Funds under management and administration reach record £49.2 billion

Paul Stockton, chief executive, said:

"It has been a busy first half for Rathbones as we successfully migrated our largest acquisition to date, underwent a smooth leadership transition and posted the highest funds under management and administration in our history. Investment markets look likely to remain volatile in the second half but we retain a cautiously optimistic outlook. The UK wealth industry continues to present positive opportunities for future growth which we will actively pursue."

Financial highlights:

- Total funds under management and administration reached a record £49.2 billion at 30 June 2019, up 11.6% from £44.1 billion at 31 December 2018 (30 June 2018: £39.9 billion). The FTSE 100 Index and MSCI WMA Private Investor Balanced Index increased 10.4% and 9.9% respectively over the six-month period to 30 June 2019.
  - £42.5 billion in the Investment Management business (30 June 2018: £34.1 billion)
  - £6.7 billion in the Unit Trusts business (30 June 2018: £5.8 billion)
- Total growth was £0.5 billion in the first six months of 2019 (30 June 2018: £0.8 billion), representing a net annual growth rate of 2.1% (2018: 3.6%).
  - Total growth in the funds managed by Investment Management was £0.1 billion in the first six months of 2019 (30 June 2018: £0.5 billion). Net organic outflows in the first half of the year totalled £0.1 billion (30 June 2018: net inflows of £0.4 billion).
  - Net inflows in Unit Trusts were £0.4 billion in the first half of 2019 (2018: £0.3 billion).
- Underlying operating income totalled £172.7 million (2018: 153.2 million).
  - Income in Investment Management totalled £155.2 million in the first six months of 2019 (2018: £135.3 million). The average FTSE 100 Index was 7436 on quarterly billing dates in 2019, broadly flat against the 7418 recorded in 2018.
  - Income in Unit Trusts totalled £17.5 million in the six months ended 30 June 2019, broadly flat on the £17.9 million reported in the first half of 2018, despite the cessation of 'risk-free' managers' box dealing profits from mid-January 2019.
- Underlying profit before tax totalled £46.6 million in the first six months of 2019 (2018: £48.3 million) and reflected previously flagged non-recurring factors. Underlying earnings per share totalled 71.4p (2018: 76.1p).
- Profit before tax for the six months to 30 June 2019 of £20.0 million (2018: £43.7 million) reflected a number of expected items, primarily in relation to the acquisition of Speirs & Jeffrey. Costs in relation to this totalled £17.8 million in the half year (2018: £0.6m). Basic earnings per share totalled 25.8p (2018: 68.3p).

Declaration of interim dividend

- We are increasing our interim dividend in line with our progressive dividend policy by 4.2% to 25p (2018: 24p). This increase reflects our confidence in our medium term prospects and the strength of our balance sheet. The record date will be 6 September 2019 and the dividend will be paid on 1 October 2019.

Funds under management and administration

(i) Investment Management

	6 months ended 30 June[1] 2019 £m	2018 £m	Change %
Opening FUMA (1 January)	**38,456**	33,780	13.8
Inflows	**1,901**	1,753	8.4
Organic new business	**1,727**	1,693	2.0
Acquired new business	**174**	60	190.0
Outflows	**(1,761)**	(1,340)	31.4
Market effect and investment performance	**3,886**	(53)	(7,432.1)
Closing FUMA (30 June)	**42,482**	**34,140**	**24.4**
Underlying annualised rate of net organic growth	**-0.2%**	2.1%	
Total annualised net organic and acquired growth	**0.7%**	2.5%	
FTSE 100 Index (30 June)	**7426**	7637	(2.8)
MSCI WMA Private Investor Balanced Index (30 June)	**1631**	1597	2.1

(ii) Unit Trusts

	6 months ended 30 June 2019 £m	2018 £m	Change %
Opening FUM (1 January)	**5,643**	5,367	5.1
Inflows	**994**	973	2.2
Outflows	**(665)**	(674)	(1.3)
Market effect and investment performance	**730**	110	563.6
Closing FUM (30 June)	**6,702**	**5,776**	**16.0**
Total FUMA[2]	**49,184**	**39,916**	**23.2**

