Rathbones
Look forward

Underlying profit before tax up 14.3%

This is a preliminary statement of annual results published in accordance with FCA Listing Rule 9.7A.
It covers the year ended 31 December 2015.

Mark Nicholls, Chairman of Rathbone Brothers Plc, said:

"In spite of subdued investment markets, 2015 was a strong year for Rathbones with our total funds under management growing by 7.4% to £29.2 billion (2014: £27.2 billion). During the year we took the opportunity to raise £20.0 million of long term subordinated loan notes to support our future growth and we have continued to pursue acquisition opportunities which will increase shareholder value.

We look forward to completing our recently announced London office move in early 2017, and notwithstanding an uncertain market outlook, have decided to continue progressing our strategic initiatives."

Highlights:

- Total funds under management were £29.2 billion at 31 December 2015, up 7.4% from £27.2 billion at 31 December 2014. The FTSE 100 Index decreased by 4.9% and the FTSE WMA Balanced Index decreased by 0.2% over the same period.

- The total net annual growth rate of funds under management for Investment Management was 5.7% (2014: 19.6%). This comprised £0.7 billion of acquired inflows (2014: £3.2 billion including £2.6 billion in relation to the Jupiter Asset Management and Deutsche Asset & Wealth Management transactions) and £0.7 billion of net organic growth (2014: £0.8 billion). The underlying rate of net organic growth was 3.0% in 2015 (2014: 4.0%).

- Unit Trusts saw gross sales of £0.9 billion in 2015 (2014: £1.0 billion), and funds under management increase by 24.0% to £3.1 billion at 31 December 2015 (2014: £2.5 billion).

- Underlying operating income in Investment Management of £209.0 million for the year ended 31 December 2015 (2014: £185.4 million) represents an increase of 12.7%. The average FTSE 100 Index was 6415 on our quarterly billing dates (2014: 6657), a decrease of 3.6%.

- Underlying operating expenses increased 14.1% to £158.8 million largely reflecting growth of the business, higher performance-based staff costs and salary inflation.

- Underlying profit before tax (excluding acquisition-related costs, head office relocation costs and charges in relation to client relationships and goodwill) increased 14.3% to £70.4 million from £61.6 million. Underlying earnings per share increased by 14.3% to 117.0p (2014: 102.4p).

- Profit before tax was £58.6 million for the year ended 31 December 2015, an increase of 28.2%, compared to £45.7 million in 2014. Basic earnings per share increased 28.2% to 97.4p (2014: 76.0p).

- The board recommends a final dividend of 34p for 2015 (2014: 33p), making a total of 55p for the year (2014: 52p), an increase of 5.8% on 2014.

Ends
Issued on 24 February 2016

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Rathbone Brothers Plc

Rathbone Brothers Plc ("Rathbones"), 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.

Rathbones has over 1,000 staff in 15 UK locations and Jersey, and currently has its headquarters in Curzon Street, London.

rathbones.com

Chairman’s statement

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 £20.0 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 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.

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.

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.

Risks

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 in the risk management report.

Remuneration

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.

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

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 trust 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.

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 ten 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 trust 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.

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.

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 7 mortgage advisers operating nationally. It continues to demonstrate strong growth momentum.
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 Rathbones 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 an all 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 Rathbones 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.

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 trust 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. Our unit trust business 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.

Net interest income of £10.8 million increased by 17.4% on the £9.2 million in 2014, reflecting larger 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 in the "our performance" section.

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 Limited completed an issue of Tier 2 capital in the form of £20.0 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, Rathbones 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.

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

Our performance

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.

Table 1. Group's overall performance

	2015 £m	2014* £m
Underlying operating income	**229.2**	200.8
Underlying operating expenses	**(158.8)**	(139.2)
Underlying profit before tax[1]	**70.4**	61.6
Underlying operating margin[2]	**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[3]	**55p**	52p

* Restated following the adoption of IFRIC21, 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 % 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 and a reconciliation between underlying operating income and reported operating income is set out in the segmental review below.

Group underlying operating expenses

Underlying operating expenses increased 14.1% to £158.8million, 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.

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).

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	2014*
	£m	£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)
Profit before tax	**58.6**	45.7

* Restated following the adoption of IFRIC21, as described in note 1

Charges in relation to client relationships and goodwill

As explained in note 2, 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

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

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

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
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
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
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
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 4.

