ordinary share for the year. These dividends amount to £26,305,000 (2014: £24,863,000) – see note 12 to the financial statements on page 116.

The company operates a generally progressive dividend policy subject to market conditions. The aim is to increase the dividend in line with the growth of the business over each economic cycle. This means that there may be periods where the dividend is maintained but not increased, and periods where profits are retained rather than distributed to maintain retained reserves and regulatory capital at prudent levels through troughs and peaks in the cycle.

### Share capital

The company's share capital comprises one class of ordinary shares of 5p each. At 31 December 2015, 48,134,286 shares were in issue (2014: 47,890,269). 50,000 shares were held in treasury (2014: 50,000). Details of the movements during the year are set out in note 29 to the financial statements. The shares carry no rights to fixed income and each share carries the right to one vote at general meetings. All shares are fully paid.

There are no specific restrictions on the size of a shareholding or on the transfer of shares, which are both covered by the provisions of the Articles of Association and prevailing legislation.

The board currently has the authority to allot 15,800,000 shares (approximately one third of the issued share capital at 24 March 2015). The board currently has the authority to buy back up to 2,300,000 shares under certain stringent conditions. Regarding the appointment and replacement of directors, the company is governed by the company's Articles of Association, the UK Corporate Governance Code ('the Code'), the Companies Act 2006 and related legislation. Amendment of the Articles of Association requires a special resolution of shareholders.

### Directors

Directors' details are set out in the corporate governance report on pages 63 to 66. Their biographies are on pages 58 to 60.

### Employees

Details of the company's employment practices, its policy regarding the employment of disabled persons and its employee involvement practices can be found in the corporate responsibility report on pages 47 to 48.

### Corporate responsibility

Information about greenhouse gas emissions are set out in the corporate responsibility report on pages 50 to 56.

### Financial instruments and risk management

The risk management objectives and policies of the group are set out in note 32 to the financial statements.

### Indemnification of directors

The company has put in place insurance to cover its directors and officers against the costs of defending themselves in civil legal action taken against them in that capacity and any damages awarded. The company has granted indemnities, which are uncapped, to its directors and to the company secretary by way of deed. Qualifying third party indemnity provisions as defined by Section 234 of the Companies Act 2006 were therefore in place throughout 2015 and remain in force at the date of this report.

## Substantial shareholdings

At 23 February 2016, the company had received notifications in accordance with the Financial Conduct Authority's Disclosure and Transparency Rule 5.1.2 of interests of 3% or more in the voting rights of the company (see table 1).

## Share price

The mid-market price of the company's shares at 31 December 2015 was £22.00 (2014: £20.46) and the range during the year was £19.99 to £23.13 (2014: £16.11 to £21.66).

## Auditor

The audit committee reviews the appointment of the external auditor and their relationship with the group, including monitoring the group's use of the auditor for non-audit services. Note 7 to the financial statements sets out details of the auditor's remuneration. Having reviewed the independence and effectiveness of the external auditor, the audit committee has recommended to the board that the existing auditor, KPMG LLP, be reappointed and a resolution appointing KPMG LLP as auditor and authorising the audit committee of the board of directors to set their remuneration will be proposed at the 2016 AGM.

The directors in office at the date of signing of this report confirm that there is no relevant audit information of which the auditor is unaware and that each director has taken all reasonable steps to make him or herself aware of any relevant audit information and to establish that the auditor is aware of that information.

## Going concern

Details of the group's business activities, results, cash flows 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 chairman's statement, chief executive's statement, strategic report and group risk committee report. In addition, note 1.6 to the financial statements provides further details.

Group companies are regulated by the Prudential Regulation Authority (PRA) and Financial Conduct Authority (FCA) and perform annual capital adequacy 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. The group has no other external borrowings.

In 2015, the group has continued to generate organic growth in client funds under management and this is expected to continue. The directors believe that the company is well-placed to manage its business risks successfully despite the continuing uncertain economic and political 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.

## Political donations

No political donations were made during the year (2014: nil).

## Post-balance sheet events

Details of post-balance sheet events are set out in note 38 to the consolidated financial statements.

## Annual general meeting

The 2016 AGM will be held on Wednesday 18 May 2016 at 12.00 noon at 1 Curzon Street, London W1J 5FB. Full details of all resolutions and explanatory notes are set out in the separate notice of the meeting.

By Order of the Board

**Richard Loader**  
Company Secretary

23 February 2016

Registered office: 1 Curzon Street, London W1J 5FB

**Table 1. Substantial shareholdings at 23 February 2016**

Shareholder	Date of notification	Number of voting rights	% of voting rights
Lindsell Train Ltd.	27 Aug 2014	5,160,356	10.81%
BlackRock Inc.	30 Nov 2015	4,120,331	8.57%
Massachusetts Financial Services Company	19 May 2011	2,254,063	5.19%



# Corporate governance report



**Mark Nicholls**  
Chairman

## Introduction from the chairman

You will find commentaries in this annual report from me and other committee chairmen on important aspects of our governance. The board's primary focus is on ensuring that the business prospers for the benefit of our shareholders and other stakeholders.

2015 was a busy year, as always, on the regulatory front. I welcome many aspects of the new 'senior management regime', which will come into force for our investment management business in March 2016. This will replace the current approved person regime (which acts as a gateway for new senior management) with a more robust process with defined responsibilities and annual certification of significant risk takers. However, as I indicate in my chairman's statement, I have a concern that the application of this regime to individual non-executive directors risks undermining the collective responsibility of the board.

I am pleased that there is an increasing focus on culture and a plethora of industry statements of principle and codes of conduct. Our primary benchmarks remain the Financial Conduct Authority (FCA) Principles for Businesses, the most important of which are conducting our business with integrity and paying due regard to the interests of our clients in all that we do.

As I reported last year, Sarah Gentleman joined the board in January 2015. Sarah brings analytical and digital marketing skills to the board which I believe will be of great benefit. We restructured and strengthened the group executive committee in July 2015 with the appointment of Sarah Owen-Jones, our chief risk officer, and four senior investment managers who now have responsibility for the day-to-day management of the investment management business, reporting to Philip Howell. There have been some important changes to our risk management processes, including the creation of a conduct risk committee which are covered in the risk and group risk committee reports.

The nomination committee keeps under review board succession planning for both short-term emergencies and longer-term succession. A number of the key issues were highlighted in a Financial Reporting Council (FRC) discussion paper on UK Board Succession Planning published in October 2015.

In between board meetings I maintain frequent contact with the executive team and, in particular, the chief executive who keeps me advised of progress and key developments. Philip and I also discuss how to bring issues to the board in the most effective way. I maintain regular contact with our senior independent director and discuss with him my thinking on significant board issues. I also have frequent dialogue with my other non-executive colleagues to ensure that any areas of concern are aired. Before each board meeting the non-executive directors meet to discuss any key issues that have emerged from the board papers.

Whilst there must always be a place for the reporting of important operational matters at board level, I am keen to cut out clutter from our board papers and to ensure that the board's focus is on strategic oversight.

Finally, Rathbones takes the recommendations of the UK Corporate Governance Code ('the Code') seriously and we have been compliant with it throughout the year. We are also compliant with Lord Davies' recommendations that boards have at least 25% female representation.

## Governance of the company

In relation to compliance with the Code, this report together with the directors' report states the position at 23 February 2016. The company was in compliance with the Code issued in September 2014 by the FRC throughout the year.

### The board

The biographies of the directors and their details are set out on pages 58 to 60. The board currently consists of a non-executive chairman, three executive directors and four other non-executive directors. The board considers that all of the non-executive directors are independent. The roles of the chairman, Mark Nicholls, and the chief executive, Philip Howell, are separated and are clearly defined in writing and agreed by the board. The non-executive directors bring independent judgement to the board table gained at a senior level in other organisations and constructively challenge strategy and management performance. The senior independent director is David Harrel, who is available to shareholders if they have concerns that they would rather not address to the chairman or executive directors or which remain unresolved after an approach through the normal channels.

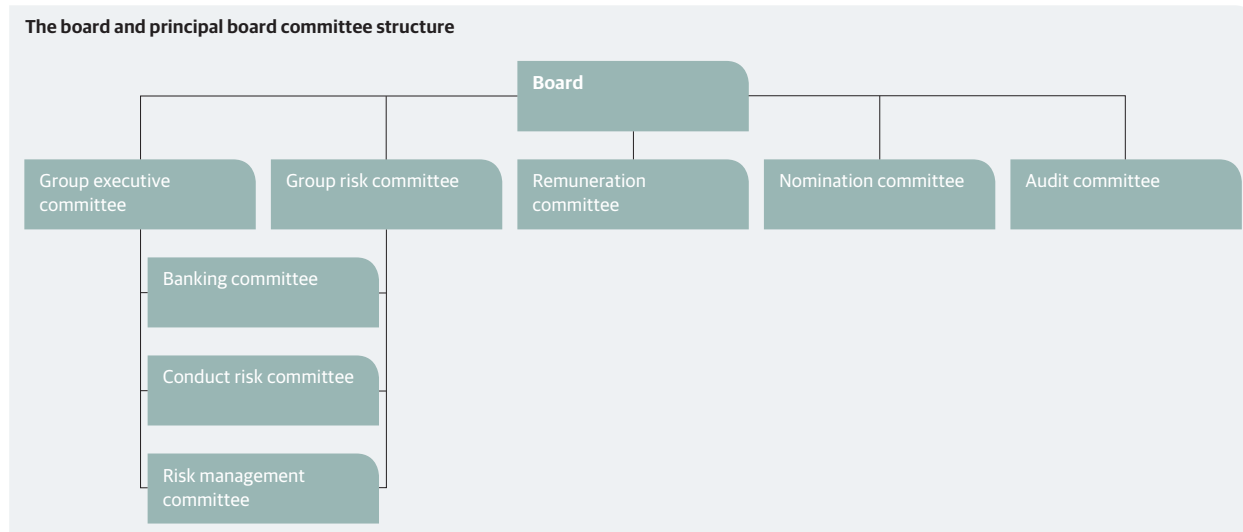
Regarding board changes, Sarah Gentleman was appointed to the board on 21 January 2015.

We meet as a full board at least six times a year. Most board meetings are preceded by a board dinner which allows for broader discussions on particular topics. They also provide an opportunity for the board to meet members of the management team or to receive training. In months where no formal board meeting is scheduled, an informal meeting of the non-executive directors and the chairman and chief executive is generally held. The non-executive directors also have informal meetings without the chairman or chief executive present.

The company secretary manages board and committee meetings, ensures that the board and particularly the non-executive directors are receiving appropriate and balanced information, facilitates the induction process for new directors, assists with their professional development and advises the board on corporate governance matters and on the rules and regulations that affect a UK listed company. The appointment or removal of the company secretary is a matter for the board.

### Attendance at board meetings

The meeting attendance record of directors who served during the year is set out in table 1.



**Table 1: Attendance at board and committee meetings**

	Plc board <sup>1</sup>	Executive committee <sup>2</sup>	Audit committee	Remuneration committee	Nomination committee	Group risk committee
P D G Chavasse	6/6	11/12				
J W Dean	6/6		6/6	4/4	2/2	4/4
S F Gentleman	6/6		6/6	4/4	2/2	4/4
D T D Harrel	6/6		6/6	4/4	1/2	4/4
P L Howell	6/6	12/12			2/2	
K A Matthews	6/6		6/6	4/4	2/2	4/4
M P Nicholls	6/6			4/4	2/2	
R P Stockton	6/6	12/12				

<sup>1</sup> Scheduled bi-monthly meeting  
<sup>2</sup> Scheduled monthly meeting

## Board effectiveness

There are three key elements to ensuring board effectiveness; the annual effectiveness review, individual director appraisal and training.

## Board effectiveness review

Each year, the board undertakes an annual review of its effectiveness. In 2014, an external review was undertaken by IDDAS Limited. This involved their attendance at audit, group risk and board meetings, one-to-one interviews with directors and the company secretary and a review of board and board committee papers and minutes. The key points raised in the 2014 review, which are summarised in table 2, were discussed by the board and taken forward in 2015.

The 2015 internal board review included a discussion at the October board meeting and follow up discussions at subsequent board and non-executive director meetings.

**Table 2: Board effectiveness review**

Key issues from the 2014 review	Action taken in 2015
<b>The board agenda</b> Greater focus on oversight, strategy and key risks, less on day-to-day management issues	There is now greater board focus on strategic initiatives such as the Rathbone Private Office and our distribution strategy. However, reporting of day-to-day management issues provides useful colour and background for the non-executive directors
<b>Information flows</b> Further refinement of board papers to highlight key points and remove clutter	Whilst progress has been made in some areas, there are challenges in others, particularly in the reporting of operations, IT and project issues. New corporate management information software to be introduced in 2016 will enhance detailed analysis of our core investment management business
<b>Succession planning</b> For executive and non-executive directors and below board level	Short-term 'emergency' and longer-term succession plans were discussed with the non-executive directors during the year
<b>Induction and development</b> Develop a more structured programme	During 2015, a series of training sessions and employee meetings were arranged for the board
<b>Code of ethics</b> Embed a code of business conduct	The board decided that rather than create its own code of ethics, its focus should be on the FCA Principles for Businesses
<b>Risk</b> Greater board focus on the key business risks	Risk reporting at board level is now on the key issues register with the group risk committee discussing risk issues in more detail

## Director appraisal

Individual appraisal of each director's performance is undertaken by the chief executive (in respect of the executive directors' executive roles) and the chairman (for all directors in respect of their contribution to the board). This involves meetings with each director on a one-to-one basis. The non-executive directors, led by the senior independent director, carry out an appraisal of the performance of the chairman.

## Training and induction

Rathbones is committed to the training and development of all staff to ensure professional standards are maintained and enhanced. All directors are required to dedicate a certain number of hours to their own development. Training and development include activities to keep up-to-date with Rathbones' specific issues and industry, market and regulatory changes.

New directors are involved in a thorough induction process designed to enable them to become quickly familiar with the business. This includes meeting staff in a number of key business areas, attendance at important internal meetings and demonstrations of systems and key business processes.

## Board committees

Full details of the work of the principal board committees are set out in the separate reports for each committee.

Mark Nicholls  
Chairman

23 February 2016

## Executive committee report



**Philip Howell**  
Chief Executive

### Executive committee chairman's statement

Please see the chief executive's statement on pages 4 to 6.

### Committee members

Our current members and their responsibilities are as follows:

#### Board members

- Philip Howell (chief executive)
- Paul Stockton (finance director)
- Paul Chavasse (head of investment)

#### Investment management general managers

- Rupert Baron (head of investment management in London)
- Ivo Clifton (head of specialist and charity business)
- Andrew Morris (head of UK investment management outside London)
- Richard Smeeton (head of investment management special projects and recruitment)

#### Other members

- Mike Bolsover (head of strategy and organisation development)
- Andrew Butcher (chief operating officer)
- Sarah Owen-Jones (chief risk officer)
- Mike Webb (chief executive of the unit trust business and head of group marketing and distribution)

Mike Bolsover was appointed to the committee on 1 January 2015. Rupert Baron, Ivo Clifton, Andrew Morris, Sarah Owen-Jones and Richard Smeeton joined the committee in July 2015.

We formally meet each month. These formal meetings are minuted and copies of the minutes are sent to committee members and to the board. Details of attendance by the directors on the committee are set out on page 65. Ad hoc and informal meetings are held as required.

### Role and responsibilities of the committee

The committee has been delegated the full powers of the board subject to a list of matters which are reserved for decision by the board. This list is reviewed annually and approved by the board.

### What we have done

Our main focus is on the implementation of the agreed strategy and on the day-to-day management of the group. We review and discuss the annual business plan and budget prior to its submission to the board for approval. We discuss the management and performance of the operating businesses (including their results compared to the budget, risks and regulatory compliance) and growth initiatives such as possible acquisitions and new products and services.

Items of particular focus in 2015 were the launch of the new Rathbones' brand, the issue of £20 million of subordinated loan notes by Rathbone Investment Management and the London office move to 8 Finsbury Circus.

Our people are our main asset and so HR matters and learning and development are important agenda items. The maintenance of, and investment in, our core IT and operations infrastructure are key to the continuing success of the business and so are subject to close scrutiny. The prioritisation of projects and allocation of resources are closely monitored.

The chief risk officer reports on the work of the risk and compliance teams and updates us on risk and internal control matters and on industry developments. We receive updates from internal audit on their work schedule and discuss any significant issues they raise following their work. The head of internal audit may attend any meeting. We also have oversight of banking matters, marketing, social and environmental matters, business continuity and investor relations.

Non-committee members are regularly invited to attend part of a meeting to report on a particular aspect of our business and non-executive directors may also attend meetings.

#### Philip Howell

Chairman of the executive committee

23 February 2016

## Biographies

**Rupert Baron**

Rupert Baron is head of investment management in London. He has over 31 years' experience within the private client investment industry.

**Andrew Morris**

Andrew Morris is responsible for the investment management offices in the UK (excluding London). He has spent his entire working career at Rathbones in private client investment management.

**Mike Bolsover**

Mike Bolsover is head of strategy and organisation development. He has spent over 30 years in the commercial and retail banking sectors, undertaking a range of roles with a bias towards strategy and the management of people. Following a lengthy career with Midland Bank and HSBC, he moved into private wealth management, as director of strategy and human resources for Gerrard. Before joining Rathbones, he worked for Euroclear, the world's largest post-trade settlement infrastructure as director of corporate strategy. He joined Rathbones in 2014.

**Sarah Owen-Jones**

Sarah Owen-Jones joined Rathbones in March 2015 as chief risk officer. She worked for NatWest and Royal Bank of Scotland group for over 30 years, including 13 years at Coutts. Sarah has an MBA with a dissertation on operational risk management and she is a member of the Institute of Risk Management.

**Ivo Clifton**

Ivo Clifton is head of specialist and charity business and continues to manage charity and private client portfolios. He joined Rathbones in 1991 and was appointed as an investment director in 1999.

**Richard Smeeton**

Richard Smeeton is responsible for investment management special projects including the assessment of potential acquisitions and recruitment. Having trained with County Bank, he joined Laurence Keen in 1988 prior to its acquisition by Rathbones in 1995.

**Mike Webb**

Mike Webb is chief executive officer of Rathbone Unit Trust Management. He has over 25 years' experience, previous roles including chief executive officer of Invesco Perpetual, managing director of the retail division of GT Global Asset Management and sales and marketing director of Prolific Financial Management. Before joining Rathbones he was head of business development at Hermes Fund Managers. He joined Rathbones in 2010. His other responsibilities include marketing and Rathbones' distribution strategy.

**Andrew Butcher**

Andrew Butcher is chief operating officer and is based in the Liverpool office. Following an early military career, he joined Charles Stanley in 1986 and initially acted as a partner's assistant while qualifying as a private client stockbroker, managing client portfolios. He subsequently became involved in branch acquisitions, project management and IT, and was appointed as their chief operating officer in 2008. He joined Rathbones in 2012.

## Group risk committee report



**Kathryn Matthews**  
Non-executive Director

### Risk committee chairman's annual statement

As I mentioned in my report last year, I was delighted that our risk and compliance team was strengthened in March 2015 with the appointment of Sarah Owen-Jones as chief risk officer. Sarah has considerable banking and financial services risk management experience which will be invaluable as Rathbones continues to grow.

Sarah has already made a number of important changes to our risk framework. The second line of defence has been strengthened with the appointment of a dedicated head of anti-money laundering, separating this role from the head of compliance function. She has also clarified risk responsibilities with credit risk overseen by the banking committee, conduct risk by a new conduct risk committee (which has formalised our approach to this important area of regulatory focus) and operational risk by the risk management committee.

### Committee members

Our current members are the independent non-executive directors Kathryn Matthews (chairman), James Dean, Sarah Gentleman and David Harrel. Sarah Gentleman joined the committee on her appointment to the board on 21 January 2015. We met on four occasions in 2015 (2014: four). Details of attendance by members are set out on page 65.

### Role and responsibilities of the committee

These are set out in the terms of reference of the committee, which are reviewed annually and approved by the board. The key activities of the committee are to:

- review reports from the investment management performance monitoring team
- review reports from the risk team on risk appetite issues including any early warning signals and advise the board accordingly
- review reports from the head of compliance
- review reports from the head of anti-money laundering
- discuss any loss events and near misses, the lessons learned and management action taken
- discuss external risk-related events
- discuss significant issues raised at the banking, conduct risk and risk management committee meetings
- review and approve changes to the top ten risk list and the watch list of emerging risks
- review end-to-end process risk assessments undertaken and any resulting internal control enhancements
- advise the board on the risk aspects of proposed major strategic change
- review (prior to board approval) key regulatory submissions including the group Internal Capital Adequacy Assessment Process (ICAAP) document
- review (prior to board approval) the annual ISAE 3402 report on the investment management operations and custody control systems.

Full details of our risk management framework are included in the strategic report on pages 20 to 26.

#### **Kathryn Matthews**

Chairman of the group risk committee

23 February 2016

# Remuneration committee report



**David Harrel**  
Senior Independent Director

## Remuneration committee chairman's annual statement

Last year we obtained shareholder approval for our remuneration policy and the introduction of the new Executive Incentive Plan (EIP). The EIP replaced the previous annual bonus scheme and the Long Term Incentive Plan (LTIP) with a single annual assessment of performance using a balanced scorecard of long-term and annual financial objectives of the business, non-financial strategic objectives and personal performance.

In its first year of operation, we have set out in this remuneration committee report the performance metrics and targets against which performance was judged. The strong financial performance of the business resulted in above-target performance in respect of the long-term financial objectives (earnings per share (EPS) and return on capital employed (ROCE)) and the annual profit before tax and operating margin targets. The committee also noted good progress relative to the non-financial strategic objectives, which cover critical project performance, stakeholder measures and client experience. We have set out in the remuneration committee report, in more detail, the targets and outcomes of the assessment of performance across the balanced scorecard.

The annual award under the EIP is split between deferred shares (60%) and cash (40%). The deferred shares vest over a five-year period at 20% per annum, cannot be sold for five years from the date of award and are subject to malus and clawback.

The strong long-term financial and shareholder return performance also meant that the legacy 2013–15 LTIP performance targets (total shareholder return (TSR) and EPS) were achieved in full.

The committee has set targets for the EIP for 2016 which will be disclosed in the remuneration committee report next year.

The committee has also reviewed executive director salaries for 2016 in light of the prevailing economic conditions and have decided that no increases will be awarded.

Remuneration remains an area of focus for the regulators. The committee has spent much of the year absorbing numerous regulatory changes and guidelines to ensure that remuneration policies across the business are in line with best practice. We have aimed to incentivise performance in furtherance of the firm's strategy, within the group's risk appetite. We will continue to monitor the impact of these changes closely to ensure that any necessary fine tuning to the wider remuneration frameworks across the group is managed effectively.

**David Harrel**  
Chairman of the remuneration committee

23 February 2016

## Directors' remuneration policy

This remuneration policy which was approved by shareholders at the AGM on 14 May 2015, is designed to be:

- linked to our strategy
- aligned with shareholders' interests with significant, long-term equity participation
- simple and transparent
- include both annual and long-term elements
- compliant with financial services rules and regulations
- in line with the market, having regard to the size and complexity of the group's operations
- fair for both the director and the company with some element of discretion
- aligned with the board's approved risk appetite
- flexible, recognising that the business is evolving and responsibilities change.



Directors' remuneration policy

Executive directors

<b>Base salary</b>				
Purpose and link to strategy	Operation	Opportunity	Applicable performance measures	Recovery
The core, fixed component of the package designed to enable the recruitment and retention of high calibre individuals	Base salaries are reviewed annually on 1 January and are compared to salaries in other companies of similar size and complexity to ensure that the market rate is being paid. Adjustments may be made at other times to reflect a change of responsibility	There is no maximum base salary, but percentage increases will normally be no higher than the general level of increase for the wider employee population, unless there are special circumstances such as a material change of responsibilities or where a salary has been set significantly below market median and is being brought into line  Base salaries at 1 January 2016 are:  Paul Chavasse – £293,550  Philip Howell – £463,500  Paul Stockton – £294,580	Not applicable	Not applicable

<b>Benefits</b>				
Purpose and link to strategy	Operation	Opportunity	Applicable performance measures	Recovery
Benefits are typically provided to directors to complement the remuneration package and ensure that it is sufficiently attractive to enable recruitment	Benefits are set by the committee and may include, for example: <ul style="list-style-type: none"> <li>– private medical insurance for directors and their dependants</li> <li>– death in service cover</li> <li>– Share Incentive Plan free and matching shares</li> <li>– Save As You Earn scheme</li> <li>– annual medicals</li> <li>– limited legal and professional advice on company related matters</li> <li>– relocation costs</li> </ul>	Benefits make up a small percentage of total remuneration costs	Not applicable	Not applicable

## Directors' remuneration policy

Executive Incentive Plan				
Purpose and link to strategy	Operation	Opportunity	Applicable performance measures	Recovery
<p>The EIP rewards both short-term performance and the achievement of corporate and individual goals and aligns the interests of shareholders and directors in creating long-term shareholder value. The performance measures as described have been selected to support the controlled delivery of our business strategy as set out in the strategic report</p>	<p>EIP awards are paid in cash (40%) and deferred Rathbones shares (60%) which vest over a five year period in equal tranches of 20% per annum. A full five year sale Restriction period will operate from the date of the award and will continue to operate for directors who have left the company. Directors will not be permitted to sell shares during the sale restriction period except for the purpose of meeting tax liabilities on vesting</p> <p>Deferred awards are increased by notional adjustments for dividends paid until vesting calculated using shares held at the record date</p>	<p>The threshold EIP award is 25% of base salary</p> <p>The target EIP award is 120% of base salary</p> <p>The maximum EIP award is 200% of base salary</p> <p>Actual awards for performance above or below target performance are calculated on a straight line basis between threshold and maximum</p>	<p>EIP balanced scorecard measures are set by the committee, to support the company's strategy. The 2015 metrics and weightings are shown below. These may be amended from time-to-time by the committee, as necessary to maintain alignment with strategy</p> <p><b>Financial (1 year) (25% weighting, equally split between the measures)</b></p> <ul style="list-style-type: none"> <li>– Profit before tax compared to the budget</li> <li>– Net organic growth in investment funds under management compared to the target</li> <li>– Underlying operating profit margin compared to target range</li> </ul> <p><b>Financial (3 year trailing) (40% weighting, equally split between the measures)</b></p> <ul style="list-style-type: none"> <li>– Compound annual growth in EPS over 3 years</li> <li>– Average ROCE over 3 years</li> <li>– The 3 year trailing measure will be phased in between 2015 and 2017. For 2015, specific annual targets have been set for EPS and ROCE to establish the baseline from which future growth will be measured. These targets are based on the 2015 budget</li> </ul> <p>The performance metrics and range of outcomes for each financial measure (1 year and 3 year trailing) are set by the committee and reviewed annually</p> <p><b>Non-financial strategic measures (15% weighting)</b></p> <ul style="list-style-type: none"> <li>– Assessment of non-financial performance relating to the delivery of the client experience, project implementation, regulatory compliance and risk management</li> <li>– Objectives and measures are proposed by the chief executive and approved by the remuneration committee annually</li> </ul> <p><b>Personal performance (20% weighting)</b></p> <ul style="list-style-type: none"> <li>– Personal performance against annual objectives</li> <li>– These are set by the chief executive and chairman (for the chief executive) at the start of each year and are agreed with each director and approved by the remuneration committee</li> </ul>	<p>In the case of a 'bad' leaver, all unvested awards will normally lapse. A 'bad' leaver is a director who leaves other than on retirement, redundancy, due to ill health or on the sale of the business unless the committee determines otherwise</p> <p>The committee may seek the recovery of awards at any time before the vesting of awards (malus) or within three years of vesting (clawback) if it determines that the financial results of the company were materially misstated, if the group is subject to a material adverse event (for example, regulatory censure) or if an historic error was made in the calculation of awards. This recovery may be made by the reduction of future awards, the reduction of past awards made that have not vested or by the repayment of cash awards or the return of vested shares</p>

## Remuneration committee report

### Directors' remuneration policy

#### Executive Incentive Plan – continued

Purpose and link to strategy	Operation	Opportunity	Applicable performance measures	Recovery
			<p><b>Additional considerations</b></p> <p>The remuneration committee may make an adjustment when determining the overall award, including to zero if appropriate, to take account of any of the following material events:</p> <ul style="list-style-type: none"> <li>– underlying financial performance</li> <li>– risk management or regulatory compliance issues</li> <li>– personal performance</li> </ul>	

#### Pension or cash allowance

Purpose and link to strategy	Operation	Opportunity	Applicable performance measures	Recovery
To provide the executive directors with retirement benefits	<p>Payments may be made to a defined contribution pension arrangement such as a self-invested personal pension (SIPP) or to the group defined contribution scheme. Alternatively, they may receive a cash pension allowance</p> <p>Executive directors may be a member of a group defined benefit scheme. These have been closed to new members since 2002</p>	The maximum personal pension or allowance payment is 14% of salary	Not applicable	Not applicable

## Remuneration committee report

### Directors' remuneration policy

#### Chairman and other non-executive directors

<b>Base fee</b>				
Purpose and link to strategy	Operation	Opportunity	Applicable performance measures	Recovery
To enable the recruitment of high calibre non-executive directors with the appropriate skills and experience	Base fees are reviewed annually by the board on 1 January and are compared to fees in other companies of similar size and complexity to ensure that the market rate is being paid. Adjustments may be made at other times to reflect a change of responsibility. Fees are paid in cash	The base fee for the chairman in 2014 was £140,000. This was increased to £160,000 on 1 January 2015. The base fee for the other non-executive directors in 2014 was £42,500 per annum. This was increased to £50,000 on 1 January 2015	Not applicable	Not applicable

<b>Additional responsibility fee</b>				
Purpose and link to strategy	Operation	Opportunity	Applicable performance measures	Recovery
To recognise the additional responsibility involved in chairing a committee (audit, group risk and remuneration) or being the senior independent director	Additional responsibility fees are reviewed annually by the board on 1 January	The additional responsibility fee payable is £10,000 per annum	Not applicable	Not applicable

**Directors' remuneration policy**

**Notes to the directors' remuneration policy table**

**Performance metrics**

The performance metrics chosen for the EIP are key performance metrics used by the business and shareholders. The comparison of actual profit before tax (PBT) with budget links performance to strategy and the business plan. Growth in funds under management (FUM) is a key measure of business growth, while maintenance of the underlying operating profit margin is a key indicator of the health of the business and its profitable growth and cost control. EPS growth and ROCE are commonly used measures designed to ensure alignment of interests between participants and shareholders.

**The use of discretion**

The committee may make minor amendments to the policy set out above (for regulatory, exchange control, tax or administrative purposes or to take account of a change in legislation) without obtaining shareholder approval for that amendment. In relation to the EIP, the committee retains discretion when selecting participants, determining the treatment of leavers, agreeing the timing of awards and reviewing the balanced scorecard of performance measures, targets and weightings. The committee reserves the right to retrospectively adjust performance measures and targets if events (for example, a major acquisition) make them inappropriate. Adjustments will not be made to make the conditions materially easier to satisfy.

The committee reserves the right to make any remuneration payments and payments for loss of office (including exercising any discretions available to it in connection with such payments) notwithstanding that they are not in line with the policy set out above, where the terms of the payment were agreed (i) before the policy came into effect or (ii) at a time when the relevant individual was not a director of the company and, in the opinion of the committee, the payment was not in consideration for the individual becoming a director of the company. For these purposes 'payments' include the committee satisfying awards of variable remuneration and, in relation to an award over shares, the terms of the payment are 'agreed' at the time the award is granted.

**Consultation**

The company consulted major shareholders and their representative bodies but did not consult employees when drawing up the remuneration policy set out in this report.

**Appointment of new directors**

For new directors, the structure of the package offered will mirror that provided to current directors. The package quantum will depend on the role and the experience and background of the new director. Advice from our remuneration consultants will be taken to ensure that the package is in line with median market levels for companies of similar size and complexity. The company may pay compensation for remuneration the individual has forfeited in order to take up the role with Rathbones. In setting the value, timing and any performance conditions for such compensation, the committee will take account of the vesting timetable and conditions that may have applied to the forfeited remuneration.

**Payments for loss of office and service contracts**

It is company policy that such contracts should not normally contain notice periods of more than 12 months. Details of the notice periods in the contracts of employment of executive directors serving during the year are as shown below.

Executive director	Date of contract	Notice period
P D G Chavasse	15 Nov 2011	12 months
P L Howell	12 Feb 2013	12 months
R P Stockton	14 Oct 2011	6 months

There are no provisions within the contracts to provide automatic payments in excess of payment in lieu of notice upon termination by the company and no predetermined compensation package exists in the event of termination of employment. Payment in lieu of notice would include basic salary, pension contributions and benefits. There are no provisions for the payment of liquidated damages or any statements in respect of the duty of mitigation. Compensation payments will be determined on a case by case basis in the light of current market practice. Compensation will include loss of salary and other contractual benefits but mitigation will be applied where appropriate. In the event of entering into a termination agreement, the board will take steps to impose a legal obligation on the director to mitigate any loss incurred. There are no clauses in contracts amending employment terms and conditions on a change of control. Executive directors' contracts of service, which include details of remuneration, are available for inspection at the company's registered office and will be available for inspection at the annual general meeting (AGM).

**Directors' remuneration policy**

Non-executive directors have a letter of appointment rather than a contract of employment. As with all other directors, they are required to stand for re-election annually in accordance with the UK Corporate Governance Code. The effectiveness of the non-executive directors is subject to an annual assessment. Any term beyond six years is subject to particularly rigorous review and takes into account the need for progressive refreshing of the board. The executive directors are responsible for determining the fees of the non-executive directors.

**Other directorships**

Executive directors are encouraged to take on external appointments as non-executive directors, but are discouraged from holding more than one other position in a quoted company given the time commitment. Prior approval of

any new appointment is required by the board with fees being payable to the company. Paul Stockton is a director of the Financial Services Compensation Scheme with his remuneration being paid to the company.

