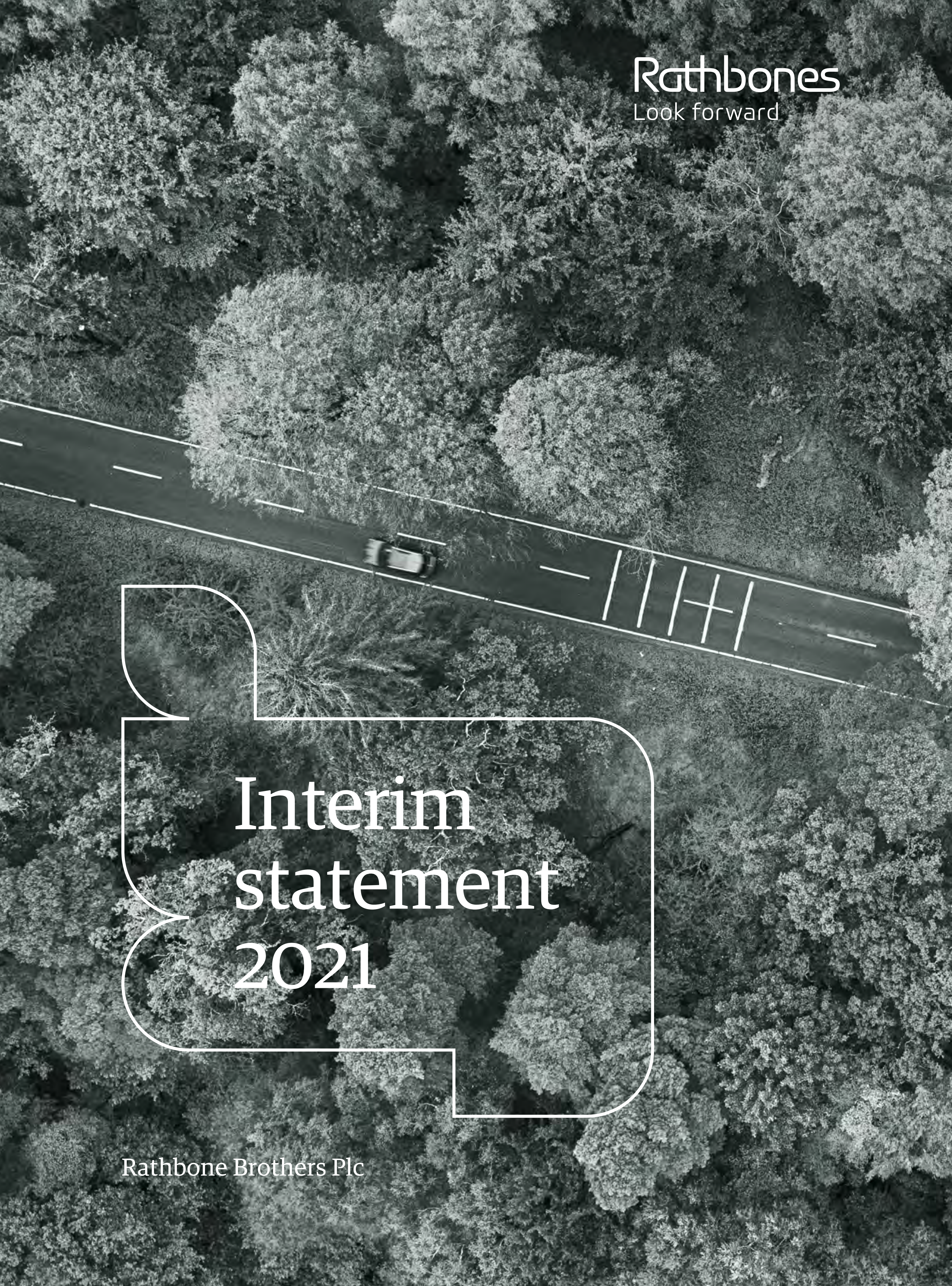

Rathbones
Look forward

Interim statement 2021

Rathbone Brothers Plc

Contents

Rathbones provides individual investment and wealth management services for private clients, charities, trustees and professional partners. We have been trusted for generations to manage and preserve our clients' wealth. Our tradition of investing and acting responsibly has been with us from the beginning and continues to lead us forward.
Our ambition is to be recognised as the UK's most responsible wealth manager.

As at 30 June 2021, Rathbones managed £59.2 billion of client funds, of which £47.8 billion were managed by our Investment Management segment.

This interim statement contains certain forward looking statements which are made by the directors in good faith based on the information available to them at the time of their approval of this interim statement. Forward looking statements contained within the interim statement should be treated with some caution due to the inherent uncertainties, including economic, regulatory and business risk factors, underlying any such forward looking statements.

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

Paul Stockton
Chief Executive

Jennifer Mathias
Finance Director

27 July 2021

Half year highlights

Financial highlights as at 30 June 2021

Funds under management and administration (£bn)

As at 30 June 2021

Dividends paid and proposed per share (p)

Half year 2021

Profit before tax (£m)

Half year 2021

Underlying profit before tax[1] (£m)

Half year 2021

Basic earnings per share (p)

Half year 2021

Underlying earnings per share[1] (p)

Half year 2021

Operating margin (%)

Half Year 2021

Underlying operating margin[2] (%)

Half year 2021

1. Underlying profit before tax and earnings per share exclude costs relating to the acquisition of Speirs & Jeffrey and Barclays Wealth's Personal Injury and Court of Protection business, and charges in relation to client relationships and goodwill. A reconciliation between the underlying profit before tax and profit before tax is shown in note 10, and an explanation of the group's rationale for using these underlying measures is given on page 35 of the 2020 report and accounts.
2. Underlying profit before tax as a percentage of underlying operating income.

Interim management report

Clive Bannister
Chair

Paul Stockton
Chief Executive

Improved market confidence and new opportunities for Rathbones

While the events of 2020 will not soon be forgotten, in the first half of 2021, investment markets began to look beyond the pandemic. Despite a somewhat unexpected third lockdown and some associated short-term volatility, investor sentiment improved. The MSCI PIMFA Private Investor Balanced index, which ended the first half at 1778, was up 6.0% from the 1677 level at 31 December 2020.

In the first half of 2021, we have maintained our focus on delivering high-quality services and being accessible to clients at all times. Our plans to enhance our digital capability remain on track and we have taken further strides to grow our specialist investment teams. In particular we continue to enhance the suite of services and investment solutions we offer to meet a growing demand to accommodate ESG preferences.

Being able to offer financial advice directly and work effectively with external financial advisers is an integral part of our strategy. The acquisition of Saunderson House, announced on 23 June 2021, further reinforces Rathbones' position in this market and presents an exciting opportunity to explore wider UK wealth sectors.

Our pro forma funds under management and administration 'FUMA' will increase to c.£64 billion when the deal receives regulatory approval and completes in the second half.

The business has continued to operate seamlessly in a home working environment, albeit many employees and clients are increasingly looking forward to being able to meet in person. We continue to see benefits in face to face collaboration, so will be promoting this as safely as possible over the coming months, whilst taking advantage of many of the benefits that flexible working has created. Our thanks go to all our staff who have worked so tirelessly over this period in often less than straightforward circumstances.

Strong financial performance driven by growing FUMA

Total funds under management and administration were £59.2 at 30 June 2021, up 8.2% from £54.7 billion at 31 December 2020 and up 19.8% from £49.4 billion at 30 June 2020. This comprised of £47.8 billion in the Investment Management business (31 December 2020: £44.9 billion) and £11.4 billion in the Rathbone Funds business (31 December 2020: £9.8 billion). Operating income totalled £213.5 million in the first half of 2021, 19.3% ahead of the H1 2020 figure of £179.0 million.

Investment Management operating income totalled £184.8 million in the first six months of 2021, an increase of 16.4% on the prior year (H1 2020: £158.7 million). Investment Management fee income of £140.7 million in the first half of 2021 was 32.2% higher than the £106.4 million recorded in the prior year, reflecting increased FUM, improved markets on quarterly billing dates and the adoption of standard tariffs for our discretionary and advisory services for clients who joined from Speirs & Jeffrey.

The first half of 2021 proved to be one of the strongest periods for net retail fund sales for the UK's fund management industry. With a high-quality fund range and strong performance record, our Funds business continued to grow exceptionally, with income increasing by 41.4% to £28.7 million (30 June 2020: £20.3 million) reflecting strong net inflows and market outperformance.

Commission income of £31.2 million was lower than the first six months of 2020 (£37.3 million). The prior period reflected higher trading activity as well as the inclusion of commissions paid by ex-Speirs & Jeffrey clients who have now moved to a fee-only tariff. We anticipate commission income to remain seasonally weighted to the first half of the year, being correlated to periods of increased market activity and the tax season. Net interest income of £2.4 million (H1 2020: £4.8 million) continues to reflect UK base rate reductions in place since March 2020 but remains sensitive to any future rate rises. Fees from advisory and other services increased to £10.6 million during the first half of 2021 (30 June 2020: £10.2 million) and excludes any impact from the acquisition of Saunderson House which is due to complete in Q3 2021.

Underlying operating expenses totalled £150.7 million for the first half, up 13.2% on the £133.1 million reported in H1 2020. Fixed staff costs of £62.9 million (H1 2020: £59.3 million) reflect continued hiring to support our client proposition and change agenda. This is anticipated to continue at a similar level into the second half. Variable staff costs of £41.9 million (H1 2020: £32.1 million) reflect higher expectations for awards, due to the increase in profit compared to the first half of 2020 and continuing growth in all areas of the business. Other direct expenses of £45.9 million (H1 2020: £41.7 million) represents planned investment into digital solutions, proposition developments and infrastructure.

Mindful of market conditions, we anticipate accelerating our pace of spend during the second half of the year. This will be focused on continued investment in our digital and infrastructure change plan and ongoing planned recruitment, and can reasonably expect an increase in marketing and travel costs as the business begins to resume face to face client meetings and events.