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 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.

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.

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.

Segmental review

The group is managed through two key operating segments, Investment Management and Unit Trusts.

The Investment Management segment includes Vision and Castle, which were acquired on 31 December 2015 (see note 7). 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.

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, below.

Table 3. Investment Management – key performance indicators

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

1 See table 4
2 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.

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.

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, below.

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[1]	**2.3**	2.3
– acquired[2]	**0.7**	3.2
Outflows[1]	**(1.6)**	(1.5)
Market adjustment[3]	**-**	0.5
As at 31 December	**26.1**	24.7
Net organic new business[4]	**0.7**	0.8
Underlying rate of net organic growth[5]	**3.0%**	4.0%
Underlying rate of total net growth[6]	**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.

Table 5. Investment Management – financial performance

	2015 £m	2014 £m
Net investment management fee income[1]	**143.8**	120.5
Net commission income	**43.1**	43.7
Net interest income[2]	**10.8**	9.2
Fees from advisory services[3] and other income	**11.3**	11.9
Underlying operating income	**209.0**	185.3
Underlying operating expenses[4]	**(145.2)**	(127.8)
Underlying profit before tax	**63.8**	57.5
Underlying operating margin[5]	**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 pensions 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[1]	**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.

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[1] 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 below.

Table 8. Investment Management – underlying operating expenses

	2015 £m	2014 £m
Staff costs[1]		
– 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[2]	**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

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 below.

Table 9. Unit Trusts – key performance indicators

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

1 See table 10
2 See table 12

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[1]	**0.9**	1.0
– outflows[1]	**(0.5)**	(0.4)
Market adjustments[2]	**0.2**	0.1
As at 31 December	**3.1**	2.5
Underlying rate of net growth[3]	**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 % of opening funds under management

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[1] 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[2]	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%).

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[1]	**(13.6)**	(11.5)
Underlying profit before tax	**6.6**	4.0
Underlying operating margin[2]	**32.7%**	25.8%

1 See table 13
2 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-Assets 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	2014
	£m	£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[1]	**67.3%**	74.2%

1 Underlying operating expenses as a % 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)
Capital resources:		
- Common Equity Tier 1 ratio[1]	**16.4%**	17.7%
- Total Own Funds ratio[2]	**18.4%**	17.7%
- Total equity	**300.2**	271.3
- Tier 2 subordinated loan notes	**19.5**	-
- Risk weighted assets	**794.1**	632.8
- Return on assets[3]	**2.6%**	2.5%
- Leverage ratio[4]	**7.7%**	7.3%
Other resources:		
- Total assets	**1,833.6**	1,668.1
- Treasury assets[5]	**1,453.2**	1,317.1
- Investment management loan book	**111.8**	97.4
- Intangible assets from acquired growth[6]	**164.3**	153.6
- Tangible assets and software[7]	**17.0**	16.3
Liabilities:		
- Due to customers[8]	**1,402.9**	1,282.4
- Net defined benefit liability	**4.5**	13.7

* Restated following the adoption of IFRIC21, 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 Net book value of acquired client relationships and goodwill
7 Net book value of property, plant and equipment and computer software
8 Total amounts of cash in client portfolios held by Rathbone Investment Management as a bank

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	**100.1**	95.4
Reserves	**206.3**	181.4
Less:		
- Own shares	**(6.2)**	(5.5)
- Intangible assets[1]	**(170.4)**	(159.5)
Total Common Equity Tier 1 capital resources	**129.8**	111.8
Tier 2 capital resources	**16.3**	-
Total own funds	**146.1**	111.8

* Restated following the adoption of IFRIC21, as described in note 1
1 Net book value of goodwill, client relationship intangibles and software are deducted directly from capital resources

The group's Pillar 3 disclosures are published annually on our website (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 ratio is higher than the banking industry norm. This reflects the low-risk nature of our banking activity. The Common Equity Tier 1 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 Common Equity Tier 1 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.

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.

Table 16. Group Pillar 1 own funds requirement

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

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 principal 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
- 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 the cash element of 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 of £1,402.9 million (2014: £1,282.4 million) 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. 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. 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).

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.

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	2014
	£m	£m
Cash and cash equivalents at the end of the year	**703.6**	835.8
Net cash inflows from operating activities	**176.5**	417.7
Net change in cash and cash equivalents	**(132.2)**	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 9). Consequently cash flows, as reported herein, 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).