**Statement of implementation of the remuneration policy in the current financial year**

The charts below show the relative split of fixed and variable remuneration showing minimum, on-target and maximum awards.

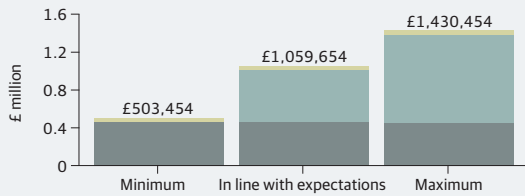
**Legacy arrangements**

Authority is given to the committee to honour previous remuneration awards or arrangements entered into with current or former directors (such as the payment of a pension or the unwind of legacy share schemes). Details of any payments will be set out in the annual report on remuneration as they arise.

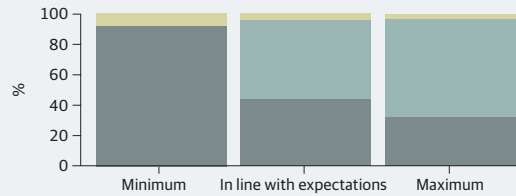
**Statement of implementation of the remuneration policy in the current financial year**

**Philip Howell**

Value of package

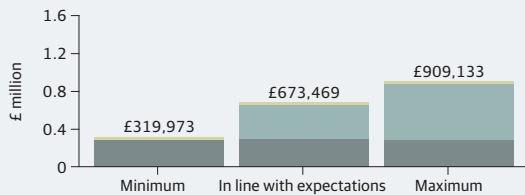


Composition of package

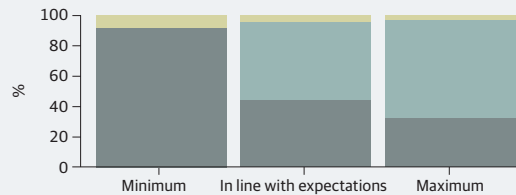


**Paul Stockton**

Value of package

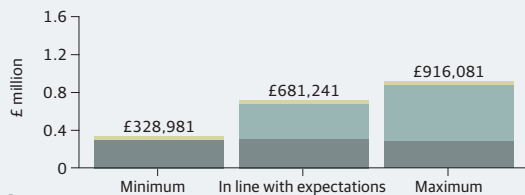


Composition of package

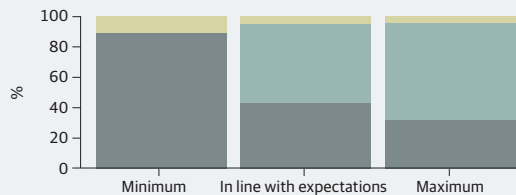


**Paul Chavasse**

Value of package



Composition of package



● Salary  
● EIP  
● Pension

## Annual report on remuneration

The remuneration of directors in 2015 and 2014 is set out in the table below. Executive director remuneration for 2015 includes both legacy LTIP awards made in 2013 that vested in the period and EIP awards for 2015, 60% of which vest over five years.

Single total figure of remuneration for each director (audited)									
	Salary and fees £'000	Taxable benefits and allowances £'000	2015 EIP award for the year – cash £'000	2015 EIP award for the year – deferred shares £'000	2013-15 LTIP awards vesting at the year end £'000	Pensions £'000	SIP £'000	SAYE £'000	Total £'000
<b>2015</b>									
<b>Executive directors</b>									
P D G Chavasse	294	2	169	254	318	85	3	4	1,129
P L Howell	464	2	290	435	373	40	3	1	1,608
R P Stockton	295	13	182	273	284	25	3	–	1,075
	1,053	17	641	962	975	150	9	5	3,812
<b>Non-executive directors</b>									
J W Dean	60	–	–	–	–	–	–	–	60
S F Gentleman	47	–	–	–	–	–	–	–	47
D T D Harrel	70	–	–	–	–	–	–	–	70
K A Matthews	60	–	–	–	–	–	–	–	60
M P Nicholls	160	–	–	–	–	–	–	–	160
	397	–	–	–	–	–	–	–	397
<b>Total</b>	<b>1,450</b>	<b>17</b>	<b>641</b>	<b>962</b>	<b>975</b>	<b>150</b>	<b>9</b>	<b>5</b>	<b>4,209</b>
<b>2014</b>									
	Salary and fees £'000	Taxable benefits and allowances £'000	2014 bonus for the year – cash £'000	2014 bonus for the year – deferred shares £'000	2012-14 LTIP awards vesting at the year end £'000	Pensions £'000	SIP £'000	SAYE £'000	Total £'000
<b>Executive directors</b>									
P D G Chavasse	285	2	145	145	300	94	3	–	974
P L Howell	450	2	251	252	–	39	3	2	999
A D Pomfret	57	2	–	–	273	–	–	–	332
R P Stockton	286	13	151	152	267	25	3	3	900
	1,078	19	547	549	840	158	9	5	3,205
<b>Non-executive directors</b>									
O R P Corbett	22	–	–	–	–	–	–	–	22
J W Dean	48	–	–	–	–	–	–	–	48
D T D Harrel	63	–	–	–	–	–	–	–	63
K A Matthews	53	–	–	–	–	–	–	–	53
M P Nicholls	140	–	–	–	–	–	–	–	140
	326	–	–	–	–	–	–	–	326
<b>Total</b>	<b>1,404</b>	<b>19</b>	<b>547</b>	<b>549</b>	<b>840</b>	<b>158</b>	<b>9</b>	<b>5</b>	<b>3,531</b>

## Annual report on remuneration

## Notes to the single total figure of remuneration for each director table

## Executive directors' salaries

As reported last year, executive directors' salaries were increased by 3% on 1 January 2015 which was consistent with the typical increases awarded across the group. Salaries were not increased on 1 January 2016.

## Non-executive directors' fees

On 1 January 2015, the chairman's fee was increased from £140,000 to £160,000 per annum and the basic non-executive director's fee was increased from £42,500 to £50,000 per annum. An additional responsibility fee of £10,000 per annum is paid to the senior independent director and to the chairmen of the audit, group risk and remuneration committees. Fees were not increased on 1 January 2016. Any future increases will depend upon a rigorous assessment of the burden of responsibilities and market rates.

## Taxable benefits

Taxable benefits are the provision of private medical insurance for executive directors and their dependants.

## Executive Incentive Plan 2015

The EIP was approved by shareholders at the 2015 annual general meeting. It replaced both the annual bonus scheme and the Long Term Incentive Plan, simplifying our incentive arrangements. It is aligned with our five year strategy and with the interests of shareholders. The overall cap is 200% of base salary. 60% of awards are made in deferred shares which must be held for a minimum period of five years.

Performance is assessed using a combination of measures:

	Weight %
One year financial	25
Three year financial	40
Non-financial strategic	15
Personal performance	20
<b>Total</b>	<b>100</b>

## One year financial – 25%

The one year financial performance measures are three key performance indicators used by the business which are closely aligned to our strategy.

	Weight %
Profit before tax compared to budget	8.34
Net organic growth in total FUM compared to the target	8.33
Underlying operating margin compared to the target	8.33
<b>Total</b>	<b>25.00</b>

The organic growth in investment funds under management covers both Investment Management and Unit Trusts.

## Three year financial – 40%

The three year financial performance measures are:

	Weight %
Compound annual growth rate (CAGR) of EPS	20
Average ROCE over the preceding three year period	20
<b>Total</b>	<b>40</b>

Performance will be tested over one and two years in 2015 and 2016 respectively.

## Bonus calculations: one and three year financial performance awards for 2015

Measure	% of total award	Threshold 25% of base salary	On target 120% of base salary	Maximum 200% of base salary	Actual	Weighted payout (% of salary)
<b>Financial one year</b>						
Profit before tax (£m)	8.34%	50.9	56.5	62.2	58.6	12.47%
Net organic growth in FUM (%)	8.33%	5.9%	6.5%	7.2%	4.1%	0.00%
Operating margin (%)	8.33%	28.5%	30.0%	31.5%	30.7%	13.11%
	<b>25.00%</b>					<b>25.58%</b>
<b>Financial three year trailing</b>						
EPS (p)	20.00%	84.2	93.5	102.8	97.4	30.71%
ROCE (%)	20.00%	15.0%	17.0%	18.0%	19.1%	40.00%
	<b>65.00%</b>					<b>96.29%</b>



**Annual report on remuneration**

**Non-financial strategic – 15%**

The non-financial strategic measures are designed to drive strategic goals. They have three components: significant project performance, stakeholder measures (risk and internal audit performance) and client experience measures. For clarity, the measures for 2015 are set out below.

**Significant project performance**

- Enhancements to the investment process
- Design and implementation of a distribution strategy
- Rathbone Investment Management capital raising exercise
- Acquisition of the remaining interest in Vision Independent Financial Planning and Castle Investment Solutions ('the Vision businesses').
- Development of the Rathbones Private Office concept
- Integration of Rathbones' pension advisory services into Rathbone Investment Management
- Review of remuneration schemes and related performance management processes

**Stakeholder measures**

- Risk and internal audit performance
- Employee engagement
- Shareholder feedback

**Client experience measures**

- Investment performance
- Client satisfaction
- Business retention

The remuneration committee has carefully reviewed progress in implementing these initiatives and has also reviewed the collective performance of the management team in operational, risk and client matters.

Progress on the strategic projects has generally been as planned and objectives have been in line with expectations including the acquisition of the Vision businesses and the opening of the Glasgow office. Some minor slippage in implementation dates has been evident in finalising the remuneration schemes and the service proposition for financial planning.

Regarding stakeholder measures, risk and internal audit metrics show good progress. Our first company-wide engagement survey was conducted and our overall employee engagement score of 88%, and high scores in sections reflecting staff-wide commitment to the strategy, are extremely encouraging.

Regarding client experience measures, investment performance has been in line with expectations. Client feedback continues to be positive overall and business retention metrics are also positive.

The committee has concluded that good progress has been made on the significant projects and that other elements are well controlled. An overall score for this section of 12% out of a maximum of 15% (24% of salary) is merited.

**Personal performance – 20%**

Personal performance has been assessed using specific measures appropriate to the director's role and responsibilities. Personal performance outcomes are shown below.

Philip Howell has shown strong leadership of the group throughout the year. Strategic objectives, which included the acquisition of the remaining shareholding in the Vision businesses, were fully achieved despite challenging market conditions.

Paul Stockton's personal objectives include measures relating to cost challenges, capital raising and relationship building with external stakeholders. In addition he has contributed effectively to the board, executive committee and to the leadership of the group.

Paul Chavasse changed roles during the year. His objectives therefore included organic growth and investment process measures, the establishment of our Glasgow office and development of financial planning and smaller portfolio solutions.

	Personal performance (maximum 20%)	% of salary
Philip Howell	18	36
Paul Stockton	17	34
Paul Chavasse	12	24

**Long Term Incentive Plan**

The LTIP awards reported are the legacy awards for 2013-15 made prior to the approval of the current remuneration policy at the AGM in May 2015.

**Annual report on remuneration**

Executive directors were awarded rights to acquire ordinary shares at the start of a three year plan cycle. Awards were limited to 75% of salary (other than in exceptional circumstances when the committee considers that a 100% limit would be appropriate). At the end of each plan cycle, the company's performance is assessed against the total shareholder return (TSR) and earnings per share (EPS) performance targets for that cycle. The extent to which the targets have been achieved determines the actual number of shares (if any) attributable to each participant. The reported awards are those vesting at the end of the 2013-15 three year cycle, including an adjustment for dividends paid during the three years, valued using the average share price over the last three months of the year.

**TSR over the plan cycle (50%)**

Rathbone Brothers Plc Total Return Index (TRI) relative to the FTSE All Share TRI (TSR element)	Vesting of award
Below the percentage change in the FTSE All Share TRI	0%
Equal to the percentage change in the FTSE All Share TRI	25%
Greater than the percentage change in the FTSE All Share TRI by 0.1% to 9.9%	Straight line increase
Equal to or greater than the percentage change in the FTSE All Share TRI plus 10%	100%

**EPS growth over the plan cycle (50%)**

	Vesting of award (EPS element)
Less than 15%	0%
15%	25%
Over 15% but less than 37.5%	Straight line increase
37.5% or over	100%

For the 2013-15 plan cycle, the Rathbone Brothers Plc TRI increased by 86% while the FTSE All Share TRI increased by 25%, a differential of 61%, comfortably exceeding the 10% threshold for a 100% award.

Basic EPS increased by 46% from 66.5p in 2012 to 97.4p in 2015, which also resulted in a 100% award for this element of the plan. The awards will vest on 19 March 2016 and have been valued using the average share price for the last quarter of 2015 of £21.87 (2014: £19.17).

**Pensions**

Paul Chavasse is now a deferred member of the Rathbone 1987 Scheme having ceased the accrual of benefits with effect from 30 April 2015. The figure disclosed includes the increase in the value of his pension benefits (excluding CPI inflation) less his contributions.

Since 1 May 2015, he has been paid a cash allowance of 12.07% of salary per annum. Philip Howell and Paul Stockton are paid a cash allowance of 8.62% of salary. All participate in the Rathbone 1987 Scheme for death in service benefits.

**Share Incentive Plan (SIP)**

This benefit is the value of the SIP matching and free share awards made in the year. Employees may contribute up to £150 per month with contributions matched on a one-for-one basis by the company. Free share awards are linked to EPS growth.

**Save As You Earn (SAYE)**

This benefit is the value of the discount on SAYE options granted during the year.

**Scheme interests awarded during the year (audited)**

Paul Chavasse and Philip Howell were awarded interests in shares under the all employee SAYE scheme. A SAYE option grant was made on 28 April 2015 at £16.41, which was 80% of the closing mid-market share price on 1 April 2015 of £20.51. Options may be exercised after five years (from 1 June 2020).

	Number of shares	Option price	Exercise price
Paul Chavasse	914	£16.41	£14,999
Philip Howell	365	£16.41	£5,990

**Directors' interests in shares and shareholding guidelines (audited)**

New executive directors are encouraged to build up and maintain a shareholding at least equivalent to the value of one year's basic salary within five years of taking up their appointment. At 31 December 2015, directors' shareholdings were as set out in table 1.

## Annual report on remuneration

Table 1. Directors' shareholdings at 31 December 2015

	Beneficially owned shares			Interests in shares				
	Non SIP	SIP <sup>1</sup>	Total	LTIP	Bonus scheme	SIP (not yet beneficially owned) <sup>1</sup>	SAYE	Total
<b>Executive directors</b>								
P D G Chavasse	61,241	6,983	68,224	25,699	31,283	433	1,727	59,142
P L Howell	–	191	191	35,159	11,816	312	2,299	49,586
R P Stockton	32,092	2,090	34,182	24,296	29,044	433	1,273	55,046
<b>Chairman</b>								
M P Nicholls	3,000	640	3,640	–	–	109	–	109
<b>Non-executive directors</b>								
J W Dean	1,000	–	1,000	–	–	–	–	–
S F Gentleman	–	–	–	–	–	–	–	–
D T D Harrel	–	656	656	–	–	109	–	109
K A Matthews	–	1,151	1,151	–	–	109	–	109
	97,333	11,711	109,044	85,154	72,143	1,505	5,299	164,101

1 SIP matching and free shares held for less than three years may be forfeited in certain circumstances and so are not considered to be beneficially owned

Table 2. LTIP

	Plan cycle	Grant date	Market value of shares at date of grant	Performance period end date	Vesting date	Number of shares				
						At 1 January 2015	Dividend adjustment on vesting	Exercised in 2015	Lapsed in 2015	At 31 December 2015
P D G Chavasse	2012–14	20/03/12	£12.61	31/12/14	20/03/15	14,825	1,421	15,631	615	–
	2013–15	19/03/13	£14.31	31/12/15	19/03/16	13,390	–	–	–	13,390
	2014–16	25/03/14	£17.37	31/12/16	25/03/17	12,309	–	–	–	12,309
P L Howell	2012–14	20/03/12	£12.61	31/12/14	20/03/15	–	–	–	–	–
	2013–15	19/03/13	£14.31	31/12/15	19/03/16	15,723	–	–	–	15,723
	2014–16	25/03/14	£17.37	31/12/16	25/03/17	19,436	–	–	–	19,436
R P Stockton	2012–14	20/03/12	£12.61	31/12/14	20/03/15	13,221	1,267	13,939	549	–
	2013–15	19/03/13	£14.31	31/12/15	19/03/16	11,944	–	–	–	11,944
	2014–16	25/03/14	£17.37	31/12/16	25/03/17	12,352	–	–	–	12,352
						113,200	2,688	29,570	1,164	85,154

## Annual report on remuneration

	At 1 January 2015 Shares	Final award for 2014 Shares	Vested in 2015 Shares	Dividend adjustment in 2015 Shares	At 31 December 2015 Shares
<b>P D G Chavasse</b>					
2011	14,316	—	14,316	—	—
2012	12,047	—	—	300	12,347
2013	11,826	—	—	295	12,121
2014	—	6,648	—	167	6,815
	38,189	6,648	14,316	762	31,283
<b>P L Howell</b>					
2011	—	—	—	—	—
2012	—	—	—	—	—
2013	—	—	—	—	—
2014	—	11,528	—	288	11,816
	—	11,528	—	288	11,816
<b>R P Stockton</b>					
2011	13,370	—	13,370	—	—
2012	12,244	—	—	306	12,550
2013	9,159	—	—	229	9,388
2014	—	6,933	—	173	7,106
	34,773	6,933	13,370	708	29,044
<b>Total</b>	<b>72,962</b>	<b>25,109</b>	<b>27,686</b>	<b>1,758</b>	<b>72,143</b>

	Grant date	At 1 January 2015	Granted in 2015	Exercised in 2015	Lapsed in 2015	At 31 December 2015	Earliest exercise date	Latest exercise date	Market price on grant (p)	Exercise price (p)
P D G Chavasse	28/03/13	813	—	—	—	813	01/05/16	01/11/16	1,397	1,106
P D G Chavasse	28/04/15	—	914	—	—	914	01/06/20	01/12/20	2,051	1,641
P L Howell	28/03/13	1,356	—	—	—	1,356	01/05/18	01/11/18	1,397	1,106
P L Howell	01/05/14	578	—	—	—	578	01/06/19	01/12/19	1,945	1,556
P L Howell	28/04/15	—	365	—	—	365	01/06/20	01/12/20	2,051	1,641
R P Stockton	28/03/13	406	—	—	—	406	01/05/16	01/11/16	1,397	1,106
R P Stockton	01/05/14	867	—	—	—	867	01/06/17	01/12/17	1,945	1,556
		4,020	1,279	—	—	5,299				

**Payments to past directors (audited)**

A number of current employees have stepped down from the board in recent years but remain employees and or directors of subsidiary companies. They remain eligible to receive LTIP awards made when they were on the board or on the executive committee (subject to the achievement of the performance conditions) but these awards may be reduced pro-rata to reflect the fact that they were not a director or executive committee member for the full cycle.

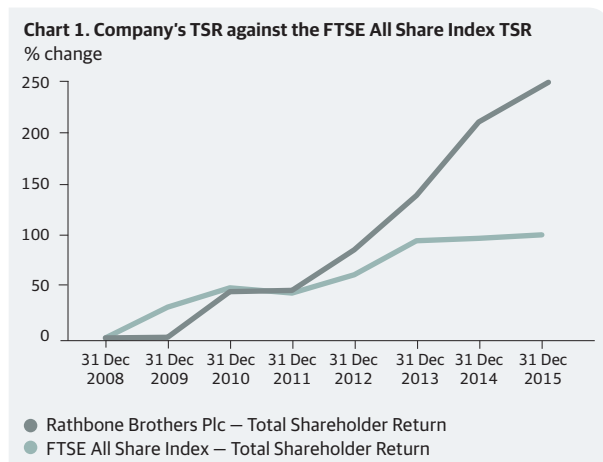
The following LTIP awards will be made in respect of the 2013-15 plan cycle which ended on 31 December 2015. The conditional share awards were granted on 19 March 2013 using a share price of £14.31. The performance conditions were achieved and the awards will vest on 19 March 2016. Adjustments have been made to reflect dividends paid since the date of grant.

2013-15 LTIP actual award	Number of shares
I M Buckley	8,007
A D Pomfret	6,607

Annual report on remuneration

Performance graph (unaudited)

Chart 1 shows the company's TSR against the FTSE All Share Index TSR for the seven years to 31 December 2015. TSR is calculated assuming that dividends are reinvested on receipt. The FTSE All Share Index has been selected as a comparator as it is a suitably broad market index and has been used as a performance comparator for LTIP plan cycles since 2005-07.



Chief executive officer single figure (unaudited)

During the seven years to 31 December 2015, Andy Pomfret was chief executive until 28 February 2014 when he was succeeded by Philip Howell.

Year	CEO	CEO single figure of total remuneration £'000	EIP award or short-term bonus as % of maximum opportunity	Long-term incentive awarded as % of maximum opportunity
2015	Philip Howell	1,608	78%	100%
2014	Philip Howell	999	89%	n/a%
2014	Andy Pomfret	342	n/a	96%
2013	Andy Pomfret	1,204	59%	100%
2012	Andy Pomfret	1,046	38%	100%
2011	Andy Pomfret	678	46%	0%
2010	Andy Pomfret	736	52%	24%
2009	Andy Pomfret	508	25%	0%

Percentage change in the remuneration of the chief executive officer and employees (unaudited)

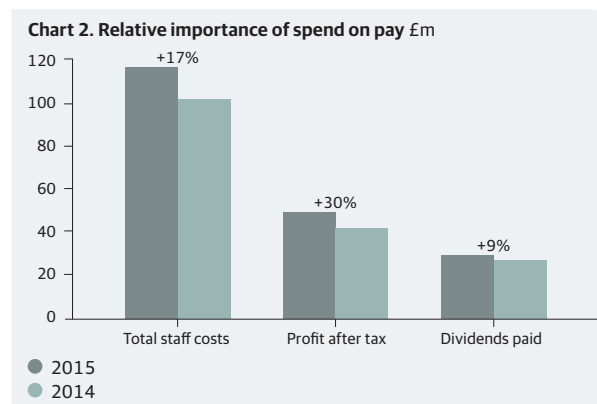
The table below shows the percentage year-on-year change in salary, benefits and bonus in 2015 for the chief executive compared with the average Rathbone's employee. The EIP scheme is a new scheme with short and longer-term

measures. 60% of awards are paid in deferred Rathbone shares which vest over five years. It replaced the previous bonus and LTIP schemes and so, in this transitional year, the annual bonus increase between 2014 and 2015 is not a like-for-like comparison. The percentage change in the CEO's cash bonus was 16%.

	Salary	Benefits	Annual bonus
CEO	3%	0%	44%
Average pay based on all Rathbone employees	4%	0%	14%

Relative importance of spend on pay

Chart 2 shows the relationship between total employee remuneration, profit after tax and dividend distributions for 2014 and 2015. The reported profit after tax has been selected by the directors as a useful indicator when assessing the relative importance of spend on pay.



Implementation of the remuneration policy in 2016

In 2016, the remuneration policy will be applied in a similar way to 2015. Incentive awards under the EIP will continue to be linked to a scorecard of longer-term financial metrics, and annual metrics covering financial, non-financial strategic and personal performance criteria. As for 2015, targets and outcomes will be published in the remuneration committee report following the year end. Performance under the long-term, trailing metrics (EPS growth and ROCE) will be measured against published underlying results over the two years 2015 and 2016, in accordance with the policy. This increases to three years from 2017, as the phasing in of the three-year trailing metrics is completed.

**Annual report on remuneration**

**Remuneration committee members**

Current committee members are the independent non-executive directors David Harrel (chairman), James Dean, Sarah Gentleman and Kathryn Matthews. Mark Nicholls was considered to be independent on his appointment as company chairman and is also a member of the committee. Sarah Gentleman joined the committee on her appointment to the board on 21 January 2015. The committee met on four occasions in 2015 (2014: four). Details of attendance by members are set out on page 65.

**Advisers to the committee and their fees**

New Bridge Street has been adviser to the committee since 1 July 2014. They are members of the Remuneration Consultants Group and advise the committee on remuneration package assessments, scheme design and reporting best practice. They do not provide other services to the company. Their fees are charged on a time cost basis and were £84,000 in 2015. The appointment of advisers is reviewed annually.

The company secretary and head of strategy and organisation development attend committee meetings.

**Statement of voting at the 2015 Annual General Meeting**

At the AGM held on 14 May 2015, the resolutions seeking approval of the directors' remuneration policy and remuneration committee report received votes as shown below.

<b>Remuneration policy</b>		
Votes cast in favour	34,820,978	96.8%
Votes cast against	1,146,663	3.2%
Total votes cast	35,967,641	100.0%
Votes withheld	1,373,106	—

<b>Annual report on remuneration</b>		
Votes cast in favour	36,304,003	98.1%
Votes cast against	702,754	1.9%
Total votes cast	37,006,757	100.0%
Votes withheld	333,990	—

**Approval**

The remuneration committee report, incorporating both the remuneration policy and annual report on remuneration, has been approved by the board.

Signed on behalf of the board

**David Harrel**

Chairman of the remuneration committee

23 February 2016

# Audit committee report



**James Dean**  
Non-executive Director

## Audit committee chairman's annual statement

2015 has been another busy year for Rathbones. From an audit committee perspective, the work of internal audit has been an area of particular focus this year following an independent assessment of our internal audit function as required by the Chartered Institute of Internal Auditors standards in late 2014.

## Committee members

Our current members are the independent non-executive directors James Dean (chairman), Sarah Gentleman, David Harrel and Kathryn Matthews. Sarah Gentleman joined the committee on her appointment to the board on 21 January 2015.

The board is satisfied that at least one member of the committee has recent and relevant financial experience. I am a chartered accountant while the other committee members have extensive experience of financial matters and of the financial services industry. We met on six occasions in 2015 (2014: eight). Details of attendance by members are set out on page 65. The chief executive, finance director, chief risk officer, head of internal audit and the external audit partner and manager attend most meetings by invitation.

## Role and responsibilities of the committee

These are set out in the terms of reference of the committee, which are reviewed annually and approved by the board.

## What we have done

### Governance

We have clarified the roles of the audit and group risk committees and their linkage to our three lines of defence model. The group risk committee is responsible for reviewing the effectiveness of the group's second line of defence, oversight of internal controls and risk management systems. This now includes oversight of the work of the compliance team. The audit committee has oversight of the group's third line of defence, primarily by the assessment of the work of the group's internal audit department.

### Financial reporting

During the year, we considered the significant financial and regulatory reporting issues, the judgements made in connection with the financial statements, viability and going concern statements and the appropriateness of accounting policies. We reviewed the narrative statements in the report and accounts, interim statement and other market updates to ensure that they were fair, balanced and understandable and consistent with the reported results.

### Client relationship intangible assets

The group assesses whether payments made to newly recruited investment managers under contractual agreements represent payments for the acquisition of client relationship intangibles or remuneration for ongoing services provided to the group. Payments made for the acquisition of client relationship intangibles are capitalised whereas those that are judged to be in relation to the provision of ongoing services are expensed in the period in which they are incurred (note 2.1 to the financial statements). Typically, any payments made 12 or more months after the cessation of any non-compete period will be expensed. The audit committee agree that this approach continues to be appropriate.

### Acquisitions and funding

We considered the impact of future acquisitions and recruitment activity on capital. We discussed the issue of £20 million subordinated loan notes by Rathbone Investment Management in July 2015 (see note 27 to the financial statements). We considered the key terms of the loan agreement and the associated financial reporting requirements, agreeing that it was a cost-effective and capital efficient way to finance future growth.

### What we have done

We discussed the accounting considerations relating to the acquisition of the remaining 80.1% of Vision and Castle. This was not straightforward as payments were due both on completion at 31 December 2015 and between 2016 and 2020, these latter payments being linked to growth and operational targets. We agreed with management that, whilst the payments on completion should be capitalised, some post-completion payments were conditional on key personnel remaining in employment and so should be recorded as an expense in future.

### The carrying value of assets

We reviewed the methodology for valuing assets where a significant amount of judgement is required, including intangible assets, particularly goodwill and client relationships. We discussed the carrying value of the goodwill allocated to the trust and tax cash generating unit and an impairment charge of £316,000 was recognised in the first half of 2015. No further impairment charge was required in the second half of the year.

### The valuation of defined benefit pension obligations

We reviewed the key assumptions made, particularly salary increases, investment returns, inflation and the discount rate when valuing the company's pension schemes liabilities, which are disclosed in note 28 to the financial statements. We reviewed the professional advice taken and considered feedback provided by the auditors on the assumptions used by us and by other companies. We satisfied ourselves that the assumptions used were reasonable.

### Provisions and contingent liabilities

We discussed provisions totalling £20.1 million summarised in note 26 to the financial statements. These primarily include provisions made in respect of future property dilapidation liabilities and future payments to be made following the acquisition of businesses or amounts payable to new investment managers as outlined above.

### Internal audit

Following a KPMG independent assessment of internal audit in 2014, we monitored the implementation of the report's main recommendations during 2015. Deloitte were engaged on 1 July 2015 as our internal audit co-source partner following a tender process. Their role is to assist with audits which require specialist knowledge and to provide support to the internal audit planning process. A combined assurance map has been developed, linking significant risks to first line controls, second line oversight and internal audit work. With the development of the second line of defence, more work is now done by compliance and risk, freeing up internal audit resource. Enhancements to internal audit reporting were also agreed.

Towards the end of the year, we approved the 2016 internal audit plan with a greater focus on higher risk areas and end-to-end reviews. We discussed the findings of a number of completed internal audit reviews (all reviews containing high risk-related recommendations and a sample of other reviews), the status of scheduled work and the follow-up of reviews by management to ensure that the agreed recommendations are acted upon promptly.

### External audit

We reviewed the external audit process, including the performance of the external auditors, by gathering feedback from committee members and from management. This process was undertaken by internal audit. We also reviewed the annual Financial Reporting Council (FRC) Audit Quality Inspection report prepared on our external auditor and discussed this report with the audit partner.

The committee is responsible for reviewing external audit arrangements and for any recommendation to the board regarding change of audit firm. This includes consideration of the external auditor's period in office, their compensation and the scope, quality and cost-effectiveness of their work. The last audit services contract tender process was undertaken in June 2009, which led to the appointment of KPMG. We plan to undertake an audit services contract tender process again before the tenth anniversary of their appointment.



### What we have done

We challenged reports from the external auditor outlining their risk assessments and their audit plans (including their proposed materiality level for the performance of the annual audit), the status of their audit work and issues arising from it. Particular focus was given to their testing of internal controls, their work on the key judgement areas and possible audit adjustments. We can confirm that there are no such material items remaining unadjusted in the financial statements. We also reviewed a benchmarking of our IT controls against a peer group of other investment managers.

We discussed the independence of the external auditor, the nature of non-audit services supplied by them and non-audit fee levels relative to the audit fee. The committee's prior approval is required where the fee for an individual non-audit service is expected to exceed £25,000. Should fees for non-audit services paid to the auditor, in aggregate, exceed 50% of the audit fee in any year prior approval is required from the committee.

Non-audit fees payable to the auditor in 2015 were £166,000. This represents 29% of the fees for assurance services of £571,000 which includes the assurance reports required by our regulators and the review of the interim statement (2014: £206,000, 37% of £517,000). Other non-audit work undertaken by the auditor in 2015 was advice on meeting new regulatory conduct risk requirements. We recognise that, given their knowledge of the business, there are often advantages in using the external auditor to provide certain non-audit services and we are satisfied that their independence has not been impaired by providing these services.

We agreed the external auditor's fees (which are shown in note 7 to the financial statements) and reviewed the audit engagement letter. We also had discussions with the external auditor with no management present to provide an opportunity for any concerns to be raised and discussed.

### Whistleblowing policy

We annually review the group's whistleblowing policy, approve any changes to the document and receive details of any reports made.

### Other

We also discussed the implication of changes to the UK Corporate Governance Code and accounting for the Executive Incentive Plan which was approved by shareholders at the 2015 annual general meeting. We discussed updates on any client complaints and attempted frauds. Client identity theft, cyber crime and the cloning of the websites of FCA registered firms remain significant issues affecting the financial services industry with fraudsters becoming increasingly sophisticated in their approach.

As well as meetings with management, I have regular meetings on a one-to-one basis, with the head of internal audit before audit committee meetings to ensure that any concerns can be raised in confidence.

We can access independent professional advice if we consider it necessary.

**James Dean**  
Chairman of the audit committee

23 February 2016

# Nomination committee report



**Mark Nicholls**  
Chairman

## Nomination committee chairman's annual statement

The nomination committee's primary focus this year has been on succession planning.

## Committee members

Our current members are Mark Nicholls (chairman), James Dean, Sarah Gentleman, David Harrel and Kathryn Matthews. Sarah Gentleman joined the committee on her appointment to the board on 21 January 2015.

We met formally on two occasions in 2015 (2014: three). Details of attendance by members are set out on page 65. There have been a number of other informal discussions amongst members of the committee.

## Role and responsibilities of the committee

The remit of the committee is to consider and make recommendations to the board for the appointment of directors. The board as a whole then decides upon any such appointment. The committee also considers issues such as appraisals, training and director development. The terms of reference of the committee are reviewed annually and approved by the board.

An external search consultancy is generally used when recruiting new non-executive directors and may be used when recruiting executive directors. When considering possible candidates, the committee evaluates the skills, knowledge and experience of the candidates and, in the case of non-executive appointments, their other commitments. The committee is mindful of the benefits of a diverse board with a broad range of skills and experience.

## What we have done

During the year, the committee discussed the composition of the board, recognising that David Harrel, the senior independent director and chairman of the remuneration committee will complete nine years service on 1 December 2016 and will no longer be considered independent from that date. The committee agreed that, in the first half of 2016, we should seek at least one new non-executive director and that, as soon as possible, a new chairman of the remuneration committee should be identified to ensure a smooth transition.