Profit before tax for the six months to 30 June 2021 of £48.8 million is materially ahead of the £27.3 million reported on 30 June 2020. This is a result of continued growth in the business and a reduction of deferred consideration charges in relation to the acquisition of Speirs & Jeffrey over last year. Further detail on acquisition-related costs can be found in note 6. Basic earnings per share totalled 69.9p (30 June 2021: 36.1p), which reflects the placing of c. 2.8 million ordinary shares in relation to the acquisition of Saunderson House in June 2021.

Underlying profit before tax of £62.9 million at 30 June 2021 was 36.7% higher than the £46.0 million reported a year ago, reflecting strong income levels and controlled cost growth. A full reconciliation between profit before tax and underlying profit before tax can be found in note 10.

Accordingly, our underlying operating margin at 30 June 2021 was 29.4% (30 June 2020: 25.7%). Profit after tax was £38.0 million in the first six months of the year (30 June 2020: £19.4 million). Underlying earnings per share totalled 92.5p (30 June 2020: 67.5p).

Our balance sheet remains robust with a consolidated Common Equity Tier 1 ratio of 26.5% at 30 June 2021 (31 December 2020: 23.5%; 30 June 2020: 21.3%) and a consolidated leverage ratio of 11.9% at 30 June 2021 (31 December 2020: 9.2%; 30 June 2020: 6.8%). Our capital surplus of own funds (excluding year-to-date post-tax profits) over our regulatory capital requirement was £180.1 million at 30 June 2021 (£132.8 million at 31 December 2020). This surplus will reduce after the financing of the acquisition of Saunderson House which is due to complete in the second half of the year.

The carrying value of the 10-year callable subordinated loan notes at 30 June 2021 was £20.0 million (31 December 2020: £19.8 million). As these notes are no longer efficient for regulatory capital purposes, we have given notice to the noteholders that we will exercise the call option and will repay the notes in August 2021.

The Investment Management loan book was £172.5 million at 30 June 2021, an increase on the £158.0 million at 31 December 2020. Loans are fully secured against underlying client investment portfolios. The group continues to experience no defaults on client loans.

Increasing our interim dividend to reflect confidence in the future

In line with our progressive dividend policy, we have increased our interim dividend 8% to 27p (30 June 2020: 25p), reflecting our confidence in our medium-term prospects and the strength of our balance sheet. The record date will be 3 September 2021 and the dividend will be paid on 5 October 2021.

Business performance

Investment Management

Total funds under management and administration in our Investment Management business were £47.8 billion, up 15.7% from the £41.4 billion we reported a year ago and largely reflecting higher market levels and increased asset gathering.

Total net inflows were £0.5 billion in the first six months of 2021 compared to £0.8 billion in the first six months of 2020, which included £0.5 billion acquired growth for the acquisition of the Barclays Wealth Personal Injury and Court of Protection business. Net organic inflows in the first half totalled £0.4 billion (30 June 2020: £0.3 billion), representing a net organic annualised growth rate of 1.9% (30 June 2020: 1.4%). Purchased inflows during the first half of 2021 were £0.1 billion (30 June 2020: £0.5 billion) but excludes the acquisition of Saunderson House which is due to complete in Q3 2021.

Funds

Our funds business has continued its considerable momentum with funds under management of £11.4 billion at 30 June 2021, up 42.5% from £8.0 billion a year ago. The business has attracted substantial net inflows of £1.0 billion for the first six months of the year (30 June 2020: £555 million). This represents an annualised net organic growth rate of 21.0% (30 June 2020: 14.9%).

The Global Opportunities Fund now totals £3.7 billion, the Ethical Bond Fund £2.4 billion, and the multi-asset range £2.3 billion.

Our success in the funds business was noted in the most recent Pridham industry report which ranked Rathbones in the top five for net retail sales in the UK, its highest ever net ranking.

Supporting and delivering growth

On 23 June 2021 Rathbones announced the acquisition of Saunderson House, a professional services-focused financial planning business in the UK, with £4.7 billion FUMA across c.2,200 clients with a team of around 200 people (including 55 financial advisers).

The acquisition will be funded through a combination of existing cash reserves and proceeds from a £50 million share placing. Saunderson House has a long-standing heritage in serving London and South East-based professional services clients, who tend to hold market-leading positions in accountancy and law firms, with an average portfolio size of £2.2 million and typically complex financial affairs.

Further discussions held with both Rathbones and Saunderson House post announcement have reaffirmed our assessment of opportunities, and we continue to share a strong cultural alignment focussed on delivering positive client outcomes. Saunderson House's services are of a high quality and we will work to develop them further by leveraging the strength and depth of Rathbones' investment management skills and flexible range of investment solutions.

Saunderson House adds much to Rathbones in-house financial planning capability, increasing the number of in-house financial planners from 25 to 80. Pro forma financial planning FUMA will increase to £8.3 billion, and we expect that strong demand for high-quality financial planning will further drive organic growth across the group, particularly in the highly attractive high net worth professional clients sector.

Our adviser sales team, leading the distribution of investment services to the external IFA community, continues to gain considerable momentum. The team now has a strong market presence in the UK and represents all products and services across Rathbones group, complementing the existing local IM and other relationships. Our success is further reinforced by a recent Defaqto Discretionary Fund Management (DFM) Satisfaction Survey where Rathbones was named in the top three Bespoke DFM providers and the most preferred direct Managed Portfolio Service DFM provider.

Vision Independent Financial Planning continues to operate independently as an important part of the group and now has 131 advisers and FUMA of £2.5 billion (31 December 2020: £2.2 billion).

Enriching the client and adviser proposition and experience

We continue to progress our strategy to enrich the client and adviser proposition and experience through the use of technology. The pandemic has not only underlined the need for a strong digital offering but has also accelerated plans to enable and support flexible communication amongst clients, employees, and advisers. Video conferencing is now a way of life within the business and this is well supported by an IT infrastructure that is flexible and up to date.

We fully launched the MyRathbones portal and app to clients and advisers this year which provides clients with portfolio views and a secure messaging capability, supported by recognised two factor authentication technology. The application is now being regularly updated on an agile basis and we have a clear roadmap for future improvements and development. There are now c.13,000 clients and advisers using the service. We expect these numbers will continue to rise rapidly.

With a history dating back over 20 years, Rathbones is a leader in the responsible investing space. Our total group ESG funds are now £4.5 billion, with £2.1 billion in Rathbone Greenbank and £2.4 billion in the Rathbone Ethical Bond Fund, the latter of which now officially has a Square Mile 'Responsible A' rating and was also recently awarded best fund in the Sterling Corporate Bond category in the Investment Week - Fund Manager of the Year Awards, 2021. In a fast changing market the launch of the Rathbone Greenbank Portfolio Range in March represents an important step forward. The range comprises four new sustainable multi-asset investment funds (Rathbone Greenbank Multi-Asset Portfolios), each targeting different levels of risk.

We continue to embed responsible investing across the wider group, delivering training to build skills and upgrading our investment process to complement the specialist offering delivered by Rathbone Greenbank. Hosting the 24th annual Rathbone Greenbank Investor Day in a virtual format allowed us to reach a much greater audience and is a model that is being adopted more widely across the firm where appropriate.

Other proposition work continued during the first half, including work on our Rathbone Select Portfolio (RSP) originally launched in Q3 2020, and the Greenbank Select Portfolio (GSP) to complement our bespoke ethical service, launched in Q2 2021. Both RSP and GSP are a cost-effective execution-only investment management solution for clients where a bespoke service may not be appropriate. Potential new clients are introduced by Rathbone Investment Managers, or are existing bespoke clients, who have selected to move to these new offerings. To date we have c.1,000 clients who have joined the service.

As a responsible investor we understand how climate change can impact portfolios and can allocate assets strategically to minimise those risks. We have calculated the impact we make across our entire value chain to ensure we include the emissions from scope 1, 2 and 3 activities, including our suppliers and investments. The assets in which we currently invest account for the majority of our footprint. We are delighted to be making a commitment to achieving a transition to net zero by 2050 or sooner. In the next few months, we will be finalising our targets, which will be crafted in alignment with the Science Based Targets initiative, and we look forward to sharing these with you in due course.

Inspiring our people

We are proud of our colleagues and the way in which they have adapted to the pandemic and continued to support our clients. We interact with employees regularly and ran another full engagement survey in June 2021 with a response rate of 83% and an overall, group-wide engagement score of 8.1 / 10. This is considerably above the finance sector benchmark of 7.7. Our employee Net Promoter Score (eNPS), which measures how likely an employee is to recommend working at our firm, was 44, which is also higher than the industry benchmark of 18, and in the upper quartile of finance sector firms.

Developing diverse young talent at Rathbones is key to our future success, so the launch of our virtual Early Careers Conferences in May and June has combined well with ongoing investment into graduate schemes, participation in the 10,000 Black Interns programme, and new mentoring support for more than 100 mentors and mentees across the organisation.

In May 2021 we welcomed our new Chief People Officer, Gaynor Gillespie, to Rathbones. Gaynor has spent more than 30 years as an HR professional and she is a skilled business leader with experience of fostering employee engagement and corporate culture. Gaynor sits on the Group Executive Committee and is already contributing positively to advance our important human resources agenda.

We would also like to take this opportunity to note our immense regret in losing two valued members of staff, Rupert Heggs and Alicia Thomas, who sadly passed away this year, before their time. They will be greatly missed by our London office and the wider business.

Operating more efficiently

What has become clear is that working lives will not be the same after COVID and several trends will be with us long after the pandemic subsides. Having invested to ensure that our employees had the capability to work effectively from home, we are planning to implement a flexible hybrid working model in 2022, following a staged return to our offices over the rest of this year.

We continue to deliver on our change programme to improve efficiency. During the first half we have not only upgraded client reporting packs including tax and self-assessment guidance and more meaningful benchmarks for clients to measure performance of their portfolios but also digitised and simplified parts of our onboarding processes. We have also rolled out new video conferencing capability for all internal staff, clients and suppliers, enhanced a number of internal processes to reduce workload on teams and deployed a modern employee engagement tool aimed at gathering feedback from across the business on various topics.