(iii) Investment Management; Service level breakdown

	30 June 2019 £m	31 December 2018 £m	30 June 2018 £m	Change 6 months %	Change 12 months %
Direct	**29,906**	26,642	25,101	12.3	19.1
Financial Adviser linked[3]	**8,440**	7,515	7,934	12.3	6.4
Total Discretionary	**38,346**	34,157	33,035	12.3	16.1
Non-Discretionary Investment Management	**3,374**	3,332	823	1.3	310.0
Execution Only	**2,299**	2,158	1,465	6.5	56.9
Gross Investment Management FUMA	**44,019**	**39,647**	**35,323**	**11.0**	**24.6**
Discretionary wrapped funds[4]:	**(1,537)**	(1,191)	(1,183)	29.1	29.9
Total Investment Management FUMA	**42,482**	**38,456**	**34,140**	**10.5**	**24.4**

* Speirs & Jeffrey was acquired on 31 August 2018 so does not form part of the 30 June 2018 figures.

1. Key charging dates for Investment Management clients are 5 April, 30 June, 30 September and 31 December. Unit Trusts income accrues on daily levels of funds under management. Speirs & Jeffrey clients have variable charging dates depending on the type of fund.
2. Includes Greenbank funds of £1.5 billion (2018: £1.2 billion) and funds managed with a charitable mandate of £6.0 billion (2018: £4.9 billion).
3. Of the £7.8 billion of financial adviser linked business that we reported in the 2018 report and accounts, £7.5 billion is included in Discretionary and £0.3 billion in Execution Only.
4. Discretionary wrapped funds represent funds operated by Unit Trusts, managed by both Investment Management teams and Unit Trusts fund managers.

24 July 2019

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Ed Gascoigne-Pees
Hazel Stevenson

Rathbone Brothers Plc

Rathbone Brothers Plc ("Rathbones"), through its subsidiaries, is a leading provider of high-quality, personalised investment and wealth management services for private clients, charities and trustees. Our services include discretionary investment management, unit trusts, banking and loan services, financial planning, unitised portfolio services, and UK trust, legal, estate and tax advice.

Rathbones has over 1,400 staff in 15 UK locations and Jersey; its headquarters is 8 Finsbury Circus, London.

rathbones.com

Interim management report

Delivering in uncertain investment markets

The first half of 2019 saw investment markets recover from a difficult end to 2018. Given the ongoing backdrop of political uncertainty and global trade tensions, markets finished quite strongly on 30 June 2019.

We see weakened investor sentiment continuing over the shorter term, so we are generally positioning client portfolios accordingly. Our investment teams have performed well over the period but retain a healthy degree of caution for the second half.

Continued growth in funds under management and administration

Total funds under management and administration reached a record £49.2 billion at 30 June 2019, up 11.6% from £44.1 billion at 31 December 2018 and up 23.3% from £39.9 billion at 30 June 2018.

Underlying profit before tax fell 3.5% to £46.6 million at 30 June 2019 from the £48.3 million reported a year ago. This represents an underlying operating margin of 27.0% (30 June 2018: 31.5%). Accordingly, underlying earnings per share of 71.4p decreased from the 76.1p recorded in 2018.

This decrease reflects non-recurring factors that were flagged at the end of 2018 which would adversely impact our profitability during 2019. These include the cessation of 'risk-free' managers' box dealing profits in our Unit Trusts business from mid-January (30 June 2019: £0.2m, 30 June 2018: £1.8m) and the acceleration of some deferred executive awards in relation to recent retirements (30 June 2019: £0.9 million, 30 June 2018: £nil). Results have also been impacted by an unexpected additional Financial Services Compensation Scheme (FSCS) levy charge of £1.8 million in the first half. The full year FSCS cost forecast is currently expected to be £3.8 million (31 December 2018: £2.8m).

Profit before tax for the six months to 30 June 2019 of £20.0 million (30 June 2018: £43.7 million) reflects a number of expected items, primarily in relation to the acquisition of Speirs & Jeffrey. Costs in relation to this totalled £17.8 million in the period (30 June 2018: £0.6m) and are consistent with the c. £29 million flagged in our 2018 preliminary results for full year 2019. Basic earnings per share were 25.8p (30 June 2018: 68.3p). A full reconciliation between profit before tax and underlying profit before tax can be found in note 10.