The committee discussed the short-term emergency cover arrangements that would be made if an executive director or executive committee member was unexpectedly unable to continue working. It also discussed longer-term executive succession planning, the pipeline of internal candidates and potential external candidates. Whilst the benefits of a diverse board and management team are recognised, improving the gender balance at senior management level is a challenge, as is the case in many other similar businesses.

## Looking forward

We will continue to consider what additional skills are needed on the board and we will keep under review a succession timetable for both executives and non-executives. We will also monitor the development of management talent below board level, encourage greater diversity and challenge management to develop the talent that exists in the firm.

**Mark Nicholls**  
Chairman of the nomination committee

23 February 2016

## Approval of strategic report



**Philip Howell**  
Chief Executive

The strategic report for the group comprises the following sections of the report and accounts:

- Chairman’s statement
- Chief executive’s statement
- Our market
- Our business model
- Our approach
- Strategy and key performance indicators
- Risk management
- Our performance
- Segmental review
- Financial position
- Liquidity and cash flow
- Corporate responsibility report.

The strategic report has been drawn up in accordance with, and in reliance upon, applicable English company law, in particular Chapter 4A of the Companies Act 2006, and the liabilities of the directors in connection with this report shall be subject to the limitations and restrictions provided by such law.

The strategic report 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 annual report. Statements contained within the strategic report 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. The strategic report has been prepared by Rathbone Brothers Plc to provide information to its shareholders and should not be relied upon for any other purpose.

The strategic report has been prepared for the group as a whole, and therefore gives greater emphasis to those matters which are significant to the company and its subsidiaries when reviewed as a whole.

By Order of the Board

**Philip Howell**  
Chief Executive

23 February 2016

# Statement of directors' responsibilities in respect of the report and accounts



**Philip Howell**  
Chief Executive

The directors are responsible for preparing the report and accounts, comprising the consolidated financial statements of Rathbone Brothers Plc and its subsidiaries ('the group') and holding company financial statements ('the parent company') in accordance with applicable law and regulations.

Company law requires the directors to prepare group and parent company financial statements for each financial year. Under that law they are required to prepare the group financial statements in accordance with IFRS as adopted by the EU and applicable law and have elected to prepare the parent company financial statements on the same basis.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of their profit or loss for that period. In preparing each of the group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRS as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the parent company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a strategic report, directors' report, remuneration committee report and corporate governance statement that all comply with that law and those regulations.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## Disclosure of information to the auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditors are unaware; and each director has taken all the steps that he or she ought to have taken as a director to make him or herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

## Responsibility statement of the directors in respect of the annual report

We confirm that to the best of our knowledge:

- the consolidated financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit of the parent company and the undertakings included in the consolidation taken as a whole
- the strategic report and directors' report include a fair review of the development and performance of the business and the position of the parent company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face
- the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the group's position and performance, business model and strategy.

By Order of the Board

**Philip Howell**  
Chief Executive

23 February 2016

# Consolidated financial statements

92	<b>Independent auditor's report to the members of Rathbone Brothers Plc only</b>
96	<b>Consolidated statement of comprehensive income</b>
97	<b>Consolidated statement of changes in equity</b>
98	<b>Consolidated balance sheet</b>
99	<b>Consolidated statement of cash flows</b>
100	<b>Notes to the consolidated financial statements</b>
100	1 Principal accounting policies
108	2 Critical accounting judgements and key sources of estimation and uncertainty
110	3 Segmental information
113	4 Net interest income
	5 Net fee and commission income
	6 Net trading and other operating income
114	7 Operating income
115	8 Transaction costs
	9 Head office relocation costs
	10 Staff costs
116	11 Income tax expense
	12 Dividends
117	13 Earnings per share
118	14 Cash and balances with central banks
	15 Loans and advances to banks
119	16 Loans and advances to customers
120	17 Investment securities
121	18 Prepayments, accrued income and other assets
	19 Property, plant and equipment
	20 Net deferred tax asset
123	21 Investment in associates and relative derivatives
125	22 Intangible assets
127	23 Deposits by banks
	24 Due to customers
	25 Accruals, deferred income, provisions and other liabilities
128	26 Other provisions
129	27 Subordinated loan notes
	28 Long term employee benefits
135	29 Share capital and share premium
	30 Own shares
136	31 Share-based payments
138	32 Financial risk management
152	33 Capital management
153	34 Contingent liabilities and commitments
154	35 Business combinations
156	36 Related party transactions
157	37 Consolidated statement of cash flows
157	38 Events after the balance sheet date
158	39 Country-by-country reporting

# Independent auditor's report to the members of Rathbone Brothers Plc only

Opinions and conclusions arising from our audit.

## 1 Our opinion on the financial statements is unmodified

We have audited the financial statements of Rathbone Brothers Plc for the year ended 31 December 2015 set out on pages 96 to 180. In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2015 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS as adopted by the EU);
- the parent company financial statements have been properly prepared in accordance with IFRS as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

## 2 Our assessment of risks of material misstatement

In arriving at our audit opinion above on the financial statements the risks of material misstatement that had the greatest effect on our audit were as follows:

### **Recognition and impairment of client relationship intangibles: £100,869,000**

Refer to page 85 (audit committee report), page 105 (accounting policy) and pages 108 and 125 to 126 (financial disclosures).

**The risk:** Individually purchased client relationships are initially recognised at cost and those acquired as part of a business combination initially recognised at fair value. The classification of the individually purchased client relationships as intangible assets or an expense item and the impairment of the intangible assets in respect of customer relationships (both purchased individually and those acquired as part of a business combination) are two of the key judgement areas and represent a significant audit risk.

The primary areas of estimation arise in:

- The group's assessment of whether payments made to newly recruited investment managers under contractual arrangements represent payments for the acquisition of client relationship intangibles (which would be capitalised) or payments in respect of providing ongoing services to the group (which would be expensed). In forming this judgement, the group has determined that the appropriate accounting policy is to capitalise payments made to investment managers relating to client relationships acquired in the period up to 12 months after the cessation of any non-compete arrangements between an investment manager and their previous employer. Further judgement is applied in exceptional circumstances where the group consider that the investment manager is introducing client relationships that previously existed beyond the 12 month period. In such circumstances, where the group believe it is appropriate to do so, the period during which such payments are capitalised is extended beyond 12 months.
- The group's assessment of whether the ongoing benefits offered by the capitalised client relationship intangibles are greater than their carrying value and whether there is an indication of impairment.
- The group's estimation of the useful economic lives of the client relationships over which these intangible assets are subsequently amortised which typically ranges between 10 and 15 years using a straight line method.

**Our response:** To assess the group's judgement in applying the above accounting policy, we used our industry knowledge and experience and considered the criteria for the recognition of payments to secure an asset management contract as an asset. In this area our audit procedures included:

- We assessed the appropriateness of the capitalised payments during the year by performing testing of a risk-based sample of newly recognised client relationship intangibles. This testing assessed whether such costs were only capitalised when they fell in the period up to 12 months of the conclusion of any non-compete arrangements and that such costs related to relationships already held by the investment manager. In respect of those instances where payments were capitalised beyond the 12 month period, for each significant addition we confirmed whether these relationships were held by the investment manager in a previous employment, challenged management on the nature of the relationship and obtained documentary evidence.

## 2 Our assessment of risks of material misstatement

- In considering the adequacy of the impairment assessment performed by the group to support the carrying value of the client relationship intangible previously capitalised under IAS 18 'Revenue' we assessed the current value of client accounts and whether they continue to represent an ongoing benefit. We also assessed the population of client accounts for any closed accounts or non-income generating clients for the group to assess whether any associated intangible assets should be appropriately derecognised. For client relationship intangibles that were previously capitalised under IFRS 3 'Business Combinations', we have challenged the appropriateness of the group's impairment triggers by aligning them to the key factors underpinning the value of the intangible asset, including funds under management, client numbers and market movements. At the end of the year we also assessed whether the triggers indicated possible impairment.
- Our consideration of the appropriateness of the useful economic lives of the client relationships and amortisation periods included performing an analysis of the length of the client relationships held by the group with reference to the historic gross outflows of funds under management.
- We have also considered the adequacy of the group's disclosure in respect of the client relationship intangible assets.

### Accounting for the acquisition of Vision and Castle

Refer to pages 85 and 86 (audit committee report), page 101 (accounting policy) and pages 109 and 154 to 155 (financial disclosures).

**The risk:** On 31 December 2015, the group acquired the 80.1% of Vision Independent Financial Planning Limited and Castle Investment Solutions Limited it did not already own. The group previously owned 19.9% of the ordinary share capital of the two companies with an option to purchase the remaining shares, which was accounted for as a derivative contract under IAS 39 'Financial Instruments: Recognition and Measurement'.

The accounting for the transaction is considered to be a significant risk due to the high degree of judgement involved in applying IFRS 3 'Business Combinations', specifically:

- the appropriateness of the fair value of the pre-existing 19.9% interest and the fair values of the tangible and intangible assets acquired; and

- the treatment of contractual payments and whether they are consideration or remuneration for post-combination services, and for payments that qualify as consideration, the value of the deferred and contingent elements.

**Our response:** With the support of our own valuation specialists, we challenged the group's methodology and the key underlying assumptions to value the pre-existing 19.9% shareholding, including the discount rate and growth rates. We also considered the group's key assumptions and methodology adopted in the valuation of the client relationship intangible assets recognised at the date of acquisition and assessed the consistency of the key inputs with other group valuations, including the discount rate, growth rate, and expected duration of the client relationships.

We also challenged the group's treatment of the various anticipated contractual payments detailed in the purchase and sale agreement and whether they were appropriately recognised and measured at the date of acquisition as consideration in accordance with IFRS 3. This included an evaluation of the nature and conditions for which payments are due under the contractual terms and for elements that were recognised as consideration, the group's assumptions and estimate of the timing and quantum of the expected payments.

We also considered the adequacy of the group's disclosure in respect of the transaction.

### Valuation of defined benefit pension obligation: £4,501,000

Refer to page 86 (audit committee report), page 107 (accounting policy) and pages 108 and 129 to 134 (financial disclosures).

**The risk:** The parent company has recognised a pension deficit of £4,501,000 as at 31 December 2015. The valuation of the defined benefit pension deficit is an important judgement as this balance is volatile and impacts the parent company's distributable reserves. The group obtained advice from actuarial specialists in order to calculate this deficit and uncertainty arises as a result of estimates made in respect of long-term trends and market conditions to determine the value based on the group's expectations of the future. As a result, the actual surplus or deficit realised by the group may be significantly different to that recognised on the balance sheet since small changes to the assumptions used in the calculation materially affect the valuation and may result in the recognition of a deficit materially different from the liability recognised at the year end.

## 2 Our assessment of risks of material misstatement

**Our response:** With the support of our own actuarial specialists, we challenged key assumptions and estimates used in the calculation of the pension deficit, including the discount rate, RPI inflation, salary growth and life expectancy that were applied to the valuation. This included a comparison of key assumptions against externally derived data and our benchmark ranges for similar schemes. We also considered the group's judgement in selecting its assumptions and whether there were any indicators of bias.

We have also considered the adequacy of the group's disclosures in respect of the deficit and the assumptions used.

## 3 Our application of materiality and an overview of the scope of our audit

The materiality for the group financial statements as a whole was set at £2.8 million, determined with reference to a benchmark of group profit before tax, of which it represents 4.8%. We report to the audit committee any corrected or uncorrected identified misstatements exceeding £140,000, in addition to other identified misstatements that warranted reporting on qualitative grounds.

All six of the group's reporting components were subjected to audits for group reporting purposes. These audits covered 100% of group revenue, 100% of group profit before tax and 100% of group total assets.

The group audit team performed the audits of the six reporting components in accordance with the materiality levels used for local audits, which ranged from £0.08 million to £2.4 million.

## 4 Our opinion on other matters prescribed by the Companies Act 2006 is unmodified

In our opinion:

- the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006;
- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- information given in the corporate governance report set out on pages 63 to 66 with respect to internal control and risk management systems in relation to financial reporting processes and about share capital structures is consistent with the financial statements.

## 5 We have nothing to report on the disclosures of principal risks

Based on the knowledge we acquired during our audit, we have nothing material to add or draw attention to in relation to:

- the directors' statement of longer-term viability on page 26, concerning the principal risks, their management, and, based on that, the directors' assessment and expectations of the group's continuing in operation over the three years to 2018; or
- the disclosures in note 1.6 of the consolidated financial statements concerning the use of the going concern basis of accounting.



## 6 We have nothing to report in respect of the matters on which we are required to report by exception

Under ISAs (UK and Ireland) we are required to report to you if, based on the knowledge we acquired during our audit, we have identified other information in the annual report that contains a material inconsistency with either that knowledge or the financial statements, a material misstatement of fact, or that is otherwise misleading.

In particular, we are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our audit and the directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the group's position and performance, business model and strategy; or
- the audit committee report does not appropriately address matters communicated by us to the audit committee.

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the directors' remuneration report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- a corporate governance statement has not been prepared by the company.

Under the Listing Rules we are required to review:

- the directors' statements, set out on pages 26 and 62, in relation to going concern and longer-term viability; and
- the part of the corporate governance report on page 64 relating to the company's compliance with the 11 provisions of the 2014 UK Corporate Governance Code specified for our review.

We have nothing to report in respect of the above responsibilities.

### Scope and responsibilities

As explained more fully in the directors' responsibilities statement set out on page 90, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

This report is made solely to the company's members, as a body and is subject to important explanations and disclaimers regarding our responsibilities, published on our website at [www.kpmg.com/uk/auditscopeukco2014a](http://www.kpmg.com/uk/auditscopeukco2014a), which are incorporated into this report as if set out in full and should be read to provide an understanding of the purpose of this report, the work we have undertaken and the basis of our opinions.

**Nicholas Edmonds (Senior Statutory Auditor)**  
for and on behalf of KPMG LLP, Statutory Auditor  
Chartered Accountants

London  
23 February 2016

# Consolidated statement of comprehensive income

for the year ended 31 December 2015

	Note	2015 £'000	2014 £'000 (restated – note 1.3)
Interest and similar income		<b>12,663</b>	10,024
Interest expense and similar charges		<b>(1,822)</b>	(865)
<b>Net interest income</b>	4	<b>10,841</b>	9,159
Fee and commission income		<b>222,638</b>	196,637
Fee and commission expense		<b>(8,049)</b>	(9,126)
<b>Net fee and commission income</b>	5	<b>214,589</b>	187,511
Net trading income	6	<b>2,230</b>	1,878
Other operating income	6	<b>1,361</b>	2,086
Share of profit of associates	21	<b>157</b>	169
Gain on remeasurement of non-controlling interest	21	<b>885</b>	–
Refund of levies for the Financial Services Compensation Scheme	6	–	982
Gain on disposal of financial securities	6	–	6,833
Gain on disposal of pension administration business	6	–	683
<b>Operating income</b>		<b>230,063</b>	209,301
Charges in relation to client relationships and goodwill	7	<b>(11,014)</b>	(8,287)
Contribution to legal settlement	7	–	(15,000)
Transaction costs	8	<b>(162)</b>	(1,057)
Loss on derivative financial instruments	21	<b>(1,030)</b>	–
Head office relocation costs	9	<b>(412)</b>	–
Other operating expenses		<b>(158,813)</b>	(139,247)
<b>Operating expenses</b>	7	<b>(171,431)</b>	(163,591)
<b>Profit before tax</b>		<b>58,632</b>	45,710
Taxation	11	<b>(12,261)</b>	(10,032)
<b>Profit after tax</b>		<b>46,371</b>	35,678
<b>Profit for the year attributable to equity holders of the company</b>		<b>46,371</b>	35,678
<b>Other comprehensive income:</b>			
Items that will not be reclassified to profit or loss			
Net remeasurement of defined benefit liability	28	<b>6,524</b>	(17,466)
Deferred tax relating to net remeasurement of defined benefit liability	20	<b>(1,509)</b>	3,493
Items that may be reclassified to profit or loss			
Revaluation of available for sale investment securities:			
– net gain from changes in fair value	17	<b>53</b>	959
– net profit on disposal transferred to profit or loss during the year		–	(6,820)
		<b>53</b>	(5,861)
Deferred tax relating to revaluation of available for sale investment securities	20	<b>(10)</b>	1,172
<b>Other comprehensive income net of tax</b>		<b>5,058</b>	(18,662)
<b>Total comprehensive income for the year net of tax attributable to equity holders of the company</b>		<b>51,429</b>	17,016
Dividends paid and proposed for the year per ordinary share	12	<b>55.0p</b>	52.0p
Dividends paid and proposed for the year		<b>26,305</b>	24,863
Earnings per share for the year attributable to equity holders of the company:	13		
– basic		<b>97.4p</b>	76.0p
– diluted		<b>96.6p</b>	75.4p

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

# Consolidated statement of changes in equity

for the year ended 31 December 2015

	Note	Share capital £'000	Share premium £'000	Merger reserve £'000	Available for sale reserve £'000	Own shares £'000	(restated – note 1.3)	
							Retained earnings £'000	Total equity £'000
At 1 January 2014		2,315	65,484	31,835	4,717	(5,722)	152,371	251,000
Restatement (see note 1.3)							498	498
At 1 January 2014 (restated)		2,315	65,484	31,835	4,717	(5,722)	152,869	251,498
Profit for the year							35,678	35,678
Net remeasurement of defined benefit liability	28						(17,466)	(17,466)
Revaluation of available for sale investment securities:								
– net gain from changes in fair value	17				959			959
– net profit on disposal transferred to profit or loss during the year					(6,820)			(6,820)
Deferred tax relating to components of other comprehensive income	20				1,172		3,493	4,665
Other comprehensive income net of tax		–	–	–	(4,689)	–	(13,973)	(18,662)
Dividends paid	12						(23,793)	(23,793)
Issue of share capital	29	80	27,503					27,583
Share-based payments:								
– value of employee services							374	374
– cost of own shares acquired	30					(1,655)		(1,655)
– cost of own shares vesting	30					1,846	(1,846)	–
– tax on share-based payments	20						248	248
<b>At 1 January 2015</b>		<b>2,395</b>	<b>92,987</b>	<b>31,835</b>	<b>28</b>	<b>(5,531)</b>	<b>149,557</b>	<b>271,271</b>
Profit for the year							<b>46,371</b>	<b>46,371</b>
Net remeasurement of defined benefit liability	28						<b>6,524</b>	<b>6,524</b>
Revaluation of available for sale investment securities:								
– net gain from changes in fair value	17				<b>53</b>			<b>53</b>
Deferred tax relating to components of other comprehensive income	20				<b>(10)</b>		<b>(1,509)</b>	<b>(1,519)</b>
Other comprehensive income net of tax		–	–	–	<b>43</b>	–	<b>5,015</b>	<b>5,058</b>
Dividends paid	12						<b>(25,836)</b>	<b>(25,836)</b>
Issue of share capital	29	<b>12</b>	<b>4,656</b>					<b>4,668</b>
Share-based payments:								
– value of employee services							<b>1,022</b>	<b>1,022</b>
– cost of own shares acquired	30					<b>(2,413)</b>		<b>(2,413)</b>
– cost of own shares vesting	30					<b>1,767</b>	<b>(1,767)</b>	–
– tax on share-based payments	20						<b>51</b>	<b>51</b>
<b>At 31 December 2015</b>		<b>2,407</b>	<b>97,643</b>	<b>31,835</b>	<b>71</b>	<b>(6,177)</b>	<b>174,413</b>	<b>300,192</b>

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

# Consolidated balance sheet

as at 31 December 2015

	Note	2015 £'000	2014 £'000 (restated – note 1.3)
<b>Assets</b>			
Cash and balances with central banks	14	<b>583,156</b>	727,178
Settlement balances		<b>17,948</b>	15,890
Loans and advances to banks	15	<b>108,877</b>	144,399
Loans and advances to customers	16	<b>117,269</b>	101,640
Investment securities:			
– available for sale	17	<b>53,386</b>	15,514
– held to maturity	17	<b>707,745</b>	429,974
Prepayments, accrued income and other assets	18	<b>59,344</b>	55,272
Property, plant and equipment	19	<b>9,999</b>	10,242
Net deferred tax asset	20	<b>4,579</b>	6,895
Investment in associates	21	–	1,434
Intangible assets	22	<b>171,326</b>	159,654
<b>Total assets</b>		<b>1,833,629</b>	1,668,092
<b>Liabilities</b>			
Deposits by banks	23	<b>299</b>	–
Settlement balances		<b>21,481</b>	22,584
Due to customers	24	<b>1,402,890</b>	1,282,426
Accruals, deferred income, provisions and other liabilities	25	<b>78,698</b>	73,888
Current tax liabilities		<b>6,076</b>	4,213
Subordinated loan notes	27	<b>19,492</b>	–
Retirement benefit obligations	28	<b>4,501</b>	13,710
<b>Total liabilities</b>		<b>1,533,437</b>	1,396,821
<b>Equity</b>			
Share capital	29	<b>2,407</b>	2,395
Share premium	29	<b>97,643</b>	92,987
Merger reserve		<b>31,835</b>	31,835
Available for sale reserve		<b>71</b>	28
Own shares	30	<b>(6,177)</b>	(5,531)
Retained earnings		<b>174,413</b>	149,557
<b>Total equity</b>		<b>300,192</b>	271,271
<b>Total liabilities and equity</b>		<b>1,833,629</b>	1,668,092

The financial statements were approved by the board of directors and authorised for issue on 23 February 2016 and were signed on its behalf by:

P L Howell                                      R P Stockton  
 Chief Executive                                      Finance Director

Company registered number: 01000403

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

# Consolidated statement of cash flows

for the year ended 31 December 2015

	Note	2015 £'000	2014 £'000 (restated – note 1.3)
<b>Cash flows from operating activities</b>			
Profit before tax		<b>58,632</b>	45,710
Share of profit of associates	21	<b>(157)</b>	(169)
Net profit on disposal of available for sale investment securities		–	(6,820)
Net interest income		<b>(10,841)</b>	(9,159)
Net impairment charges/(recoveries) on impaired loans and advances	16	<b>19</b>	(589)
Net charge for provisions	26	<b>1,045</b>	380
(Profit)/loss on disposal of property, plant and equipment		<b>(4)</b>	517
Loss on fair value of derivative financial instrument	21	<b>1,030</b>	–
Gain on remeasurement of non-controlling interest		<b>(885)</b>	–
Depreciation, amortisation and impairment		<b>16,115</b>	13,367
Defined benefit pension scheme charges	28	<b>4,217</b>	3,332
Defined benefit pension contributions paid	28	<b>(6,902)</b>	(5,474)
Share-based payment charges	10	<b>4,629</b>	5,477
Interest paid		<b>(1,282)</b>	(852)
Interest received		<b>11,349</b>	10,284
		<b>76,965</b>	56,004
Changes in operating assets and liabilities:			
– net increase in loans and advances to banks and customers		<b>(5,606)</b>	(11,074)
– net (increase)/decrease in settlement balance debtors		<b>(2,058)</b>	3,721
– net increase in prepayments, accrued income and other assets		<b>(2,396)</b>	(8,982)
– net increase in amounts due to customers and deposits by banks		<b>120,763</b>	390,529
– net decrease in settlement balance creditors		<b>(1,103)</b>	(5,042)
– net increase in accruals, deferred income, provisions and other liabilities		<b>329</b>	2,790
<b>Cash generated from operations</b>		<b>186,894</b>	427,946
Tax paid		<b>(10,414)</b>	(10,215)
<b>Net cash inflow from operating activities</b>		<b>176,480</b>	417,731
<b>Cash flows from investing activities</b>			
Dividends received from associates	21	<b>107</b>	31
Acquisition of subsidiaries, net of cash acquired		<b>(3,528)</b>	(40,129)
Purchase of property, plant, equipment and intangible assets		<b>(22,879)</b>	(15,953)
Proceeds from sale of property, plant and equipment		<b>33</b>	(517)
Purchase of investment securities	17	<b>(988,127)</b>	(641,858)
Proceeds from sale and redemption of investment securities	17	<b>709,853</b>	794,548
<b>Net cash (used in)/generated from investing activities</b>		<b>(304,541)</b>	96,122
<b>Cash flows from financing activities</b>			
Issue of ordinary shares	37	<b>2,255</b>	25,928
Net proceeds from the issue of subordinated loan notes	27	<b>19,454</b>	–
Dividends paid	12	<b>(25,836)</b>	(23,793)
<b>Net cash (used in)/generated from financing activities</b>		<b>(4,127)</b>	2,135
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(132,188)</b>	515,988
Cash and cash equivalents at the beginning of the year		<b>835,816</b>	319,828
<b>Cash and cash equivalents at the end of the year</b>	37	<b>703,628</b>	835,816

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

# Notes to the consolidated financial statements

## 1 Principal accounting policies

Rathbone Brothers Plc ('the company') is a public company incorporated and domiciled in England and Wales under the Companies Act 2006.

### 1.1 Basis of preparation

The consolidated and company financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU. The company financial statements are presented on pages 160 to 180.

The financial statements have been prepared on the historical cost basis, except for certain financial instruments that are measured at fair value (notes 1.13 and 1.17). The principal accounting policies adopted are set out in this note and, unless otherwise stated, have been applied consistently to all periods presented in the consolidated financial statements.

### 1.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the company and entities controlled by the company (its subsidiaries and special purpose entities), together 'the group', made up to 31 December each year.

The group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries and special purpose entities are fully consolidated from the date on which control is obtained, and no longer consolidated from the date that control ceases; their results are included in the consolidated financial statements up to the date that control ceases. Intercompany transactions and balances between group companies are eliminated on consolidation.

Associates are companies over which the group has significant influence, but not control or joint control, over the financial and operating policies of the associate (note 1.5).

For associates with non-coterminous year ends, financial statements are drawn up to 31 December for the purposes of equity accounting.

### 1.3 Developments in reporting standards and interpretations

#### Standards and interpretations affecting the reported results or the financial position

In the current year, the group has adopted IFRIC 21 'Levies'. IFRIC 21 'Levies' changes the point at which the group recognises a liability in respect of Financial Services Compensation Scheme (FSCS) levies. From 1 January 2015, the group has recognised 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 has changed from 31 December of the preceding financial year to 1 April of the current financial year, resulting in levies recognised in the previous financial year being derecognised and recognised in the current financial year.

Comparatives have been restated for the impact of the change. As at 1 January 2014, retained earnings brought forward have been increased by £498,000. For the year ended 31 December 2014, profit after tax has been increased by £41,000, total assets have been reduced by £147,000 and total liabilities have been reduced by £686,000.

No other standards or interpretations, new or revised, have been adopted in the current year.

#### Future new standards and interpretations

A number of new standards and amendments to standards and interpretations will be effective for future annual periods beginning after 1 January 2015 and, therefore, have not been applied in preparing these consolidated financial statements. IFRS 9 'Financial Instruments', IFRS 15 'Revenue from Contracts with Customers' and IFRS 16 'Leases' are expected to have the most significant effect on the consolidated financial statements of the group.

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. IFRS 16 'Leases' is not expected to become mandatory for periods commencing before 1 January 2019. These standards have not yet been adopted by the EU and the group does not plan to adopt these standards early.

**1 Principal accounting policies 1.3 Developments in reporting standards and interpretations**

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. The extent of their impact has not yet been fully determined.

IFRS 16 'Leases' eliminates the classification of leases as either operating leases or finance leases. The group will be required to recognise all leases with a term of more than 12 months as a lease asset on its balance sheet; the group will also recognise a financial liability representing its obligation to make future lease payments. The extent of its impact has not yet been fully determined.

**1.4 Business combinations**

Business combinations are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed and equity instruments issued by the group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition date fair value. Subsequent changes in such fair values may arise as a result of additional information obtained after this date about facts and circumstances that existed at the acquisition date. Provided they arise within 12 months of the acquisition date, these changes are measurement period adjustments and are reflected against the cost of acquisition. Changes in the fair value of contingent consideration resulting from events occurring after the acquisition date are charged to profit or loss or other comprehensive income, except for obligations that are classified as equity, which are not remeasured. Such changes are irrespective of the 12 month period from acquisition.

The acquiree's identifiable assets, liabilities and contingent liabilities are recognised at their fair value at the acquisition date, except for deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements, which are measured in accordance with applicable accounting policies described elsewhere in this note.

**1.5 Investments in associates**

Investments in associates are accounted for under the equity method and are recognised initially at cost. The consolidated financial statements include the group's share of the profit or loss and other comprehensive income of the associates from the date that significant influence commences until the date that significant influence ceases.

**1.6 Going concern**

The directors have, at the time of approving the financial statements, a reasonable expectation that the company and the group have adequate resources to continue in operational existence. In forming this view, the directors have considered the company's and the group's prospects for a period exceeding 12 months. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

**1.7 Foreign currencies**

The functional and presentational currency of the company and its subsidiaries is sterling.

Transactions in currencies other than the relevant group entity's functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Gains and losses arising on retranslation are included in profit or loss for the year.

**1.8 Income**

**Net interest income**

Interest income or expense from interest-bearing financial instruments, except those classified as held for trading, is calculated using the effective interest method and recognised within net interest income. Dividends received from money market funds are included in net interest income when received.

## 1 Principal accounting policies 1.8 Income

The effective interest method is the method of calculating the amortised cost of a financial asset or liability (or group of assets and liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts the expected future cash payments or receipts through the expected life of the financial instrument, or when appropriate, a shorter period, to the net carrying amount of the instrument. The application of the method has the effect of recognising income (or expense) receivable (or payable) on the instrument evenly in proportion to the amount outstanding over the period to maturity or repayment. In calculating effective interest, the group estimates cash flows considering all contractual terms of the financial instrument but excluding the impact of future credit losses.

### Net fee and commission income

Portfolio or asset management fees, trail commissions receivable or payable and fees from advisory services are recognised on a continuous basis over the period that the related service is provided.

Commission charges for executing transactions on behalf of clients are recognised when the transaction is dealt.

Initial charges receivable from the sale of unit holdings in the group's collective investment schemes and related rebates are recognised at the point of sale.

### Dividend income

Dividend income from final dividends on equity securities is accounted for on the date the security becomes ex-dividend. Interim dividends are recognised when received.

## 1.9 Operating leases

Lease agreements which do not transfer substantially all of the risks and rewards of ownership of the leased assets to the group are classified as operating leases. Payments made under operating leases are recognised in profit or loss on a straight line basis over the term of the lease. The impact of any lease incentives is spread over the term of the lease.

## 1.10 Share-based payments

The group engages in cash-settled and equity-settled share-based payment transactions in respect of services received from its employees.

### Equity-settled awards

For equity-settled share-based payments, the fair value of the award is measured by reference to the fair value of the shares or share options granted on the grant date. The cost of the employee services received in respect of the shares or share options granted is recognised in profit or loss over the vesting period, with a corresponding credit to equity.

The fair value of the awards or options granted is determined using a binomial pricing model, which takes into account the current share price, the risk-free interest rate, the expected volatility of the company's share price over the life of the option or award, any applicable exercise price and other relevant factors. Only those vesting conditions that include terms related to market conditions are taken into account in estimating fair value. Non-market vesting conditions are taken into account by adjusting the number of shares or share options included in the measurement of the cost of employee services so that, ultimately, the amount recognised in profit or loss reflects the number of vested shares or share options, with a corresponding adjustment to equity. Where vesting conditions are related to market conditions, the charges for the services received are recognised regardless of whether or not the market-related vesting condition is met, provided that any non-market vesting conditions are also met. Shares purchased and issued are charged directly to equity.

### Cash-settled awards

For cash-settled share-based payments, a liability is recognised for the services received to the balance sheet date, measured at the fair value of the liability. At each subsequent balance sheet date and at the date on which the liability is settled, the fair value of the liability is remeasured with any changes in fair value recognised in profit or loss.

## 1.11 Taxation

### Current tax

Current tax is the expected tax payable or receivable on net taxable income for the year. Current tax is calculated using tax rates enacted or substantively enacted by the balance sheet date, together with any adjustment to tax payable or receivable in respect of previous years.



## 1 Principal accounting policies 1.11 Taxation

### Deferred tax

Deferred tax is accounted for under the balance sheet liability method in respect of temporary differences using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the liability is settled or when the asset is realised. Deferred tax liabilities are recognised for all temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences may be utilised, except where the temporary difference arises:

- from the initial recognition of goodwill;
- from the initial recognition of other assets and liabilities in a transaction, which affects neither the tax profit nor the accounting profit, other than in a business combination; or
- in relation to investments in subsidiaries and associates, where the group is able to control the reversal of the temporary difference and it is the group's intention not to reverse the temporary difference in the foreseeable future.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the group intends to settle its current tax assets and liabilities on a net basis.

### 1.12 Cash and cash equivalents

Cash comprises cash in hand.

Cash equivalents comprise money market funds which are realisable on demand and loans and advances to banks with a maturity of less than three months from the date of acquisition.

For the purposes of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

### 1.13 Financial assets

#### Initial recognition

Financial assets are initially recognised at fair value.

#### Classification and subsequent valuation

Financial assets are classified in the following categories:

##### – At fair value through profit or loss

Financial instruments are classified in this category if they are held for trading, or if they are designated in this category by the group. Financial assets held at fair value through profit or loss are carried at fair value, with gains and losses arising from changes in fair value taken directly to profit or loss.

Derivatives are categorised as held for trading. Fair values of derivatives are determined using valuation techniques, including discounted cash flow models and option pricing models as appropriate. All derivatives are included in assets when their fair value is positive, and in liabilities when their fair value is negative, unless the company has the legal ability and intention to settle net.

##### – Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the group provides money, goods or services to a debtor or purchases a loan or other debtor with no intention of trading the receivable. Loans and receivables are measured at amortised cost using the effective interest method (note 1.8), less any impairment.

If the fair value of the loan on initial recognition is lower than the amount advanced, the shortfall is charged to profit or loss.

##### – Held to maturity

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities (other than those that meet the definition of loans and receivables or that the group has classified as available for sale or fair value through profit or loss) that the group has the positive intention and ability to hold to maturity. Held to maturity investments are measured at amortised cost using the effective interest method (note 1.8), less any impairment.