We continue to work on solutions that help us to deliver an improved and more holistic private client and adviser lifecycle experience. Investing in our data and digital capabilities in this area will enable us to manage the processes from prospecting through to onboarding and servicing in a much more consistent way. This 'Client Lifecycle Management' programme is at an early stage, but it will build a critical part of our future capability over the coming years and further updates on our progress will be forthcoming over the second half of 2021.

Principal risks and uncertainties

The principal risks and uncertainties set out in our 2020 annual report and accounts have not materially changed; these are set out in the strategic report and group risk committee report in pages 46 to 51 and pages 92 to 94 respectively. Our people, operations and infrastructure have continued to operate effectively in response to the COVID-19 pandemic. Although COVID restrictions are easing, the longer term economic impacts of the pandemic remain uncertain. The board and executive management remain alert to the external landscape which continues to evolve. We continue to monitor strategic risks and horizon threats, as well as the principal risks more directly associated with our business activities and take proportionate action in response as needed.

Regulation

We actively respond to regulatory changes and acknowledge the recent FCA consultation on consumer duty. We further expect that regulation governing ESG investments will develop quickly and we are monitoring this closely. The impact of the upcoming Investment Firm Prudential Regime (IFPR) and how it dovetails into the current CRD V regime is also an area where we expect further clarity in the second half. The lifting of restrictions on the payment of bank dividends in July 2021 did not impact Rathbones.

Board changes

As previously announced, Mark Nicholls stepped down as Chairman of the board in February 2021. We would like to thank him for his long and distinguished service to the firm, recognising his dedicated and invaluable contribution over the last 11 years. Our thanks also go to Jim Pettigrew who, in addition to serving as Senior Independent Director for four years, also presided as Chair from February until our AGM in May when Clive Bannister took over as Chair. We welcome Colin Clark as our new Senior Independent Director, who has been on the board since 2018. The transition of Chair has gone smoothly, and we are already benefitting from Clive's considerable experience in the financial services industry.

Going concern

As set out in the statement of directors' responsibilities of the condensed consolidated interim financial statements, the directors believe that the group is well positioned to manage its business risks successfully, despite an uncertain backdrop. The group's financial projections, and the capital adequacy and liquidity assessment, which is required to apply extreme stress scenarios to these projections, provide comfort that the group has adequate financial and regulatory resources to continue in operational existence for the foreseeable future. These forecasts have been prepared taking account of the potential impacts of the COVID-19 pandemic on market volatility. Accordingly, the directors continue to adopt a going concern basis for the preparation of the condensed consolidated interim financial statements. In forming their view, the directors have considered the group's prospects for a period exceeding 12 months from the date the condensed consolidated interim financial statements are approved.

Outlook for the remainder of the year

The UK wealth market is changing quickly, and Rathbones remains well positioned to take advantage of future growth opportunities.

Change activity within the business is high and will remain so well into 2022 as we continue to develop our propositions, improve service and strive for greater efficiency. The acquisition of Saunderson House is due to complete in Q3 2021. Work to plan the integration is already underway and we will update on progress in due course.

We enter the second half of 2021 in a very strong position, focused and excited to deliver on the next phase of our growth.

Clive Bannister	Paul Stockton
Chair	Chief Executive

27 July 2021

Condensed consolidated interim financial statements

Further information

Consolidated interim statement of comprehensive income

for the six months ended 30 June 2021

	Note	**Unaudited Six months to 30 June 2021 £'000**	Unaudited Six months to 30 June 2020 £'000	Audited Year to 31 December 2020 £'000
Interest and similar income		**4,145**	9,449	14,976
Interest expense and similar charges		**(1,751)**	(4,649)	(6,554)
Net interest income		**2,394**	4,800	8,422
Fee and commission income		**223,430**	184,126	378,240
Fee and commission expense		**(14,001)**	(11,816)	(24,491)
Net fee and commission income		**209,429**	172,310	353,749
Net trading income		**–**	(10)	(12)
Other operating income		**1,718**	1,949	3,929
Operating income		**213,541**	179,049	366,088
Charges in relation to client relationships and goodwill	14	**(7,198)**	(7,038)	(14,302)
Acquisition-related costs	6	**(6,870)**	(11,651)	(34,449)
Other operating expenses		**(150,678)**	(133,079)	(273,558)
Operating expenses		**(164,746)**	(151,768)	(322,309)
Profit before tax		**48,795**	27,281	43,779
Taxation	8	**(10,838)**	(7,864)	(17,127)
Profit for the period attributable to equity holders of the company		**37,957**	19,417	26,652
Other comprehensive income:				
Items that will not be reclassified to profit or loss				
Net remeasurement of defined benefit liability		**7,990**	(10,292)	(4,682)
Deferred tax relating to the net remeasurement of defined benefit liability		**(1,518)**	2,734	1,668
Other comprehensive income net of tax		**6,472**	(7,558)	(3,014)
Total comprehensive income for the period net of tax attributable to equity holders of the company		**44,429**	11,859	23,638
Dividends paid and proposed for the period per ordinary share	9	**27.0p**	25.0p	72.0p
Dividends paid and proposed for the period		**15,543**	14,338	38,728
Earnings per share for the period attributable to equity holders of the company:	10			
– basic		**69.9p**	36.1p	49.6p
– diluted		**67.0p**	34.7p	47.6p

Consolidated interim statement of changes in equity

for the six months ended 30 June 2021

	Note	Share capital £'000	Share premium £'000	Merger reserve £'000	Own shares £'000	Retained earnings £'000	Total equity £'000
At 1 January 2020		2,818	210,939	71,756	(41,971)	241,851	485,393
Profit for the period						19,417	19,417
Net remeasurement of defined benefit liability						(10,292)	(10,292)
Deferred tax relating to components of other comprehensive income						2,734	2,734
Other comprehensive income net of tax		–	–	–	–	(7,558)	(7,558)
Dividends paid						(24,316)	(24,316)
Issue of share capital	18	50	2,171	–	–	–	2,221
Share-based payments:							
– value of employee services						13,994	13,994
– cost of own shares acquired					(4,282)		(4,282)
– cost of own shares vesting					165	(165)	–
– tax on share-based payments						(208)	(208)
At 30 June 2020 (unaudited)		2,868	213,110	71,756	(46,088)	243,015	484,661
Profit for the period						7,235	7,235
Net remeasurement of defined benefit liability						5,610	5,610
Deferred tax relating to components of other comprehensive income						(1,066)	(1,066)
Other comprehensive income net of tax		–	–	–	–	4,544	4,544
Dividends paid						(13,515)	(13,515)
Issue of share capital	18	6	1,982	–	–	–	1,988
Share-based payments:							
– value of employee services						29,641	29,641
– cost of own shares acquired					(795)		(795)
– cost of own shares vesting					139	(139)	–
– tax on share-based payments						68	68
At 31 December 2020 (audited)		**2,874**	**215,092**	**71,756**	**(46,744)**	**270,849**	**513,827**
Profit for the period						**37,957**	**37,957**
Net remeasurement of defined benefit liability						**7,990**	**7,990**
Deferred tax relating to components of other comprehensive income						**(1,518)**	**(1,518)**
Other comprehensive income net of tax		**–**	**–**	**–**	**–**	**6,472**	**6,472**
Dividends paid						**(25,938)**	**(25,938)**
Issue of share capital	18	**196**	**74,011**	**–**	**–**	**–**	**74,207**
Share-based payments:							
– value of employee services						**(10,572)**	**(10,572)**
– cost of own shares acquired					**(1,829)**		**(1,829)**
– cost of own shares vesting					**166**	**(166)**	**–**
– tax on share-based payments						**739**	**739**
At 30 June 2021 (unaudited)		**3,070**	**289,103**	**71,756**	**(48,407)**	**279,341**	**594,863**

Consolidated interim balance sheet

as at 30 June 2021

	Note	**Unaudited 30 June 2021 £'000**	Unaudited 30 June 2020 £'000	Audited 31 December 2020 £'000
Assets				
Cash and balances with central banks		**1,414,086**	2,303,875	1,802,706
Settlement balances		**127,818**	178,416	90,373
Loans and advances to banks		**158,986**	162,143	159,430
Loans and advances to customers	11	**186,166**	134,575	166,221
Investment securities:				
– fair value through profit or loss		**112,579**	109,874	107,559
– amortised cost		**714,765**	647,068	651,427
Prepayments, accrued income and other assets		**116,285**	94,394	98,714
Property, plant and equipment	12	**13,814**	14,841	14,846
Right of use assets	13	**42,460**	47,052	44,856
Current tax asset		**247**	888	–
Deferred tax asset		**3,406**	1,382	3,342
Intangible assets	14	**228,417**	236,553	231,144
Total assets		**3,119,029**	3,931,061	3,370,618
Liabilities				
Deposits by banks		**1,604**	3	893
Settlement balances		**152,745**	189,795	95,412
Due to customers		**2,193,869**	3,071,196	2,561,767
Accruals, deferred income and other liabilities		**91,381**	83,306	103,356
Lease liabilities		**53,627**	58,492	56,124
Current tax liabilities		**–**	–	971
Provisions for liabilities and charges	15	**9,286**	7,172	8,715
Subordinated loan notes	16	**19,964**	19,989	19,768
Retirement benefit obligations	17	**1,690**	16,447	9,785
Total liabilities		**2,524,166**	3,446,400	2,856,791
Equity				
Share capital	18	**3,070**	2,868	2,874
Share premium	18	**289,103**	213,110	215,092
Merger reserve	18	**71,756**	71,756	71,756
Own shares		**(48,407)**	(46,088)	(46,744)
Retained earnings		**279,341**	243,015	270,849
Total equity		**594,863**	484,661	513,827
Total liabilities and equity		**3,119,029**	3,931,061	3,370,618

The condensed consolidated interim financial statements were approved by the board of directors and authorised for issue on 27 July 2021 and were signed on its behalf by:

Paul Stockton
Chief Executive

Jennifer Mathias
Finance Director

Company registered number: 01000403

Consolidated interim statement of cash flows

for the six months ended 30 June 2021

	Note	**Unaudited 30 June 2021 £'000**	Unaudited 30 June 2020 £'000	Audited 31 December 2020 £'000
Cash flows from operating activities				
Profit before tax		**48,795**	27,281	43,779
Change in fair value through profit or loss		**(218)**	(1,081)	(1,881)
Net interest income		**(2,394)**	(4,800)	(8,422)
Net (recoveries)/impairment charges on loans and advances		**(576)**	749	582
Net charge/(release) for provisions	15	**892**	(507)	143
Loss on disposal of right-of-use assets		**81**	–	–
Depreciation, amortisation and impairment		**14,645**	14,860	31,229
Foreign exchange movements		**178**	(3,268)	1,245
Defined benefit pension scheme charges		**63**	60	200
Defined benefit pension contributions paid		**(168)**	(1,918)	(3,111)
Share-based payment charges		**10,290**	12,640	39,986
Interest paid		**(2,469)**	(3,592)	(5,300)
Interest received		**3,480**	9,433	12,376
		72,599	49,857	110,826
Changes in operating assets and liabilities:				
– net (increase)/decrease in loans and advances to banks and customers		**(14,519)**	62,236	29,852
– net increase in settlement balance debtors		**(37,445)**	(125,896)	(37,852)
– net (increase)/decrease in prepayments, accrued income and other assets		**(16,906)**	1,015	(722)
– net (decrease)/increase in amounts due to customers and deposits by banks		**(367,186)**	402,526	(106,013)
– net increase in settlement balance creditors		**57,333**	132,101	37,718
– net (decrease)/increase in accruals, deferred income, provisions and other liabilities		**(32,319)**	(2,329)	19,616
Cash (used in)/generated from operations		**(338,443)**	519,510	53,425
Tax paid		**(12,898)**	(11,047)	(21,410)
Net cash (outflow)/inflow from operating activities		**(351,341)**	508,463	32,015
Cash flows from investing activities				
Acquisition of subsidiaries, net of cash acquired		**-**	–	(12,048)
Purchase of property, equipment and intangible assets		**(7,926)**	(18,287)	(13,294)
Purchase/(disposal) of right-of-use assets		**(119)**	–	(238)
Purchase of investment securities		**(579,905)**	(575,669)	(886,847)
Proceeds from sale and redemption of investment securities		**515,481**	531,463	833,712
Net cash used in investing activities		**(72,469)**	(62,493)	(78,715)
Cash flows from financing activities				
Net (repurchase)/issue of ordinary shares	22	**72,378**	(2,061)	(868)
Dividends paid		**(25,938)**	(24,316)	(37,831)
Payment of lease liabilities		**(2,497)**	(2,513)	(4,880)
Interest paid		**(453)**	(586)	(1,060)
Net cash generated from/(used in) financing activities		**43,490**	(29,476)	(44,639)
Net (decrease)/increase in cash and cash equivalents		**(380,320)**	416,494	(91,339)
Cash and cash equivalents at the beginning of the period		**2,056,694**	2,148,033	2,148,033
Cash and cash equivalents at the end of the period	22	**1,676,374**	2,564,527	2,056,694

Notes to the condensed consolidated interim financial statements

1 Basis of preparation

Rathbone Brothers Plc ('the company') is the parent company of a group of companies ('the group') that 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. The products and services from which the group derives its revenues are described in 'Rathbones at a glance' on pages 6 to 7 of the annual report and accounts for the year ended 31 December 2020 and have not materially changed since that date.

These condensed consolidated interim financial statements, on pages 8 to 29, are presented in accordance with United Kingdom adopted International Financial Reporting Standards. The condensed consolidated interim financial statements have been prepared on a going concern basis, using the accounting policies, methods of computation and presentation set out in the group's financial statements for the year ended 31 December 2020, except as disclosed in note 2. The condensed consolidated interim financial statements should be read in conjunction with the group's audited financial statements for the year ended 31 December 2020, which are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

The information in this announcement does not comprise statutory financial statements within the meaning of section 434 of the Companies Act 2006. The comparative figures for the financial year ended 31 December 2020 are not the group's statutory accounts for that financial year. The group's financial statements for the year ended 31 December 2020 have been reported on by its auditors and delivered to the Registrar of Companies. The report of the auditors on those financial statements was unqualified and did not draw attention to any matters by way of emphasis. It also did not contain a statement under section 498 of the Companies Act 2006.

Developments in reporting standards and interpretations

Standards and interpretations adopted during the current reporting period

The following amendments to standards have been adopted in the current period, but have not had a significant impact on the amounts reported in these financial statements:

– COVID-19-Related Rent Concessions (Amendment to IFRS 16)

Future new standards and interpretations

The following standard is effective for annual periods beginning after 1 January 2021 and earlier application is permitted; however, the group has not early-adopted the amended standard in preparing these consolidated financial statements.

– Interest Rate Benchmark Reform - Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

The below standards are not yet effective and have not yet been endorsed by the UK:

– IFRS 17 Insurance Contracts
– Classification of Liabilities as Current or Non-current (Amendments to IAS 1)
– Disclosure of Accounting Estimate (Amendments to IAS 8)
– Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28).

None of the standards not yet effective are expected to have a material impact on the group's financial statements.

2 Changes in significant accounting policies

The accounting policies applied in these condensed consolidated interim financial statements are the same as those applied in the group's consolidated financial statements as at and for the year ended 31 December 2020.

3 Critical accounting judgements and key sources of estimation and uncertainty

The group has reviewed the judgements and estimates that affect its accounting policies and amounts reported in its financial statements. Although these are unchanged from those reported in the group's financial statements for the year ended 31 December 2020, the group continues to closely monitor the valuation of the earn-out consideration payable to the vendors of Speirs & Jeffrey Limited, as well as related incentivisation awards to other staff (note 5).

The purchase price payable for the acquisition is split into a number of different parts. The payment of certain elements has been deferred. At 30 June 2021, one element of the deferred consideration remained unvested and subject to ongoing vesting conditions. Valuation of the remaining earn-out consideration and incentivisation awards is dependent on performance by the acquired business against certain operational and financial targets by 31 December 2021.

The group estimates the total amount payable on 31 December 2021 to be £11.5 million, based on forecast incremental qualifying funds under management of £0.5 billion at 31 December 2021. The value of incremental qualifying funds under management at the end of 2021 has been derived from a probability-weighted scenario analysis, which considers assumptions of forecast client attrition, and the rate at which existing clients will convert from non-discretionary to discretionary mandates. The charge to profit or loss during the first half of 2021 for the total earn out consideration was £3.0 million (note 5).

If qualifying funds under management at 31 December 2021 are £100 million higher or lower than management's estimate then the accumulated charges as at 30 June 2021 for earn-out consideration and incentivisation awards would be £1.25 million higher or lower and the charge to profit or loss in 2021 would be £2.5 million higher or lower.

Under the terms of the agreements, the maximum possible payment for the second earn-out and incentivisation awards is capped at £91,600,000, which represents incremental qualifying funds under management of approximately £3.7 billion at the end of 2021.

4 Segmental information

For management purposes, the group is organised into two operating divisions: Investment Management and Funds. Centrally incurred indirect expenses are allocated to these operating segments on the basis of the cost drivers that generate the expenditure. These are, principally, the headcount of staff directly involved in providing those services from which the segment earns revenues, the value of funds under management and the segment's total revenue. The allocation of these costs is shown in a separate column in the table below, alongside the information presented for internal reporting to the executive committee, which is the group's chief operating decision-maker.

Six months ended 30 June 2021 (unaudited)	Investment Management £'000	Funds £'000	Indirect expenses £'000	Total £'000
Net investment management fee income	140,660	27,807	–	168,467
Net commission income	31,197	–	–	31,197
Net interest income	2,393	1	–	2,394
Fees from advisory services and other income	10,621	862	–	11,483
Underlying operating income	184,871	28,670	–	213,541
Staff costs – fixed	(43,737)	(2,299)	(16,821)	(62,857)
Staff costs – variable	(29,919)	(6,795)	(5,198)	(41,912)
Total staff costs	(73,656)	(9,094)	(22,019)	(104,769)
Other direct expenses	(20,257)	(5,864)	(19,788)	(45,909)
Allocation of indirect expenses	(37,738)	(4,069)	41,807	–
Underlying operating expenses	(131,651)	(19,027)	–	(150,678)
Underlying profit before tax	53,220	9,643	–	62,863
Charges in relation to client relationships and goodwill (note 14)	(7,198)	–	–	(7,198)
Acquisition-related costs (note 6)	(6,468)	–	(402)	(6,870)
Segment profit before tax	39,554	9,643	(402)	48,795
Taxation (note 8)				(10,838)
Profit for the period attributable to equity holders of the company				37,957

	Investment Management £'000	Funds £'000	Total £'000
Segment total assets	2,907,675	204,550	3,112,225
Unallocated assets			6,804
Total assets	2,907,675	204,550	3,119,029

4 *Segmental information continued*

Six months ended 30 June 2020 (unaudited)	Investment Management £'000	Funds £'000	Indirect expenses £'000	Total £'000
Net investment management fee income	106,431	19,907	–	126,338
Net commission income	37,329	–	–	37,329
Net interest income	4,800	–	–	4,800
Fees from advisory services and other income	10,155	427	–	10,582
Underlying operating income	158,715	20,334	–	179,049
Staff costs – fixed	(42,897)	(2,161)	(14,278)	(59,336)
Staff costs – variable	(23,858)	(4,760)	(3,460)	(32,078)
Total staff costs	(66,755)	(6,921)	(17,738)	(91,414)
Other direct expenses	(19,968)	(4,571)	(17,126)	(41,665)
Allocation of indirect expenses	(31,213)	(3,651)	34,864	–
Underlying operating expenses	(117,936)	(15,143)	–	(133,079)
Underlying profit before tax	40,779	5,191	–	45,970
Charges in relation to client relationships and goodwill (note 14)	(7,038)	–	–	(7,038)
Acquisition-related costs (note 6)	(10,135)	–	(1,516)	(11,651)
Segment profit before tax	23,606	5,191	(1,516)	27,281
Profit before tax attributable to equity holders of the company				27,281
Taxation (note 8)				(7,864)
Profit for the period attributable to equity holders of the company				19,417