Our balance sheet remains very strong with a consolidated Common Equity Tier 1 ratio of 20.5% at 30 June 2019 (31 December 2018: 20.6%; 30 June 2018: 26.4%) and a consolidated leverage ratio of 8.6% at 30 June 2019 (31 December 2018: 8.9%; 30 June 2018: 9.9%). Our capital surplus of own funds (excluding year-to-date post-tax profits) over our regulatory capital requirement was £80.3 million at 30 June 2019 (£74.3 million at 31 December 2018, including verified profits for the year). Retirement benefit obligations fell to £9.7 million at 30 June 2019, 13.4% lower than the £11.2 million recorded at 31 December 2018.

An increased interim dividend

We are increasing our interim dividend in line with our progressive dividend policy by 4.2% to 25p (2018: 24p). This increase reflects our confidence in our medium term prospects and the strength of our balance sheet. The record date will be 6 September 2019 and the dividend will be paid on 1 October 2019.

Identifying growth opportunities in the business

It has been nearly three months since Paul Stockton took over as chief executive on 9 May 2019, having been group finance director for over a decade. Jennifer Mathias took over the group finance director role on 1 April 2019. The business has grown considerably in recent years so the change in leadership presents an opportunity to identify how different areas of the business can develop further.

Following an ongoing review, we have begun to implement some changes which will both help enlarge our footprint with external financial advisers and support business development more widely. Firstly, in order to broaden our industry reach with financial advisers, we are adding specialist roles to our financial intermediary distribution team to focus entirely on introducing our discretionary fund management proposition to that community.

Secondly, we have appointed a head of client development to act as a focal point for all business development activity in the non-intermediated channel. This will include offshore investment services, but also a UHNW team (formerly the Rathbone Private Office) that will now concentrate on introducing UHNW clients to existing Rathbone investment teams rather than promoting its own advisory proposition. The changes will provide a renewed focus on business development skills, building out and maintaining pipelines and nurturing internal client opportunities.

We plan to share our strategic plans with the market in more detail in October 2019.

A successful transfer of Speirs & Jeffrey clients

Speirs & Jeffrey is the largest acquisition Rathbones has undertaken to date and, following a successful migration project, we transferred £6.5 billion or 96% of funds under management and administration over to Rathbones' systems in July 2019.

This achievement was possible thanks to careful planning, involving over 30 work streams covering all aspects of the business. Staff in both businesses have worked hard to secure a smooth transition for both clients and staff alike and our sincere thanks go to them for their effort. This is again a confirmation of our ability to successfully consolidate a material business onto our platform and gives us confidence as we seek further opportunities.

Business Performance

Investment Management

Total funds under management and administration in our Investment Management business were £42.5 billion, up 24.6% from the £34.1 billion we reported a year ago and largely reflecting the Speirs and Jeffrey acquisition. Total growth in funds was £0.1 billion in the first six months of 2019 (30 June 2018: £0.5 billion).

Net organic outflows in the first half of the year totalled £0.1 billion (30 June 2018: net inflows of £0.4 billion). Gross inflows totalled £1.9 billion (30 June 2018: £1.8 billion) with investment teams spending considerable time over the period upgrading client documentation. We continue to see some expected outflows. The principal focus of Speirs & Jeffrey investment teams has been on the migration to Rathbones' platform rather than growth. This has generated some natural client attrition of non-discretionary and execution only accounts.

The business continues to be recognised as a leader in the space and recently received the 2019 Portfolio Adviser Balanced Portfolio of the Year award for large wealth managers.

Unit Trusts

Our funds business continues to gain momentum with funds under management of £6.7 billion at 30 June 2019, up 15.5% from £5.8 billion a year ago. Despite a difficult backdrop where many peers have seen net outflows, the business has attracted net inflows of £329 million for the first six months of the year (30 June 2018: £299 million). This represents a net organic growth rate of 11.7% (30 June 2018: 11.1%).