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 sixteen 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.

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 though 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 sixteen 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 sixteen 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	Increase	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	Increase	As the scheme matures and grows, its valuation becomes more sensitive to changes in expectations of future interest rates and inflation.
G	Regulatory	Increase	Volume of regulation remains high together with continued focus on conduct, remuneration and taxation across the financial services industry.
J	Data integrity & security	Increase	Continued increase in the threat of cyber attack within the financial services sector.

During the year, the executive 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	Definition	Residual Rating		How the risk arises	Key Mitigators
			I	L		
A	Credit	The risk that one or more counterparties fail to fulfil contractual obligations, including stock settlement.	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.	- Banking committee oversight. - Counterparty limits and credit reviews. - Treasury policy and procedures. - Active monitoring of exposures. - Client loan policy and procedures. - Annual Individual Capital Adequacy Assessment Process.
B	Liquidity	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.	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.	- Banking committee oversight. - Daily treasury procedures, reconciliations and reporting to senior management. - Cash flow forecasting. - Contingency funding plan. - Annual Individual Liquidity Adequacy Assessment (including stress testing).
C	Market	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.	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.	- Banking committee oversight. - Documented policies and procedures. - Daily monitoring of interest rates, exchange rates, maturity mismatch and extent of marketable assets. - Robust application of policy and investment limits.
D	Pension	The risk that the cost of our defined benefit pension schemes increases, or its valuation affects dividends, reserves and capital.	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.	- Board, senior management and trustee oversight. - Monthly valuation estimates. - Triennial independent actuarial valuations. - Investment policy. - Senior management review and defined management actions management - Annual Individual Capital Adequacy Assessment Process.

Conduct risks

Ref	Level 2 Risk	Definition	Residual Rating		How the risk arises	Key Mitigators
			I	L		
E	Business model	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.	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.	- Board and executive oversight. - A documented strategy. - Annual business targets, subject to regular review and challenge. - Regular reviews of pricing structure. - Continued investment in the investment process, service standards and marketing. - Trade body participation. - Regular competitor benchmarking and analysis.
F	Performance & advice	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.	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.	- Investment governance and structured committee oversight. - Management oversight and segregated quality assurance and performance teams. - Performance measurement and attribution analysis. - Weekly investment management meetings. - Monthly investment manager peer reviews through sampling. - Compliance monitoring.
G	Regulatory	The risk of failure by the group (and/or a subsidiary) to fulfil its regulatory requirements and comply with the introduction of new or changes to the existing regulation.	High	Low	This risk can arise from failures by the business to comply with existing regulation, along with a failure to identify and react to regulatory change.	- Board and executive oversight. - Active involvement with industry bodies. - Compliance monitoring programme to examine the control of key regulatory risks. - Separate anti-money laundering role with specific responsibility - Oversight of industry and regulatory developments. - Close contact with the regulators. - Documented policy and procedures. - Staff training and development.
H	Reputational	The risk of reputational damage from financial and non-financial events or failing to meet stakeholders' expectations.	Med	Low	This risk can arise from 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.	- Board and executive oversight. - Strong corporate values and approach to governance. - Positive culture regarding risk and regulation, supported by appropriate remuneration practices. - Appropriate emphasis on the control environment through the 3 lines of defence. - Proactive and positive communications with key stakeholders. - Crisis response plan. - Monitoring of company performance relative to competitors.