	Investment Management £'000	Funds £'000	Total £'000
Segment total assets	3,752,215	128,500	3,880,715
Unallocated assets			50,346
Total assets	3,752,215	128,500	3,931,061

Year ended 31 December 2020 (audited)	Investment Management £'000	Funds £'000	Indirect expenses £'000	Total £'000
Net investment management fee income	230,309	43,929	–	274,238
Net commission income	62,297	–	–	62,297
Net interest income	8,422	–	–	8,422
Fees from advisory services and other income	19,629	1,502	–	21,131
Underlying operating income	320,657	45,431	–	366,088
Staff costs – fixed	(83,673)	(4,118)	(29,697)	(117,488)
Staff costs – variable	(56,414)	(12,015)	(9,299)	(77,728)
Total staff costs	(140,087)	(16,133)	(38,996)	(195,216)
Other direct expenses	(33,371)	(8,693)	(36,278)	(78,342)
Allocation of indirect expenses	(67,753)	(7,521)	75,274	–
Underlying operating expenses	(241,211)	(32,347)	–	(273,558)
Underlying profit before tax	79,446	13,084	–	92,530
Charges in relation to client relationships and goodwill (note 14)	(14,302)	–	–	(14,302)
Acquisition-related costs (note 6)	(32,433)	–	(2,016)	(34,449)
Segment profit before tax	32,711	13,084	(2,016)	43,779
Profit before tax attributable to equity holders of the company				43,779
Taxation (note 8)				(17,127)
Profit for the year attributable to equity holders of the company				26,652

	Investment Management £'000	Funds £'000	Total £'000
Segment total assets	3,243,198	121,320	3,364,518
Unallocated assets			6,100
Total assets			3,370,618

Included within Investment Management underlying operating income is £1,072,000 (30 June 2020: £904,000; 31 December 2020: £1,895,000) of fees and commissions receivable from the Funds business. Intersegment sales are charged at prevailing market prices.

The following table reconciles underlying operating expenses to operating expenses:

	Unaudited Six months to 30 June 2021 £'000	Unaudited Six months to 30 June 2020 £'000	Audited Year to 31 December 2020 £'000
Underlying operating expenses	**150,678**	133,079	273,558
Charges in relation to client relationships and goodwill (note 14)	**7,198**	7,038	14,302
Acquisition-related costs (note 6)	**6,870**	11,651	34,449
Operating expenses	**164,746**	151,768	322,309

Geographic analysis

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

	Unaudited Six months to 30 June 2021 £'000	Unaudited Six months to 30 June 2020 £'000	Audited Year to 31 December 2020 £'000
United Kingdom	**206,327**	172,866	353,712
Jersey	**7,214**	6,183	12,376
Underlying operating income	**213,541**	179,049	366,088

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

Timing of revenue recognition

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

	Unaudited Six months to 30 June 2021		Unaudited Six months to 30 June 2020		Audited Year to 31 December 2020	
	Investment Management £'000	**Funds £'000**	Investment Management £'000	Funds £'000	Investment Management £'000	Funds £'000
Products and services transferred at a point in time	**33,786**	**–**	39,110	(34)	56,300	(12)
Products and services transferred over time	**151,085**	**28,670**	119,605	20,368	264,851	44,949
Underlying operating income	**184,871**	**28,670**	158,715	20,334	321,151	44,937

Major clients

The group is not reliant on any one client or group of connected clients for generation of revenues. At 30 June 2021, the group provided investment management services to 61,200 clients (30 June 2020: 64,000; 31 December 2020: 61,000).

5 Business combinations

Speirs & Jeffrey

On 31 August 2018, the group acquired 100% of the ordinary share capital of Speirs & Jeffrey Limited ('Speirs & Jeffrey').

Deferred and contingent payments

The group continues to provide for the cost of deferred and contingent payments to be made to the vendors for the sale of the shares of Speirs & Jeffrey, as well as related incentivisation awards for other staff. These payments require the vendors to remain in employment with the group for the duration of the respective deferral periods. Hence they are being treated as remuneration for post-combination services and the grant date fair value charged to profit and loss over the respective vesting periods.

During the prior year, the group replaced a share-based incentivisation award for support staff with a cash award. The accumulated charge recognised in equity over the related vesting period was reversed, and a provision was recognised in the 2020 financial statements in respect of the cash award. The award was settled during the period.

The remainder of payments are to be made in shares and are being accounted for as equity-settled share-based payments under IFRS 2:

– initial share consideration was payable on completion. However, although the shares were issued on the date of acquisition, they do not vest until the third anniversary of the acquisition date, subject to the vendors remaining employed until this date
– earn-out consideration and related incentivisation awards are payable in two parts in the third and fourth years following the acquisition date. The first earn-out award vested at 31 December 2020. Payment of the second earn-out award is subject to the delivery of certain operational and financial performance targets at 31 December 2021. The charge recognised in profit or loss for the above elements is as follows:

	Unaudited 30 June 2021 £'000	Unaudited 30 June 2020 £'000	Audited 31 December 2020 £'000
Initial share consideration	**3,461**	5,926	9,215
Earn-out consideration and incentivisation awards	**3,005**	4,034	23,042
	6,466	9,960	32,257

These costs are being reported as staff costs within acquisition-related costs (see note 6).

Barclays Wealth's Personal Injury and Court of Protection business

On 3 April 2020, the group acquired the trade and assets of Barclays Wealth's Personal Injury and Court of Protection business. The acquired trade relates to the provision of discretionary investment management services to Personal Injury and Court of Protection clients.

Cash consideration of £12,048,000 was transferred on the date of acquisition. The sale and purchase agreement also comprised an employee incentive plan that is payable in two tranches. The awards under this plan are considered to be directly attributable costs of acquiring new client relationships, hence these costs were capitalised in line with IFRS 15 (note 14).

Saunderson House Limited

On 23 June 2021, the group announced it was acquiring 100% of the share capital of Saunderson House Limited, subject to approval by the FCA. The group incurred professional services costs of £402,000 (30 June 2020: £nil) in relation to the acquisition in the six months ended 30 June 2021. Further costs of up to £1,750,000 become payable subject to the completion of the transaction.

6 Acquisition-related costs

	Unaudited Six months to 30 June 2021 £'000	Unaudited Six months to 30 June 2020 £'000	Audited Year to 31 December 2020 £'000
Acquisition of Speirs & Jeffrey	**6,466**	11,476	34,273
Acquisition of Barclays Wealth's Personal Injury and Court of Protection business	**2**	175	176
Acquisition of Saunderson House	**402**	–	–
Acquisition-related costs	**6,870**	11,651	34,449

Costs relating to the acquisition of Speirs & Jeffrey

The group incurred £6,466,000 in the period (30 June 2020: £11,476,000; 31 December 2020: £34,273,000) in relation to the acquisition of Speirs & Jeffrey, which is made up as follows.

	Unaudited Six months to 30 June 2021 £'000	Unaudited Six months to 30 June 2020 £'000	Audited Year to 31 December 2020 £'000
Acquisition costs:			
Staff costs	**6,466**	9,960	32,257
Legal and advisory fees	**–**	–	20
Integration costs	**–**	1,516	1,996
	6,466	11,476	34,273

Non-staff acquisition costs of £nil (30 June 2020: £nil; 31 December 2020: £20,000) and integration costs of £nil (30 June 2020: £1,516,000; 31 December 2020: £1,996,000) have not been allocated to a specific operating segment (note 4).

Costs relating to the acquisition of Barclays Wealth's Personal Injury and Court of Protection business

The group has incurred the following costs in relation to the acquisition of the Personal Injury and Court of Protection business of Barclays Wealth:

	Unaudited Six months to 30 June 2021 £'000	Unaudited Six months to 30 June 2020 £'000	Audited Year to 31 December 2020 £'000
Professional services costs	**2**	175	179
	2	175	179

These costs have been allocated to the Investment Management operating segment (note 4).

Costs relating to the acquisition of Saunderson House

The group has incurred the following costs in relation to the acquisition of Saunderson House:

	Unaudited Six months to 30 June 2021 £'000	Unaudited Six months to 30 June 2020 £'000	Audited Year to 31 December 2020 £'000
Legal and advisory fees	**402**	–	–
	402	–	–

These costs have not been allocated to a specific operating segment (note 4).

7 Staff numbers

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

	Unaudited Six months to 30 June 2021	Unaudited Six months to 30 June 2020	Audited year to 31 December 2020
Investment Management:			
– investment management services	**1,037**	982	996
– advisory services	**131**	121	123
Funds	**40**	37	37
Shared services	**437**	368	379
	1,645	1,508	1,535

8 Taxation

The tax expense for the six months ended 30 June 2021 was calculated based on the estimated average annual effective tax rate. The overall effective tax rate for this period was 22.2% (six months ended 30 June 2020: 28.8%; year ended 31 December 2020: 39.0%).

The effective tax rate reflects the disallowable costs of the deferred consideration payments in relation to the acquisition of Speirs & Jeffrey.

	Unaudited Six months to 30 June 2021 £'000	Unaudited Six months to 30 June 2020 £'000	Audited Year to 31 December 2020 £'000
United Kingdom taxation	**11,364**	5,138	17,225
Overseas taxation	**218**	151	296
Deferred taxation	**(744)**	2,575	(394)
	10,838	7,864	17,127

The underlying UK corporation tax rate for the year ending 31 December 2021 is 19.0% (2020: 19.0%).

The UK Government legislated in the Finance Act 2020 to maintain the UK corporation tax rate at 19.0% from 1 April 2020, rather than reducing the rate to 17.0% as previously enacted. The Finance Act 2020 was enacted on 22 July 2020. Deferred income taxes are calculated on all temporary differences under the liability method using the rate expected to apply when the relevant timing differences are forecast to unwind.

The UK Government legislated in the Finance Act 2021 to increase the UK corporation tax rate to 25.0% in 2023. This has been reflected in the deferred tax calculations.

9 Dividends

An interim dividend of 27.0p per share was declared on 27 July 2021 and is payable on 5 October 2021 to shareholders on the register at the close of business on 3 September 2021 (30 June 2020: 25.0p). In accordance with IFRS, the interim dividend has not been included as a liability in this interim statement. A final dividend for 2020 of 47.0p per share was paid on 11 May 2021.