Three of our largest funds (Global Opportunities, Ethical Bond and Income) all received a 2019 'Rated Funds' accolade from Money Observer for consistently delivering superior returns against their peer group over at least three years and the Global Opportunities fund was recently awarded the City of London Wealth Management award for Best Fund 2019. Our multi-asset range now manages £1.2 billion and continues to grow.

Business risks

The board believes that the nature of the principal risks and uncertainties which may have a material effect on the group's performance remain unchanged from those identified in the strategic report and group risk committee report in our 2018 annual report and accounts (pages 35 to 40 and pages 66 to 68 respectively).

Rathbones' exposure to potential disruption from Brexit remains low. While we are generally beholden to the performance of investment markets, we are a UK business with a largely in-sourced operating model and predominantly UK onshore client base. We have no operation in other EU countries and no material dependencies on goods, services, or people from other EU countries. We have however proactively changed the basis by which our Unit Trusts business distributes its funds in Europe in preparation for the possibility of a hard Brexit.

We continue to monitor developments closely and as a position on Brexit becomes clearer, we will act as necessary.

Regulation

We adopted MiFID II costs and charges disclosure standards for our December 2018 valuations, taking care to achieve as much commonality as possible with other industry participants. We believe that being more transparent about costs is a positive step for both our clients and the wealth management industry generally.

We continue to maintain a strong culture within the business that is focused on positive client outcomes, and we are alert to the themes communicated by our regulators, including the risks associated with cyber threats and financial crime. As a bank, Rathbone Investment Management Limited adopted the Senior Managers and Certification Regime in March 2016 and as a group, we are now well placed to embed these practices into our unit trust and Vision Independent Financial Planning businesses.

Looking ahead to the remainder of the year

Following the successful transfer of Speirs & Jeffrey clients to our platform we now look forward to working with the team to deliver on our synergy expectations. The success of the migration will begin to release some key people to continue to develop other areas of the business.

Investment markets look likely to remain volatile in the second half but we continue to actively invest for future growth. The UK wealth industry continues to present positive opportunities and we retain a cautiously optimistic outlook.

Mark Nicholls	Paul Stockton
Chairman	Chief Executive

23 July 2019

Consolidated interim statement of comprehensive income

for the six months ended 30 June 2019

	Note	**Unaudited Six months to 30 June 2019 £'000**	Unaudited Six months to 30 June 2018 £'000	Audited Year to 31 December 2018 £'000
Interest and similar income		**13,631**	8,991	20,968
Interest expense and similar charges		**(5,985)**	(2,088)	(5,647)
Net interest income		**7,646**	6,903	15,321
Fee and commission income		**174,950**	154,232	314,013
Fee and commission expense		**(11,348)**	(10,855)	(22,903)
Net fee and commission income		**163,602**	143,377	291,110
Net trading income		**165**	1,777	3,405
Other operating income		**1,318**	1,134	2,127
Operating income		**172,731**	153,191	311,963
Charges in relation to client relationships and goodwill	14	**(7,795)**	(6,198)	(13,188)
Acquisition-related costs	5	**(18,857)**	(1,308)	(19,925)
Head office relocation	6	**-**	2,924	2,861
Other operating expenses		**(126,103)**	(104,933)	(220,405)
Operating expenses		**(152,755)**	(109,515)	(250,657)
Profit before tax		**19,976**	43,676	61,306
Taxation	8	**(6,214)**	(8,931)	(15,137)
Profit for the period attributable to equity holders of the company		**13,762**	34,745	46,169
Other comprehensive income:				
Items that will not be reclassified to profit or loss				
Net remeasurement of defined benefit liability		**(285)**	(17)	1,219
Deferred tax relating to the net remeasurement of defined benefit liability		**48**	3	(207)
Other comprehensive income net of tax		**(237)**	(14)	1,012
Total comprehensive income for the period net of tax attributable to equity holders of the company		**13,525**	34,731	47,181
Dividends paid and proposed for the period per ordinary share	9	**25.0p**	24.0p	66.0p
Dividends paid and proposed for the period		**14,019**	13,000	35,204
Earnings per share for the period attributable to equity holders of the company:	10			
– basic		**25.8p**	68.3p	88.7p
– diluted		**25.0p**	67.6p	86.2p