Operational risks

Ref	Level 2 Risk	Definition	Residual Rating		How the risk arises	Key Mitigators
			I	L		
I	Business change	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.	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.	- Executive and Board oversight of material change programmes. - Group programme board. - Dedicated project office function, use of internal and where required, external subject matter experts. - Documented business plans and IT strategy. - Two-stage assessment, challenge and approval of project plans. - Documented project and change procedures.
J	Business continuity	The risk that an internal or external event results in either failure or detriment to core business processes or services.	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.	- Group business continuity committee oversight. - Documented crisis/incident management and disaster recovery plans. - Regular disaster recovery testing. - Continuous monitoring of IT systems availability. - Off-site data centre.
K	Data integrity & security	The risk of a lack of integrity of, inappropriate access to, or disclosure of, client or company-sensitive information.	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.	- Data security committee oversight . - Data protection policy and procedures. - System access controls and encryption. - Penetration testing & multi layer network security. - Training and employee awareness programmes. - Physical security at all locations.
L	Fraud	The risk of fraudulent action ether internal or external being taken against the group (and / or a subsidiary).	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.	- Executive oversight. - Documented policies and procedures. - Segregation of duties between front and back office. - System authority and payment limits. - System access controls. - Training and employee awareness programmes.
M	Legal	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.	Med	Low	This risk can arise from the inappropriate behaviour of individuals or from the inadequate drafting of the firm's contractual documentation.	- Executive oversight. - Retained specialist legal advisers. - Routine control of risks which might lead to litigation if adverse outcomes are experienced by clients or other third parties. - Documented policies and procedures. - Training and employee awareness programmes.

Ref	Level 2 Risk	Definition	Residual Rating		How the risk arises	Key Mitigators
N	Outsourcing	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.	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.	- Executive oversight. - Supplier due diligence and regular financial reviews. - Active relationship management, including regular service review meetings. - Service level agreements and monitoring of key performance indicators. - Compliance monitoring.
O	People	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.	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.	- Executive oversight. - Succession and contingency planning. - Transparent, consistent and competitive remuneration schemes. - Contractual clauses with restrictive covenants. - Continual investment in staff training and development. - Employee engagement survey - Appropriate balanced performance measurement system.
P	Processing	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.	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.	- Authorisation limits and management oversight. - Dealing limits and supporting system controls. - Active investment in automated processes. - Counter review/4-eyes processes. - Segregation of duties. - Documented procedures. - Annual controls assessment (ISAE3402 report).

Assessment of the company's prospects

The board prepares or reviews its strategic plan annually, completing ICAAP and ILAA work, the basis for capital planning and regular discussion with the 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 focussed 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 uncertainly 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.

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 above.

Group companies are regulated by the PRA and the 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 2016, 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.

Consolidated statement of comprehensive income

for the year ended 31 December 2015

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

Consolidated statement of changes in equity

for the year ended 31 December 2015

	Share capital £'000	Share premium £'000	Merger reserve £'000	Available for sale reserve £'000	Own shares £'000	(restated - note 1) 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)						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						(17,466)	(17,466)
Revaluation of available for sale investment securities:							
- net gain from changes in fair value				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				1,172		3,493	4,665
Other comprehensive income net of tax	-	-	-	(4,689)	-	(13,973)	(18,662)
Dividends paid						(23,793)	(23,793)
Issue of share capital	80	27,503					27,583
Share-based payments:							
- value of employee services						374	374
- cost of own shares acquired					(1,655)		(1,655)
- cost of own shares vesting					1,846	(1,846)	-
- tax on share-based payments						248	248
At 1 January 2015	**2,395**	**92,987**	**31,835**	**28**	**(5,531)**	**149,557**	**271,271**
Profit for the year						**46,371**	**46,371**
Net remeasurement of defined benefit liability						**6,524**	**6,524**
Revaluation of available for sale investment securities:							
- net gain from changes in fair value				**53**			**53**
Deferred tax relating to components of other comprehensive income				**(10)**		**(1,509)**	**(1,519)**
Other comprehensive income net of tax	**-**	**-**	**-**	**43**	**-**	**5,015**	**5,058**
Dividends paid						**(25,836)**	**(25,836)**
Issue of share capital	**12**	**4,656**					**4,668**
Share-based payments:							
- value of employee services						**1,022**	**1,022**
- cost of own shares acquired					**(2,413)**		**(2,413)**
- cost of own shares vesting					**1,767**	**(1,767)**	**-**
- tax on share-based payments						**51**	**51**
At 31 December 2015	**2,407**	**97,643**	**31,835**	**71**	**(6,177)**	**174,413**	**300,192**

Consolidated balance sheet

as at 31 December 2015

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

Consolidated statement of cash flows

for the year ended 31 December 2015

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

Notes to the preliminary announcement

1. Accounting policies

In preparing the financial information included in this statement the group has applied accounting policies which are in accordance with International Financial Reporting Standards as adopted by the EU at 31 December 2015. The accounting policies have been applied consistently to all periods presented in this statement, except as detailed below.

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.