10 Earnings per share

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

	Unaudited Six months to 30 June 2021		Unaudited Six months to 30 June 2020		Audited Year to 31 December 2020	
	Pre-tax £'000	**Post-tax £'000**	Pre-tax £'000	Post-tax £'000	Pre-tax £'000	Post-tax £'000
Underlying profit attributable to equity holders	**62,863**	**50,270**	45,970	36,240	92,530	71,602
Charges in relation to client relationships and goodwill (note 14)	**(7,198)**	**(5,830)**	(7,038)	(5,701)	(14,302)	(11,585)
Acquisition-related costs (note 6)	**(6,870)**	**(6,483)**	(11,651)	(11,122)	(34,449)	(33,365)
Profit attributable to equity holders	**48,795**	**37,957**	27,281	19,417	43,779	26,652

Basic earnings per share has been calculated by dividing profit attributable to equity holders by the weighted average number of shares in issue throughout the period, excluding own shares, of 54,332,383 (30 June 2020: 53,714,423; 31 December 2020: 53,720,680).

Diluted earnings per share is the basic earnings per share, adjusted for the effect of contingently issuable shares under the Executive Incentive Plan and the Speirs & Jeffrey (S&J) initial share consideration, 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:

	Unaudited 30 June 2021	Unaudited 30 June 2020	Audited 31 December 2020
Weighted average number of ordinary shares in issue during the period – basic	**54,332,383**	53,714,423	53,720,680
Effect of ordinary share options/Save As You Earn	**246,546**	317,141	231,259
Effect of dilutive shares issuable under the Share Incentive Plan	**182,342**	1,747	73,990
Effect of contingently issuable ordinary shares under the Executive Incentive Plan	**912,730**	885,559	929,457
Effect of contingently issuable shares under the S&J initial share consideration	**1,006,522**	1,006,522	1,006,522
Diluted ordinary shares	**56,680,523**	55,925,392	55,961,908

	Unaudited Six months to 30 June 2021	Unaudited Six months to 30 June 2020	Audited Year to 31 December 2020
Earnings per share for the period attributable to equity holders of the company:			
– basic	**69.9p**	36.1p	49.6p
– diluted	**67.0p**	34.7p	47.6p
Underlying earnings per share for the period attributable to equity holders of the company:			
– basic	**92.5p**	67.5p	133.3p
– diluted	**88.7p**	64.8p	127.9p

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

11 Loans and advances to customers

	Unaudited 30 June 2021 £'000	Unaudited 30 June 2020 £'000	Audited 31 December 2020 £'000
Overdrafts	**11,798**	6,636	6,384
Investment management loan book	**172,505**	125,880	157,957
Trust and financial planning debtors	**1,642**	1,964	1,323
Other debtors	**221**	95	557
	186,166	134,575	166,221

12 Property, plant and equipment

During the six months ended 30 June 2021, the group purchased assets with a cost of £1,023,000 (six months ended 30 June 2020: £1,463,000; year ended 31 December 2020: £3,796,000).

13 Right of use assets

	Property £'000	Motor vehicles and equipment £'000	Total £'000
Cost			
1 January 2021	**54,468**	**41**	**54,509**
Other movements	**(52)**	**–**	**(52)**
At 30 June 2021	**54,416**	**41**	**54,457**
Depreciation and impairment			
1 January 2021	**9,625**	**28**	**9,653**
Charge in the period	**2,417**	**8**	**2,425**
Disposals	**(81)**	**–**	**(81)**
At 30 June 2021	**11,961**	**36**	**11,997**
Carrying amount at 30 June 2021 (unaudited)	**42,455**	**5**	**42,460**
Carrying amount at 30 June 2020 (unaudited)	**47,032**	**20**	**47,052**
Carrying amount at 31 December 2020 (audited)	**44,843**	**13**	**44,856**

14 Intangible assets

	Goodwill £'000	Client relationships £'000	Software development costs £'000	Purchased software £'000	Total intangibles £'000
Cost					
At 1 January 2021	**98,826**	**216,253**	**9,795**	**46,189**	**371,063**
Internally developed in the period	**–**	**–**	**1,209**	**–**	**1,209**
Purchased in the period	**–**	**3,477**	**–**	**2,745**	**6,222**
Disposals	**–**	**(909)**	**–**	**–**	**(909)**
At 30 June 2021	**98,826**	**218,821**	**11,004**	**48,934**	**377,585**
Amortisation and impairment					
At 1 January 2021	**1,954**	**95,124**	**7,234**	**35,607**	**139,919**
Charge in the period	**–**	**7,198**	**714**	**2,246**	**10,158**
Disposals	**–**	**(909)**	**–**	**–**	**(909)**
At 30 June 2021	**1,954**	**101,413**	**7,948**	**37,853**	**149,168**
Carrying value at 30 June 2021 (unaudited)	**96,872**	**117,408**	**3,056**	**11,081**	**228,417**
Carrying value at 30 June 2020 (unaudited)	**96,872**	**126,949**	**2,546**	**10,186**	**236,553**
Carrying value at 31 December 2020 (audited)	**96,872**	**121,129**	**2,561**	**10,582**	**231,144**

The total amount charged to profit or loss in the period, in relation to goodwill and client relationships, was £7,198,000 (six months ended 30 June 2020: £7,038,000; year ended 31 December 2020: £14,302,000).

Impairment

The recoverable amounts of the groups of CGUs to which goodwill is allocated are assessed using value-in-use calculations. The group prepares cash flow forecasts derived from the most recent financial budgets approved by the board, covering the forthcoming and future years. Budgets are extrapolated for five years based on annual revenue and cost growth for each group of CGUs, as well as the group's expectation of future industry growth rates. A five-year extrapolation period is chosen as this aligns with the period covered by the group's ICAAP modelling. A terminal growth rate is applied to year five cash flows, which takes into account the net growth forecasts over the extrapolation period and the long-term average growth rate for the industry. The group estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the group of CGUs.

The pre-tax rate used to discount the forecast cash flows was 16.0% (30 June 2020: 13.8%; 31 December 2020: 12.2%). These are based on a risk-adjusted weighted average cost of capital. The group judges that these discount rates appropriately reflect the markets in which the group of CGUs operate.

There was no impairment to the goodwill allocated to the Investment Management group of CGUs during the period. The group has considered any reasonably foreseeable changes to the assumptions used in the value-in-use calculation for the Investment Management group of CGUs, including the impact of COVID-19 to its cash flow projections and the level of risk associated with those cash flows. Based on this assessment, no such change would result in an impairment of the goodwill allocated to this CGU.

15 Provisions for liabilities and charges

	Deferred, variable costs to acquire client relationship intangibles £'000	Deferred and contingent consideration in business combinations £'000	Legal and compensation £'000	Property-related £'000	Total £'000
At 1 January 2020	1,319	–	2,175	5,238	8,732
Charged to profit or loss	–	–	120	(520)	(400)
Unused amount credited to profit or loss	–	–	(84)	(23)	(107)
Net credit to profit or loss	–	–	36	(543)	(507)
Other movements	1,302	–	–	–	1,302
Utilised/paid during the period	(307)	–	(1,223)	(825)	(2,355)
At 30 June 2020 (unaudited)	2,314	–	988	3,870	7,172
Charged to profit or loss	–	588	519	(122)	985
Unused amount credited to profit or loss	–	–	(335)	–	(335)
Net charge to profit or loss	–	588	184	(122)	650
Other movements	2,555	–	–	–	2,555
Utilised/paid during the period	(1,084)	–	(578)	–	(1,662)
At 31 December 2020 (audited)	**3,785**	**588**	**594**	**3,748**	**8,715**
Charged to profit or loss	**–**	**–**	**1,191**	**(255)**	**936**
Unused amount credited to profit or loss	**–**	**–**	**(44)**	**–**	**(44)**
Net charge to profit or loss	**–**	**–**	**1,147**	**(255)**	**892**
Other movements	**1,383**	**–**	**–**	**–**	**1,383**
Utilised/paid during the period	**(855)**	**(588)**	**(261)**	**–**	**(1,704)**
At 30 June 2021 (unaudited)	**4,313**	**–**	**1,480**	**3,493**	**9,286**
Payable within 1 year	**47**	**–**	**1,480**	**184**	**1,711**
Payable after 1 year	**4,266**	**–**	**–**	**3,309**	**7,575**
At 30 June 2021 (unaudited)	**4,313**	**–**	**1,480**	**3,493**	**9,286**

Deferred, variable costs to acquire client relationship intangibles

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

Deferred and contingent consideration in business combinations

During the prior year, the group replaced a share-based incentivisation award for Speirs & Jeffrey support staff with a cash award. The award was settled during the period.

15 Provisions for liabilities and charges continued

Legal and compensation

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

Property-related

Property-related provisions of £3,493,000 relate to dilapidation provisions expected to arise on leasehold premises held by the group (30 June 2020: £3,870,000; 31 December 2020: £3,748,000). Monies due under the contract with the assignee of leases on the group's former property at 1 Curzon Street were fully utilised in the prior year.

Dilapidation provisions are calculated using a discounted cash flow model. During the six months ended 30 June 2021, dilapidation provisions decreased by £255,000 (30 June 2020: decreased £523,000; 31 December 2020: decreased £645,000). The group utilised £nil (30 June 2020: £825,000; 31 December 2020: £825,000) of the dilapidations provision held for its properties during the period. The impact of discounting led to a credit of £255,000 (30 June 2020: additional credit of £523,000; 31 December 2020: additional credit of £645,000) being recognised over the period.

Amounts payable after one year

Property-related provisions of £3,493,000 are expected to be settled within 12 years of the balance sheet date, which corresponds to the longest lease for which a dilapidations provision is being held.