Consolidated interim statement of changes in equity

for the six months ended 30 June 2019

	Note	Share capital £'000	Share premium £'000	Merger reserve £'000	Own shares £'000	Retained earnings £'000	Total equity £'000
At 1 January 2018 (audited)		2,566	143,089	31,835	(4,864)	198,947	371,573
Profit for the period						34,745	34,745
Net remeasurement of defined benefit liability						(17)	(17)
Deferred tax relating to components of other comprehensive income						3	3
Other comprehensive income net of tax		–	–	–	–	(14)	(14)
Dividends paid						(19,858)	(19,858)
Issue of share capital	18	142	61,472				61,614
Share-based payments:							
– value of employee services						1,603	1,603
– cost of own shares acquired					(2,225)		(2,225)
– cost of own shares vesting					1,605	(1,605)	–
– tax on share-based payments						395	395
At 30 June 2018 (unaudited)		2,708	204,561	31,835	(5,484)	214,213	447,833
Profit for the period						11,424	11,424
Net remeasurement of defined benefit liability						1,236	1,236
Deferred tax relating to components of other comprehensive income						(210)	(210)
Other comprehensive income net of tax		–	–	–	–	1,026	1,026
Dividends paid						(12,833)	(12,833)
Issue of share capital	18	52	25,662				25,714
Prior period adjustment (note 1)			(24,950)	24,950			–
Share-based payments:							
– value of employee services						18,676	18,676
– cost of own shares acquired					(27,663)		(27,663)
– cost of own shares vesting					410	(410)	–
– tax on share-based payments						(37)	(37)
At 31 December 2018 (restated)		**2,760**	**205,273**	**56,785**	**(32,737)**	**232,059**	**464,140**
Profit for the period						**13,762**	**13,762**
Net remeasurement of defined benefit liability						**(285)**	**(285)**
Deferred tax relating to components of other comprehensive income						**48**	**48**
Other comprehensive income net of tax		**–**	**–**	**–**	**–**	**(237)**	**(237)**
Dividends paid						**(22,433)**	**(22,433)**
Issue of share capital	18	**44**	**3,648**	**14,970**			**18,662**
Share-based payments:							
– value of employee services						**5,301**	**5,301**
– cost of own shares acquired					**(4,361)**		**(4,361)**
– cost of own shares vesting					**260**	**(260)**	**–**
– tax on share-based payments						**(89)**	**(89)**
At 30 June 2019 (unaudited)		**2,804**	**208,921**	**71,755**	**(36,838)**	**228,103**	**474,745**

Consolidated interim balance sheet

as at 30 June 2019

	Note	Unaudited 30 June 2019 £'000	Unaudited 30 June 2018 £'000	Audited 31 December 2018 £'000 (restated - note 1)
Assets				
Cash and balances with central banks		**1,271,512**	1,306,881	1,198,479
Settlement balances		**126,509**	75,519	39,754
Loans and advances to banks		**176,172**	127,328	166,200
Loans and advances to customers	11	**139,121**	122,864	138,959
Investment securities:				
– fair value through profit or loss		**126,308**	91,682	79,797
– amortised cost		**917,098**	775,839	907,225
Prepayments, accrued income and other assets		**93,461**	94,366	81,552
Property, plant and equipment	12	**15,713**	16,207	16,838
Right of use assets	13	**51,396**	–	–
Deferred tax asset		**590**	7,709	–
Intangible assets	14	**235,653**	163,149	238,918
Total assets		**3,153,533**	2,781,544	2,867,722
Liabilities				
Deposits by banks		**–**	3,785	491
Settlement balances		**109,773**	84,396	36,692
Due to customers		**2,382,588**	2,115,080	2,225,536
Accruals, deferred income and other liabilities		**75,951**	74,375	91,609
Lease liabilities		**62,840**	–	–
Current tax liabilities		**5,205**	7,134	5,985
Deferred tax liability		**–**	–	481
Provisions for liabilities and charges	15	**12,869**	15,138	11,784
Subordinated loan notes	16	**19,866**	19,751	19,807
Retirement benefit obligations	17	**9,696**	14,052	11,197
Total liabilities		**2,678,788**	2,333,711	2,403,582
Equity				
Share capital	18	**2,804**	2,708	2,760
Share premium	18	**208,921**	204,561	205,273
Merger reserve	18	**71,755**	31,835	56,785
Own shares		**(36,838)**	(5,484)	(32,737)
Retained earnings		**228,103**	214,213	232,059
Total equity		**474,745**	447,833	464,140
Total liabilities and equity		**3,153,533**	2,781,544	2,867,722