**1 Principal accounting policies 1.13 Financial assets**

– **Available for sale**

Available for sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories. Available for sale investments include those intended to be held for an indefinite period of time, and which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

Available for sale financial assets are subsequently carried at fair value. Gains and losses arising from changes in the fair value of available for sale financial assets are recognised in other comprehensive income and presented in the available for sale reserve in equity. When the financial asset is sold, derecognised or impaired, the cumulative gain or loss previously recognised in equity is recycled to profit or loss.

**Trade date accounting**

Financial assets, excluding loans and receivables, are recognised on trade date, being the date on which the group commits to purchase the asset. Loans and receivables are recognised when cash is advanced to the borrowers.

Financial assets are derecognised when the rights to receive cash flows have expired or the group has transferred substantially all the risks and rewards of ownership.

**Fair value measurement**

The fair values of quoted financial instruments in active markets are based on current bid prices. If an active market for a financial asset does not exist, the group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants.

The group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

**Impairment of financial assets**

– **Financial assets carried at amortised cost**

If there is objective evidence that a financial asset carried at amortised cost, or a group of such financial assets, has suffered an impairment loss, the recoverable amount of the asset, or group of assets, is estimated in order to determine the extent of the impairment loss. The group measures the amount of the impairment loss as the difference between the carrying amount of the asset, or group of assets, and the present value of estimated future cash flows from the asset, or group of assets, discounted at the effective interest rate of the asset, or group of assets, at initial recognition. The present value of estimated future cash flows excludes the impact of future credit losses that have not been incurred. Any impairment loss is recognised in profit or loss.

All impairment losses are reviewed at least at each reporting date. If subsequently the amount of the loss decreases as a result of a new event, the relevant element of the outstanding impairment loss is reversed through profit or loss.

Interest on impaired financial assets is recognised at the original effective interest rate applied to the carrying amount as reduced by an allowance for impairment.

– **Financial assets carried at fair value**

When a decline in the fair value of a financial asset classified as available for sale has been recognised in other comprehensive income and there is objective evidence that the asset is impaired, the cumulative loss is removed from equity and recognised in profit or loss. The loss is measured as the difference between the amortised cost of the financial asset and its current fair value. Impairment losses on available for sale equity instruments are not reversed through profit or loss, but those on available for sale debt instruments are reversed, if there is an increase in fair value that is objectively related to a subsequent event.

## 1 Principal accounting policies

### 1.14 Property, plant and equipment

All property, plant and equipment is stated at historical cost, which includes directly attributable acquisition costs, less accumulated depreciation and impairment losses. Depreciation is charged so as to write off the cost of assets to their estimated residual value over their estimated useful lives, using the straight line method, on the following bases:

- leasehold improvements: over the lease term
- plant, equipment and computer hardware: over three to 10 years

The assets' residual lives are reviewed, and adjusted if appropriate, at each balance sheet date. Gains and losses on disposals are determined by comparing proceeds with the carrying amount and these are included in profit or loss.

### 1.15 Intangible assets

#### Goodwill

Goodwill arises through business combinations and represents the excess of the cost of acquisition over the group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of a business at the date of acquisition.

Goodwill is recognised as an asset and is allocated to groups of cash generating units. Cash generating units are identified as the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

On disposal of a subsidiary the attributed amount of goodwill that has not been subject to impairment is included in the determination of the profit or loss on disposal.

Goodwill arising on acquisitions before 1 January 2004, being the date of the group's transition to IFRS, has been retained at the previous UK GAAP carrying amounts and is tested for impairment annually.

#### Client relationships

Client relationships acquired as part of a business combination are initially recognised at fair value (note 1.4). Determining whether a transaction that involves the purchase of client relationships is treated as a business combination or a separate purchase of intangible assets requires judgement. The factors that the group takes into consideration in making this judgement are set out in note 2.1.

Individually purchased client relationships are initially recognised at cost. Where a transaction to acquire client relationship intangibles includes an element of variable deferred consideration, an estimate is made of the value of consideration that will ultimately be paid. The client relationship intangible recognised on the balance sheet is adjusted for any subsequent change in the value of deferred consideration. Note 2.1 sets out the approach taken by the group where judgement is required to determine whether payments made for the introduction of client relationships should be capitalised as intangible assets or charged to profit or loss.

Client relationships are subsequently carried at the amount initially recognised less accumulated amortisation, which is calculated using the straight line method over their estimated useful lives (normally 10 to 15 years, but not more than 15 years).

#### Computer software and software development costs

Costs incurred to acquire and bring to use computer software licences are capitalised and amortised through profit or loss over their expected useful lives (three to four years).

Costs that are directly associated with the production of identifiable and unique software products controlled by the group are recognised as intangible assets when the group is expected to benefit from future use of the software and the costs are reliably measurable. Other costs of producing software are charged to profit or loss as incurred. Computer software development costs recognised as assets are amortised using the straight line method over their useful lives (not exceeding four years).

## 1 Principal accounting policies

### 1.16 Impairment of goodwill and intangible assets

At each balance sheet date the group reviews the carrying amounts of its intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the group estimates the recoverable amount of the cash generating unit to which the asset belongs. The recoverable amount is the higher of fair value less costs to sell and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money.

Goodwill is tested for impairment at least annually. For the purposes of impairment testing, goodwill is allocated to the group's cash generating units. The carrying amount of each cash generating unit is compared to its value-in-use, calculated using a discounted cash flow method. If the recoverable amount of the cash generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit.

Client relationship intangibles are tested for impairment by comparing the fair value of funds under management for each acquired client relationship (or, for client relationships acquired with a business combination, each acquired portfolio of clients) with their associated amortised value. An example of evidence of impairment would be lost client relationships. In determining whether a client relationship is lost, the group considers factors such as the level of funds withdrawn and the existence of other retained family relationships. When client relationships are lost, the full amount of unamortised cost is recognised immediately in profit or loss and the intangible asset is derecognised.

If the recoverable amount of any asset other than client relationships or goodwill is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount.

Any impairment loss is recognised immediately in profit or loss.

### 1.17 Financial liabilities

Financial liabilities are initially recognised at fair value and classified as fair value through profit or loss (if designated as such or if held for trading) or at amortised cost. The group derecognises financial liabilities when its contractual obligations are discharged or cancelled, or expire.

The group has not designated any liabilities as fair value through profit or loss and holds no liabilities as held for trading.

#### Deposits and borrowings

After initial recognition, deposits and borrowings, except deposits on demand, are subsequently measured at amortised cost using the effective interest rate method through net interest income (note 1.8). Amortised cost is calculated by taking into account any issue costs and any discounts or premiums on settlement. Deposits on demand continue to be held at face value.

### 1.18 Provisions and contingent liabilities

Provisions are recognised when the group has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of economic benefits, that can be reliably estimated, will occur. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation, discounted using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

Contingent liabilities are possible obligations that depend on the outcome of uncertain future events or those present obligations where the outflows of resources are uncertain or cannot be measured reliably. Contingent liabilities are not recognised in the financial statements but are disclosed unless the likelihood of crystallisation is judged to be remote.

## 1 Principal accounting policies

### 1.19 Retirement benefit obligations on retirement benefit schemes

The group's net liability in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior years; that benefit is discounted to determine its present value, and the fair value of any plan assets (at bid price) are deducted. Any asset resulting from this calculation is limited to the present value of available refunds and reductions in future contributions to the plan.

The cost of providing benefits under defined benefit plans is determined using the projected unit credit method, with actuarial valuations being carried out at each balance sheet date. Net remeasurements of the defined benefit liability are recognised in full in the period in which they occur in other comprehensive income.

Past service cost is recognised immediately in the period of a plan amendment.

The amount recognised in the balance sheet for death in service benefits represents the present value of the estimated obligation, reduced by the extent to which any future liabilities will be met by insurance policies.

Contributions to defined contribution retirement benefit schemes are charged to profit or loss as an expense as they fall due.

The company determines the net interest on the net defined benefit liability for the year by applying the discount rate used to measure the defined benefit obligation at the beginning of the year to the net defined benefit liability.

### 1.20 Segmental reporting

The group determines and presents operating segments based on the information that is provided internally to the executive committee, which is the group's chief operating decision maker. Operating segments are organised around the services provided to clients; a description of the services provided by each segment is given in 'our approach' on pages 11 to 15. No operating segments have been aggregated in the group's financial statements.

Transactions between operating segments are reported within the income or expenses for those segments; intra-segment income and expenditure is eliminated at group level. Indirect costs are allocated between segments in proportion to the principal cost driver for each category of indirect costs that is generated by each segment.

### 1.21 Fiduciary activities

The group commonly acts as trustee and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions. Such assets and income arising thereon are excluded from these financial statements, as they are not assets of the group. Largely as a result of cash and settlement processing, the group holds money on behalf of some clients in accordance with the Client Money Rules of the Financial Conduct Authority, the Jersey Financial Services Commission and the Solicitors' Accounts Rules issued by the Solicitors Regulation Authority, as applicable. Such monies and the corresponding amounts due to clients are not shown on the face of the balance sheet as the group is not beneficially entitled to them.

### 1.22 Financial guarantees

The group provides a limited number of financial guarantees, which are backed by assets in clients' portfolios. Financial guarantees are initially recognised in the balance sheet at fair value. Guarantees are subsequently measured at the higher of the best estimate of any amount to be paid to settle the guarantee and the amount initially recognised less cumulative amortisation, which is recognised over the life of the guarantee.

## 2 Critical accounting judgements and key sources of estimation and uncertainty

The group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements 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.

### 2.1 Client relationship intangibles (note 22)

#### 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 in IFRS 3. In particular, consideration is given to the scale of the operations subject to the transaction, whether ownership of a corporate entity has been acquired and to whom any amounts payable under the transaction are payable, 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 intangibles or remuneration for ongoing services provided to the group. Payments made for the acquisition of client relationship intangibles are capitalised whereas those that are judged to be in relation to the provision of ongoing services are expensed in the period in which they are incurred.

The group determines a suitable period during which awards accruing to new investment managers are capitalised. Typically, this will be for the period ending up to 12 months after the cessation of any non-compete period. After the defined period has elapsed, any payments made are charged to profit or loss.

During the year the group capitalised £11,308,000 of payments made to investment managers and expensed £3,254,000 (2014: £22,073,000 capitalised and £2,824,000 expensed). A reduction in the capitalisation period by one month would decrease client relationship intangibles by £256,000 and decrease profit before tax by £256,000 (2014: £257,000 and £257,000 respectively).

#### 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 account closure rates and expectations for the future. During the year client relationship intangible assets were amortised over a 10 to 15 year period. Amortisation of £11,094,000 (2014: £8,287,000) was charged during the year. A reduction in the average amortisation period of one year would increase the amortisation charge by approximately £1,000,000 (2014: £700,000). At 31 December 2015, the carrying value of client relationship intangibles was £100,869,000 (2014: £95,720,000).

### 2.2 Retirement benefit obligations (note 28)

The group makes estimates about a range of long term trends and market conditions to determine the value of the surplus or deficit on its retirement benefit schemes, based on the group's expectations of the future and advice taken from qualified actuaries. Long term forecasts and estimates are necessarily highly judgemental 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.

The principal assumptions underlying the reported deficit of £4,501,000 (2014: £13,710,000) and information on the sensitivity of the retirement benefit obligations to changes in underlying estimates are set out in note 28.

## 2 Critical accounting judgements and key sources of estimation and uncertainty

### 2.3 Business combinations (note 35)

During the year, the group entered into a transaction to acquire the remaining 80.1% of Vision Independent Financial Planning Limited and Castle Investment Solutions Limited ('the Vision businesses'), having already acquired 19.9% in 2012. The group has accounted for the transaction as a business combination, as set out in note 35.

#### Treatment and fair value of consideration transferred

The purchase price payable in respect of the acquisition is split into a number of different components. The payment of certain elements has been deferred; the timing and value of these are contingent on certain employment conditions and/or operational targets being met.

The proportion of the deferred payments that are contingent on selling shareholders remaining employed by the group for a specific period are accounted for as remuneration for ongoing services in employment. The group's estimate of the amounts ultimately payable will be expensed over the deferral period.

Those deferred payments accounted for as additional consideration were assessed against the operational targets to which they are subject. Based on performance against the operational targets to date, there is no evidence to suggest that these payments would be delayed or reduced. Therefore, a provision for contingent consideration has been made for the maximum amount expected to be paid, with amounts payable after one year discounted to their present value.

#### Remeasurement to fair value of non-controlling interest

The stepped nature of the acquisition requires the group to remeasure its pre-existing equity interest in the two entities at its acquisition date fair value and recognise the resulting gain or loss in profit or loss. The fair value was determined using a probability-weighted discounted cash flow model. The fair value of the pre-existing 19.9% holding was calculated as £2,369,000, and a gain arising on remeasurement of £885,000 was recognised.

The assumptions underlying the discounted cash flow model are the growth in the number of IFAs associated with the Vision businesses, the assets under advisement generated by those IFAs and the discount rate used. A reduction in the discount rate of 2.5 percentage points would increase the fair value of the pre-existing holding by £338,000.

#### Identification of assets acquired and liabilities assumed

As at 31 December 2015, the date of acquisition, the Vision businesses' identifiable assets, liabilities and contingent liabilities have been recognised at their fair value.

In accordance with the process described in note 2.1, the group has recognised a client relationship intangible of £4,539,000, arising from the Vision businesses' relationship with clients whose assets are managed via the panel of discretionary fund managers.

Goodwill of £5,911,000 has been recognised in accordance with note 1.15.

### 3 Segmental information

For management purposes the group is currently organised into two operating segments: Investment Management and Unit Trusts. The products and services from which each reportable segment derives its revenues are described in note 1.20. All services other than unit trust funds and multi asset funds are reported within the Investment Management segment. These segments are the basis on which the group reports its performance to the executive committee, which is the group's chief operating decision maker. Certain items of income are presented within different categories of operating income in the financial statements compared to the presentation for internal reporting. Staff costs for internal reporting purposes include only those staff directly involved in the provision of the services from which each segment's revenue is generated. The cost of staff providing support services is included in indirect expenses. 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.

31 December 2015	Investment Management £'000	Unit Trusts £'000	Indirect expenses £'000	Total £'000
Net investment management fee income	143,777	17,632	—	161,409
Net commission income	43,136	—	—	43,136
Net interest income	10,841	—	—	10,841
Fees from advisory services and other income	11,241	2,551	—	13,792
<b>Underlying operating income</b>	<b>208,995</b>	<b>20,183</b>	<b>—</b>	<b>229,178</b>
Staff costs – fixed	(51,277)	(2,966)	(19,296)	(73,539)
Staff costs – variable	(29,460)	(3,794)	(6,493)	(39,747)
<b>Total staff costs</b>	<b>(80,737)</b>	<b>(6,760)</b>	<b>(25,789)</b>	<b>(113,286)</b>
Other direct expenses	(19,186)	(4,370)	(21,971)	(45,527)
Allocation of indirect expenses	(45,306)	(2,454)	47,760	—
<b>Underlying operating expenses</b>	<b>(145,229)</b>	<b>(13,584)</b>	<b>—</b>	<b>(158,813)</b>
<b>Underlying profit before tax</b>	<b>63,766</b>	<b>6,599</b>	<b>—</b>	<b>70,365</b>
Charges in relation to client relationships and goodwill (note 22)	(11,014)	—	—	(11,014)
Transaction costs (note 8)	(162)	—	—	(162)
Loss on derivative financial instruments (note 21)	(1,030)	—	—	(1,030)
Gain on remeasurement of non-controlling interest (note 21)	885	—	—	885
<b>Segment profit before tax</b>	<b>52,445</b>	<b>6,599</b>	<b>—</b>	<b>59,044</b>
Head office relocation costs (note 9)				(412)
<b>Profit before tax attributable to equity holders of the company</b>				<b>58,632</b>
Taxation (note 11)				(12,261)
<b>Profit for the year attributable to equity holders of the company</b>				<b>46,371</b>
	Investment Management £'000	Unit Trusts £'000		Total £'000
Segment total assets	1,793,257	37,806		1,831,063
Unallocated assets				2,566
<b>Total assets</b>				<b>1,833,629</b>



## 3 Segmental information

31 December 2014 (restated – note 1.3)	Investment Management £'000	Unit Trusts £'000	Indirect expenses £'000	Total £'000
Net investment management fee income	120,561	13,281	–	133,842
Net commission income	43,723	–	–	43,723
Net interest income	9,159	–	–	9,159
Fees from advisory services and other income	11,908	2,171	–	14,079
<b>Underlying operating income</b>	<b>185,351</b>	<b>15,452</b>	<b>–</b>	<b>200,803</b>
Staff costs – fixed	(43,885)	(3,304)	(14,760)	(61,949)
Staff costs – variable	(25,790)	(2,751)	(6,664)	(35,205)
<b>Total staff costs</b>	<b>(69,675)</b>	<b>(6,055)</b>	<b>(21,424)</b>	<b>(97,154)</b>
Other direct expenses	(17,013)	(2,788)	(22,292)	(42,093)
Allocation of indirect expenses	(41,085)	(2,631)	43,716	–
<b>Underlying operating expenses</b>	<b>(127,773)</b>	<b>(11,474)</b>	<b>–</b>	<b>(139,247)</b>
<b>Underlying profit before tax</b>	<b>57,578</b>	<b>3,978</b>	<b>–</b>	<b>61,556</b>
Refund of levies for the Financial Services Compensation Scheme (note 6)	907	75	–	982
Gain on disposal of pension administration business (note 6)	683	–	–	683
Charges in relation to client relationships and goodwill (note 22)	(8,287)	–	–	(8,287)
Transaction costs (note 8)	(1,057)	–	–	(1,057)
<b>Segment profit before tax</b>	<b>49,824</b>	<b>4,053</b>	<b>–</b>	<b>53,877</b>
Gain on disposal of financial securities (note 6)				6,833
Contribution to legal settlement (note 7)				(15,000)
<b>Profit before tax attributable to equity holders of the company</b>				<b>45,710</b>
Taxation (note 11)				(10,032)
<b>Profit for the year attributable to equity holders of the company</b>				<b>35,678</b>
	Investment Management £'000	Unit Trusts £'000		Total £'000
Segment total assets	1,630,464	32,878		1,663,342
Unallocated assets				4,750
<b>Total assets</b>				<b>1,668,092</b>

The following table reconciles underlying operating income to operating income:

	2015 £'000	2014 £'000
Underlying operating income	<b>229,178</b>	200,803
Gain on remeasurement of non-controlling interest (note 21)	<b>885</b>	–
Refund of levies for the Financial Services Compensation Scheme (note 6)	–	982
Gain on disposal of financial securities (note 6)	–	6,833
Gain on disposal of pension administration business (note 6)	–	683
<b>Operating income</b>	<b>230,063</b>	209,301

### 3 Segmental information

The following table reconciles underlying operating expenses to operating expenses:

	2015 £'000	2014 £'000 (restated – note 1.3)
Underlying operating expenses	<b>158,813</b>	139,247
Charges in relation to client relationships and goodwill (note 22)	<b>11,014</b>	8,287
Transaction costs (note 8)	<b>162</b>	1,057
Loss on derivative financial instruments (note 21)	<b>1,030</b>	–
Head office relocation costs (note 9)	<b>412</b>	–
Contribution to legal settlement (note 7)	–	15,000
<b>Operating expenses</b>	<b>171,431</b>	163,591

Centrally incurred indirect expenses are allocated to 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 and composition of funds under management and the segment's total revenue.

#### Geographic analysis

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

	2015 £'000	2014 £'000
United Kingdom	<b>221,957</b>	202,634
Jersey	<b>8,106</b>	6,667
<b>Operating income</b>	<b>230,063</b>	209,301

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

	2015 £'000	2014 £'000
United Kingdom	<b>175,170</b>	162,901
Jersey	<b>6,155</b>	6,995
<b>Non-current assets</b>	<b>181,325</b>	169,896

#### Major clients

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

## 4 Net interest income

	2015 £'000	2014 £'000
<b>Interest income</b>		
Cash and balances with central banks	<b>3,503</b>	2,991
Held to maturity investment securities	<b>5,270</b>	3,233
Available for sale investment securities	<b>48</b>	109
Loans and advances to banks	<b>961</b>	973
Loans and advances to customers	<b>2,881</b>	2,718
	<b>12,663</b>	10,024
<b>Interest expense</b>		
Banks and customers	<b>(1,296)</b>	(865)
Subordinated loan notes	<b>(526)</b>	–
	<b>(1,822)</b>	(865)
<b>Net interest income</b>	<b>10,841</b>	9,159

## 5 Net fee and commission income

	2015 £'000	2014 £'000
<b>Fee and commission income</b>		
Investment Management	<b>198,244</b>	174,945
Unit Trusts	<b>24,394</b>	21,692
	<b>222,638</b>	196,637
<b>Fee and commission expense</b>		
Investment Management	<b>(2,529)</b>	(2,527)
Unit Trusts	<b>(5,520)</b>	(6,599)
	<b>(8,049)</b>	(9,126)
<b>Net fee and commission income</b>	<b>214,589</b>	187,511

## 6 Net trading and other operating income

### Net trading income

Net trading income of £2,230,000 (2014: £1,878,000) comprises unit trust net dealing profits.

### Other operating income

Other operating income of £1,361,000 (2014: £2,086,000) comprises dividend income from available for sale equity securities of £1,000 (2014: £74,000), rental income from sub-leases on certain properties leased by group companies and sundry income. In 2014, it also included a gain of £565,000 on the sale of loan notes.

In 2014, the following items were included in operating income. No corresponding income arose in 2015.

### Refund of levies for the Financial Services Compensation Scheme

In December 2014, the group received partial refunds of its 2010/11 Financial Services Compensation Scheme levies, totalling £982,000.

**6 Net trading and other operating income****Gain on disposal of financial securities**

During 2014, the group disposed of its holding of 300,000 shares in London Stock Exchange Group Plc for cash consideration of £5,932,000, recognising a gain on disposal of £5,932,000. The group also disposed of its holding of 1,809 shares in Euroclear Plc for cash consideration of £931,000, recognising a gain on disposal of £901,000 and a total gain for the year ended 31 December 2014 of £6,833,000.

**Gain on disposal of pension administration business**

On 31 December 2014, the group disposed of its self-invested personal pension (SIPP) administration business for cash consideration of £800,000, recognising a gain on disposal for the year then ended of £683,000, after deducting related costs.

**7 Operating expenses**

	2015 £'000	2014 £'000 (restated – note 1.3)
Staff costs (note 10)	<b>113,288</b>	97,155
Depreciation of property, plant and equipment (note 19)	<b>2,815</b>	2,946
Amortisation of internally generated intangible assets included in operating expenses (note 22)	<b>396</b>	351
Amortisation of purchased software (note 22)	<b>1,890</b>	1,783
Auditor's remuneration (see below)	<b>737</b>	723
Net impairment charges/(recoveries) on impaired loans and advances (note 16)	<b>19</b>	(589)
Operating lease rentals	<b>6,272</b>	6,060
Other	<b>33,396</b>	30,818
<b>Other operating expenses</b>	<b>158,813</b>	139,247
Charges in relation to client relationships and goodwill (note 22)	<b>11,014</b>	8,287
Contribution to legal settlement (see below)	–	15,000
Transaction costs (note 8)	<b>162</b>	1,057
Loss on derivative financial instruments (note 21)	<b>1,030</b>	–
Head office relocation costs (note 9)	<b>412</b>	–
<b>Total operating expenses</b>	<b>171,431</b>	163,591

A more detailed analysis of auditor's remuneration is provided below.

	2015 £'000	2014 £'000
Fees payable to the company's auditor for the audit of the company's annual financial statements	<b>128</b>	91
Fees payable to the company's auditor and their associates for other services to the group:		
– audit of the company's subsidiaries pursuant to legislation	<b>249</b>	245
– audit-related assurance services	<b>194</b>	181
– tax compliance services	<b>21</b>	81
– other services	<b>145</b>	125
	<b>737</b>	723

Of the above, audit-related services for the year totalled £571,000 (2014: £517,000).

Fees payable for the audit of the company's annual financial statements include £35,000 relating to prior year audit work.

Fees for audit-related assurance services include £94,000 for the provision of assurance reports to our regulators and review of the interim statement (2014: £83,000). Fees for other services include advice in relation to Internal Capital Adequacy Assessment Process (ICAAP), review of integrating conduct risk and pensions work.

In 2014, the following items were included in operating expenses. No corresponding expenses arose in 2015.

## 7 Operating expenses

### Contribution to legal settlement

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.

The settlement became unconditional on 18 August 2014 and the company contributed £15,000,000 as its share of the settlement.

## 8 Transaction costs

Transaction costs incurred in the year consist of £162,000 of legal and advisory fees in relation to the acquisition of Vision Independent Financial Planning Limited and Castle Investment Solutions Limited (note 35).

During 2014, the group incurred £1,031,000 of legal and advisory fees in relation to corporate transactions entered into during the year and £26,000 of listing authority fees in relation to the placing of ordinary shares in April 2014, resulting in transaction costs of £1,057,000 for the year ended 31 December 2014.

## 9 Head office relocation costs

On 6 January 2016, the group exchanged contracts for a 17 year lease of 75,000 sq ft of office space at 8 Finsbury Circus, London. It is expected that the move from the current head office premises in Curzon Street, London will be completed in early 2017.

Contract negotiations for the new property were at an advanced stage at the year end. The group has reviewed its estimate of the timing of dilapidation costs arising from the current head office lease. As a result, the provision for dilapidations of the Curzon Street property was increased by £412,000 (2014: £nil) as at 31 December 2015.

## 10 Staff costs

	2015 £'000	2014 £'000
Wages and salaries	89,120	75,205
Social security costs	11,131	9,828
Equity-settled share-based payments	3,246	2,537
Cash-settled share-based payments	1,383	2,940
Pension costs: (note 28)		
– defined benefit schemes	4,217	3,332
– defined contribution schemes	4,191	3,313
	<b>8,408</b>	6,645
	<b>113,288</b>	97,155

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

	2015	2014
Investment Management:		
– investment management services	628	543
– advisory services	77	73
Unit Trusts	27	32
Shared services	249	232
	<b>981</b>	880

## 11 Income tax expense

	2015 £'000	2014 £'000 (restated – note 1.3)
Current tax:		
– charge for the year	12,266	10,587
– adjustments in respect of prior years	17	(136)
Deferred tax: (note 20)		
– charge for the year	(27)	(510)
– adjustments in respect of prior years	5	91
	<b>12,261</b>	<b>10,032</b>

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

The tax charge on profit for the year is higher (2014: higher) than the standard rate of corporation tax in the UK of 20.2% (2014: 21.5%). The differences are explained below.

	2015 £'000	2014 £'000 (restated – note 1.3)
Tax on profit from ordinary activities at the standard rate of 20.2% (2014: 21.5%)	11,871	9,824
Effects of:		
– disallowable expenses	584	587
– share-based payments	(179)	(339)
– tax on overseas earnings	(75)	(143)
– under/(over) provision for tax in previous years	22	(45)
– other	(37)	112
Effect of change in corporation tax rate on deferred tax	75	36
	<b>12,261</b>	<b>10,032</b>

## 12 Dividends

	2015 £'000	2014 £'000
Amounts recognised as distributions to equity holders in the year:		
– final dividend for the year ended 31 December 2014 of 33.0p (2013: 31.0p) per share	15,766	14,734
– interim dividend for the year ended 31 December 2015 of 21.0p (2014: 19.0p) per share	10,070	9,059
Dividends paid in the year of 54.0p (2014: 50.0p) per share	<b>25,836</b>	<b>23,793</b>
Proposed final dividend for the year ended 31 December 2015 of 34.0p (2014: 33.0p) per share	<b>16,235</b>	<b>15,804</b>

An interim dividend of 21.0p per share was paid on 7 October 2015 to shareholders on the register at the close of business on 11 September 2015 (2014: 19.0p).

A final dividend declared of 34.0p per share (2014: 33.0p) is payable on 23 May 2016 to shareholders on the register at the close of business on 29 April 2016. The final dividend is subject to approval by shareholders at the Annual General Meeting on 18 May 2016 and has not been included as a liability in these financial statements.

## 13 Earnings per share

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

	2015			2014 (restated – note 1.3)		
	Pre-tax £'000	Taxation £'000	Post-tax £'000	Pre-tax £'000	Taxation £'000	Post-tax £'000
Underlying profit attributable to shareholders	<b>70,365</b>	<b>(14,637)</b>	<b>55,728</b>	61,556	(13,437)	48,119
Gain on remeasurement of non-controlling interest (note 21)	<b>885</b>	<b>(179)</b>	<b>706</b>	–	–	–
Refund of levies for the Financial Services Compensation Scheme (note 6)	–	–	–	982	(211)	771
Gain on disposal of financial securities (note 6)	–	–	–	6,833	(1,469)	5,364
Gain on disposal of pension administration business (note 6)	–	–	–	683	(147)	536
Charges in relation to client relationships and goodwill (note 22)	<b>(11,014)</b>	<b>2,230</b>	<b>(8,784)</b>	(8,287)	1,781	(6,506)
Contribution to legal settlement (note 7)	–	–	–	(15,000)	3,224	(11,776)
Transaction costs (note 8)	<b>(162)</b>	<b>33</b>	<b>(129)</b>	(1,057)	227	(830)
Loss on derivative financial instruments (note 21)	<b>(1,030)</b>	<b>209</b>	<b>(821)</b>	–	–	–
Head office relocation costs (note 9)	<b>(412)</b>	<b>83</b>	<b>(329)</b>	–	–	–
<b>Profit attributable to shareholders</b>	<b>58,632</b>	<b>(12,261)</b>	<b>46,371</b>	45,710	(10,032)	35,678

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 47,612,026 (2014: 46,971,196).

Diluted earnings per share is the basic earnings per share, adjusted for the effect of contingently issuable shares under the Long Term Incentive Plan, 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:

	2015	2014
Weighted average number of ordinary shares in issue during the year – basic	<b>47,612,026</b>	46,971,196
Effect of ordinary share options/Save As You Earn	<b>174,219</b>	21,684
Effect of dilutive shares issuable under the Share Incentive Plan	<b>26,636</b>	63,866
Effect of contingently issuable ordinary shares under the Long Term Incentive Plan	<b>204,110</b>	247,202
<b>Diluted ordinary shares</b>	<b>48,016,991</b>	47,303,948

	2015 (restated – note 1.3)	2014
Underlying earnings per share for the year attributable to equity holders of the company:		
– basic	<b>117.0p</b>	102.4p
– diluted	<b>116.1p</b>	101.7p

## 14 Cash and balances with central banks

	2015 £'000	2014 £'000
Cash in hand	2	3
Balances with central banks	<b>583,154</b>	727,175
	<b>583,156</b>	727,178

The fair value of balances with central banks is not materially different from their carrying amount. The impact of credit risk is not material.

	2015 £'000	2014 £'000
Repayable:		
– on demand	<b>583,002</b>	727,003
– 1 year or less but over 3 months	<b>154</b>	175
	<b>583,156</b>	727,178
Amounts include balances with:		
– variable interest rates	<b>583,000</b>	727,000
– non-interest-bearing	<b>156</b>	178
	<b>583,156</b>	727,178

## 15 Loans and advances to banks

	2015 £'000	2014 £'000
Repayable:		
– on demand	<b>68,156</b>	93,638
– 3 months or less excluding on demand	<b>20,000</b>	40,055
– 1 year or less but over 3 months	<b>20,491</b>	10,424
– 5 years or less but over 1 year	<b>230</b>	282
	<b>108,877</b>	144,399
Amounts include loans and advances with:		
– variable interest rates	<b>68,783</b>	94,225
– fixed interest rates	<b>40,000</b>	50,055
– non-interest-bearing	<b>94</b>	119
	<b>108,877</b>	144,399

The fair value of loans and advances is not materially different to their carrying amount. Fair value has been calculated as the discounted amount of estimated future cash flows expected to be received using current market rates. The impact of credit risk is not material.

Loans and advances to banks included in cash and cash equivalents at 31 December 2015 were £68,156,000 (note 37) (2014: £93,638,000).

The group's exposure to credit risk arising from loans and advances to banks is described in note 32.



## 16 Loans and advances to customers

	2015 £'000	2014 £'000
Overdrafts	4,468	3,331
Investment management loan book	111,810	97,392
Trust and pension debtors	978	909
Other debtors	13	8
	<b>117,269</b>	101,640

The fair value of loans and advances to customers is not materially different to their carrying amount. Fair value has been calculated as the discounted amount of estimated future cash flows expected to be received using current market rates. Debtors arising from the trust and pensions businesses are non-interest-bearing.

	2015 £'000	2014 £'000
Repayable:		
– on demand	4,609	3,530
– 3 months or less excluding on demand	18,437	27,544
– 1 year or less but over 3 months	58,979	68,807
– 5 years or less but over 1 year	34,908	1,831
– greater than 5 years	419	–
Less: allowance for losses on loans and advances (see below)	(83)	(72)
	<b>117,269</b>	101,640
Amounts include loans and advances with:		
– variable interest rates	116,258	100,712
– non-interest-bearing	1,011	928
	<b>117,269</b>	101,640

No overdrafts or investment management loan book balances were impaired as at 31 December 2015 (2014: none impaired).

**Allowance for losses on loans and advances to customers**

	2015		2014		
	Trust and pension debtors £'000	Total £'000	Trust and pension debtors £'000	Other debtors £'000	Total £'000
At 1 January	72	72	97	1,016	1,113
Amounts written off	(8)	(8)	(1)	(451)	(452)
Charge/(credit) to profit or loss	19	19	(24)	(565)	(589)
At 31 December	<b>83</b>	<b>83</b>	72	–	72

The group's exposure to credit risk arising from loans and advances to customers is described in note 32.