2. Critical accounting judgements and key sources of estimation and uncertainty

Client relationship intangibles

<u>Client relationship intangibles purchased through corporate transactions</u>

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.

<u>Payments to newly recruited investment managers</u>

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 10-15 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).

Retirement benefit obligations
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.

Business combinations
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 7.

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 employees of 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 1 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 above, 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 also been recognised.

3. Segmental information

For management purposes the group is currently organised into two operating segments: Investment Management and Unit Trusts. 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
Underlying operating income	208,995	20,183	-	229,178
Staff costs - fixed	(51,277)	(2,966)	(19,296)	(73,539)
Staff costs - variable	(29,460)	(3,794)	(6,493)	(39,747)
Total staff costs	(80,737)	(6,760)	(25,789)	(113,286)
Other direct expenses	(19,186)	(4,370)	(21,971)	(45,527)
Allocation of indirect expenses	(45,306)	(2,454)	47,760	-
Underlying operating expenses	(145,229)	(13,584)	-	(158,813)
Underlying profit before tax	63,766	6,599	-	70,365
Charges in relation to client relationships and goodwill	(11,014)	-	-	(11,014)
Transaction costs	(162)	-	-	(162)
Loss on derivative financial instruments	(1,030)	-	-	(1,030)
Gain on remeasurement of non-controlling interest	885	-	-	885
Segment profit before tax	52,445	6,599	-	59,044
Head office relocation costs				(412)
Profit before tax attributable to equity holders of the company				58,632
Taxation (note 4)				(12,261)
Profit for the year attributable to equity holders of the company				46,371

	Investment Management £'000	Unit Trusts £'000	Total £'000
Segment total assets	1,793,257	37,806	1,831,063
Unallocated assets			2,566
Total assets			1,833,629

3. Segmental information (continued)

31 December 2014 (re-stated - note 1)	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
Underlying operating income	185,351	15,452	-	200,803
Staff costs - fixed	(43,885)	(3,304)	(14,760)	(61,949)
Staff costs - variable	(25,790)	(2,751)	(6,664)	(35,205)
Total staff costs	(69,675)	(6,055)	(21,424)	(97,154)
Other direct expenses	(17,013)	(2,788)	(22,292)	(42,093)
Allocation of indirect expenses	(41,085)	(2,631)	43,716	-
Underlying operating expenses	(127,773)	(11,474)	-	(139,247)
Underlying profit before tax	57,578	3,978	-	61,556
Refund of levies for the Financial Services Compensation Scheme	907	75	-	982
Gain on disposal of pension administration business	683	-	-	683
Charges in relation to client relationships and goodwill	(8,287)	-	-	(8,287)
Transaction costs	(1,057)	-	-	(1,057)
Segment profit before tax	49,824	4,053	-	53,877
Gain on disposal of financial securities				6,833
Contribution to legal settlement				(15,000)
Profit before tax attributable to equity holders of the company				45,710
Taxation (note 4)				(10,032)
Profit for the year attributable to equity holders of the company				35,678

	Investment Management £'000	Unit Trusts £'000	Total £'000
Segment total assets	1,630,464	32,878	1,663,342
Unallocated assets			4,750
Total assets			1,668,092

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 of funds under management and the segment's total revenue.

Geographic analysis

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

	2015 £'000	2014 £'000
United Kingdom	**221,957**	202,634
Jersey	**8,106**	6,667
Operating income	**230,063**	209,301

The following is an analysis of the carrying amount of non-current assets analysed by the geographical area in which the assets are located:

	2015 £'000	2014 £'000
United Kingdom	**175,170**	162,901
Jersey	**6,155**	6,995
Non-current assets	**181,325**	169,896

Major clients

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

4. Taxation

	2015 £'000	2014 £'000 (restated - note 1)
Current tax:		
- charge for the year	**12,266**	10,587
- adjustments in respect of prior years	**17**	(136)
Deferred tax:		
- charge for the year	**(27)**	(510)
- adjustments in respect of prior years	**5**	91
	12,261	10,032

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 (2013: lower) 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)
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)
- (over)/underprovision for tax in previous years	**22**	(45)
- other	**(37)**	112
Effect of change in corporation tax rate on deferred tax	**75**	36
	12,261	10,032

5. 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	**25,836**	23,793
Proposed final dividend for the year ended 31 December 2015 of 34.0p (2014: 33.0p) per share	**16,235**	15,804

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 the financial statements.