The condensed consolidated interim financial statements were approved by the board of directors and authorised for issue on 23 July 2019 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 2019

	Note	**Unaudited 30 June 2019 £'000**	Unaudited 30 June 2018 £'000	Audited 31 December 2018 £'000
Cash flows from operating activities				
Profit before tax		**19,976**	43,676	61,306
Change in fair value through profit or loss		**(323)**	–	185
Net interest income		**(7,646)**	(6,903)	(15,321)
Net impairment charges on loans and advances		**37**	34	44
Net charge/(release) for provisions	15	**590**	(3,119)	(1,498)
Loss on disposal of property, plant and equipment		**-**	–	1
Depreciation, amortisation and impairment		**14,779**	10,063	21,673
Foreign exchange movements		**299**	(910)	(2,297)
Defined benefit pension scheme charges		**132**	175	491
Defined benefit pension contributions paid		**(1,918)**	(1,740)	(3,673)
Share-based payment charges		**18,339**	2,803	19,838
Interest paid		**(5,908)**	(2,022)	(5,175)
Interest received		**13,597**	9,385	21,362
		51,954	51,442	96,936
Changes in operating assets and liabilities:				
– net decrease/(increase) in loans and advances to banks and customers		**29,838**	32,660	(10,482)
– net (increase)/decrease in settlement balance debtors		**(86,755)**	(28,735)	7,030
– net increase in prepayments, accrued income and other assets		**(12,047)**	(20,019)	(3,887)
– net increase/(decrease) in amounts due to customers and deposits by banks		**156,561**	(52,971)	54,191
– net increase/(decrease) in settlement balance creditors		**73,081**	29,944	(17,760)
– net decrease in accruals, deferred income, provisions and other liabilities		**(4,532)**	(10,690)	(222)
Cash generated from operations		**208,100**	1,631	125,806
Tax paid		**(8,105)**	(5,697)	(14,697)
Net cash inflow/(outflow) from operating activities		**199,995**	(4,066)	111,109
Cash flows from investing activities				
Acquisition of subsidiaries, net of cash acquired		**-**	–	(72,914)
Purchase of property, equipment and intangible assets		**(5,142)**	(9,068)	(18,338)
Purchase of investment securities		**(538,442)**	(480,211)	(1,051,150)
Proceeds from sale and redemption of investment securities		**528,167**	407,215	847,323
Net cash used in investing activities		**(15,417)**	(82,064)	(295,079)
Cash flows from financing activities				
Net (repurchase)/issue of ordinary shares	22	**(700)**	59,389	57,440
Dividends paid		**(22,433)**	(19,858)	(32,691)
Payment of lease liabilities		**(2,318)**	–	–
Net cash (used in)/generated from financing activities		**(25,451)**	39,531	24,749
Net increase/(decrease) in cash and cash equivalents		**159,127**	(46,599)	(159,221)
Cash and cash equivalents at the beginning of the period		**1,408,537**	1,567,758	1,567,758
Cash and cash equivalents at the end of the period	22	**1,567,664**	1,521,159	1,408,537

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 page 4 of the annual report and accounts for the year ended 31 December 2018 and have not materially changed since that date.

These condensed consolidated interim financial statements, on pages 5 to 28, are presented in accordance with IAS 34 'Interim Financial Reporting' as adopted by the EU. The condensed consolidated interim financial statements have been prepared on a going concern basis, using the accounting policies, methods of computation and presentation set out in the group's financial statements for the year ended 31 December 2018 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 2018, 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 2018 are not the group's statutory accounts for that financial year. The group's financial statements for the year ended 31 December 2018 have been reported on by its previous 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.