## 17 Investment securities

**Available for sale securities**

	2015 £'000	2014 £'000
Equity securities – at fair value:		
– listed	1,070	514
Money market funds – at fair value:		
– unlisted	52,316	15,000
	<b>53,386</b>	<b>15,514</b>

**Held to maturity securities**

	2015 £'000	2014 £'000
Debt securities – at amortised cost:		
– unlisted	707,745	429,974
	<b>707,745</b>	<b>429,974</b>

All held to maturity debt securities are due to mature within one year (2014: all).

Available for sale securities include money market funds and direct holdings in equity securities. Equity securities comprises units in Rathbone Unit Trust Management managed funds. Equity securities do not bear interest. Money market funds, which declare daily dividends that are in the nature of interest at a variable rate and which are realisable on demand, have been included within cash equivalents (note 37).

The change in the group's holdings of investment securities in the year is summarised below.

	Available for sale £'000	Held to maturity £'000	Total £'000
At 1 January 2014	53,985	575,838	629,823
Additions	15,037	641,821	656,858
Disposals (sales and redemptions)	(54,515)	(787,685)	(842,200)
Gain from changes in fair value	1,007	–	1,007
At 1 January 2015	<b>15,514</b>	<b>429,974</b>	<b>445,488</b>
Additions	<b>36,345</b>	<b>987,624</b>	<b>1,023,969</b>
Disposals (sales and redemptions)	–	<b>(709,853)</b>	<b>(709,853)</b>
Foreign exchange movements	<b>1,474</b>	–	<b>1,474</b>
Gain from changes in fair value	<b>53</b>	–	<b>53</b>
At 31 December 2015	<b>53,386</b>	<b>707,745</b>	<b>761,131</b>

Included within available for sale securities are additions of £503,000 (2014: £37,000) and disposals of £nil (2014: £6,863,000) of financial instruments that are not classified as cash and cash equivalents.

## 18 Prepayments, accrued income and other assets

	2015 £'000	2014 £'000
Work in progress	<b>1,404</b>	1,182
Derivative financial instruments (note 21)	—	1,030
Prepayments and other assets	<b>11,900</b>	14,832
Accrued income	<b>46,040</b>	38,228
	<b>59,344</b>	55,272

Included within prepayments and other assets in 2014 was an investment property carried at fair value of £580,000. The investment property was disposed of in 2015 and a loss of £21,000 was recognised in other operating expenses.

## 19 Property, plant and equipment

	Short term leasehold improvements £'000	Plant and equipment £'000	Total £'000
<b>Cost</b>			
At 1 January 2014	12,005	12,764	24,769
Additions	177	1,489	1,666
Disposals	—	(517)	(517)
<b>At 1 January 2015</b>	<b>12,182</b>	<b>13,736</b>	<b>25,918</b>
Additions	<b>848</b>	<b>1,699</b>	<b>2,547</b>
Acquisitions through business combinations	<b>22</b>	<b>122</b>	<b>144</b>
Disposals	<b>(30)</b>	<b>(419)</b>	<b>(449)</b>
<b>At 31 December 2015</b>	<b>13,022</b>	<b>15,138</b>	<b>28,160</b>
<b>Depreciation</b>			
At 1 January 2014	3,846	9,401	13,247
Charge for the year	1,079	1,867	2,946
Disposals	—	(517)	(517)
<b>At 1 January 2015</b>	<b>4,925</b>	<b>10,751</b>	<b>15,676</b>
Charge for the year	<b>1,069</b>	<b>1,746</b>	<b>2,815</b>
Acquisitions through business combinations	<b>7</b>	<b>83</b>	<b>90</b>
Disposals	<b>(8)</b>	<b>(412)</b>	<b>(420)</b>
<b>At 31 December 2015</b>	<b>5,993</b>	<b>12,168</b>	<b>18,161</b>
<b>Carrying amount at 31 December 2015</b>	<b>7,029</b>	<b>2,970</b>	<b>9,999</b>
Carrying amount at 31 December 2014	7,257	2,985	10,242
Carrying amount at 1 January 2014	8,159	3,363	11,522

## 20 Net deferred tax asset

Deferred income taxes are calculated on all temporary differences under the liability method using an effective tax rate of 19.0% (2014: 20.0%).

The Finance Bill 2015, which included provisions for the UK corporation tax rate to be reduced to 19.0% in April 2017 and 18.0% in April 2020, received royal assent in November 2015, and the reductions are therefore deemed to be substantively enacted. Deferred tax balances have therefore been calculated based on these reduced rates as future timing differences are forecast to unwind.

The movement on the deferred tax account is as follows:

	Deferred capital allowances £'000	Pensions £'000	Share-based payments £'000	Staff-related costs £'000	Available for sale securities £'000	Intangible assets £'000	Total £'000
As at 1 January 2015 (restated – note 1.3)	<b>918</b>	<b>2,740</b>	<b>2,054</b>	<b>1,310</b>	<b>(6)</b>	<b>(121)</b>	<b>6,895</b>
Recognised in profit or loss in respect of:							
– current year	<b>38</b>	<b>(544)</b>	<b>(343)</b>	<b>942</b>	–	<b>9</b>	<b>102</b>
– prior year	<b>(34)</b>	–	–	<b>29</b>	–	–	<b>(5)</b>
– change in rate	<b>(47)</b>	<b>166</b>	<b>(72)</b>	<b>(127)</b>	–	<b>5</b>	<b>(75)</b>
<b>Total</b>	<b>(43)</b>	<b>(378)</b>	<b>(415)</b>	<b>844</b>	–	<b>14</b>	<b>22</b>
Recognised in other comprehensive income in respect of:							
– current year	–	<b>(1,321)</b>	–	–	<b>(11)</b>	–	<b>(1,332)</b>
– prior year	–	–	–	–	–	–	–
– change in rate	–	<b>(188)</b>	–	–	<b>1</b>	–	<b>(187)</b>
<b>Total</b>	–	<b>(1,509)</b>	–	–	<b>(10)</b>	–	<b>(1,519)</b>
Recognised in equity in respect of:							
– current year	–	–	<b>70</b>	–	–	–	<b>70</b>
– prior year	–	–	<b>(4)</b>	–	–	–	<b>(4)</b>
– change in rate	–	–	<b>(15)</b>	–	–	–	<b>(15)</b>
<b>Total</b>	–	–	<b>51</b>	–	–	–	<b>51</b>
Acquisitions							
– business combinations	<b>(8)</b>	–	–	–	–	<b>(862)</b>	<b>(870)</b>
<b>As at 31 December 2015</b>	<b>867</b>	<b>853</b>	<b>1,690</b>	<b>2,154</b>	<b>(16)</b>	<b>(969)</b>	<b>4,579</b>
	Deferred capital allowances £'000	Pensions £'000	Share-based payments £'000	Staff-related costs £'000	Available for sale securities £'000	Intangible assets £'000	Total £'000
Deferred tax assets	<b>867</b>	<b>853</b>	<b>1,690</b>	<b>2,154</b>	–	–	<b>5,564</b>
Deferred tax liabilities	–	–	–	–	<b>(16)</b>	<b>(969)</b>	<b>(985)</b>
<b>As at 31 December 2015</b>	<b>867</b>	<b>853</b>	<b>1,690</b>	<b>2,154</b>	<b>(16)</b>	<b>(969)</b>	<b>4,579</b>

Notes to the consolidated financial statements

**20 Net deferred tax asset**

(restated – note 1.3)	Deferred capital allowances £'000	Pensions £'000	Share-based payments £'000	Staff-related costs £'000	Available for sale securities £'000	Intangible assets £'000	Total £'000
As at 1 January 2014	780	(325)	1,731	652	(1,178)	(97)	1,563
Recognised in profit or loss in respect of:							
– current year	135	(460)	65	831	–	(26)	545
– prior year	12	–	–	(103)	–	–	(91)
– change in rate	(9)	32	(2)	(58)	–	2	(35)
Total	138	(428)	63	670	–	(24)	419
Recognised in other comprehensive income in respect of:							
– current year	–	3,754	–	–	1,260	–	5,014
– prior year	–	–	–	–	–	–	–
– change in rate	–	(261)	–	–	(88)	–	(349)
Total	–	3,493	–	–	1,172	–	4,665
Recognised in equity in respect of:							
– current year	–	–	260	(13)	–	–	247
– prior year	–	–	–	–	–	–	–
– change in rate	–	–	–	1	–	–	1
Total	–	–	260	(12)	–	–	248
As at 31 December 2014	918	2,740	2,054	1,310	(6)	(121)	6,895
(restated – note 1.3)							
Deferred tax assets	918	2,740	2,054	1,310	–	–	7,022
Deferred tax liabilities	–	–	–	–	(6)	(121)	(127)
As at 31 December 2014	918	2,740	2,054	1,310	(6)	(121)	6,895

## 21 Investment in associates and related derivatives

### Investment in associates

On 5 October 2012, the group purchased 19.9% of the ordinary share capital of Vision Independent Financial Planning Limited ('Vision') and Castle Investment Solutions Limited ('Castle'). The group was deemed to exercise significant influence over the associates by virtue of its contractual right to appoint one director to the board of directors of both companies. However, the group was not judged to have control by virtue of having no rights which would allow it to be exercised.

On 31 December 2015, the group increased its shareholding in Vision and Castle to 100% (see note 35), and the companies became subsidiaries as of that date.

The movements in the group's investment in associates up to 31 December 2015 were as follows:

	2015 £'000	2014 £'000
At 1 January	1,434	1,296
Share of profit	157	169
Dividends received	(107)	(31)
Gain on remeasurement to fair value (see note 35)	885	—
Business combination (see note 35)	(2,369)	—
At 31 December	—	1,434

Prior to the acquisition of the remaining 80.1% of the two companies, the group remeasured its existing 19.9% holdings to fair value immediately prior to acquisition, recognising a gain of £885,000.

The following table summarises the financial performance of the associates during the year:

	2015		2014	
	Vision £'000	Castle £'000	Vision £'000	Castle £'000
Revenue	1,651	977	1,317	918
Total comprehensive income	281	518	313	534
Group's share of total comprehensive income	55	102	62	107

At 31 December 2015, the group's associates had the following assets and liabilities:

	2015		2014	
	Vision £'000	Castle £'000	Vision £'000	Castle £'000
Assets	—	—	1,205	791
Liabilities	—	—	(423)	(16)
Net assets	—	—	782	775

### Derivative financial instruments

As part of the transaction to acquire the original 19.9% holdings, the group was party to certain option contracts over the equity instruments of the associates. Under these contracts, the group had the right to acquire the remaining 80.1% of the share capital of both companies for a variable exercise price in the third quarter of 2015.

On 30 September 2015, the group signed an agreement to acquire the remaining 80.1% of the share capital of Vision and Castle. The agreement materially amended the terms of the transaction and superseded the option contracts; the carrying value of which was written down to £nil, realising a loss of £1,030,000.

## 22 Intangible assets

	2015 £'000	2014 £'000
Goodwill	<b>63,479</b>	57,884
Other intangible assets	<b>107,847</b>	101,770
	<b>171,326</b>	159,654

**Goodwill**

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units (CGUs) that are expected to benefit from that business combination. The carrying amount of goodwill has been allocated as follows:

	Investment management £'000	Trust and tax £'000	Rooper & Whately £'000	Total £'000
<b>Cost</b>				
At 1 January 2014	45,287	1,954	–	47,241
Acquired through business combinations	10,766	–	227	10,993
<b>At 1 January 2015</b>	<b>56,053</b>	<b>1,954</b>	<b>227</b>	<b>58,234</b>
Acquired through business combinations (note 35)	<b>5,911</b>	–	–	<b>5,911</b>
<b>At 31 December 2015</b>	<b>61,964</b>	<b>1,954</b>	<b>227</b>	<b>64,145</b>
<b>Impairment</b>				
At 1 January 2014	–	–	–	–
Charge in the year	–	350	–	350
<b>At 1 January 2015</b>	–	<b>350</b>	–	<b>350</b>
Charge in the year	–	<b>316</b>	–	<b>316</b>
<b>At 31 December 2015</b>	–	<b>666</b>	–	<b>666</b>
<b>Carrying amount at 31 December 2015</b>	<b>61,964</b>	<b>1,288</b>	<b>227</b>	<b>63,479</b>
Carrying amount at 31 December 2014	56,053	1,604	227	57,884
Carrying amount at 1 January 2014	45,287	1,954	–	47,241

Goodwill acquired through business combinations in 2015 comprises goodwill arising on the acquisitions of Vision and Castle. The goodwill has been allocated to the investment management CGU (see note 35).

The recoverable amounts of the 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, covering the forthcoming and future years. The key assumptions underlying the budgets are that, absent evidence to the contrary, organic growth rates, revenue margins and profit margins will be in line with recent historical rates and equity markets will not change in the forthcoming year. Budgets are extrapolated for up to 10 years based on annual revenue growth for each CGU (see table below), as well as the group's expectation of future industry growth rates. A 10 year extrapolation period is chosen based on the group's assessment of the likely associated duration of client relationships. 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 CGUs.

The pre-tax rate used to discount the forecast cash flows for each 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 the CGUs operate and, in particular, the relatively small size of the trust and tax and Rooper & Whately CGUs.

At 31 December	Investment management		Trust and tax		Rooper & Whately	
	2015	2014	2015	2014	2015	2014
Discount rate	<b>9.0%</b>	11.0%	<b>11.0%</b>	13.0%	<b>9.0%</b>	13.0%
Annual revenue growth rate	<b>8.0%</b>	7.0%	<b>0.0%</b>	1.5%	<b>0.0%</b>	5.0%

## 22 Intangible assets

At 30 June 2015, the group recognised an impairment charge of £316,000 in relation to goodwill allocated to the trust and tax CGU. An impairment was recognised as the recoverable amount of the CGU at 30 June 2015 was £1,288,000, which was lower than the carrying value of £1,604,000 at 31 December 2014. The recoverable amount at 30 June 2015 was calculated based on forecast earnings for 2015, extrapolated over 10 years based on an annual revenue growth rate of 1.0%. The pre-tax rate used to discount the forecast cash flows was 13%. The impairment was recognised in the Investment Management segment in the segmental analysis. No further impairment was recognised at 31 December 2015.

Based on the assumptions in the table above, the calculated recoverable amount of the trust and tax CGU at 31 December 2015 was £1,592,000; this was higher than its carrying value of £1,288,000. Reducing the assumed growth rate for income in the trust and tax CGU by two percentage points would reduce the calculated recoverable amount of the CGU to £798,000. No reasonably foreseeable changes to the assumptions used in the value-in-use calculation for the investment management CGU would result in an impairment of the goodwill allocated to it.

### Other intangible assets

	Client relationships £'000	Software development costs £'000	Purchased software £'000	Total £'000
<b>Cost</b>				
At 1 January 2014	74,974	3,535	16,668	95,177
Internally developed in the year	—	499	—	499
Acquired through business combinations	29,097	—	—	29,097
Purchased in the year	22,073	—	2,444	24,517
Disposals	(1,465)	—	(8)	(1,473)
<b>At 1 January 2015</b>	<b>124,679</b>	<b>4,034</b>	<b>19,104</b>	<b>147,817</b>
Internally developed in the year	—	480	—	480
Acquired through business combinations (note 35)	4,539	—	—	4,539
Purchased in the year	11,308	—	2,734	14,042
Disposals	(1,867)	—	—	(1,867)
<b>At 31 December 2015</b>	<b>138,659</b>	<b>4,514</b>	<b>21,838</b>	<b>165,011</b>
<b>Amortisation</b>				
At 1 January 2014	22,487	2,869	12,093	37,449
Charge for the year	7,937	351	1,783	10,071
Disposals	(1,465)	—	(8)	(1,473)
<b>At 1 January 2015</b>	<b>28,959</b>	<b>3,220</b>	<b>13,868</b>	<b>46,047</b>
Charge for the year	10,698	396	1,890	12,984
Disposals	(1,867)	—	—	(1,867)
<b>At 31 December 2015</b>	<b>37,790</b>	<b>3,616</b>	<b>15,758</b>	<b>57,164</b>
<b>Carrying amount at 31 December 2015</b>	<b>100,869</b>	<b>898</b>	<b>6,080</b>	<b>107,847</b>
Carrying amount at 31 December 2014	95,720	814	5,236	101,770
Carrying amount at 1 January 2014	52,487	666	4,575	57,728

Client relationships acquired through business combinations in 2015 relate to the acquisition of Vision and Castle (note 35).

Purchases of client relationships 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 £11,014,000 (2014: £8,287,000). A further £3,254,000 (2014: £2,824,000) was expensed as staff costs during the year, representing amounts due for client relationships introduced more than 12 months after the cessation of any non-compete period (note 2.1).

Purchased software with a cost of £12,310,000 (2014: £10,660,000) has been fully amortised but is still in use.



## 23 Deposits by banks

On 31 December 2015, deposits by banks included overnight cash book overdraft balances of £299,000 (2014: £nil).

The fair value of deposits by banks was not materially different to their carrying value. Fair value has been calculated as the discounted amount of estimated future cash flows expected to be paid using current market rates.

## 24 Due to customers

	2015 £'000	2014 £'000
Repayable:		
– on demand	<b>1,321,575</b>	1,198,643
– 3 months or less excluding on demand	<b>79,966</b>	83,783
– 1 year or less but over 3 months	<b>1,349</b>	–
	<b>1,402,890</b>	1,282,426
Amounts include balances with:		
– variable interest rates	<b>1,316,670</b>	1,197,733
– fixed interest rates	<b>71,243</b>	72,046
– non-interest-bearing	<b>14,977</b>	12,647
	<b>1,402,890</b>	1,282,426

The fair value of amounts due to customers was not materially different from their carrying value. The estimated fair value of deposits with no stated maturity, which include non-interest-bearing deposits, is the amount at which deposits could be transferred to a third party at the measurement date. The estimated fair value of fixed interest-bearing deposits is based on discounted cash flows using interest rates for new debts with similar remaining maturity.

## 25 Accruals, deferred income, provisions and other liabilities

	2015 £'000	2014 £'000 (restated – note 1.3)
Creditors	<b>16,634</b>	17,858
Accruals and deferred income	<b>42,011</b>	35,086
Other provisions (note 26)	<b>20,053</b>	20,944
	<b>78,698</b>	73,888

## 26 Other provisions

	Deferred, variable costs to acquire client relationship intangibles £'000	Deferred and contingent consideration in business combinations £'000	Legal and compensation £'000	Property- related £'000	Total £'000
At 1 January 2014	8,450	—	483	973	9,906
Charged to profit or loss	—	—	524	109	633
Unused amount credited to profit or loss	—	—	(253)	—	(253)
Net charge to profit or loss	—	—	271	109	380
Business combinations	—	32,030	—	—	32,030
Other movements	21,073	—	—	—	21,073
Utilised/paid during the year	(10,344)	(32,000)	(101)	—	(42,445)
<b>At 1 January 2015</b>	<b>19,179</b>	<b>30</b>	<b>653</b>	<b>1,082</b>	<b>20,944</b>
Charged to profit or loss	—	—	434	713	1,147
Unused amount credited to profit or loss	—	(7)	(95)	—	(102)
Net charge to profit or loss	—	(7)	339	713	1,045
Business combinations (note 35)	—	4,145	—	—	4,145
Other movements	11,308	—	—	—	11,308
Utilised/paid during the year	(17,095)	(23)	(271)	—	(17,389)
<b>At 31 December 2015</b>	<b>13,392</b>	<b>4,145</b>	<b>721</b>	<b>1,795</b>	<b>20,053</b>
Payable within 1 year	4,436	3,091	721	12	8,260
Payable after 1 year	8,956	1,054	—	1,783	11,793
	<b>13,392</b>	<b>4,145</b>	<b>721</b>	<b>1,795</b>	<b>20,053</b>

**Deferred, variable costs to acquire client relationship intangibles**

Deferred, variable costs to acquire client relationship intangibles of £11,305,000 arose during the year, in relation to deferred payments to investment managers and third parties linked to the value of client funds introduced (2014: £8,230,000). These amounts have been capitalised (see note 22).

At 31 December 2015, deferred, variable costs to acquire client relationship intangibles includes £4,389,000 in relation to the purchase of part of Deutsche Asset & Wealth Management's London-based private client investment management business on 5 June 2014 (2014: £11,132,000). This is the final amount payable and is based on the value of funds under management retained by the group at 31 December 2015.

The remainder of the balance is payable to a number of investment management teams, who have joined over the past two years.

**Deferred and contingent consideration in business combinations**

Deferred and contingent consideration of £4,145,000 (2014: £nil) is payable in instalments up to the end of 2019 following the acquisition of Vision and Castle. The payments are contingent on certain operational and financial targets being met (see note 35).

The group has estimated the size and timing of the amounts payable by taking into account the expected outcome of the conditions attached to the payments. The group has discounted the amounts payable after one year.

In 2014, business combinations included 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 business. This provision was utilised following the completion of this acquisition on 26 September 2014.

**26 Other provisions****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 timing of settlement of provisions for client compensation or litigation is dependent, in part, on the duration of negotiations with third parties.

**Property-related**

Property-related provisions consist of £1,795,000 in relation to dilapidation provisions expected to arise on leasehold premises held by the group (2014: £1,082,000). Dilapidation provisions are calculated using a discounted cash flow model. During the year, provisions have increased by £713,000 (2014: £109,000) due to the change in estimated cost of dilapidations, and timing thereof, at our existing London office and the impact of discounting.

**Ageing of provisions**

Provisions payable after one year are expected to be settled within four years of the balance sheet date (2014: two years), except for property-related provisions of £1,783,000 (2014: £1,071,000), which are expected to be settled within 21 years of the balance sheet date (2014: 22 years), which corresponds to the longest lease for which a dilapidations provision is being held.

**27 Subordinated loan notes**

	2015		2014	
	Face value £'000	Carrying value £'000	Face value £'000	Carrying value £'000
Subordinated loan notes	<b>20,000</b>	<b>19,492</b>	—	—

On 3 August 2015, Rathbone Investment Management issued £20,000,000 of 10-year Tier 2 notes ('Notes'). The Notes are repayable in August 2025, with a call option in August 2020 and annually thereafter. Interest is payable at a fixed rate of 5.856% until the first call option date and at a fixed margin of 4.375% over six month LIBOR thereafter. Fees of £546,000 were incurred in issuing the notes, which have been accounted for in the carrying value of amortised cost.

**28 Long term employee benefits**

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 of contributions made to these schemes during the year was £4,160,000 (2014: £3,299,000). The group also operates a defined contribution scheme for overseas employees, for which the total contributions were £31,000 (2014: £14,000).

The group operates two defined benefit pension schemes: the Rathbone 1987 Scheme and the Laurence Keen Retirement Benefit Scheme. The schemes are currently both clients of Rathbone 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.

**28 Long term employee benefits**

The group provides death in service benefits to all employees through the Rathbone 1987 Scheme. Third party insurance is purchased for the benefits where possible and £1,028,000 of related insurance premiums were expensed to profit or loss in the year (2014: £880,000). The estimated present value of the uninsured death in service benefits is included in long term employee benefits liabilities.

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 the following dates:

Rathbone 1987 Scheme	31 December 2013
Laurence Keen Scheme	31 December 2013

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:

	2015 Laurence Keen Scheme %	2014 Laurence Keen Scheme %	2015 Rathbone 1987 Scheme %	2014 Rathbone 1987 Scheme %
Rate of increase of salaries	<b>4.20</b>	4.10	<b>4.20</b>	4.10
Rate of increase of pensions in payment	<b>3.50</b>	3.40	<b>3.10</b>	3.10
Rate of increase of deferred pensions	<b>3.20</b>	3.10	<b>3.20</b>	3.10
Discount rate	<b>4.00</b>	3.80	<b>4.00</b>	3.80
Inflation*	<b>3.20</b>	3.10	<b>3.20</b>	3.10

\* Inflation assumptions are based on the Retail Prices Index

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

- the discount rate has been increased by 0.2% to reflect an increase in the yields available on AA-rated corporate bonds at a term consistent with the average duration of the liabilities;
- the assumed rate of future inflation has been increased by 0.1% to reflect an increase in expectations of long-term inflation as implied by changes in the fixed interest and index-linked gilts market; and
- the assumed rates of salary growth and future increases to pensions in payment have been increased for consistency with the change in the assumed rate of future inflation.

The assumed duration of the liabilities for the Laurence Keen Scheme is 19 years (2014: 19 years) and the assumed duration for the Rathbone 1987 Scheme is 23 years (2014: 23 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 from that date. The assumed life expectancy for the membership of both schemes is based on the S2NA actuarial tables (2014: S2NA tables). The assumed life expectations on retirement were:

	2015		2014	
	Males Years	Females Years	Males Years	Females Years
Retiring today:				
– aged 60	<b>29.2</b>	<b>31.4</b>	29.1	31.3
– aged 65	<b>24.2</b>	<b>26.4</b>	24.2	26.3
Retiring in 20 years:				
– aged 60	<b>31.6</b>	<b>33.8</b>	31.5	33.7
– aged 65	<b>26.5</b>	<b>28.6</b>	26.4	28.5

There were no changes to the demographic assumptions over the year.

**28 Long term employee benefits**

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

	2015			2014		
	Laurence Keen Scheme £'000	Rathbone 1987 Scheme £'000	Total £'000	Laurence Keen Scheme £'000	Rathbone 1987 Scheme £'000	Total £'000
Present value of defined benefit obligations	<b>(14,002)</b>	<b>(161,965)</b>	<b>(175,967)</b>	(16,770)	(163,859)	(180,629)
Fair value of scheme assets	<b>13,991</b>	<b>157,475</b>	<b>171,466</b>	16,337	150,582	166,919
<b>Net defined benefit liability</b>	<b>(11)</b>	<b>(4,490)</b>	<b>(4,501)</b>	(433)	(13,277)	(13,710)

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

	2015			2014		
	Laurence Keen Scheme £'000	Rathbone 1987 Scheme £'000	Total £'000	Laurence Keen Scheme £'000	Rathbone 1987 Scheme £'000	Total £'000
Current service cost	—	<b>3,880</b>	<b>3,880</b>	—	3,576	3,576
Interest income/(expense)	<b>17</b>	<b>320</b>	<b>337</b>	(74)	(170)	(244)
	<b>17</b>	<b>4,200</b>	<b>4,217</b>	(74)	3,406	3,332

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 £531,000 (2014: £1,359,000 rise) for the Laurence Keen Scheme and a rise in value of £5,431,000 (2014: £16,506,000 rise) for the Rathbone 1987 Scheme.

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

	2015			2014		
	Laurence Keen Scheme £'000	Rathbone 1987 Scheme £'000	Total £'000	Laurence Keen Scheme £'000	Rathbone 1987 Scheme £'000	Total £'000
At 1 January	<b>16,770</b>	<b>163,859</b>	<b>180,629</b>	14,603	129,765	144,368
Service cost (employer's part)	—	<b>3,880</b>	<b>3,880</b>	—	3,576	3,576
Interest cost	<b>583</b>	<b>6,123</b>	<b>6,706</b>	640	5,945	6,585
Contributions from members	—	<b>1,227</b>	<b>1,227</b>	—	1,281	1,281
Actuarial experience losses	—	—	—	838	7,058	7,896
Actuarial loss/(gain) arising from:						
– demographic assumptions	—	—	—	100	614	714
– financial assumptions	<b>(474)</b>	<b>(6,457)</b>	<b>(6,931)</b>	1,954	17,938	19,892
Benefits paid	<b>(2,877)</b>	<b>(6,667)</b>	<b>(9,544)</b>	(1,365)	(2,318)	(3,683)
<b>At 31 December</b>	<b>14,002</b>	<b>161,965</b>	<b>175,967</b>	16,770	163,859	180,629

**28 Long term employee benefits**

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

	2015			2014		
	Laurence Keen Scheme £'000	Rathbone 1987 Scheme £'000	Total £'000	Laurence Keen Scheme £'000	Rathbone 1987 Scheme £'000	Total £'000
At 1 January	<b>16,337</b>	<b>150,582</b>	<b>166,919</b>	16,033	129,949	145,982
Remeasurement of defined benefit asset:						
– interest income	<b>566</b>	<b>5,803</b>	<b>6,369</b>	714	6,115	6,829
– return on scheme assets (excluding amounts included in interest income)	<b>(35)</b>	<b>(372)</b>	<b>(407)</b>	645	10,391	11,036
Contributions from the sponsoring company	–	<b>6,902</b>	<b>6,902</b>	310	5,164	5,474
Contributions from scheme members	–	<b>1,227</b>	<b>1,227</b>	–	1,281	1,281
Benefits paid	<b>(2,877)</b>	<b>(6,667)</b>	<b>(9,544)</b>	(1,365)	(2,318)	(3,683)
At 31 December	<b>13,991</b>	<b>157,475</b>	<b>171,466</b>	16,337	150,582	166,919

The statements of investment principles set by the trustees of both schemes were revised in 2015. They require that the assets of the schemes are invested in a diversified portfolio of assets, split between return seeking assets (primarily equities) and safer assets (gilts, index-linked gilts, corporate bonds and other fixed income investments) with a switch to a greater percentage of safer assets over time as the schemes mature.

In the Rathbone 1987 Scheme, the target date for the 100% allocation to safer assets is 31 December 2048. The scheme is also seeking to hedge around 50% of its interest rate and inflation risk by 31 December 2016 using liability driven investment strategies.

In the Laurence Keen Scheme the target date for the 100% allocation to safer assets is 31 December 2040.

The target asset allocations at 31 December 2015 as set out in the statements of investment principles are as follows:

	Laurence Keen Scheme	Rathbone 1987 Scheme
<b>Benchmark</b>		
Return seeking assets	<b>50%</b>	<b>38%</b>
Growth assets	<b>50%</b>	<b>62%</b>
<b>Range</b>		
Return seeking assets	<b>44% – 56%</b>	<b>32% – 44%</b>
Growth assets	<b>44% – 56%</b>	<b>56% – 68%</b>

## 28 Long term employee benefits

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

	2015 Fair value £'000	2014 Fair value £'000	2015 Current allocation %	2014 Current allocation %
<b>Laurence Keen Scheme</b>				
Equity instruments:				
– United Kingdom	4,672	5,501		
– Eurozone	470	543		
– North America	702	911		
– Other	763	863		
	<b>6,607</b>	<b>7,818</b>	<b>47</b>	<b>48</b>
Debt instruments:				
– United Kingdom government bonds	4,594	5,360		
– Overseas government bonds	–	523		
– United Kingdom corporate bonds	2,044	2,193		
	<b>6,638</b>	<b>8,076</b>	<b>48</b>	<b>50</b>
Cash	314	52	2	–
Other	432	391	3	2
<b>At 31 December</b>	<b>13,991</b>	<b>16,337</b>	<b>100</b>	<b>100</b>
<b>Rathbone 1987 Scheme</b>				
Equity instruments:				
– United Kingdom	56,262	47,805		
– Eurozone	10,171	11,626		
– North America	13,436	14,133		
– Other	11,046	9,540		
	<b>90,915</b>	<b>83,104</b>	<b>58</b>	<b>55</b>
Debt instruments:				
– United Kingdom government bonds	30,616	30,676		
– Overseas government bonds	3,033	2,003		
– United Kingdom corporate bonds	16,992	14,838		
– Overseas corporate bonds	992	990		
	<b>51,633</b>	<b>48,507</b>	<b>32</b>	<b>32</b>
Derivatives:				
– Interest rate swap funds	7,936	10,015		
	<b>7,936</b>	<b>10,015</b>	<b>5</b>	<b>7</b>
Cash	4,504	6,240	3	4
Other	2,487	2,716	2	2
<b>At 31 December</b>	<b>157,475</b>	<b>150,582</b>	<b>100</b>	<b>100</b>

During 2015, the Rathbone 1987 Scheme disposed of shares in an interest rate swap fund, which had a nominal value of £10,015,000 at the end of 2014, and purchased shares in real time inflation-linked interest rate swap funds, which had a nominal value of £7,936,000 at the year end. The funds are selected so that their average duration is intended to broadly align with the duration of the scheme's liabilities.

**28 Long term employee benefits**

All equity and debt instruments have quoted prices in active markets. The majority of government bonds are issued by governments of the United Kingdom, the United States of America, Canada, Sweden and Japan all of which are rated AAA, AA+ or A, based on credit ratings awarded by Fitch or Moody's as at the balance sheet date. 'Other' scheme assets comprise commodities and property funds, both of which also have quoted prices in active markets.

The four key assumptions affecting the results of the valuation are the discount rate, future inflation, future salary growth and mortality. 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. A summary of the sensitivities in respect of the total of the two schemes' defined benefit obligations are set out below.

	Combined impact on schemes' liabilities	
	(Decrease)/increase £'000	(Decrease)/increase %
0.5% increase in:		
– discount rate	(18,297)	(10.4)
– rate of inflation	13,875	7.9
– rate of salary growth	4,583	2.6
1 year increase to longevity at 60	5,784	3.3

The total regular contributions made by the group to the Rathbone 1987 Scheme during the year were £3,176,000 (2014: £2,369,000) based on 20.3% of pensionable salaries (2014: 14.8%). Additional lump sum contributions of £3,792,000 were paid in 2015 (2014: £2,795,000). Following the recent triennial valuations, from 1 January 2015, the group has made regular contributions of 20.3% of pensionable salaries and the group has committed to make additional contributions to the scheme of £2,750,000 in 2016 and £500,000 in 2017, if the scheme remains in deficit at the time of the payment.

Active members of the Rathbone 1987 Scheme are required to make annual contributions to the scheme. Currently, these contributions represent an average of 7.8% of pensionable salaries (2014: 7.8%). With effect from 31 March 2002 the Rathbone 1987 Scheme was closed to new entrants and, consequently, the current pension cost will increase as the members of the scheme approach retirement.

The total contributions made by the group to the Laurence Keen Scheme during the year were £nil (2014: £265,000). No additional lump sum contributions were paid in 2015 (2014: £45,000). Regular contributions to the Laurence Keen Scheme stopped with effect from 1 January 2015.