16 Subordinated loan notes

	Unaudited 30 June 2021 £'000	Unaudited 30 June 2020 £'000	Audited 31 December 2020 £'000
Subordinated loan notes			
– face value	**20,000**	20,000	20,000
– carrying value	**19,964**	19,989	19,768

Subordinated loan notes consist of 10-year Tier 2 notes ('Notes'), which are repayable in August 2025. Interest was payable at a fixed rate of 5.856% until the first call option date in August 2020, which the group chose not to exercise. At this date, the gross carrying amount of the loan notes was recalculated as the present value of the contractual cash flows modified for the extension and discounted at the original effective interest rate. A one-off gain to profit or loss of £393,000 was subsequently recognised in 2020.

The loan notes now have a call option in August 2021 and annually thereafter at a fixed margin of 4.375% over six-month LIBOR. An interest expense of £642,000 (30 June 2020: £648,000; 31 December 2020: £1,294,000) was recognised in the period. Notice was given to the noteholders on 5 July 2021 that the group intends to exercise the associated call option and will repay the notes in August 2021.

17 Long-term employee benefits

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

	Unaudited 30 June 2021 % p.a.	Unaudited 30 June 2020 % p.a.	Audited 31 December 2020 % p.a.
Rate of increase of pensions in payment:			
– Laurence Keen Scheme	**3.50**	3.40	3.40
– Rathbone 1987 Scheme	**3.20**	3.00	3.00
Rate of increase of deferred pensions	**3.30**	3.00	3.00
Discount rate	**1.90**	1.50	1.30
Inflation*	**3.30**	3.00	3.00
Percentage of members transferring out of the schemes per annum	**3.00**	3.00	3.00
Average age of members at date of transferring out (years)	**52.50**	52.50	52.50
Average duration of defined benefit obligation (years):			
– Laurence Keen Scheme	**17.00**	17.00	16.00
– Rathbone 1987 Scheme	**21.00**	21.00	21.00

* Inflation assumptions are based on the Retail Prices Index

The assumed life expectations of members retiring aged 65 were:

	Unaudited 30 June 2021		Unaudited 30 June 2020		Audited 31 December 2020	
	Males	**Females**	Males	Females	Males	Females
Retiring today	**23.4**	**24.9**	23.2	25.2	23.3	24.8
Retiring in 20 years	**24.9**	**26.6**	24.8	27.0	24.8	26.5

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

	Unaudited 30 June 2021		Unaudited 30 June 2020		Audited 31 December 2020	
	Rathbone 1987 Scheme £'000	**Laurence Keen Scheme £'000**	Rathbone 1987 Scheme £'000	Laurence Keen Scheme £'000	Rathbone 1987 Scheme £'000	Laurence Keen Scheme £'000
Present value of defined benefit obligations	**(143,662)**	**(11,263)**	(153,941)	(12,585)	(153,030)	(12,374)
Fair value of scheme assets	**140,831**	**12,404**	137,991	12,088	143,027	12,592
Total (deficit)/surplus	**(2,831)**	**1,141**	(15,950)	(497)	(10,003)	218

The group made lump sum contributions into its pension schemes totalling £168,000 during the period (30 June 2020: £1,918,000; 31 December 2020: £3,111,000).

18 Share capital and share premium

The following movements in share capital occurred during the period:

	Number of shares	Exercise price pence	Share capital £'000	Share premium £'000	Merger reserve £'000	Total £'000
At 1 January 2020	56,361,986		2,818	210,939	71,756	285,513
Shares issued:						
– to Share Incentive Plan	133,945	1,296.0 – 2,110.0	7	2,119	–	2,126
– to Save As You Earn scheme	3,180	1,641.0 – 1,648.0	–	52	–	52
– to Employee Benefit Trust	859,800	5.0	43	–	–	43
At 30 June 2020 (unaudited)	57,358,911		2,868	213,110	71,756	287,734
Shares issued:						
– to Share Incentive Plan	125,674	1,296.0 – 2,110.0	6	1,951	–	1,957
– to Save As You Earn scheme	1,828	1,641.0 – 1,648.0	–	31	–	31
– to Employee Benefit Trust	–	5.0	–	–	–	–
At 31 December 2020 (audited)	**57,486,413**		**2,874**	**215,092**	**71,756**	**289,722**
Shares issued:						
in relation to business combinations	**881,737**	**24.8**	**44**	**21,858**	**–**	**21,902**
– to Share Incentive Plan	**193,842**	**1,540.0 – 1,858.0**	**10**	**3,287**	**–**	**3,297**
– to Save As You Earn scheme	**6,532**	**1,648.0**	**–**	**107**	**–**	**107**
– to Employee Benefit Trust	**–**	**–**	**–**	**–**	**–**	**–**
– on placing	**2,840,910**	**1,760.0**	**142**	**48,759**	**–**	**48,901**
At 30 June 2021 (unaudited)	**61,409,434**		**3,070**	**289,103**	**71,756**	**363,929**

On 22 June 2021, the company issued 2,840,910 shares by way of a placing for cash consideration at £17.60 per share, which raised £48,901,000, net of £1,100,000 placing costs, offset against share premium arising on the issue.

At 30 June 2021, the group held 3,757,229 own shares (30 June 2020: 3,708,454; 31 December 2020: 3,757,370).

19 Share-based payments

The group recognised total expenses of £5,455,000 (30 June 2020: £3,779,000; 31 December 2020: £11,276,000) in relation to share-based transactions in the period. This excludes the staff costs in relation to the acquisition of Speirs & Jeffrey reported within acquisition-related costs (note 6).

20 Financial instruments

Fair value measurement

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

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

At 30 June 2021 (unaudited)	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets				
Fair value through profit or loss:				
– equity securities	**7,018**	**–**	**2,464**	**9,482**
– money market funds	**–**	**103,097**	**–**	**103,097**
	7,018	**103,097**	**2,464**	**112,579**

At 30 June 2020 (unaudited)	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets				
Fair value through profit or loss:				
– equity securities	5,209	–	2,292	7,501
– money market funds	–	102,373	–	102,373
	5,209	102,373	2,292	109,874

At 31 December 2020 (audited)	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets				
Fair value through profit or loss:				
– equity securities	5,728	–	2,569	8,297
– money market funds	–	99,262	–	99,262
	5,728	99,262	2,569	107,559

The group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred. There have been no transfers between levels during the period.

The fair value of listed equity securities is their quoted price. Money market funds are demand securities and changes to estimates of interest rates will not affect their fair value. The fair value of money market funds is their daily redemption value.

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

- Debt securities that are classified and measured at amortised cost comprise bank and building society certificates of deposit, which have fixed coupons. The fair value of debt securities at 30 June 2021 was £715,434,789 (30 June 2020: £634,780,975; 31 December 2020: £604,462,000) and the carrying value was £714,765,000 (30 June 2020: £647,068,000; 31 December 2020: £651,533,000). Fair value is based on market bid prices and hence would be categorised as level 1 within the fair value hierarchy.
- Subordinated loan notes (note 16) comprise Tier 2 loan notes. The fair value of the loan notes at 30 June 2021 was £19,862,000 (30 June 2020: £20,146,000; 31 December 2020: £21,726,000) and the carrying value was £19,964,000 (30 June 2020: £19,989,000; 31 December 2020: £19,768,000). Fair value of the loan notes is based on discounted future cash flows using current market rates for debts with similar remaining maturity, and hence would be categorised as level 2 within the fair value hierarchy.

Level 3 financial instruments

Fair value through profit or loss

The group holds 1,809 shares in Euroclear Holdings SA, which are classed as level 3 in the fair value hierarchy since no observable market data is available.

In the current period, the valuation of €1,586 per share has been calculated by reference to the most readily available data, which is the indicative price derived from recent transactions of the shares in the market. The valuation at the balance sheet date has been adjusted for movements in exchange rates since the acquisition date.

A 10% weakening of the euro against sterling, occurring on 30 June 2021, would have reduced equity and profit after tax by £200,000 (30 June 2020: £186,000; 31 December 2020: £208,000). A 10% strengthening of the euro against sterling would have had an equal and opposite effect.

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

	Unaudited 30 June 2021 £'000	Unaudited 30 June 2020 £'000	Audited 31 December 2020 £'000
At 1 January	**2,569**	1,186	1,186
Total unrealised gains/(losses) recognised in profit or loss	**(105)**	1,106	1,383
At 30 June	**2,464**	2,292	2,569

Expected credit loss provision

The movement in the allowance for impairment in respect of financial assets during the reporting period was as follows:

	Cash and balances with central banks £'000	**Loans and advances to banks £'000**	**Investment Management loan book £'000**	**Trust and financial planning debtors £'000**	**Debt securities £'000**	**Total £'000**
Balance at 1 January 2021 (audited)	**728**	**2**	**–**	**102**	**106**	**938**
Amounts written off	**–**	**–**	**–**	**–**	**–**	**–**
Net remeasurement of loss allowance	**(524)**	**(2)**	**6**	**(1)**	**(58)**	**(579)**
Balance at 30 June 2021 (unaudited)	**204**	**–**	**6**	**101**	**48**	**359**

As at 30 June 2021, the impairment allowance in respect of all financial assets in the table above was measured at an amount equal to 12 month ECLs, apart from trust and financial planning debtors, where the impairment allowance was equal to lifetime ECLs.

21 Contingent liabilities and commitments

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

(b) Capital expenditure authorised and contracted for at 30 June 2021 but not provided for in the condensed consolidated interim financial statements amounted to £1,300,000 (30 June 2020: £2,368,000; 31 December 2020: £26,000).

(c) The contractual amounts of the group's commitments to extend credit to its clients are as follows:

	Unaudited 30 June 2021 £'000	Unaudited 30 June 2020 £'000	Audited 31 December 2020 £'000
Undrawn commitments to lend of 1 year or less	**33,027**	29,141	30,240
Undrawn commitments to lend of more than 1 year	**9,005**	9,770	9,270
	42,032	38,911	39,510

The fair value of the guarantees is £nil (30 June 2020 and 31 December 2020: £nil).

(d) The arrangements put in place by the Financial Services Compensation Scheme (FSCS) to protect depositors and investors from loss in the event of failure of financial institutions has resulted in significant levies on the industry in recent years. The financial impact of unexpected FSCS levies is largely out of the group's control as they result from other industry failures.