Prior period adjustment

Following the issue of contingent consideration shares to the vendors of Speirs & Jeffrey, the group revisited the terms attaching to the initial consideration shares issued in the prior year (note 18). Having concluded that both share issuances were, in fact, in pursuance of the arrangement to acquire the shares in Speirs & Jeffrey, any premiums on the issuance of these shares should be recognised within the merger reserve. Premiums on issuance of the initial consideration shares were previously reported as share premium. The group has restated comparative information as at 31 December 2018 to report this amount within merger reserve. As at 31 December 2018, merger reserve has increased by £24,950,000 and share premium has decreased by the same amount. There is no impact on total equity as at that date and no impact on profit before tax or earnings per share for the period then ended.

Developments in reporting standards and interpretations

Standards and interpretations adopted during the current reporting period

This is the first set of the group's financial statements where IFRS 16 has been applied. This new standard was adopted from 1 January 2019. Under the transition method chosen, comparative information is not restated. Changes to significant accounting policies are described in note 2.

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

– IFRIC 23 Uncertainty over Income Tax Treatments
– Prepayment Features with Negative Compensation (Amendments to IFRS 9)
– Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)
– Annual Improvements to IFRS Standards 2015–2017 Cycle.

Future new standards and interpretations

A number of new standards are effective for annual periods beginning after 1 January 2019 and earlier application is permitted; however, the group has not early adopted the new or amended standards in preparing these condensed consolidated interim financial statements.

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

Except as described below, 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 2018.

The changes in accounting policies will also be reflected in the group's consolidated financial statements as at and for the year ending 31 December 2019.

The group has adopted IFRS 16 'Leases' from 1 January 2019.

IFRS 16 'Leases'

IFRS 16 removes the classification of leases as either operating leases or finance leases for lessees. The standard introduces a single, on-balance sheet accounting model, which requires:

- recognition of a right of use asset and corresponding lease liability with respect to all lease arrangements in which the group is the lessee, except for short term leases and leases of low value assets;
- recognition of a depreciation charge on the right of use asset on a straight line basis over the shorter of the expected life of the asset and the lease term;
- recognition of an interest charge arising from the unwinding of the discounted lease liability over the lease term; and
- recognition of a finance lease in respect of the group acting as an intermediate lessor in a sub-lease agreement.

Transition

On transition to IFRS 16, the group was permitted to choose from the following transition approaches:

- full retrospective transition method, whereby IFRS 16 is applied to all of its contracts as if it had always applied; or
- a modified retrospective approach with optional practical expedients.

The group has chosen to apply IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised as an adjustment to the opening balance sheet. There is no restatement of the comparative information which continues to be reported under IAS 17 and IFRIC 4.

On adoption, lease agreements have given rise to both a right of use ('ROU') asset and a lease liability. For leases previously classified as operating leases under IAS 17, lease liabilities were measured at the present value of the remaining lease payments, discounted at the group's incremental borrowing rate as at 1 January 2019. ROU assets were measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments on the group balance sheet at the date of transition.

The lease liability is subsequently measured by adjusting the carrying amount to reflect the interest charge, the lease payments made and any reassessment or lease modifications.

The ROU assets are subsequently depreciated on a straight line basis over the shorter of the expected life of the asset and the lease term, adjusted for any remeasurements of the lease liability. At the end of each reporting period the ROU assets are assessed for indicators of impairment in accordance with IAS 36.

The group has identified the leases for which it holds an option to terminate the contract early. The group has assessed the likelihood of exercising these options and has concluded that it is reasonably certain to exercise this option on two of these leases. The group has reflected these revised lease terms in its calculation of the lease liabilities.

The group has used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

- applied the practical expedient to grandfather the assessment of which contracts are leases and applied IFRS 16 only to those that were previously identified as leases. Contracts not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease. The identification of a lease under IFRS 16 was therefore only applied to contracts entered into (or modified) on or after 1 January 2019;
- applied a single discount rate to a portfolio of leases with similar characteristics; and
- applied the exemption not to recognise right of use assets and liabilities for leases with less than a 12 month lease term and leases of low value assets. The group recognises the lease payments associated with these leases as an expense on a straight line basis over the lease term.