## 29 Share capital and share premium

The following movements in share capital occurred during the year:

	Number of shares	Exercise/issue price pence	Share capital £'000	Share premium £'000	Total £'000
At 1 January 2014	46,287,664		2,315	65,484	67,799
Shares issued:					
– on placing	1,343,000	1,814.0	67	23,511	23,578
– to Share Incentive Plan	180,507	1,634.0 –1,946.0	9	3,295	3,304
– to Save As You Earn scheme	28,622	934.0 –1,106.0	1	267	268
– on exercise of options	50,476	743.5 –1,172.0	3	430	433
<b>At 1 January 2015</b>	<b>47,890,269</b>		<b>2,395</b>	<b>92,987</b>	<b>95,382</b>
Shares issued:					
– to Share Incentive Plan	205,883	1,934.0 –2,264.0	10	4,275	4,285
– to Save As You Earn scheme	35,074	934.0 –1,641.0	2	353	355
– on exercise of options	3,060	852.0 –1,172.0	–	28	28
<b>At 31 December 2015</b>	<b>48,134,286</b>		<b>2,407</b>	<b>97,643</b>	<b>100,050</b>

The total number of issued and fully paid up ordinary shares at 31 December 2015 was 48,134,286 (2014: 47,890,269) with a par value of 5p per share.

The holders of ordinary shares are entitled to receive dividends as declared from time-to-time, and are entitled to one vote per share at meetings of the company. The ordinary shareholders are entitled to any residual assets on the winding up of the company.

## 30 Own shares

The following movements in own shares occurred during the year:

	Number of shares	£'000
At 1 January 2014	493,848	5,722
Acquired in the year	90,248	1,655
Released on vesting	(172,901)	(1,846)
<b>At 1 January 2015</b>	<b>411,195</b>	<b>5,531</b>
Acquired in the year	115,782	2,413
Released on vesting	(142,682)	(1,767)
<b>At 31 December 2015</b>	<b>384,295</b>	<b>6,177</b>

Own shares represent the cost of the company's own shares, either purchased in the market or issued by the company, that are held by the company or in an employee benefit trust to satisfy future awards under the group's share-based payment schemes (note 31). The number of own shares held as treasury shares by the company at 31 December 2015 was 50,000 (2014: 50,000). In addition, 61,131 shares were held in an employee benefit trust at 31 December 2015 (2014: 76,082) and a further 273,164 (2014: 285,113) shares were held by the trustees of the Share Incentive Plan but were not unconditionally gifted to employees.

## 31 Share-based payments

### Share Incentive Plan

The group operates a Share Incentive Plan (SIP), which is available to all employees. Employees can contribute up to £150 per month to acquire partnership shares, which are purchased or allotted twice a year at the end of six month accumulation periods. The group currently matches employee contributions on a one-for-one basis to acquire matching shares.

The group also provides performance-related free shares, with eligible employees receiving shares valued at the rate of £100 per 1% real increase in earnings per share up to a maximum of £3,000 per annum.

For UK employees, SIP dividends are reinvested and used to purchase dividend shares, whilst for Jersey employees dividends are paid in cash.

As at 31 December 2015, the trustees of the SIP held 1,260,007 (2014: 1,274,938) ordinary shares of 5p each in Rathbone Brothers Plc with a total market value of £27,720,000 (2014: £26,085,000). Of the total number of shares held by the trustees, 268,512 (2014: 281,957) have been conditionally gifted to employees and 4,652 (2014: 3,156) remain unallocated. Dividends on the unallocated shares have been waived by the trustees.

### Executive Incentive Plan

In 2015, the group introduced a new scheme for rewarding executive management. It replaces the Long Term Incentive Plan (LTIP) and the executive bonus scheme for 2015 onwards. Details of the general terms of this plan are set out in the remuneration committee report on pages 72 and 73.

Under the remuneration policy, 40% of the total award will be given in cash with the remaining 60% of the award granted in shares. The group treats the cash element of the award as an employee benefit under IAS 19 and the share element of the award as an equity-settled share-based payment under IFRS 2.

### Long Term Incentive Plan

Details of the general terms of this plan are set out in the remuneration committee report on pages 79 and 80. The total shareholder return-based performance criteria have been treated as market-based vesting conditions.

Historically, the group has settled substantially all of the LTIP awards in cash as an alternative to shares. As a consequence of this, the group treats awards under the LTIP as cash-settled rather than equity-settled. At the year end, a liability of £2,543,000 (2014: £3,259,000) has been recognised for the estimated fair value of future awards.

At 31 December 2015, the trustees held 61,131 (2014: 76,082) ordinary shares of 5p each in Rathbone Brothers Plc with a total market value of £1,345,000 (2014: £1,557,000). Dividends on these shares have been waived by the trustees.

### Executive bonus scheme

Shares for plan awards will be provided by market purchase or treasury shares.

### Savings-related share option or Save As You Earn (SAYE) plan

Under the SAYE plan, employees can contribute up to £500 per month to acquire shares at the end of a three or five year savings period.

Options with an aggregate estimated fair value of £785,000, determined using a binomial valuation model including expected dividends, were granted on 28 April 2015 to directors and staff under the SAYE plan. The inputs into the binomial model for options granted during 2015, as at the date of issue, were as follows:

	2015	2014
Share price (pence)	<b>2,147</b>	1,953
Exercise price (pence)	<b>1,641</b>	1,556
Expected volatility	<b>22%</b>	23%
Risk-free rate	<b>1.1%</b>	1.6%
Expected dividend yield	<b>2.4%</b>	2.5%

**31 Share-based payments**

The number of share options outstanding for the SAYE plan at the end of the year, the period in which they were granted and the dates on which they may be exercised are given below.

Year of grant	Exercise price pence	Exercise period	2015 Number of share options	2014 Number of share options
2011	934.0	2016	<b>19,706</b>	19,970
2012	984.0	2015 and 2017	<b>16,966</b>	47,641
2013	1,106.0	2016 and 2018	<b>167,815</b>	176,931
2014	1,556.0	2017 and 2019	<b>142,396</b>	150,158
2015	1,641.0	2018 and 2020	<b>137,481</b>	—
<b>At 31 December</b>			<b>484,364</b>	394,700

**Share option scheme**

Under the share option scheme approved by shareholders in 2000, certain employees held options to subscribe for shares in the company. All such options have now either been exercised or have lapsed.

The number of share options outstanding for the share option scheme at the end of the year, the periods in which they were granted and the periods in which they could be exercised, dependent on certain earnings per share targets being met, are given below.

Year of grant	Exercise price pence	Exercise period	2015 Number of share options	2014 Number of share options
2005	852.0	2008–2015	—	2,500
2006	1,172.0	2009–2016	—	560
<b>At 31 December</b>			<b>—</b>	3,060

Movements in the number of share options outstanding for both the SAYE plan and the share option scheme were as follows:

	2015		2014	
	Number of share options	Weighted average exercise price pence	Number of share options	Weighted average exercise price pence
At 1 January	<b>397,760</b>	<b>1,251.0</b>	333,289	1,024.0
Granted in the year	<b>143,821</b>	<b>1,641.0</b>	151,475	1,556.0
Forfeited in the year	<b>(19,083)</b>	<b>1,442.0</b>	(7,906)	1,164.0
Exercised in the year	<b>(38,134)</b>	<b>1,003.0</b>	(79,098)	886.0
<b>At 31 December</b>	<b>484,364</b>	<b>1,379.0</b>	397,760	1,251.0

The weighted average share price at the dates of exercise for share options exercised during the year was £21.63 (2014: £18.89). The options outstanding at 31 December 2015 had a weighted average contractual life of 2.6 years (2014: 2.9 years) and a weighted average exercise price of £13.79 (2014: £12.51).

The group recognised total expenses of £4,629,000 in relation to share-based payment transactions in 2015 (2014: £5,477,000) (see note 10).

## 32 Financial risk management

The group has identified the financial, business and operational risks arising from its activities and has established policies and procedures to manage these items in accordance with its risk appetite, as described in the group risk committee report on page 69.

The group categorises its financial risks into the following primary areas:

- (i) credit risk (which includes counterparty default risk);
- (ii) liquidity risk;
- (iii) market risk (which includes fair value interest rate risk, cash flow interest rate risk, foreign exchange risk and price risk); and
- (iv) pension risk.

The group's exposures to pension risk are set out in note 28.

The group's financial risk management policies are designed to identify and analyse the financial risks that the group faces, to set appropriate risk tolerances, limits and controls and to monitor the financial risks and adherence to limits by means of reliable and up-to-date information systems. The group regularly reviews its financial risk management policies and systems to reflect changes in the business, counterparties, markets and the range of financial instruments that it utilises.

The treasury department, reporting through the banking committee, has principal responsibility for monitoring exposure to credit risk, liquidity risk and market risk. Procedures and delegated authorities are documented in a group treasury manual and policy documents prescribe the management and monitoring of each type of risk. The primary objective of the group's treasury policy is to manage short term liquidity requirements whilst maintaining an appropriate level of exposure to other financial risks in accordance with the group's risk appetite.

### (i) Credit risk

The group takes on exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due, through its banking, treasury, trust and pensions advisory activities. The principal source of credit risk arises from placing funds in the money market and holding interest-bearing securities. The group also has exposure to credit risk through its client loan book and guarantees given on clients' behalf.

It is the group's policy to place funds generated internally and from deposits by clients with a range of high-quality financial institutions and the Bank of England. Investments with financial institutions are spread to avoid excessive exposure to any individual counterparty. Loans made to clients are secured against clients' assets that are held and managed by group companies.

Exposure to credit risk is managed through setting appropriate ratings requirements and lending limits. Limits are reviewed regularly, taking into account the ability of borrowers and potential borrowers to meet repayment obligations.

The group categorises its exposures based on the long term ratings awarded to counterparties by Fitch Ratings Limited ('Fitch') or Moody's Corporation ('Moody's'). Each exposure is assessed individually, both at inception and in ongoing monitoring. In addition to formal external ratings, the banking committee also utilises market intelligence information to assist its ongoing monitoring.

The group's financial assets are categorised as follows:

#### Balances with central banks (note 14)

The group has exposure to central banks through its deposits held with the Bank of England.

#### Settlement balances

Settlement risk arises in any situation where a payment in cash or transfer of a security is made in the expectation of a corresponding delivery of a security or receipt of cash. The majority of transactions are carried out on a delivery versus payment basis, which results in securities and cash being exchanged within a very close timeframe. Settlement balances outside standard terms are monitored on a daily basis.

**32 Financial risk management (i) Credit risk**

The Investment Management and Unit Trusts segments have exposure to market counterparties in the settlement of trades. Settlement balances arising in the Investment Management segment are primarily in relation to client trades and risk of non-settlement is borne by clients.

**Loans and advances to banks (note 15) and debt and other securities (note 17)**

The group has exposures to a wide range of financial institutions through its treasury portfolio, which includes bank deposits, certificates of deposit, money market funds and, in 2015, treasury bills. These exposures principally arise from the placement of clients' cash, where it is held under a banking relationship, and the group's own reserves.

The group's policy requires that all such exposures are only taken with counterparties that have been awarded a minimum long term rating of single A by Fitch or equivalent rating by Moody's. Counterparty limits are also in place to limit exposure to an individual counterparty or connected group of counterparties. Counterparty exposures are monitored on a daily basis by the treasury department and reviewed by the banking committee on a monthly basis, or more frequently when necessary. The banking committee may suspend dealing in a particular counterparty, or liquidate specific holdings, in the light of adverse market information.

**Loans and advances to customers (note 16)**

The group provides loans to clients through its investment management operations ('the investment management loan book'). The group is also exposed to credit risk on overdrafts on clients' investment management accounts, trade debtors arising from the trust, tax and pensions advisory businesses ('trust and pension debtors') and other debtors.

**(a) Overdrafts**

Overdrafts on clients' investment management accounts arise from time-to-time due to short term timing differences between the purchase and sale of assets on a client's behalf. Overdrafts are actively monitored and reported to the banking committee on a monthly basis.

**(b) Investment management loan book**

Loans are provided as a service to investment management clients who are generally asset rich but have short to medium term cash requirements. Such loans are normally made on a fully secured basis against portfolios held in Rathbones' nominee name, and some loans may be partially secured by property. Extensions to the initial loan period may be granted subject to credit criteria.

The banking committee reviews all loans on a monthly basis and approves all loan extensions. Where possible, repayment plans are established with clients before loans become overdue or uncovered.

At 31 December 2015, the total lending exposure limit for the investment management loan book was £150,000,000 (2014: £150,000,000), of which £111,682,000 had been advanced (2014: £97,201,000) and a further £20,417,000 had been committed (2014: £14,634,000).

**(c) Trust and pension debtors**

Trust and pension debtors relate to fees which have been invoiced but not yet settled by clients. The collection and ageing of trust and pension debtors are reviewed on a monthly basis by the management committees of the group's trust and pension advisory companies. Impairment provisions are made for any debts which are considered to be doubtful for collection.

**(d) Other debtors**

Other loans and advances to customers relate to management fees receivable.

**Derivative financial instruments (note 21)**

At 31 December 2014, the group held derivative financial instruments in the form of the option contracts in relation to the shares in the group's associates. These options exposed the group to credit risk from the potential for non-delivery of the £2,000,000 payable by the associate companies' founders to repurchase the group's current stake in the associates.

During the year, the remaining 80.1% holdings in the associates to which the option contracts related were acquired under terms which superseded the option contracts. Therefore, no derivative financial instruments were held as at 31 December 2015.

**32 Financial risk management** (i) Credit risk**Impairment and provisioning policies**

Impairment provisions are recognised for financial reporting purposes only for losses that have been incurred at the balance sheet date, based on objective evidence of impairment.

All credit exposures are reviewed individually, at least annually, or more regularly when individual circumstances require. Impairment allowances on credit exposures are determined by an evaluation of the incurred loss at the balance sheet date on a case by case basis. The assessment considers, where applicable, the value of any collateral held, any changes to the external credit rating and the anticipated receipts for each individual exposure.

Impairment provisions for credit risk, which relate solely to trust and pension debtors, are set out in note 16.

**Maximum exposure to credit risk**

	2015 £'000	2014 £'000
<b>Credit risk relating to on-balance sheet exposures:</b>		
Cash and balances with central banks	<b>583,154</b>	727,175
Settlement balances	<b>17,948</b>	15,890
Loans and advances to banks	<b>108,877</b>	144,399
Loans and advances to customers:		
– overdrafts	<b>4,468</b>	3,331
– investment management loan book	<b>111,810</b>	97,392
– trust and pension debtors	<b>1,061</b>	981
– other debtors	<b>13</b>	8
Debt securities:		
– unlisted debt securities and money market funds	<b>760,061</b>	444,974
Derivative financial instruments	–	1,030
Other financial assets	<b>50,639</b>	45,614
<b>Credit risk relating to off-balance sheet exposures:</b>		
Loan commitments	<b>20,417</b>	14,634
Financial guarantees	–	578
	<b>1,658,448</b>	1,496,006

The above table represents the group's gross credit risk exposure at 31 December 2015 and 2014, without taking account of any associated collateral held or other credit enhancements. For on-balance sheet assets, the exposures set out above are based on gross carrying amounts.

13.6% of the total maximum exposure is derived from loans and advances to banks and customers (2014: 16.5%) and 45.8% represents investments in debt securities (2014: 29.7%).

The credit risk relating to off-balance sheet exposures for financial guarantees reflects the group's gross potential exposure of guarantees held on balance sheet (see note 1.22).

**Balances with central banks**

All balances with central banks were neither past due nor impaired. The credit quality of these balances is analysed below by reference to the long term credit rating awarded by Fitch, or equivalent rating by Moody's, as at the balance sheet date.

	2015 £'000	2014 £'000
AA+ to AA-	<b>583,154</b>	727,175
Carrying value	<b>583,154</b>	727,175

**32 Financial risk management (i) Credit risk****Settlement balances**

Settlement balances are summarised as follows:

	2015 £'000	2014 £'000
Neither past due nor impaired	17,117	14,549
Past due but not impaired < 90 days	823	1,341
Past due but not impaired > 90 days	8	–
<b>Carrying value</b>	<b>17,948</b>	<b>15,890</b>

**Loans and advances**

Loans and advances are summarised as follows:

	2015		2014	
	Loans and advances to banks £'000	Loans and advances to customers £'000	Loans and advances to banks £'000	Loans and advances to customers £'000
Neither past due nor impaired	108,877	116,860	144,399	101,199
Past due but not impaired	–	401	–	440
Impaired (see (c) below)	–	91	–	73
<b>Gross carrying value</b>	<b>108,877</b>	<b>117,352</b>	<b>144,399</b>	<b>101,712</b>
Less: allowance for impairment (note 16)	–	(83)	–	(72)
<b>Net carrying value</b>	<b>108,877</b>	<b>117,269</b>	<b>144,399</b>	<b>101,640</b>

No loans and advances have been renegotiated (2014: none).

**(a) Neither past due nor impaired**

The credit quality of loans and advances to banks that were neither past due nor impaired at 31 December 2015 is analysed below by reference to the long term credit rating awarded by Fitch, or equivalent rating by Moody's as at the balance sheet date:

	2015 £'000	2014 £'000
AA+ to AA-	21,838	63,638
A+ to A	86,522	80,761
Other*	517	–
	<b>108,877</b>	<b>144,399</b>

\* Cash held within the employee benefit trust.

The credit quality of loans and advances to customers that were neither past due nor impaired at 31 December 2015, which are all externally unrated, is analysed between those loans that are subject to standard lending criteria, which are described on page 139, and, where applicable, those loans for which there are no standard lending criteria. At 31 December 2015, all loans are subject to standard lending criteria (2014: all loans). An exposure is reported as past due when the contractual due date for settlement has passed and the balance has not been repaid, except in the case of trust and pension debtors, where a normal settlement period of up to 30 days is expected.

**32 Financial risk management** (i) Credit risk**(b) Past due but not impaired**

Loans and advances that are past due are assessed for impairment and provided against where objective evidence of impairment exists. Trust and pension debtors may be outstanding for some time before collection, but this is not necessarily an indication that the debt will not ultimately be collected. At 31 December 2015 and 2014, no overdrafts, loans and other debtors were past due but not impaired. The gross amounts of trust and pension debtors that were past due but not impaired were:

	2015 £'000	2014 £'000
<90 days overdue	110	149
90-180 days overdue	74	129
180-270 days overdue	73	71
270-365 days overdue	97	29
>365 days overdue	47	62
	<b>401</b>	<b>440</b>

**(c) Impaired**

Allowance has been made for individually impaired loans and advances to customers, as set out below.

	Total loans and advances to customers £'000
Movement in impairment provision during the year	
At 1 January 2015	72
Amounts written off	(8)
Credit to profit or loss	19
At 31 December 2015	83
Gross carrying value of impaired loans and advances to customers	
At 31 December 2015	91
At 31 December 2014	73

All loans and advances to customers impaired relate to trust and pension debtors (2014: all). There were no other impaired credit exposures at 31 December 2015 (2014: £nil).

**Debt securities**

The table below presents an analysis of debt securities by rating agency designation, as at 31 December 2015, based on Fitch or Moody's long term rating designation.



## 32 Financial risk management (i) Credit risk

	2015				2014			
	Government securities £'000	Money market funds £'000	Certificates of deposit £'000	Total £'000	Government securities £'000	Money market funds £'000	Certificates of deposit £'000	Total £'000
AAA	–	52,316	–	52,316	–	15,000	–	15,000
AA+ to AA-	22,745	–	115,000	137,745	29,967	–	110,007	139,974
A+ to A-	–	–	570,000	570,000	–	–	290,000	290,000
	<b>22,745</b>	<b>52,316</b>	<b>685,000</b>	<b>760,061</b>	<b>29,967</b>	<b>15,000</b>	<b>400,007</b>	<b>444,974</b>

## Concentration of credit risk

The group has counterparty credit risk within its treasury assets in that exposure is to a number of similar credit institutions. The banking committee actively monitors counterparties and may reduce risk by either suspending dealing or liquidating investments in the light of adverse market information, for example in anticipation of or in response to any formal Fitch or Moody's rating downgrade. This may happen in relation to specific banks or banks within a particular country or sector.

## (a) Geographical sectors

The following table analyses the group's credit exposures, at their carrying amounts, by geographical region as at the balance sheet date. In this analysis, exposures are categorised based on the country of domicile of the counterparty.

	United Kingdom £'000	Eurozone £'000	Rest of the world £'000	Total £'000
<b>At 31 December 2015</b>				
Cash and balances with central banks	583,154	–	–	583,154
Settlement balances	16,616	199	1,133	17,948
Loans and advances to banks	108,877	–	–	108,877
Loans and advances to customers:				
– overdrafts	3,926	68	474	4,468
– investment management loan book	107,197	1,384	3,229	111,810
– trust and pension debtors	978	–	–	978
– other debtors	13	–	–	13
Debt securities:				
– unlisted debt securities and money market funds	307,745	252,316	200,000	760,061
Other financial assets	48,602	812	1,208	50,622
	<b>1,177,108</b>	<b>254,779</b>	<b>206,044</b>	<b>1,637,931</b>
<b>At 31 December 2014</b>				
Cash and balances with central banks	727,175	–	–	727,175
Settlement balances	15,434	6	450	15,890
Loans and advances to banks	144,399	–	–	144,399
Loans and advances to customers:				
– overdrafts	3,142	25	164	3,331
– investment management loan book	92,430	1,179	3,783	97,392
– trust and pension debtors	909	–	–	909
– other debtors	8	–	–	8
Debt securities:				
– unlisted debt securities and money market funds	224,974	160,000	60,000	444,974
Derivative financial instruments	1,030	–	–	1,030
Other financial assets	44,281	522	781	45,584
	<b>1,253,782</b>	<b>161,732</b>	<b>65,178</b>	<b>1,480,692</b>

At 31 December 2015, materially all eurozone exposures were to counterparties based in the Netherlands, France and Germany (2014: Netherlands, France and Germany) and materially all 'rest of the world' exposures were to counterparties

**32 Financial risk management** (i) Credit risk

based in Switzerland (2014: Switzerland). At 31 December 2015, the group had exposure to £22,745,000 of sovereign debt through its holding of UK treasury bills (2014: £29,967,000).

**(b) Industry sectors**

The group's credit exposures at the balance sheet date, analysed by the primary industry sectors in which our counterparties operate, were:

	Public sector £'000	Financial institutions £'000	Clients and other corporates £'000	Total £'000
<b>At 31 December 2015</b>				
Cash and balances with central banks	583,154	—	—	583,154
Settlement balances	—	17,942	6	17,948
Loans and advances to banks	—	108,877	—	108,877
Loans and advances to customers:				
– overdrafts	—	—	4,468	4,468
– investment management loan book	—	—	111,810	111,810
– trust and pension debtors	—	—	978	978
– other debtors	—	—	13	13
Debt securities:				
– unlisted debt securities and money market funds	22,745	737,316	—	760,061
Other financial assets	192	3,322	47,108	50,622
	<b>606,091</b>	<b>867,457</b>	<b>164,383</b>	<b>1,637,931</b>
<b>At 31 December 2014</b>				
Cash and balances with central banks	727,175	—	—	727,175
Settlement balances	—	15,890	—	15,890
Loans and advances to banks	—	144,399	—	144,399
Loans and advances to customers:				
– overdrafts	—	—	3,331	3,331
– investment management loan book	—	—	97,392	97,392
– trust and pension debtors	—	—	909	909
– other debtors	—	—	8	8
Debt securities:				
– unlisted debt securities and money market funds	29,967	415,007	—	444,974
Derivative financial instruments	—	—	1,030	1,030
Other financial assets	277	2,680	42,627	45,584
	<b>757,419</b>	<b>577,976</b>	<b>145,297</b>	<b>1,480,692</b>

**(ii) Liquidity risk**

Liquidity risk is the risk that the group will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

The primary objective of the group's treasury policy is to manage short to medium term liquidity requirements. In addition to setting the treasury policy, Rathbone Investment Management ('the Bank') performs an annual assessment of liquidity adequacy in accordance with the regulatory requirements of the Prudential Regulation Authority (PRA). The Bank faces two principal risks, namely that a significant proportion of client funds are withdrawn over a short period of time (retail funding risk) and the risk that marketable assets may not be capable of being realised in the time and at the value required (marketable assets risk).

**32 Financial risk management** (ii) Liquidity risk

Retail funding risks are monitored by daily cash mismatch analyses and regulatory ratios using expected cash and asset maturity profiles and regular forecasting work. This is supported by stress tests which cover firm-specific idiosyncratic scenarios and/or the effects of unforeseen market wide stresses. Marketable assets risk is primarily managed by holding cash and marketable instruments which are realisable at short notice. The group operates strict criteria to ensure that investments are liquid and placed with high-quality counterparties. A minimum liquid assets buffer (to be held in eligible liquid assets) is set by the board at least annually in conjunction with an amount prescribed by the PRA.

**Non-derivative cash flows**

The table below presents the undiscounted cash flows receivable and payable by the group under non-derivative financial assets and liabilities analysed by the remaining contractual maturities at the balance sheet date.

	On demand £'000	Not more than 3 months £'000	After 3 months but not more than 1 year £'000	After 1 year but not more than 5 years £'000	After 5 years £'000	Total £'000
<b>At 31 December 2015</b>						
Cash and balances with central banks	583,002	172	154	—	—	583,328
Settlement balances	—	17,948	—	—	—	17,948
Loans and advances to banks	68,156	20,101	20,751	230	—	109,238
Loans and advances to customers	4,609	18,504	60,115	37,736	505	121,469
Debt securities and money market funds	62,397	246,781	456,209	—	—	765,387
Other financial assets	155	46,544	336	286	—	47,321
<b>Cash flows arising from financial assets</b>	<b>718,319</b>	<b>350,050</b>	<b>537,565</b>	<b>38,252</b>	<b>505</b>	<b>1,644,691</b>
Deposits by banks	299	—	—	—	—	299
Settlement balances	—	21,481	—	—	—	21,481
Due to customers	1,321,575	79,995	1,354	—	—	1,402,924
Subordinated loan notes	—	586	586	24,685	—	25,857
Other financial liabilities	1,174	35,578	6,542	23,856	1,368	68,518
<b>Cash flows arising from financial liabilities</b>	<b>1,323,048</b>	<b>137,640</b>	<b>8,482</b>	<b>48,541</b>	<b>1,368</b>	<b>1,519,079</b>
<b>Net liquidity gap</b>	<b>(604,729)</b>	<b>212,410</b>	<b>529,083</b>	<b>(10,289)</b>	<b>(863)</b>	<b>125,612</b>
<b>Cumulative net liquidity gap</b>	<b>(604,729)</b>	<b>(392,319)</b>	<b>136,764</b>	<b>126,475</b>	<b>125,612</b>	
	On demand £'000	Not more than 3 months £'000	After 3 months but not more than 1 year £'000	After 1 year but not more than 5 years £'000	After 5 years £'000	Total £'000
<b>At 31 December 2014</b>						
Cash and balances with central banks	727,003	269	175	—	—	727,447
Settlement balances	—	15,890	—	—	—	15,890
Loans and advances to banks	93,638	40,237	10,547	282	—	144,704
Loans and advances to customers	3,530	27,604	70,160	1,962	—	103,256
Debt securities and money market funds	15,004	125,550	307,500	—	—	448,054
Other financial assets	155	42,857	347	254	6	43,619
<b>Cash flows arising from financial assets</b>	<b>839,330</b>	<b>252,407</b>	<b>388,729</b>	<b>2,498</b>	<b>6</b>	<b>1,482,970</b>
Deposits by banks	—	—	—	—	—	—
Settlement balances	—	22,584	—	—	—	22,584
Due to customers	1,198,643	83,803	—	—	—	1,282,446
Other financial liabilities	384	30,885	7,007	27,402	2,086	67,764
<b>Cash flows arising from financial liabilities</b>	<b>1,199,027</b>	<b>137,272</b>	<b>7,007</b>	<b>27,402</b>	<b>2,086</b>	<b>1,372,794</b>
<b>Net liquidity gap</b>	<b>(359,697)</b>	<b>115,135</b>	<b>381,722</b>	<b>(24,904)</b>	<b>(2,080)</b>	<b>110,176</b>
<b>Cumulative net liquidity gap</b>	<b>(359,697)</b>	<b>(244,562)</b>	<b>137,160</b>	<b>112,256</b>	<b>110,176</b>	

**32 Financial risk management** (ii) Liquidity risk

Liabilities which do not have a contractual maturity date are categorised as 'on demand'. Included within the amounts due to customers on demand are balances which historical experience shows are unlikely to be called in the short term. A prudent level of highly liquid assets is retained to cover reasonably foreseeable short term changes in client deposits. All debt securities are readily marketable and can be realised through disposals.

The group holds £1,070,000 of equity investments (2014: £514,000) which are subject to liquidity risk but are not included in the table above. These assets are held as available for sale securities and have no fixed maturity date; cash flows arise from receipt of dividends or through sale of the assets.

**Off-balance sheet items**

Cash flows arising from the group's off-balance sheet financial liabilities (note 34) are summarised in the table below.

The contractual value of the group's commitments to extend credit to clients and maximum potential value of financial guarantees are analysed by the duration of the commitment. Future minimum lease payments under non-cancellable operating leases are reported by their contractual payment dates. Capital commitments are summarised by the earliest expected date of payment.

	Not more than 3 months £'000	After 3 months but not more than 1 year £'000	After 1 year but not more than 5 years £'000	After 5 years £'000	Total £'000
<b>At 31 December 2015</b>					
Loan commitments	20,417	—	—	—	20,417
Financial guarantees	—	—	—	—	—
Operating lease commitments	1,459	4,441	22,782	15,643	44,325
Capital commitments	534	—	—	—	534
<b>Total off-balance sheet items</b>	<b>22,410</b>	<b>4,441</b>	<b>22,782</b>	<b>15,643</b>	<b>65,276</b>

	Not more than 3 months £'000	After 3 months but not more than 1 year £'000	After 1 year but not more than 5 years £'000	After 5 years £'000	Total £'000
<b>At 31 December 2014</b>					
Loan commitments	14,634	—	—	—	14,634
Financial guarantees	—	—	578	—	578
Operating lease commitments	1,428	4,354	22,283	19,951	48,016
Capital commitments	122	—	—	—	122
<b>Total off-balance sheet items</b>	<b>16,184</b>	<b>4,354</b>	<b>22,861</b>	<b>19,951</b>	<b>63,350</b>

**Total liquidity requirement**

	On demand £'000	Not more than 3 months £'000	After 3 months but not more than 1 year £'000	After 1 year but not more than 5 years £'000	After 5 years £'000	Total £'000
<b>At 31 December 2015</b>						
Cash flows arising from financial liabilities	1,323,048	137,640	8,482	48,541	1,368	1,519,079
Total off-balance sheet items	—	22,410	4,441	22,782	15,643	65,276
<b>Total liquidity requirement</b>	<b>1,323,048</b>	<b>160,050</b>	<b>12,923</b>	<b>71,323</b>	<b>17,011</b>	<b>1,584,355</b>

	On demand £'000	Not more than 3 months £'000	After 3 months but not more than 1 year £'000	After 1 year but not more than 5 years £'000	After 5 years £'000	Total £'000
<b>At 31 December 2014</b>						
Cash flows arising from financial liabilities	1,199,027	137,272	7,007	27,402	2,086	1,372,794
Total off-balance sheet items	—	16,184	4,354	22,861	19,951	63,350
<b>Total liquidity requirement</b>	<b>1,199,027</b>	<b>153,456</b>	<b>11,361</b>	<b>50,263</b>	<b>22,037</b>	<b>1,436,144</b>

## 32 Financial risk management

## (iii) Market risk

## Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates.

The group's principal exposure to cash flow interest rate risk arises from the mismatch between the repricing of its financial assets and liabilities. In particular, customer accounts and loan balances are repriced very shortly after changes in base rates, whereas the yield on the group's interest-bearing assets is correlated to the future expectation of base rates and varies depending on the maturity profile of the group's treasury portfolio. The average maturity mismatch is controlled by the banking committee, which generally lengthens the mismatch when the yield curve is rising and shortens it when the yield curve is falling.

The table below shows the consolidated repricing profile of the group's financial assets and liabilities, stated at their carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

At 31 December 2015	Not more than 3 months £'000	After 3 months but not more than 6 months £'000	After 6 months but not more than 1 year £'000	After 1 year but not more than 5 years £'000	Non-interest- bearing £'000	Total £'000
<b>Assets</b>						
Cash and balances with central banks	583,000	—	—	—	156	583,156
Settlement balances	—	—	—	—	17,948	17,948
Loans and advances to banks	88,783	—	20,000	—	94	108,877
Loans and advances to customers	116,258	—	—	—	1,011	117,269
Investment securities:						
– equity securities	—	—	—	—	1,070	1,070
– unlisted debt securities and money market funds	307,288	267,773	185,000	—	—	760,061
Other financial assets	—	—	—	—	50,622	50,622
<b>Total financial assets</b>	<b>1,095,329</b>	<b>267,773</b>	<b>205,000</b>	<b>—</b>	<b>70,901</b>	<b>1,639,003</b>
<b>Liabilities</b>						
Deposits by banks	299	—	—	—	—	299
Settlement balances	—	—	—	—	21,481	21,481
Due to customers	1,386,564	1,349	—	—	14,977	1,402,890
Subordinated loan notes	—	—	—	19,492	—	19,492
Other financial liabilities	—	—	—	—	59,004	59,004
<b>Total financial liabilities</b>	<b>1,386,863</b>	<b>1,349</b>	<b>—</b>	<b>19,492</b>	<b>95,462</b>	<b>1,503,166</b>
<b>Interest rate repricing gap</b>	<b>(291,534)</b>	<b>266,424</b>	<b>205,000</b>	<b>(19,492)</b>	<b>(24,561)</b>	<b>135,837</b>

## 32 Financial risk management (iii) Market risk

At 31 December 2014	Not more than 3 months £'000	After 3 months but not more than 6 months £'000	After 6 months but not more than 1 year £'000	After 1 year but not more than 5 years £'000	Non-interest- bearing £'000	Total £'000
<b>Assets</b>						
Cash and balances with central banks	727,000	–	–	–	178	727,178
Settlement balances	–	–	–	–	15,890	15,890
Loans and advances to banks	134,280	10,000	–	–	119	144,399
Loans and advances to customers	100,712	–	–	–	928	101,640
Investment securities:						
– equity securities	–	–	–	–	514	514
– unlisted debt securities and money market funds	139,967	140,007	165,000	–	–	444,974
Derivative financial instruments	–	–	–	–	1,030	1,030
Other financial assets	–	–	–	–	45,584	45,584
<b>Total financial assets</b>	<b>1,101,959</b>	<b>150,007</b>	<b>165,000</b>	<b>–</b>	<b>64,243</b>	<b>1,481,209</b>
<b>Liabilities</b>						
Deposits by banks	–	–	–	–	–	–
Settlement balances	–	–	–	–	22,584	22,584
Due to customers	1,269,779	–	–	–	12,647	1,282,426
Other financial liabilities	–	–	–	–	56,340	56,340
<b>Total financial liabilities</b>	<b>1,269,779</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>91,571</b>	<b>1,361,350</b>
<b>Interest rate repricing gap</b>	<b>(167,820)</b>	<b>150,007</b>	<b>165,000</b>	<b>–</b>	<b>(27,328)</b>	<b>119,859</b>

The banking committee has set an overall pre-tax interest rate exposure limit of £6,000,000 (2014: £6,000,000) for the total potential profit or loss resulting from an unexpected immediate and sustained 2% movement in sterling interest rates for the Bank, the principal operating subsidiary. The potential total profit or loss is calculated on the basis of the average number of days to repricing of the interest-bearing liabilities compared with the period to repricing on a corresponding amount of interest-bearing assets.