There is uncertainty over the level of future FSCS levies as they depend on the ultimate cost to the FSCS of industry failures. The group contributes to the deposit class, investment fund management class and investment intermediation levy classes and accrues levy costs for future levy years when the obligation arises.

22 Cash and cash equivalents

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

	Unaudited 30 June 2021 £'000	Unaudited 30 June 2020 £'000	Audited 31 December 2020 £'000
Cash and balances at central banks	**1,414,291**	2,300,000	1,798,000
Loans and advances to banks	**158,986**	162,154	159,432
Investment securities held at fair value through profit or loss	**103,097**	102,373	99,262
	1,676,374	2,564,527	2,056,694

Investment securities held at fair value through profit or loss are amounts invested in money market funds which are realisable on demand.

Cash flows arising from issue of ordinary shares comprise:

	Unaudited Six months to 30 June 2021 £'000	Unaudited Six months to 30 June 2020 £'000	Audited 31 December 2020 £'000
Share capital issued (note 18)	**196**	50	56
Share premium on shares issued (note 18)	**74,011**	2,171	4,153
Shares issued in relation to share buybacks	**(1,829)**	(4,282)	(5,077)
	72,378	(2,061)	(868)

23 Related party transactions

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

Dividends totalling £192,000 were paid in the period (six months ended 30 June 2020: £67,000; year ended 31 December 2020: £98,000) in respect of ordinary shares held by key management personnel.

As at 30 June 2021, the group had provided interest-free season ticket loans of £nil (30 June 2020: £nil; 31 December 2020: £nil) to key management personnel.

At 30 June 2021, key management personnel and their close family members had gross outstanding deposits of £743,000 (30 June 2020: £801,000; 31 December 2020: £616,000) and gross outstanding loans of £nil (30 June 2020: £4,000; 31 December 2020: £nil) which were made on normal business terms. A number of the company's directors and their close family members make use of the services provided by companies within the group. Charges for such services are made at various staff rates.

One group subsidiary, Rathbone Unit Trust Management, has authority to manage the investments within a number of unit trusts. During the first half of 2021, the group managed 33 unit trusts, Sociétés d'investissement à Capital Variable (SICAVs) and open-ended investment companies (OEICs) (together, 'collectives') (six months ended 30 June 2020: 29 collectives; year ended 31 December 2020: 28 collectives).

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

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

	Unaudited Six months to 30 June 2021 £'000	Unaudited Six months to 30 June 2020 £'000	Audited Year to 31 December 2020 £'000
Total management fees	**26,133**	19,298	45,657

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

	Unaudited Six months to 30 June 2021 £'000	Unaudited Six months to 30 June 2020 £'000	Audited Year to 31 December 2020 £'000
Management fees owed to the group	**5,273**	3,930	4,885
Holdings in unit trusts (note 20)	**7,018**	5,209	5,728
	12,291	9,139	10,613

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

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

24 Interest in unconsolidated structured entities

As described in note 23, at 30 June 2021, the group owned units in collectives managed by Rathbone Unit Trust Management with a value of £7,018,000 (30 June 2020: £5,209,000; 31 December 2020: £5,728,000), representing 0.06% (30 June 2020: 0.06%; 31 December 2020: 0.06%) of the total value of the collectives managed by the group. These assets are held to hedge the group's exposure to deferred remuneration schemes for employees of Unit Trusts.

The group's primary risk associated with its interest in the unit trusts is from changes in fair value of its holdings in the funds.

The group is not judged to control, and therefore does not consolidate, the collectives. Although the fund trustees have limited rights to remove Rathbone Unit Trust Management as manager, the group is exposed to very low variability of returns from its management and share of ownership of the funds and is therefore judged to act as an agent rather than having control under IFRS 10.

25 Events after the balance sheet date

An interim dividend of 27.0p per share was declared on 27 July 2021 (note 9).

Notice was given to the subordinated loan noteholders on 5 July 2021 that the group intends to exercise the call option on the notes and will repay these in August 2021.

There have been no other material events occurring between the balance sheet date and 27 July 2021.

Regulatory capital

The group is classified as a banking group under the Capital Requirements Directive (CRD) and is therefore required to operate within the restrictions on capital resources and banking exposures prescribed by the Capital Requirements Regulation, as applied by the Prudential Regulation Authority (PRA).

The group has chosen not to adopt the IFRS 9 transitional arrangements, as the impact of IFRS 9 on the group's regulatory capital has been minimal.

Regulatory own funds

The group's regulatory own funds (excluding profits for the six months ended 30 June, which have not yet been independently verified, but including independently verified profits to 31 December) are shown in the table below:

	Unaudited 30 June 2021 £'000	Unaudited 30 June 2020 £'000	Unaudited 31 December 2020 £'000
Share capital and share premium	**292,173**	215,978	217,966
Reserves	**320,704**	308,710	342,605
Less:			
– prudent valuation of assets held at fair value through profit or loss	**(113)**	(110)	(108)
– own shares	**(48,407)**	(46,088)	(46,744)
– intangible assets (net of deferred tax)	**(215,753)**	(225,686)	(220,711)
Total Common Equity Tier 1 capital	**348,604**	252,804	293,008
Tier 2 capital	**9,690**	11,911	10,744
Total own funds	**358,294**	264,715	303,752

Own funds requirements

The group is required to hold capital to cover a range of own funds requirements, classified as Pillar 1 and Pillar 2.

Pillar 1 – minimum requirement for capital

Pillar 1 focuses on the determination of risk-weighted assets and expected losses in respect of the group's exposure to credit, counterparty credit, settlement, market and operational risks and sets a minimum requirement for capital.

At 30 June 2021, the group's risk-weighted assets were £1,314,225,000 (30 June 2020: £1,187,800,000; 31 December 2020: £1,247,825,000).

Pillar 2 – supervisory review process

Pillar 2 supplements the Pillar 1 minimum requirement with firm-specific Individual Capital Guidance (Pillar 2A) and a framework of regulatory capital buffers.

The Pillar 2A own funds requirement is set by the PRA to reflect those risks, specific to the firm, which are not fully captured under the Pillar 1 own funds requirement. These include:

Pension obligation risk

The potential for additional unplanned capital strain or costs that the group would incur in the event of a significant deterioration in the funding position of the group's defined benefit pension schemes.

Interest rate risk in the banking book

The risk to earnings or capital arising from movement on the interest rate through repricing or interest basis.

Concentration risk

Greater loss volatility arising from a higher level of loan default correlation than is assumed by the Pillar 1 assessment.

The group is also required to maintain a number of regulatory capital buffers.

Capital conservation buffer (CCB)

The CCB is a general buffer of 2.5% of risk-weighted assets designed to provide for losses in the event of a stress. The CCB must be met with Common Equity Tier 1 capital.

Countercyclical capital buffer (CCyB)

The CCyB is time-varying and is designed to act as an incentive for banks to constrain credit growth in times of heightened systemic risk. The amount of the buffer is determined by reference to rates set by the Financial Policy Committee (FPC) for individual countries where the group has credit exposures.

The buffer rate is currently set to 0% for the UK. However, different rates for other countries, where the group has small relevant credit exposures, result in an overall rate of 0.01% of risk-weighted assets for the group as at 30 June 2021. The CCyB must be met with Common Equity Tier 1 capital.

The group's own funds requirements were as follows:

	Unaudited 30 June 2021 £'000	Unaudited 30 June 2020 £'000	Unaudited 31 December 2020 £'000
Own funds requirement for credit risk, counterparty credit risk and settlement risk	**52,753**	45,240	46,858
Own funds requirement for market risk	**–**	–	583
Own funds requirement for operational risk	**52,385**	49,784	52,385
Pillar 1 own funds requirement	**105,138**	95,024	99,826
Pillar 2A own funds requirement	**40,118**	39,665	39,973
Total Pillar 1 and 2A own funds requirement	**145,256**	134,689	139,799
CRD IV buffers:			
– capital conservation buffer (CCB)	**32,856**	29,695	31,196
– countercyclical capital buffer (CCyB)	**131**	2,083	125
Total Pillar 1 and 2A own funds requirement and CRD IV buffers	**178,243**	166,467	171,120

Statement of directors' responsibilities in respect of the interim statement

Confirmations by the board

We confirm to the best of our knowledge:

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

Going concern basis of preparation

Details of the group's results, cash flows and resources, together with an update on the risks it faces and other factors likely to affect its future development, performance and position, are set out in this interim management report.

Group companies are regulated by the PRA and FCA and perform annual capital adequacy and liquidity assessments, which include the modelling of certain extreme stress scenarios. These forecasts have been prepared taking account of the potential impacts of the COVID-19 pandemic on market volatility. The group publishes Pillar 3 disclosures annually on its website, which provide further detail about its regulatory capital resources and requirements. During the first half of 2021, and as at 30 June 2021, the group was primarily equity-financed, with a small amount of gearing in the form of the Tier 2 debt.

The group's financial projections and the capital adequacy and liquidity assessments provide comfort that the group has adequate financial and regulatory resources to continue in operational existence for the foreseeable future. Accordingly, we continue to adopt the going concern basis of accounting in preparing the condensed consolidated interim financial statements. In forming our view, we have considered the company's prospects for a period exceeding 12 months from the date the condensed consolidated interim financial statements are approved.

By order of the board

Paul Stockton
Chief Executive

27 July 2021

Independent review report to Rathbone Brothers Plc

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2021 which comprises the consolidated interim statement of comprehensive income, the consolidated interim balance sheet, the consolidated interim statement of changes in equity, the consolidated interim statement of cash flows and related notes 1 to 25. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 1, the annual financial statements of the group will be prepared in accordance with United Kingdom adopted International Financial Reporting Standards. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with United Kingdom adopted International Accounting Standard 34, "Interim Financial Reporting".

Our responsibility

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

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2021 is not prepared, in all material respects, in accordance with United Kingdom adopted International Accounting Standard 34 and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Use of our report

This report is made solely to the Company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Financial Reporting Council. Our work has been undertaken so that we might state to the Company those matters we are required to state to it in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our review work, for this report, or for the conclusions we have formed.

Deloitte LLP
Statutory Auditor
Hill House, 1 Little New Street, London EC4A 3TR

27 July 2021

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Look forward

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