6. Earnings per share

Earnings used to calculate earnings per share on the bases reported in this announcement were:

	2015 Pre-tax £'000	2015 Taxation £'000	2015 Post-tax £'000	2014 (restated - note 1) Pre-tax £'000	2014 (restated - note 1) Taxation £'000	2014 (restated - note 1) Post-tax £'000
Underlying profit attributable to shareholders	**70,365**	**(14,637)**	**55,728**	61,556	(13,437)	48,119
Gain on remeasurement of non-controlling interest	**885**	**(179)**	**706**	-	-	-
Refund of levies for the Financial Services Compensation Scheme	**-**	**-**	**-**	982	(211)	771
Gain on disposal of financial securities	**-**	**-**	**-**	6,833	(1,469)	5,364
Gain on disposal of pension administration business	**-**	**-**	**-**	683	(147)	536
Charges in relation to client relationships and goodwill	**(11,014)**	**2,230**	**(8,784)**	(8,287)	1,781	(6,506)
Contribution to legal settlement	**-**	**-**	**-**	(15,000)	3,224	(11,776)
Transaction costs	**(162)**	**33**	**(129)**	(1,057)	227	(830)
Loss on derivative financial instruments	**(1,030)**	**209**	**(821)**	-	-	-
Head office relocation costs	**(412)**	**83**	**(329)**	-	-	-
Profit attributable to shareholders	**58,632**	**(12,261)**	**46,371**	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	**47,612,026**	46,971,196
Effect of ordinary share options/Save As You Earn	**174,219**	21,684
Effect of dilutive shares issuable under the Share Incentive Plan	**26,636**	63,866
Effect of contingently issuable ordinary shares under the Long Term Incentive Plan	**204,110**	247,202
Diluted ordinary shares	**48,016,991**	47,303,948

	2015	2014 (restated - note 1)
Underlying earnings per share for the year attributable to equity holders of the company:		
- basic	**117.0p**	102.4p
- diluted	**116.1p**	101.7p

7. 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.

7. Business combinations (continued)

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**
Total consideration	**9,145**

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**
Deferred and contingent consideration	**4,145**

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 1 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 in the year in relation to this transaction.

Identifiable assets acquired and liabilities assumed

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

31 December 2015	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	**-**	**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)**
Total net assets acquired	**1,926**	**3,677**	**5,603**

The carrying amounts of the net assets acquired are provisional and subject to agreement of the acquired businesses' completion accounts.

7. Business combinations (continued)

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.

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)**
	5,911

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. 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 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.

8. Related parties

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.

	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
	16,034	10,751

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.

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).

8. Related parties (continued)

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.

9. 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	2014
	£'000	£'000
Cash and balances at central banks	**583,156**	727,178
Loans and advances to banks	**68,156**	93,638
Available for sale investment securities	**52,316**	15,000
At 31 December	**703,628**	835,816

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

Cash flows arising from issue of ordinary shares comprise:

	2015	2014
	£'000	£'000
Share capital issued	**12**	80
Share premium on shares issued	**4,656**	27,503
Shares issued in relation to share-based schemes for which no cash consideration was received	**(2,413)**	(1,655)
	2,255	25,928

10. Financial information

The financial information set out in this preliminary announcement has been extracted from the Group's financial statements, which have been approved by the Board of directors and agreed with the Company's auditor.

The financial information set out above does not constitute the Company's statutory financial statements for the years ended 31 December 2015 or 2014. Statutory financial statements for 2014 have been delivered to the Registrar of Companies. Statutory financial statements for 2015 will be delivered to the Registrar of Companies following the Company's Annual General Meeting. The auditor has reported on both the 2014 and 2015 financial statements. Their reports were unqualified and did not draw attention to any matters by way of emphasis. They also did not contain statements under Section 498 of the Companies Act 2006.

11. Forward-looking statements

This announcement contains certain forward-looking statements, which are made by the directors in good faith based on the information available to them at the time of their approval of the 2015 annual report. Statements contained within this announcement should be treated with some caution due to the inherent uncertainties (including but not limited to those arising from economic, regulatory and business risk factors) underlying any such forward-looking statements. This announcement has been prepared by Rathbone Brothers Plc to provide information to its shareholders and should not be relied upon for any other purpose.