At 31 December 2015, an immediate 2% increase in interest rates (across the yield curve) would increase annual interest income by £2,365,000 (2014: £2,909,000). The group held no forward rate agreements at 31 December 2015 (2014: none).

**Foreign exchange risk**

The group is exposed to translational foreign exchange risk as it undertakes transactions in foreign currencies and is therefore exposed to foreign exchange rate fluctuations. The group monitors its currency exposures that arise in the ordinary course of business on a daily basis and significant exposures are managed through the use of spot contracts, from time-to-time, so as to reduce any currency exposure to a minimal amount. The group has no structural foreign currency exposure.

**32 Financial risk management (iii) Market risk**

The group does not have any material exposure to transactional foreign exchange risk. The table below summarises the group's exposure to foreign currency translation risk at 31 December 2015. Included in the table are the group's financial assets and liabilities, at carrying amounts, categorised by currency.

At 31 December 2015	Sterling £'000	US dollar £'000	Euro £'000	Other £'000	Total £'000
<b>Assets</b>					
Cash and balances with central banks	583,156	—	—	—	583,156
Settlement balances	17,184	592	121	51	17,948
Loans and advances to banks	73,069	15,066	16,387	4,355	108,877
Loans and advances to customers	115,793	1,167	307	2	117,269
Investment securities:					
– equity securities	1,070	—	—	—	1,070
– unlisted debt securities and money market funds	722,745	37,316	—	—	760,061
Other financial assets	50,328	213	—	81	50,622
<b>Total financial assets</b>	<b>1,563,345</b>	<b>54,354</b>	<b>16,815</b>	<b>4,489</b>	<b>1,639,003</b>
<b>Liabilities</b>					
Deposits by banks	299	—	—	—	299
Settlement balances	20,555	715	211	—	21,481
Due to customers	1,330,242	52,352	16,292	4,004	1,402,890
Subordinated loan notes	19,492	—	—	—	19,492
Other financial liabilities	58,988	16	—	—	59,004
<b>Total financial liabilities</b>	<b>1,429,576</b>	<b>53,083</b>	<b>16,503</b>	<b>4,004</b>	<b>1,503,166</b>
<b>Net on-balance sheet position</b>	<b>133,769</b>	<b>1,271</b>	<b>312</b>	<b>485</b>	<b>135,837</b>
<b>Loan commitments</b>	<b>20,417</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>20,417</b>
<b>At 31 December 2014</b>					
	Sterling £'000	US dollar £'000	Euro £'000	Other £'000	Total £'000
<b>Assets</b>					
Cash and balances with central banks	727,178	—	—	—	727,178
Settlement balances	15,017	797	46	30	15,890
Loans and advances to banks	79,835	49,753	11,561	3,250	144,399
Loans and advances to customers	100,489	990	161	—	101,640
Investment securities:					
– equity securities	514	—	—	—	514
– unlisted debt securities and money market funds	444,974	—	—	—	444,974
Derivative financial instruments	1,030	—	—	—	1,030
Other financial assets	45,403	181	—	—	45,584
<b>Total financial assets</b>	<b>1,414,440</b>	<b>51,721</b>	<b>11,768</b>	<b>3,280</b>	<b>1,481,209</b>
<b>Liabilities</b>					
Deposits by banks	—	—	—	—	—
Settlement balances	19,954	2,497	27	106	22,584
Due to customers	1,219,645	48,131	11,588	3,062	1,282,426
Other financial liabilities	56,241	15	—	84	56,340
<b>Total financial liabilities</b>	<b>1,295,840</b>	<b>50,643</b>	<b>11,615</b>	<b>3,252</b>	<b>1,361,350</b>
<b>Net on-balance sheet position</b>	<b>118,600</b>	<b>1,078</b>	<b>153</b>	<b>28</b>	<b>119,859</b>
<b>Loan commitments</b>	<b>14,634</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>14,634</b>

**32 Financial risk management** (iii) Market risk

A 10% weakening of the US dollar against sterling, occurring on 31 December 2015, would have reduced equity and profit after tax by £101,000 (2014: reduced by £85,000). A 10% weakening of the euro against sterling, occurring on 31 December 2015, would have reduced equity and profit after tax by £25,000 (2014: reduced by £12,000). A 10% strengthening of the US dollar or euro would have had an equal and opposite effect. This analysis assumes that all other variables, in particular other exchange rates, remain constant.

**Price risk**

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or foreign exchange risk). The group is exposed to price risk through its holdings of equity investment securities, which are reported at their fair value (note 17).

At 31 December 2015, the fair value of equity securities recognised on the balance sheet was £1,070,000 (2014: £514,000). A 10% fall in global equity markets would, in isolation, result in a pre-tax decrease to net assets of £60,000 (2014: £31,000); there would be no impact on profit after tax. A 10% rise in global markets would have had an equal and opposite effect.

**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 2015	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
<b>Assets</b>				
Available for sale securities:				
– equity securities	1,070	–	–	1,070
– money market funds	–	52,316	–	52,316
<hr/>				
At 31 December 2014	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
<b>Assets</b>				
Available for sale securities:				
– equity securities	514	–	–	514
– money market funds	–	15,000	–	15,000
Derivative financial instruments	–	–	1,030	1,030
	514	15,000	1,030	16,544

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 (2014: none).

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.



**32 Financial risk management (iii) Market risk**

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

	2015			2014		
	Available for sale equity securities £'000	Derivative financial instruments £'000	Total £'000	Available for sale equity securities £'000	Derivative financial instruments £'000	Total £'000
At 1 January	–	<b>1,030</b>	<b>1,030</b>	691	1,030	1,721
Total unrealised gains and losses recognised in:						
– profit or loss (note 21)	–	<b>(1,030)</b>	<b>(1,030)</b>	–	–	–
– other comprehensive income	–	–	–	245	–	245
Disposals	–	–	–	(936)	–	(936)
<b>At 31 December</b>	–	–	–	–	1,030	1,030

Losses relating to the derivative financial instruments are included within 'loss on derivative financial instruments' and gains relating to the available for sale equity securities are included within 'revaluation 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.

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:

- Held to maturity investment debt securities (note 17) comprise bank and building society certificates of deposit, which have fixed coupons and, in 2015, treasury bills. The fair value of debt securities at 31 December 2015 was £710,718,000 (2014: £431,496,000) and the carrying value was £707,745,000 (2014: £429,974,000). Fair value for held to maturity assets is based on market bid prices, and hence would be categorised as level 1 within the fair value hierarchy.
- Subordinated loan notes (note 27) comprise Tier 2 loan notes issued during the year. The fair value of the loan notes at 31 December 2015 was £20,099,000 and the carrying value was £19,492,000. 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.

### 33 Capital management

Rathbone Brothers Plc's capital is defined for accounting purposes as total equity. As at 31 December 2015 this totalled £300,192,000 (2014: £270,732,000). On 3 August 2015, Rathbone Investment Management issued £20,000,000 of subordinated Tier 2 loan notes, following changes to the capital adequacy rules which increased the extent to which the group could effectively use debt to support its regulatory capital balances (note 27). At 31 December 2015, the carrying value of the notes was £19,492,000 (2014: £nil). From time-to-time, the group runs small overnight overdraft balances as part of working capital.

The group's objectives when managing capital are to:

- safeguard the group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders;
- maintain a strong capital base in a cost-efficient manner to be able to support the development of the business when required;
- optimise the distribution of capital across group companies, reflecting the requirements of each business;
- strive to make capital freely transferable across the group where possible; and
- comply with regulatory requirements at all times.

Rathbones is classified for capital purposes as a banking group and performs an Internal Capital Adequacy Assessment Process (ICAAP), which is presented to the PRA on an annual basis. Regulatory capital resources for ICAAP purposes are calculated in accordance with published rules. These require certain adjustments to and certain deductions from accounting capital, the latter largely in respect of intangible assets. The ICAAP compares regulatory capital resources against regulatory capital requirements derived using the PRA's Pillar 1 and Pillar 2 methodology. The group has adopted the standardised approach to calculating its Pillar 1 credit risk component and the basic indicator approach to calculating its operational risk component. Capital management policy and practices are applied at both group and entity level.

At 31 December 2015 the group's regulatory capital resources, including retained earnings for 2015, were £144,468,000 (2014: £111,738,000). The increase in reserves during 2015 primarily from retained earnings, with the additional resources raised from the issue of Tier 2 subordinated loan notes, was partially offset by the increase in intangible assets during the year.

In addition to a variety of stress tests performed as part of the ICAAP and daily reporting in respect of treasury activity, capital levels are monitored and forecast on a monthly basis to ensure that dividends and investment requirements are appropriately managed and appropriate buffers are kept against adverse business conditions.

No breaches were reported to the PRA during the financial years ended 31 December 2014 and 2015.

## 34 Contingent liabilities and commitments

(a) Capital expenditure authorised and contracted for at 31 December 2015 but not provided in the financial statements amounted to £534,000 (2014: £122,000).

(b) The contractual amounts of the group's commitments to extend credit to its clients at 31 December 2015 were as follows:

	2015 £'000	2014 £'000
Guarantees	—	578
Undrawn commitments to lend of 1 year or less	<b>20,417</b>	14,634
	<b>20,417</b>	15,212

The fair value of the guarantees is £nil (2014: £nil).

(c) The group leases various offices and other assets under non-cancellable operating lease agreements. The leases have varying terms and renewal rights. The company's agreement to lease space at 1 Curzon Street, London, under which total payments over the lease term at 31 December 2015 were £24,733,000, provides for an upward only rent review in 2018.

Payments under non-cancellable operating leases	2015 £'000	2014 £'000
No later than 1 year	<b>5,900</b>	5,782
Later than 1 year and no later than 5 years	<b>22,782</b>	22,283
Later than 5 years	<b>15,643</b>	19,951
	<b>44,325</b>	48,016

On 6 January 2016, the group exchanged contracts for a 17 year lease at 8 Finsbury Circus, London, under which total payments over the lease term from the date of exchange are £75,342,000. The lease provides for rent reviews every five years.

(d) The arrangements put in place by the Financial Services Compensation Scheme (FSCS) to protect depositors and investors from loss in the event of failure of financial institutions has resulted in significant levies on the industry in recent years. The financial impact of unexpected FSCS levies is largely out of the group's control as they result from other industry failures.

There is uncertainty over the level of future FSCS levies as they depend on the ultimate cost to the FSCS of industry failures. The group contributes to the deposit class, investment fund management class and investment intermediation levy classes and accrues levy costs for future levy years when the obligation arises.

As detailed in note 1.3, the group has adopted IFRIC 21 'Levies' in the current year. Comparative figures have been restated for the impact of this. Levies of £630,000 have been included within administrative expenses in 2015 (2014 restated: £1,439,000). It is only possible for the group to estimate its share of these losses until invoices are received. In addition to the FSCS levies accrued in the year further levy charges may be incurred in future years, although the ultimate cost remains uncertain.

## 35 Business combinations

### Vision Independent Financial Planning and Castle Investment Solutions

On 31 December 2015, the group acquired the remaining 80.1% of the ordinary share capital of Vision Independent Financial Planning Limited ('Vision') and Castle Investment Solutions Limited ('Castle') (together, the 'Vision group'). The group originally purchased a 19.9% stake in the Vision group for £2,000,000 in October 2012.

Vision is an independent specialist financial advice network, while Castle, its sister company, provides it with administrative services. The acquisition of the Vision group is part of the group's strategy of broadening its distribution reach and accessing a greater share of new business intermediated by financial advisers.

#### Consideration transferred

The following table summarises the acquisition date fair value of each class of consideration transferred:

	£'000
Cash consideration	5,000
Deferred and contingent consideration (see below)	4,145
<b>Total consideration</b>	<b>9,145</b>

Cash consideration comprises an initial payment of £5,000,000, paid on 31 December 2015.

#### Deferred and contingent consideration

Deferred and contingent consideration is split into a number of different components:

	£'000
Deferred net asset value payment	1,926
Contingent consideration payments	2,219
<b>Deferred and contingent consideration</b>	<b>4,145</b>

The deferred net asset value payment of £1,926,000 is payable in the first quarter of 2016, subject to agreement of the net asset value (as at the acquisition date) of the acquired businesses.

Contingent consideration of up to £2,219,000 is payable between the balance sheet date and the end of 2019. Further deferred payments to vendors who are remaining in employment with the acquired companies of up to £10,203,000 is payable over the same period and will be charged to profit or loss over the deferral period. Both sets of payments are subject to performance against certain growth and operational targets.

Contingent consideration represents the maximum amount payable under the targets to which it is subject. The group has discounted any amounts payable after one year. The undiscounted value of the deferred and contingent consideration is £4,596,000.

All contingent consideration and deferred payments to vendors who are remaining in employment will be made 80% in cash and 20% in shares.

#### Acquisition-related costs

Acquisition-related costs totalling £162,000 for legal and advisory fees have been recognised in transaction costs (note 8) in the year in relation to this transaction.

**35 Business combinations****Identifiable assets acquired and liabilities assumed**

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

	Carrying amounts £'000	Fair value adjustments £'000	Recognised values £'000
Property, plant and equipment	53	—	53
Trade and other receivables	1,399	—	1,399
Intangible assets (note 22)	—	4,539	4,539
Loans and advances to banks	1,472	—	1,472
Trade and other payables	(806)	—	(806)
Accruals, deferred income and other liabilities	(192)	—	(192)
Deferred tax liabilities	—	(862)	(862)
<b>Total net assets acquired</b>	<b>1,926</b>	<b>3,677</b>	<b>5,603</b>

The carrying amounts of the net assets acquired are provisional and subject to agreement of the acquired businesses' completion accounts.

The fair value of acquired trade and other receivables and loans and advances to banks is equal to the contractual amounts receivable, all of which are expected to be collected.

The fair value of Vision's client relationship intangible assets has been measured using a discounted cash flow model (note 22).

**Goodwill**

Goodwill arising from the acquisition has been recognised as follows:

	£'000
Total consideration (see above)	9,145
Fair value of pre-existing interest in Vision group	2,369
Fair value of identifiable net assets acquired (see above)	(5,603)
	<b>5,911</b>

The remeasurement to fair value of the group's existing 19.9% stake in the Vision group immediately prior to acquisition resulted in a gain of £885,000 (note 21). This amount has been included in operating income.

Goodwill of £5,911,000 arises as a result of the acquired workforce and future growth synergies as a result of this acquisition. Any impairment of goodwill in future periods is not expected to be deductible for tax purposes.

No operating income or profit before tax relating to the acquired businesses are included within the consolidated statement of comprehensive income for the year ended 31 December 2015.

If the group had made the acquisition on 1 January 2015, the group operating income and profit before tax would have been £232,691,000 and £59,431,000 respectively.

## 36 Related party transactions

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.

Further information about the remuneration of individual directors is provided in the audited part of the annual report on remuneration on page 77 to 84.

	2015 £'000	2014 £'000
Short term employee benefits	10,659	8,089
Post-employment benefits	791	132
Other long term benefits	1,706	948
Share-based payments	2,878	1,582
	<b>16,034</b>	<b>10,751</b>

Dividends totalling £108,000 were paid in the year (2014: £93,000) in respect of ordinary shares held by key management personnel and their close family members.

As at 31 December 2015, the group had outstanding interest-free season ticket loans of £6,000 (2014: none) issued to key management personnel.

At 31 December 2015, key management personnel and their close family members had gross outstanding deposits of £862,000 (2014: £838,000) and gross outstanding banking loans of £5,805,000 (2014: £3,859,000), all of which (2014: all) were made on normal business terms. 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.

The group's transactions with the pension funds are described in note 28. At 31 December 2015, £nil was payable to the Laurence Keen Scheme (2014: £55,000) and £nil was due from the Rathbone 1987 Scheme (2014: £55,000).

The group managed 22 unit trusts and OEICs during 2015 (2014: 21 unit trusts and OEICs). Total management charges of £25,371,000 (2014: £23,061,000) were earned during the year, 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 31 December 2015 totalled £2,181,000 (2014: £2,076,000).

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.

### 37 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:

	2015 £'000	2014 £'000
Cash and balances at central banks (note 14)	<b>583,156</b>	727,178
Loans and advances to banks (note 15)	<b>68,156</b>	93,638
Available for sale investment securities (note 17)	<b>52,316</b>	15,000
<b>At 31 December</b>	<b>703,628</b>	835,816

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

Cash flows arising from issuing ordinary shares comprise:

	2015 £'000	2014 £'000
Share capital issued (note 29)	<b>12</b>	80
Share premium on shares issued (note 29)	<b>4,656</b>	27,503
Shares issued in relation to share-based schemes for which no cash consideration was received	<b>(2,413)</b>	(1,655)
	<b>2,255</b>	25,928

### 38 Events after the balance sheet date

On 6 January 2016, the group exchanged contracts for a 17 year lease on 75,000 sq ft of office space at 8 Finsbury Circus, London (see note 34). It is expected that the business will move from its current premises at 1 Curzon Street in the first quarter of 2017. This has led to the group reviewing its estimate of the provision for dilapidations at 1 Curzon Street (see note 9).

## 39 Country-by-country reporting

### Introduction

HM Treasury has transposed the requirements set out under Capital Requirements Directive IV and issued the Capital Requirements Country-by-Country Reporting Regulations 2013, effective 1 January 2014. The legislation requires the company to publish certain additional information, on a consolidated basis, for the year ended 31 December 2015.

### Basis of preparation

Country	In most cases, we have determined the country by reference to the country of tax residence. Where an entity is not subject to tax (e.g. a partnership) we have considered the location of management or the jurisdiction in which the revenues are generated. In these cases it is possible that tax is paid in a different country to the one in which profits are reported.
Nature of activities	The nature of activities within the United Kingdom are described within 'our approach' on pages 11 to 15. Investment management is the sole activity which occurs in Jersey.
Turnover	Turnover is defined as operating income. As the consolidated results are split by country, there is an element of double counting when inter-jurisdictional transactions (for example, the payment of dividends) occur. The entries to eliminate this double counting are included at the bottom of the table to enable the disclosed figures to agree to the consolidated financial statements.
Profit before taxation	These are accounting profits. As with turnover some double counting may arise and again this has been eliminated at the bottom of the table. The majority of the total relates to the elimination of inter-jurisdictional dividends which are reflected as profits in the United Kingdom.
Tax paid	This column reflects corporation tax actually paid in the year. Note that it is rare that tax paid in any given year relates directly to the profits earned in the same period.
Public subsidies received	The group received no public subsidies in the year.
Number of employees	The number of employees reported is the average number of full time employees who were permanently employed by the group during the year. Contractors are excluded.
Subsidiaries	A list of the company's subsidiaries, including their main activity and country of incorporation, is shown within note 44.

Country	Turnover £'000	Profit before taxation £'000	Tax paid £'000	Number of employees
United Kingdom <sup>1</sup>	225,424	55,858	10,300	967
Jersey	8,050	754	106	14
Sub total	233,474	56,612	10,406	981
Intra-group eliminations and other entries arising on consolidation	(3,411)	2,020	—	—
Total	230,063	58,632	10,406	981

1 Tax paid in United Kingdom is net of a rebate, in 2015, of £203,000 relating to an overpayment of Swiss withholding tax arising on the disposal of the group's holding of Euroclear Plc shares during 2014



## Company financial statements

160	<b>Company statement of changes in equity</b>
161	<b>Company balance sheet</b>
162	<b>Company statement of cash flows</b>
163	<b>Notes to the company financial statements</b>
40	Significant accounting policies
41	Critical accounting judgement and key source of estimation and uncertainty
42	Profit of the year
43	Dividends
164	44 Investments in subsidiaries
165	45 Investment in associates and related derivatives
166	46 Other investments
47	Trade and other receivables
167	48 Deferred tax
168	49 Trade and other payables
169	50 Provisions for liabilities and charges
51	Employee benefits
52	Share capital, own shares and share-based payments
170	53 Financial instruments
179	54 Capital management
55	Contingent liabilities and commitments
56	Related party transactions
180	57 Cash and cash equivalents
58	Events after the balance sheet date

## Company statement of changes in equity

for the year ended 31 December 2015

	Note	Share capital £'000	Share premium £'000	Available for sale reserve £'000	Own shares £'000	Retained earnings £'000	Total equity £'000
At 1 January 2014		2,315	65,484	4,717	(5,722)	42,807	109,601
Profit for the year						38,826	38,826
Net remeasurement of defined benefit liability	51					(17,466)	(17,466)
Revaluation of available for sale investment securities:							
– net gain from changes in fair value	17			959			959
– net profit on disposal transferred to profit or loss during the year				(6,820)			(6,820)
Deferred tax relating to components of other comprehensive income	48			1,172		3,493	4,665
Other comprehensive income net of tax		–	–	(4,689)	–	(13,973)	(18,662)
Dividends paid	43					(23,793)	(23,793)
Issue of share capital	52	80	27,503				27,583
Share-based payments:							
– value of employee services						374	374
– cost of own shares acquired	52				(1,655)		(1,655)
– cost of own shares vesting	52				1,846	(1,846)	–
– tax on share-based payments	48					248	248
<b>At 1 January 2015</b>		<b>2,395</b>	<b>92,987</b>	<b>28</b>	<b>(5,531)</b>	<b>42,643</b>	<b>132,522</b>
Profit for the year						42,853	42,853
Net remeasurement of defined benefit liability	51					6,524	6,524
Revaluation of available for sale investment securities:							
– net gain from changes in fair value	17			53			53
– net profit on disposal transferred to profit or loss during the year				–			–
Deferred tax relating to components of other comprehensive income	48			(10)		(1,509)	(1,519)
Other comprehensive income net of tax		–	–	43	–	5,015	5,058
Dividends paid	43					(25,836)	(25,836)
Issue of share capital	52	12	4,656				4,668
Share-based payments:							
– value of employee services						1,022	1,022
– cost of own shares acquired	52				(2,413)		(2,413)
– cost of own shares vesting	52				1,767	(1,767)	–
– tax on share-based payments	48					51	51
<b>At 31 December 2015</b>		<b>2,407</b>	<b>97,643</b>	<b>71</b>	<b>(6,177)</b>	<b>63,981</b>	<b>157,925</b>

The accompanying notes form an integral part of the company financial statements.

# Company balance sheet

as at 31 December 2015

	Note	2015 £'000	2014 £'000
<b>Non-current assets</b>			
Investment in subsidiaries	44	<b>130,844</b>	120,483
Investment in associates	45	—	1,216
Other investments	46	<b>11,070</b>	10,514
Deferred tax	48	<b>2,564</b>	4,818
		<b>144,478</b>	137,031
<b>Current assets</b>			
Trade and other receivables	47	<b>77,890</b>	58,145
Current tax assets		<b>250</b>	1,196
Cash and cash equivalents		<b>5,972</b>	5,732
		<b>84,112</b>	65,073
<b>Total assets</b>		<b>228,590</b>	202,104
<b>Current liabilities</b>			
Trade and other payables	49	<b>(51,277)</b>	(46,878)
Provisions for liabilities and charges	50	<b>(14,887)</b>	(8,994)
		<b>(66,164)</b>	(55,872)
<b>Net current assets</b>		<b>17,948</b>	9,201
<b>Non-current liabilities</b>			
Employee benefits	51	<b>(4,501)</b>	(13,710)
<b>Total liabilities</b>		<b>(70,665)</b>	(69,582)
<b>Net assets</b>		<b>157,925</b>	132,522
<b>Equity</b>			
Share capital	52	<b>2,407</b>	2,395
Share premium	52	<b>97,643</b>	92,987
Available for sale reserve		<b>71</b>	28
Own shares	52	<b>(6,177)</b>	(5,531)
Retained earnings		<b>63,981</b>	42,643
<b>Equity shareholders' funds</b>		<b>157,925</b>	132,522

The financial statements were approved by the board of directors and authorised for issue on 23 February 2016 and were signed on its behalf by:

P L Howell    R P Stockton  
 Chief Executive                                      Finance Director

Company registered number: 01000403

The accompanying notes form an integral part of the company financial statements.

# Company statement of cash flows

for the year ended 31 December 2015

	Note	2015 £'000	2014 £'000
<b>Cash flows from operating activities</b>			
Profit before tax		<b>43,178</b>	37,618
Net profit on disposal of available for sale investment securities		–	(6,820)
Interest and dividends received		<b>(44,245)</b>	(44,165)
Net impairment charges/(recoveries) on impaired loan notes	47	–	(565)
Net charge for provisions	50	<b>707</b>	102
Loss on derivative financial instruments		<b>1,030</b>	–
Defined benefit pension scheme charges	51	<b>4,217</b>	3,332
Defined benefit pension scheme contributions paid	51	<b>(6,902)</b>	(5,474)
Share-based payment charges	52	<b>4,629</b>	5,477
		<b>2,614</b>	(10,495)
Changes in operating assets and liabilities:			
– net decrease in trade debtors		–	3,400
– net increase in prepayments, accrued income and other assets		<b>(20,792)</b>	(33,150)
– net increase in accruals, deferred income, provisions and other liabilities		<b>1,832</b>	4,471
<b>Cash used in operations</b>		<b>(16,346)</b>	(35,774)
Tax received		<b>1,403</b>	470
<b>Net cash used in operating activities</b>		<b>(14,943)</b>	(35,304)
<b>Cash flows from investing activities</b>			
Interest received		<b>138</b>	171
Inter-company dividends received		<b>44,000</b>	43,899
Other dividends received		<b>107</b>	104
Liquidation of subsidiary, net of cash transferred	44	–	250
Investment in subsidiaries	44	<b>(5,000)</b>	(43,125)
Purchase of other investments		<b>(503)</b>	(10,037)
Proceeds from sale of investments		–	41,863
<b>Net cash generated from investing activities</b>		<b>38,742</b>	33,125
<b>Cash flows from financing activities</b>			
Issue of ordinary shares	52	<b>2,255</b>	25,928
Dividends paid	43	<b>(25,836)</b>	(23,793)
<b>Net cash (used in)/generated from financing activities</b>		<b>(23,581)</b>	2,135
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>218</b>	(44)
Cash and cash equivalents at the beginning of the year		<b>5,026</b>	5,070
<b>Cash and cash equivalents at the end of the year</b>	57	<b>5,244</b>	5,026

The accompanying notes form an integral part of the company financial statements.

# Notes to the company financial statements

## 40 Significant accounting policies

### Statement of compliance

The separate financial statements of the company are presented as required by the Companies Act 2006 and have been prepared in accordance with International Financial Reporting Standards, as adopted by the European Union, and IAS 27 'Separate Financial Statements'.

On publishing the parent company financial statements here together with the group financial statements, the company is taking advantage of the exemption in Section 408 of the Companies Act 2006 not to present its individual statement of comprehensive income and related notes that form a part of these approved financial statements.

### Developments in reporting standards and interpretations

Developments in reporting standards and interpretations are set out in note 1.3 to the consolidated financial statements.

### Principal accounting policies

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments. The principal accounting policies adopted are as set out below.

#### Investments in subsidiaries and associates

Investments in subsidiaries and associates are stated at cost less, where appropriate, provision for impairment.

#### Management charges

Intra-group management charges arise in relation to staff costs and other administrative expenses that are initially borne by the company and then recharged to other group companies, when incurred.

Accounting policies in relation to impairment, interest income, dividend income, operating leases, foreign currency, retirement benefit obligations, taxation, cash and cash equivalents and share-based payments are set out in note 1 to the consolidated financial statements.

## 41 Critical accounting judgement and key source of estimation and uncertainty

The critical accounting judgement and key source of estimation and uncertainty arise from the company's defined benefit pension schemes. This is described in note 2.2 to the consolidated financial statements.

## 42 Profit for the year

As permitted by Section 408 of the Companies Act 2006 the company has elected not to present its own statement of comprehensive income for the year. Rathbone Brothers Plc reported a profit after tax for the financial year ended 31 December 2015 of £42,853,000 (2014: £38,826,000).

Auditor's remuneration for audit and other services to the company are set out in note 7 to the consolidated financial statements.

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

	2015	2014
Investment Management:		
– investment management services	614	531
– advisory services	77	73
Unit Trusts	27	32
Shared services	249	232
	<b>967</b>	<b>868</b>

## 43 Dividends

Details of the company's dividends paid and proposed for approval at the AGM are set out in note 12 to the consolidated financial statements.

## 44 Investment in subsidiaries

	Equities £'000	Subordinated loans to group undertakings £'000	Total £'000
At 1 January 2014	75,858	1,750	77,608
Additions	43,125	—	43,125
Disposals	(250)	—	(250)
At 1 January 2015	<b>118,733</b>	<b>1,750</b>	<b>120,483</b>
Additions	<b>10,361</b>	—	<b>10,361</b>
At 31 December 2015	<b>129,094</b>	<b>1,750</b>	<b>130,844</b>

**Equities**

On 31 December 2015, the company acquired the remaining 80.1% of the ordinary share capital of Vision Independent Financial Planning Limited ('Vision') and Castle Investment Solutions Limited ('Castle'). Vision is an independent specialist financial advice network and Castle provides administrative services to Vision.

The cost of the acquisition comprised the following:

	£'000
Cash consideration (note 35)	<b>5,000</b>
Deferred and contingent consideration (note 35)	<b>4,145</b>
Transfer from associate (note 45)	<b>1,216</b>
	<b>10,361</b>

Further details of the acquisition are provided in note 35 to the consolidated financial statements.

At 31 December 2015 the company's subsidiary undertakings were as follows:

Subsidiary undertaking	Country of incorporation	Activity and operation
Rathbone Investment Management Limited	England & Wales	Investment management and banking services
Rathbone Investment Management International Limited*	Jersey	Investment management
Rathbone Trust Company Limited	England & Wales	Trust and tax services
Rathbone Unit Trust Management Limited*	England & Wales	Unit trust management
Rathbone Pension & Advisory Services Limited	England & Wales	Pension advisory services
Arcticstar Limited	England & Wales	Introducer of private clients
Vision Independent Financial Planning Limited	England & Wales	Financial planning services
Castle Investment Solutions Limited	England & Wales	Investment support services
Laurence Keen Holdings Limited	England & Wales	Intermediate holding company
Rathbone Directors Limited*	England & Wales	Corporate director services
Rathbone Secretaries Limited*	England & Wales	Corporate secretarial services
Laurence Keen Nominees Limited*	England & Wales	Corporate nominee
Neilson Cobbold Client Nominees Limited*	England & Wales	Corporate nominee
Rathbone Nominees Limited*	England & Wales	Corporate nominee
Citywall Nominees Limited*	England & Wales	Corporate nominee
Penchart Nominees Limited*	England & Wales	Corporate nominee
Rathbone Stockbrokers Limited*	England & Wales	Non-trading
Parthian Limited*	England & Wales	Non-trading
Crennaco Limited*	England & Wales	Non-trading
Riverbury Limited*	England & Wales	Non-trading
Dean River Asset Management Limited*	England & Wales	Non-trading
R.M. Walkden & Co. Limited*	England & Wales	Non-trading

\* Held by subsidiary undertaking

The company owns, directly or indirectly, 100% of the ordinary share capital of all subsidiaries.

**44 Investment in subsidiaries****Subordinated loans to group undertakings**

The amounts subject to subordinated loan agreements are shown below.

Counterparty	Repayment date	2015 £'000	2014 £'000
Rathbone Pension & Advisory Services Limited	Not less than 2 years' written notice or subject to regulatory approval	<b>250</b>	250
Rathbone Investment Management International Limited	Not less than 2 years' written notice but subject to approval by the Jersey Financial Services Commission	<b>1,500</b>	1,500
		<b>1,750</b>	1,750

The fair value of the subordinated loans is not materially different from their carrying amount.

All subordinated loans accrue interest at the Bank of England base rate plus 2.5% to a maximum of 5.0%.

The company has not had any defaults of principal, interest or other breaches with respect to its subordinated loans during the year.

Rathbone Pension & Advisory Services has deferred the decision to repay the subordinated loan. This is now planned for the first half of 2016, on satisfactory transfer of the continuing Rathbone Pension & Advisory Services business to a fellow group company.

**45 Investment in associates and related derivatives**

On 31 December 2015, the company increased its shareholding in Vision Independent Financial Planning Limited ('Vision') and Castle Investment Solutions Limited ('Castle') to 100% (see note 35) and the companies became subsidiaries as of that date. The company previously owned 19.9% of the ordinary share capital of the two companies.

The movements in the company's investment in associates up to 31 December 2015 are as follows:

	2015 £'000	2014 £'000
At 1 January	<b>1,216</b>	1,216
Transfer to subsidiary (note 44)	<b>(1,216)</b>	—
At 31 December	—	1,216

As part of the transaction to acquire the remaining 80.1% of Vision and Castle, the option contracts to which the company was previously party were extinguished (note 21). As such, the fair value of the option contracts was written down to £nil as of 30 September 2015, realising a loss of £1,030,000.

## 46 Other investments

**Available for sale securities**

	2015 £'000	2014 £'000
Equity securities – at fair value:		
– listed	1,070	514
Money market funds – at fair value:		
– unlisted	10,000	10,000
	<b>11,070</b>	<b>10,514</b>

## 47 Trade and other receivables

	2015 £'000	2014 £'000
Derivative financial instruments (note 45)	–	1,030
Prepayments and other receivables	3,856	3,715
Amounts owed by group undertakings	74,034	53,400
	<b>77,890</b>	<b>58,145</b>
Current	<b>77,890</b>	58,145
Non-current	–	–
	<b>77,890</b>	<b>58,145</b>

**Allowance for losses on loan notes**

	2015 £'000	2014 £'000
At 1 January	–	1,016
Amounts written off	–	(451)
Credit to profit or loss	–	(565)
At 31 December	–	–



## 48 Deferred tax

Deferred income taxes are calculated on all temporary differences under the liability method using an effective tax rate of 19.0% (2014: 20.0%).

The Finance Bill 2015, which included provisions for the UK corporation tax rate to be reduced to 19.0% in April 2017 and 18.0% in April 2020, received royal assent in November 2015, and the reductions are therefore deemed to be substantively enacted. Deferred tax balances have therefore been calculated based on these reduced rates as future timing differences are forecast to unwind.

	Pensions £'000	Share-based payments £'000	Staff-related costs £'000	Available for sale securities £'000	Total £'000
As at 1 January 2015	<b>2,740</b>	<b>2,054</b>	<b>30</b>	<b>(6)</b>	<b>4,818</b>
Recognised in profit or loss in respect of:					
– current year	<b>(544)</b>	<b>(343)</b>	<b>(42)</b>	–	<b>(929)</b>
– prior year	–	–	<b>53</b>	–	<b>53</b>
– change in rate	<b>166</b>	<b>(72)</b>	<b>(4)</b>	–	<b>90</b>
<b>Total</b>	<b>(378)</b>	<b>(415)</b>	<b>7</b>	–	<b>(786)</b>
Recognised in other comprehensive income in respect of:					
– current year	<b>(1,321)</b>	–	–	<b>(11)</b>	<b>(1,332)</b>
– prior year	–	–	–	–	–
– change in rate	<b>(188)</b>	–	–	<b>1</b>	<b>(187)</b>
<b>Total</b>	<b>(1,509)</b>	–	–	<b>(10)</b>	<b>(1,519)</b>
Recognised in equity in respect of:					
– current year	–	<b>70</b>	–	–	<b>70</b>
– prior year	–	<b>(4)</b>	–	–	<b>(4)</b>
– change in rate	–	<b>(15)</b>	–	–	<b>(15)</b>
<b>Total</b>	–	<b>51</b>	–	–	<b>51</b>
<b>As at 31 December 2015</b>	<b>853</b>	<b>1,690</b>	<b>37</b>	<b>(16)</b>	<b>2,564</b>
	Pensions £'000	Share-based payments £'000	Staff-related costs £'000	Available for sale securities £'000	Total £'000
Deferred tax assets	<b>853</b>	<b>1,690</b>	<b>37</b>	–	<b>2,580</b>
Deferred tax liabilities	–	–	–	<b>(16)</b>	<b>(16)</b>
<b>As at 31 December 2015</b>	<b>853</b>	<b>1,690</b>	<b>37</b>	<b>(16)</b>	<b>2,564</b>

## 48 Deferred tax

	Pensions £'000	Share-based payments £'000	Staff-related costs £'000	Available for sale securities £'000	Total £'000
As at 1 January 2014	(325)	1,731	85	(1,178)	313
Recognised in profit or loss in respect of:					
– current year	(460)	65	(50)	–	(445)
– prior year	–	–	4	–	4
– change in rate	32	(2)	3	–	33
Total	(428)	63	(43)	–	(408)
Recognised in other comprehensive income in respect of:					
– current year	3,754	–	–	1,260	5,014
– prior year	–	–	–	–	–
– change in rate	(261)	–	–	(88)	(349)
Total	3,493	–	–	1,172	4,665
Recognised in equity in respect of:					
– current year	–	260	(13)	–	247
– prior year	–	–	–	–	–
– change in rate	–	–	1	–	1
Total	–	260	(12)	–	248
As at 31 December 2014	2,740	2,054	30	(6)	4,818
	Pensions £'000	Share-based payments £'000	Staff-related costs £'000	Available for sale securities £'000	Total £'000
Deferred tax assets	2,740	2,054	30	–	4,824
Deferred tax liabilities	–	–	–	(6)	(6)
As at 31 December 2014	2,740	2,054	30	(6)	4,818

## 49 Trade and other payables

	2015 £'000	2014 £'000
Accruals, deferred income and other creditors	45,443	41,662
Other taxes and social security costs	5,834	5,216
	<b>51,277</b>	<b>46,878</b>

The fair value of trade and other payables is not materially different from their carrying amount.

## 50 Provisions for liabilities and charges

	Deferred, variable costs to acquire client relationship intangibles £'000	Deferred and contingent consideration in business combinations £'000	Property-related £'000	Total £'000
As at 1 January 2014	4,422	—	932	5,354
Charged to profit or loss	—	—	102	102
Other movements	8,230	—	—	8,230
Utilised/paid during the year	(4,692)	—	—	(4,692)
<b>As at 31 December 2014</b>	<b>7,960</b>	<b>—</b>	<b>1,034</b>	<b>8,994</b>
Charged to profit or loss	—	—	707	707
Business combinations	—	4,145	—	4,145
Other movements	11,305	—	—	11,305
Utilised/paid during the year	(10,264)	—	—	(10,264)
<b>As at 31 December 2015</b>	<b>9,001</b>	<b>4,145</b>	<b>1,741</b>	<b>14,887</b>
Payable within 1 year	47	3,091	12	3,150
Payable after 1 year	8,954	1,054	1,729	11,737
	<b>9,001</b>	<b>4,145</b>	<b>1,741</b>	<b>14,887</b>

Deferred, variable costs to acquire client relationship intangibles of £11,305,000 arose during the year, in relation to deferred payments to investment managers and third parties linked to the value of client funds introduced (2014: £8,230,000).

Deferred and contingent consideration in business combinations of £4,145,000 (2014: £nil) is payable in instalments up to the end of 2019 following the acquisition of Vision and Castle (see note 44). The payments are contingent on certain operational and financial targets being met.

Property-related provisions consist of £1,741,000 in relation to dilapidation provisions expected to arise on leasehold premises held by the company (2014: £1,034,000). Dilapidation provisions are calculated using a discounted cash flow model; during the year, provisions have increased by £707,000 (2014: £102,000) due to the change in estimated timing of dilapidation costs for our existing London office (see note 9) and the impact of discounting.

Provisions payable after one year are expected to be settled within four years of the balance sheet date (2014: two years), except for the property-related provisions of £1,729,000 (2014: £1,023,000). These are expected to be settled within 21 years of the balance sheet date (2014: 22 years), which corresponds to the longest lease for which a dilapidations provision is being held.

## 51 Employee benefits

Details of the defined benefit pension schemes operated by the company are provided in note 28 to the consolidated financial statements.

## 52 Share capital, own shares and share-based payments

Details of the share capital of the company and ordinary shares held by the company together with changes thereto are provided in notes 29 and 30 to the consolidated financial statements. Details of options on the company's shares and share-based payments are set out in note 31 to the consolidated financial statements.

## 53 Financial instruments

The company's risk management policies and procedures are integrated with the wider Rathbones group's risk management process. The Rathbones group has identified the risks arising from all of its activities, including those of the company, and has established policies and procedures to manage these items in accordance with its risk appetite. The company categorises its financial risks into the following primary areas:

- (i) credit risk;
- (ii) liquidity risk;
- (iii) market risk (which includes fair value interest rate risk, cash flow interest rate risk, foreign exchange risk and price risk); and
- (iv) pension risk.

The company's exposures to pension risk are set out in note 28 to the consolidated financial statements.

The sections below outline the group risk appetite, as applicable to the company, and explain how the company defines and manages each category of financial risk.

The company's financial risk management policies are designed to identify and analyse the financial risks that the company faces, to set appropriate risk tolerances, limits and controls and to monitor the financial risks and adherence to limits by means of reliable and up-to-date information systems. The company regularly reviews its financial risk management policies and systems to reflect changes in the business and the wider industry.

The company's overall strategy and policies for monitoring and management of financial risk are set by the board of directors ('the board'). The board has embedded risk management within the business through the executive committee and senior management.

### (i) Credit risk

The company takes on exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due, through its trading activities. The principal sources of credit risk arise from depositing funds with banks and through providing long term and working capital financing for subsidiaries.

The company's financial assets are categorised as follows:

#### Trade and other receivables

Trade and other receivables relate to amounts placed with subsidiaries, loans provided to subsidiaries and derivative financial instruments.

Derivative financial instruments relate to option contracts over shares in the company's associates (note 45). These options expose the company to credit risk from the potential for non-delivery by the associate companies' founders, who are private individuals.

The collection and ageing of trade and other receivables are reviewed on a periodic basis by management. Impairment provisions are made for any debts which are considered to be doubtful for collection.

The company places surplus funds with its banking subsidiary, which operates under the group's credit risk management policies. Group policy requires that funds are placed with a range of high-quality financial institutions. Investments are spread to avoid excessive exposure to any individual counterparty.

For the purposes of financial reporting the company categorises its exposures based on the long term ratings awarded to counterparties by Fitch Ratings Limited ('Fitch') or Moody's Corporation ('Moody's').

#### Cash and cash equivalents (balances at banks)

The company has exposure to financial institutions through its bank deposits (reported within cash equivalents).

**53 Financial instruments (i) Credit risk****Impairment and provisioning policies**

Impairment provisions are recognised for financial reporting purposes only for losses that have been incurred at the balance sheet date, based on objective evidence of impairment.

All credit exposures are reviewed individually, at least annually or more regularly when individual circumstances require. Impairment allowances on credit exposures are determined by an evaluation of the incurred loss at the balance sheet date on a case by case basis.

No impairment losses arose during the year or in 2014.

**Maximum exposure to credit risk**

	2015 £'000	2014 £'000
Other investments:		
– money market funds	<b>10,000</b>	10,000
Trade and other receivables:		
– amounts owed by group undertakings	<b>75,784</b>	55,150
– derivative financial instruments	–	1,030
– other financial assets	<b>1,013</b>	1,001
Balances at banks	<b>5,972</b>	5,732
	<b>92,769</b>	72,913

The above table represents the gross credit risk exposure of the company at 31 December 2015 and 2014, without taking account of any collateral held or other credit enhancements attached.

Derivative financial instruments are not subject to standard lending criteria. All other trade and other receivables are within normal terms and conditions of lending at the balance sheet date (2014: all within normal terms and conditions of lending).

Amounts owed by group undertakings do not have specific repayment dates and are paid down periodically as trading requires.

**Trade and other receivables**

Trade and other receivables are summarised as follows:

	2015 £'000	2014 £'000
Neither past due nor impaired	<b>75,784</b>	57,181
Impaired	–	–
Gross carrying value	<b>75,784</b>	57,181
Less: allowance for impairment (note 47)	–	–
Net carrying value	<b>75,784</b>	57,181

**Balances at banks**

All balances at banks were neither past due nor impaired. The credit quality of these balances is analysed below by reference to the long term credit rating awarded by Fitch, or equivalent rating by Moody's, as at the balance sheet date.

	2015 £'000	2014 £'000
A+ to A	<b>5,468</b>	5,732
Other*	<b>504</b>	–
	<b>5,972</b>	5,732

\* Cash held within the employee benefit trust

**53 Financial instruments (i) Credit risk****Debt securities**

The table below presents an analysis of debt securities by rating agency designation, as at 31 December 2015, based on Fitch or Moody's long term rating designation.

	2015		2014	
	Money market funds £'000	Total £'000	Money market funds £'000	Total £'000
AAA	<b>10,000</b>	<b>10,000</b>	10,000	10,000

**Concentration of credit risk**

The company has counterparty credit risk within its balances at banks in that the principal exposure is to its banking subsidiary. The board sets and monitors the group policy for the management of group funds, which include the placement of funds with a range of high-quality financial institutions.

**(a) Geographical sectors**

The following table analyses the company's credit exposures, at their carrying amounts, by geographical region as at the balance sheet date. In this analysis, exposures are categorised based on the country of domicile of the counterparty.

	United Kingdom £'000	Rest of the world £'000	Total £'000
<b>At 31 December 2015</b>			
Other investments:			
– money market funds	<b>10,000</b>	–	<b>10,000</b>
Trade and other receivables:			
– amounts owed by group undertakings	<b>75,674</b>	<b>110</b>	<b>75,784</b>
– other financial assets	<b>611</b>	<b>385</b>	<b>996</b>
Balances at banks	<b>5,972</b>	–	<b>5,972</b>
	<b>92,257</b>	<b>495</b>	<b>92,752</b>
<b>At 31 December 2014</b>			
Other investments:			
– money market funds	10,000	–	10,000
Trade and other receivables:			
– amounts owed by group undertakings	55,111	39	55,150
– derivative financial instruments	1,030	–	1,030
– other financial assets	611	358	969
Balances at banks	5,732	–	5,732
	72,484	397	72,881

At 31 December 2015, all 'rest of the world' exposures were to counterparties based in Jersey and the United States of America (2014: Jersey and the United States of America). At 31 December 2015, the company had no exposure to sovereign debt (2014: none).

**53 Financial instruments (i) Credit risk****(b) Industry sectors**

The company's credit exposures at the balance sheet date, analysed by the primary industry sectors in which our counterparties operate, were:

	Financial institutions £'000	Clients and other corporates £'000	Total £'000
<b>At 31 December 2015</b>			
Other investments:			
– money market funds	<b>10,000</b>	–	<b>10,000</b>
Trade and other receivables:			
– amounts owed by group undertakings	<b>54,741</b>	<b>21,043</b>	<b>75,784</b>
– other financial assets	<b>4</b>	<b>992</b>	<b>996</b>
Balances at banks	<b>5,972</b>	–	<b>5,972</b>
	<b>70,717</b>	<b>22,035</b>	<b>92,752</b>
<b>At 31 December 2014</b>			
Other investments:			
– money market funds	10,000	–	10,000
Trade and other receivables:			
– amounts owed by group undertakings	31,283	23,867	55,150
– derivative financial instruments	–	1,030	1,030
– other financial assets	2	967	969
Balances at banks	5,732	–	5,732
	47,017	25,864	72,881

**(ii) Liquidity risk**

Liquidity risk is the risk that the company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The company places its funds in short term or demand facilities with financial institutions to ensure liquidity. The company has no bank loans (2014: £nil) and does not rely on external funding for its activities.

## 53 Financial instruments (ii) Liquidity risk

## Non-derivative cash flows

The table below presents the undiscounted cash flows receivable and payable by the company on its non-derivative financial assets and liabilities by remaining contractual maturities at the balance sheet date.

At 31 December 2015	On demand £'000	Not more than 3 months £'000	After 3 months but not more than 1 year £'000	After 1 year but not more than 5 years £'000	After 5 years £'000	Total £'000
<b>Cash flows arising from financial assets</b>						
Other investments:						
– money market funds	10,004	–	–	–	–	10,004
Trade and other receivables:						
– amounts owed by group undertakings	74,034	261	34	1,545	–	75,874
– other financial assets	5	386	336	286	–	1,013
Balances at banks	5,251	–	491	230	–	5,972
<b>Cash flows arising from financial assets</b>	<b>89,294</b>	<b>647</b>	<b>861</b>	<b>2,061</b>	<b>–</b>	<b>92,863</b>
<b>Cash flows arising from financial liabilities</b>						
Trade and other payables:						
– other financial liabilities	217	25,927	6,499	23,819	1,164	57,626
<b>Cash flows arising from financial liabilities</b>	<b>217</b>	<b>25,927</b>	<b>6,499</b>	<b>23,819</b>	<b>1,164</b>	<b>57,626</b>
<b>Net liquidity gap</b>	<b>89,077</b>	<b>(25,280)</b>	<b>(5,638)</b>	<b>(21,758)</b>	<b>(1,164)</b>	<b>35,237</b>
<b>Cumulative net liquidity gap</b>	<b>89,077</b>	<b>63,797</b>	<b>58,159</b>	<b>36,401</b>	<b>35,237</b>	
<b>At 31 December 2014</b>						
	On demand £'000	Not more than 3 months £'000	After 3 months but not more than 1 year £'000	After 1 year but not more than 5 years £'000	After 5 years £'000	Total £'000
<b>Cash flows arising from financial assets</b>						
Other investments:						
– money market funds	10,002	–	–	–	–	10,002
Trade and other receivables:						
– amounts owed by group undertakings	53,398	13	40	1,803	–	55,254
– other financial assets	5	397	341	251	6	1,000
Balances at banks	5,026	–	424	282	–	5,732
<b>Cash flows arising from financial assets</b>	<b>68,431</b>	<b>410</b>	<b>805</b>	<b>2,336</b>	<b>6</b>	<b>71,988</b>
<b>Cash flows arising from financial liabilities</b>						
Trade and other payables:						
– other financial liabilities	202	21,792	4,212	22,853	2,070	51,129
<b>Cash flows arising from financial liabilities</b>	<b>202</b>	<b>21,792</b>	<b>4,212</b>	<b>22,853</b>	<b>2,070</b>	<b>51,129</b>
<b>Net liquidity gap</b>	<b>68,229</b>	<b>(21,382)</b>	<b>(3,407)</b>	<b>(20,517)</b>	<b>(2,064)</b>	<b>20,859</b>
<b>Cumulative net liquidity gap</b>	<b>68,229</b>	<b>46,847</b>	<b>43,440</b>	<b>22,923</b>	<b>20,859</b>	

Included within trade and other payables disclosed above are balances that are repayable on demand or that do not have a contractual maturity date, which historical experience shows are unlikely to be called in the short term.

The company holds £1,070,000 of equity investments (2014: £514,000) which are subject to liquidity risk but are not included in the table above. These assets are held as available for sale securities and have no fixed maturity date; cash flows arise from receipt of dividends or through sale of the assets.



**53 Financial instruments (ii) Liquidity risk****Off-balance sheet items**

Cash flows arising from the company's off-balance sheet financial liabilities arise solely from operating leases (note 55) and are summarised in the table below. Future minimum lease payments under non-cancellable operating leases are reported by their contractual payment dates.

Operating lease commitments	Not more than 3 months £'000	After 3 months but not more than 1 year £'000	After 1 year but not more than 5 years £'000	After 5 years £'000	Total £'000
At 31 December 2015	1,404	4,276	21,935	14,969	42,584
At 31 December 2014	1,382	4,216	21,581	19,141	46,320

**Total liquidity requirement**

At 31 December 2015	On demand £'000	Not more than 3 months £'000	After 3 months but not more than 1 year £'000	After 1 year but not more than 5 years £'000	After 5 years £'000	Total £'000
Cash flows arising from financial liabilities	217	25,927	6,499	23,819	1,164	57,626
Total off-balance sheet items	—	1,404	4,276	21,935	14,969	42,584
<b>Total liquidity requirement</b>	<b>217</b>	<b>27,331</b>	<b>10,775</b>	<b>45,754</b>	<b>16,133</b>	<b>100,210</b>

At 31 December 2014	On demand £'000	Not more than 3 months £'000	After 3 months but not more than 1 year £'000	After 1 year but not more than 5 years £'000	After 5 years £'000	Total £'000
Cash flows arising from financial liabilities	202	21,792	4,212	22,853	2,070	51,129
Total off-balance sheet items	—	1,382	4,216	21,581	19,141	46,320
<b>Total liquidity requirement</b>	<b>202</b>	<b>23,174</b>	<b>8,428</b>	<b>44,434</b>	<b>21,211</b>	<b>97,449</b>

**(iii) Market risk****Interest rate risk**

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates.

The company's principal exposure to cash flow interest rate risk arises from the mismatch between the repricing of its financial assets and liabilities.

## 53 Financial instruments (iii) Market risk

The table below shows the repricing profile of the company's financial assets and liabilities, stated at their carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

At 31 December 2015	Not more than 3 months £'000	Non-interest- bearing £'000	Total £'000
<b>Assets</b>			
Other investments:			
– equity securities	–	1,070	1,070
– money market funds	10,000	–	10,000
Trade and other receivables:			
– amounts owed by group undertakings	1,750	74,034	75,784
– other financial assets	–	996	996
Balances at banks	5,966	6	5,972
<b>Total financial assets</b>	<b>17,716</b>	<b>76,106</b>	<b>93,822</b>
<b>Liabilities</b>			
Trade and other payables:			
– other financial liabilities	–	49,426	49,426
<b>Total financial liabilities</b>	<b>–</b>	<b>49,426</b>	<b>49,426</b>
<b>Interest rate repricing gap</b>	<b>17,716</b>	<b>26,680</b>	<b>44,396</b>
<hr/>			
At 31 December 2014	Not more than 3 months £'000	Non-interest- bearing £'000	Total £'000
<b>Assets</b>			
Other investments:			
– equity securities	–	514	514
– money market funds	10,000	–	10,000
Trade and other receivables:			
– amounts owed by group undertakings	1,750	53,400	55,150
– derivative financial instruments	–	1,030	1,030
– other financial assets	–	969	969
Balances at banks	5,727	5	5,732
<b>Total financial assets</b>	<b>17,477</b>	<b>55,918</b>	<b>73,395</b>
<b>Liabilities</b>			
Trade and other payables:			
– other financial liabilities	–	39,705	39,705
<b>Total financial liabilities</b>	<b>–</b>	<b>39,705</b>	<b>39,705</b>
<b>Interest rate repricing gap</b>	<b>17,477</b>	<b>16,213</b>	<b>33,690</b>

A 1% parallel increase/decrease in the sterling yield curve would result in an increase/decrease in profit after tax and equity of £36,000 (2014: £36,000).

**53 Financial instruments (iii) Market risk****Foreign exchange risk**

The company does not have any material exposure to transactional foreign exchange risk. The table below summarises the company's exposure to foreign currency translation risk at 31 December 2015. Included in the table are the company's financial assets and liabilities, at carrying amounts, categorised by currency.

At 31 December 2015	Sterling £'000	US dollar £'000	Total £'000
<b>Assets</b>			
Other investments:			
– equity securities	1,070	–	1,070
– money market funds	10,000	–	10,000
Trade and other receivables:			
– amounts owed by group undertakings	75,784	–	75,784
– other financial assets	788	208	996
Balances at banks	5,972	–	5,972
<b>Total financial assets</b>	<b>93,614</b>	<b>208</b>	<b>93,822</b>
<b>Liabilities</b>			
Trade and other payables:			
– other financial liabilities	49,426	–	49,426
<b>Total financial liabilities</b>	<b>49,426</b>	<b>–</b>	<b>49,426</b>
<b>Net on-balance sheet position</b>	<b>44,188</b>	<b>208</b>	<b>44,396</b>
At 31 December 2014	Sterling £'000	US dollar £'000	Total £'000
<b>Assets</b>			
Other investments:			
– equity securities	514	–	514
– money market funds	10,000	–	10,000
Trade and other receivables:			
– amounts owed by group undertakings	55,150	–	55,150
– derivative financial instruments	1,030	–	1,030
– other financial assets	788	181	969
Balances at banks	5,732	–	5,732
<b>Total financial assets</b>	<b>73,214</b>	<b>181</b>	<b>73,395</b>
<b>Liabilities</b>			
Trade and other payables:			
– other financial liabilities	39,694	11	39,705
<b>Total financial liabilities</b>	<b>39,694</b>	<b>11</b>	<b>39,705</b>
<b>Net on-balance sheet position</b>	<b>33,520</b>	<b>170</b>	<b>33,690</b>

A 10% weakening of the US dollar against sterling, occurring on 31 December 2015, would have reduced equity and profit after tax by £17,000 (2014: £13,000). A 10% strengthening of the US dollar would have had an equal and opposite effect. This analysis assumes that all other variables, in particular other exchange rates, remain constant.

**Price risk**

The group's exposure to price risk, all of which is through the company's holdings of equity investment securities, is described in note 32.

**53 Financial instruments (iii) Market risk****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 2015	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
<b>Assets</b>				
Available for sale securities:				
– equity securities	1,070	–	–	1,070
– money market funds	–	10,000	–	10,000
	<b>1,070</b>	<b>10,000</b>	<b>–</b>	<b>11,070</b>
<hr/>				
At 31 December 2014	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
<b>Assets</b>				
Available for sale securities:				
– equity securities	514	–	–	514
– money market funds	–	10,000	–	10,000
Derivative financial instruments	–	–	1,030	1,030
	514	10,000	1,030	11,544

The company 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 (2014: none).

Details of the methods and assumptions used to determine the fair values of the financial assets in the above table, along with how reasonably possible changes to the assumptions affect these fair values, are provided in note 32 to the consolidated financial statements.

**Level 3 financial instruments**

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

	2015			2014		
	Available for sale equity securities £'000	Derivative financial instruments £'000	Total £'000	Available for sale equity securities £'000	Derivative financial instruments £'000	Total £'000
At 1 January	–	1,030	1,030	691	1,030	1,721
Total unrealised gains and losses recognised in:						
– profit or loss	–	(1,030)	(1,030)	–	–	–
– other comprehensive income	–	–	–	245	–	245
Disposals	–	–	–	(936)	–	(936)
At 31 December	–	–	–	–	1,030	1,030

The fair values of the company's financial assets and liabilities are not materially different from their carrying values, with the exception of equity investments in subsidiaries, which are carried at historical cost (note 44).

## 54 Capital management

The company's objectives when managing capital are to:

- safeguard the company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- maintain a strong capital base to support the development of its business.

For monitoring purposes, the company defines capital as equity shareholders' funds. The company monitors the level of distributable reserves on a monthly basis and compares this to forecast dividends. Capital is distributed to the company from operating subsidiaries on a timely basis to ensure sufficient capital is maintained. The board of directors considers the level of capital held in relation to forecast performance, dividend payments and wider plans for the business, although formal quantitative targets are not set. The company's total capital at 31 December 2015, together with movements during the year then ended, is set out in the company statement of changes in equity.

There were no changes in the company's approach to capital management during the year.

## 55 Contingent liabilities and commitments

The company leases various offices and other assets under non-cancellable operating lease agreements. The leases have varying terms and renewal rights. The company's agreement to lease space at 1 Curzon Street, London, under which total payments over the lease term at 31 December 2015 were £24,733,000, provides for an upward only rent review in 2018.

Payments under non-cancellable operating leases	2015 £'000	2014 £'000
No later than 1 year	5,680	5,598
Later than 1 year and no later than 5 years	21,935	21,581
Later than 5 years	14,969	19,141
	<b>42,584</b>	<b>46,320</b>

On 7 January 2016, the group exchanged contracts for a 17 year lease at 8 Finsbury Circus, under which total payments over the lease term from the date of exchange are £75,342,000. The lease provides for rent reviews every five years.

## 56 Related party transactions

### (i) Transactions with key management personnel

The remuneration of the key management personnel of the company, 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 company, is set out below.

	2015 £'000	2014 £'000
Short term employee benefits	1,981	1,642
Post-employment benefits	43	17
Other long term benefits	67	15
Share-based payments	1,098	372
	<b>3,189</b>	<b>2,046</b>

Dividends totalling £108,000 were paid in the year (2014: £93,000) in respect of ordinary shares held by key management personnel and their close family members.

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.

**56 Related party transactions****(ii) Other related party transactions**

During the year, the company entered into the following transactions with its subsidiaries:

	2015		2014	
	Receivable £'000	Payable £'000	Receivable £'000	Payable £'000
Interest	53	—	53	—
Charges for management services	125,453	—	111,157	103
Dividends received	44,000	—	43,899	—
	<b>169,506</b>	<b>—</b>	<b>155,109</b>	<b>103</b>

The company's balances with fellow group companies at 31 December 2015 are set out in notes 44, 47 and 49.

The company's transactions with the pension funds are described in note 51. At 31 December 2015, no amounts were due from the pension schemes (2014: £nil).

All transactions and outstanding balances with fellow group companies are priced on an arm's length basis and are to be settled in cash. None of the balances are secured and no provisions have been made for doubtful debts for any amounts due from fellow group companies.

**57 Cash and cash equivalents**

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

	2015 £'000	2014 £'000
Cash at bank	<b>5,244</b>	<b>5,026</b>

**58 Events after the balance sheet date**

On 7 January 2016, the group exchanged contracts for a 17 year lease on 75,000 sq ft of office space at 8 Finsbury Circus (see note 34). It is expected that the business will move from its current premises at 1 Curzon Street in the first quarter of 2017. This has led to the company reviewing its estimate of the provision for dilapidations at 1 Curzon Street (see note 9).

## Further information

- 182 Five year record
- 183 Corporate information
- 184 Our offices



## Five year record

	2015 £'000	2014 £'000 (restated – note 1.3)	2013 £'000	2012 £'000	2011 £'000
Underlying operating income	<b>229,178</b>	200,803	176,409	155,581	144,452
Underlying profit before tax	<b>70,365</b>	61,556	50,510	44,829	46,219
Profit before tax	<b>58,632</b>	45,710	44,204	38,504	39,152
Profit after tax	<b>46,371</b>	35,678	34,751	28,983	28,706
Equity dividends paid and proposed	<b>26,305</b>	24,863	22,645	21,220	20,001
Basic earnings per share	<b>97.4p</b>	76.0p	76.1p	66.5p	66.7p
Diluted earnings per share	<b>96.6p</b>	75.4p	75.6p	65.9p	65.9p
Dividends per ordinary share	<b>55.0p</b>	52.0p	49.0p	47.0p	46.0p
Equity shareholders' funds	<b>300,192</b>	271,271	251,000	229,493	190,653
Total funds under management	<b>£29.2bn</b>	£27.2bn	£22.0bn	£18.0bn	£15.9bn



## Corporate information

	Investment Management	Unit Trusts
Principal trading names	Rathbone Investment Management Rathbone Investment Management International Rathbone Greenbank Investments Rathbone Pension & Advisory Services Rathbone Trust Company Vision Independent Financial Planning Castle Investment Solutions	Rathbone Unit Trust Management
Direct employees	705	27
Offices	16	1
Websites	<a href="http://www.rathbones.com">www.rathbones.com</a> <a href="http://www.rathboneimi.com">www.rathboneimi.com</a> <a href="http://www.rathbonegreenbank.com">www.rathbonegreenbank.com</a>	<a href="http://www.rathbones.com">www.rathbones.com</a> <a href="http://www.rutm.com">www.rutm.com</a>

### Company secretary and registered office

R E Loader FCA  
Rathbone Brothers Plc  
1 Curzon Street  
London  
W1J 5FB  
  
Company No. 01000403  
[www.rathbones.com](http://www.rathbones.com)  
[richard.loader@rathbones.com](mailto:richard.loader@rathbones.com)

### Registrars

Equiniti  
Aspect House  
Spencer Road  
Lancing  
West Sussex  
BN99 6DA  
  
[www.equiniti.com](http://www.equiniti.com)

## Our offices

### Head office

1 Curzon Street  
London  
W1J 5FB  
+44 (0)20 7399 0000

### Investment Management

1 Curzon Street  
London  
W1J 5FB  
+44 (0)20 7399 0000

1 Albert Street  
Aberdeen  
AB25 1XX  
+44 (0)1224 218 180

Temple Point  
1 Temple Row  
Birmingham  
B2 5LG  
+44 (0)121 233 2626

10 Queen Square  
Bristol  
BS1 4NT  
+44 (0)117 929 1919

North Wing, City House  
126–130 Hills Road  
Cambridge  
CB2 1RE  
+44 (0)1223 229 229

1 Northgate  
Chichester  
West Sussex  
PO19 1AT  
+44 (0)1243 775 373

28 St Andrew Square  
Edinburgh  
EH2 1AF  
+44 (0)131 550 1350

The Senate  
Southernhay Gardens  
Exeter  
EX1 1UG  
+44 (0)1392 201 000

Vision House  
Unit 6A  
Falmouth Business Park  
Bickland Water Road  
Falmouth  
Cornwall  
TR11 4SZ  
+44 (0)1326 210904

The Athenaeum  
8 Nelson Mandela Place  
Glasgow  
G2 1BT  
+44 (0)141 397 9900

26 Esplanade  
St Helier  
Jersey  
JE1 2RB  
Channel Islands  
+44 (0)1534 740 500

The Stables  
Levens Hall  
Kendal  
Cumbria  
LA8 0PB  
+44 (0)1539 561 457

Port of Liverpool Building  
Pier Head  
Liverpool  
L3 1NW  
+44 (0)151 236 6666

48 High Street  
Lymington  
SO41 9AG  
+44 (0)1590 647 657

Earl Grey House  
75–85 Grey Street  
Newcastle upon Tyne  
NE1 6EF  
+44 (0)191 255 1440

Fiennes House  
32 Southgate Street  
Winchester  
SO23 9EH  
+44 (0)1962 857 000

### Unit Trusts

1 Curzon Street  
London  
W1J 5FB  
+44 (0)20 7399 0000



It is important to us that all materials used in the production of this document are environmentally sustainable. The paper is FSC certified and contains 75% recycled fibre and 25% virgin fibre from sustainable sources. Once you have finished with this report please recycle it.

Rathbones  
Look forward

Rathbone Brothers Plc  
1 Curzon Street, London W1J 5FB  
+44 (0)20 7399 0000  
[rathbones.com](http://rathbones.com)