As a lessor

Accounting requirements for lessors are largely unchanged from IAS 17 'Leases'. The group is not required to make any adjustments on transition to IFRS 16 for leases in which it acts as a lessor, except for instances in which it acts as a sub-lessor. The group sub-leases a property in Jersey.

At the date of application to IFRS 16 the group is required to assess the classification of a sub-lease with reference to the ROU asset. As the sub-lease is for the whole of the remaining term of the head lease, the group reassessed the classification of its sub-lease contract, previously classified as an operating lease under IAS 17, to a finance lease under IFRS 16 from the date of initial application.

Impact on the consolidated balance sheet as at 1 January 2019

	As reported 31 December 2018 £'000	Adjustments £'000	**As restated 1 January 2019 £'000**
Assets			
Prepayments, accrued income and other assets	81,552	(174)	**81,378**
Right of use assets	–	53,846	**53,846**
Total assets	2,867,722	53,672	**2,921,394**
Liabilities			
Accruals, deferred income, provisions and other liabilities	91,609	(11,486)	**80,123**
Lease liabilities	–	65,158	**65,158**
Total liabilities	2,403,582	53,672	**2,457,254**
Equity			
Retained earnings	232,059	–	**232,059**
Total equity	464,140	–	**464,140**
Total liabilities and equity	2,867,722	53,672	**2,921,394**

The adjustments to the consolidated balance sheet reflect the initial application of IFRS 16.

Impact on financial statements for the six months to 30 June 2019

During the period ended 30 June 2019, the group recognised an interest charge arising on lease liabilities of £1,848,000, a depreciation charge on the ROU assets of £2,450,000, and income from sub-leasing assets of £42,000.

During the period ended 30 June 2018, the group recognised rental costs of £3,656,000 in accordance with IAS 17.

Right of use assets

An analysis of ROU assets is presented in note 13. The group makes fixed payments and variable payments depending on the usage of the asset during the contract period.

Lease liabilities

When measuring lease liabilities the group discounted its lease payments using its incremental borrowing rate at 1 January 2019 of 5.86%.

The group is required to identify the difference between the present value of its operating lease commitments disclosed at 31 December 2018 under IAS 17, discounted by using the group's incremental borrowing rate, and its lease liabilities recognised at the date of initial application to IFRS 16. This reconciliation has been presented below:

	£'000
Operating lease commitment at 31 December 2018 as disclosed in the group's consolidated financial statements	**90,548**
Impact of discounting at the incremental borrowing rate	**(27,027)**
Discounted using the incremental borrowing rate at 1 January 2019	**63,521**
Recognition exemption for:	
– Leases of low-value assets	**(18)**
– Termination options reasonably certain to be exercised	**1,655**
Lease liabilities at 1 January 2019	**65,158**

3 Segmental information

For management purposes, the group is organised into two operating divisions: Investment Management and Unit Trusts. Centrally incurred indirect expenses are allocated to these operating segments on the basis of the cost drivers that generate the expenditure. 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 2019 (unaudited)	Investment Management £'000	Unit Trusts £'000	Indirect expenses £'000	Total £'000
Net investment management fee income	110,572	16,929	–	127,501
Net commission income	27,675	–	–	27,675
Net interest income	7,646	–	–	7,646
Fees from advisory services and other income	9,354	555	–	9,909
Underlying operating income	155,247	17,484	–	172,731
Staff costs – fixed	(39,694)	(1,887)	(14,797)	(56,378)
Staff costs – variable	(21,128)	(3,916)	(6,617)	(31,661)
Total staff costs	(60,822)	(5,803)	(21,414)	(88,039)
Other direct expenses	(17,374)	(3,837)	(16,853)	(38,064)
Allocation of indirect expenses	(34,872)	(3,395)	38,267	–
Underlying operating expenses	(113,068)	(13,035)	–	(126,103)
Underlying profit before tax	42,179	4,449	–	46,628
Charges in relation to client relationships and goodwill (note 14)	(7,795)	–	–	(7,795)
Acquisition-related costs (note 5)	(17,085)	–	(1,772)	(18,857)
Segment profit before tax	17,299	4,449	(1,772)	19,976
Taxation (note 8)				(6,214)
Profit for the period attributable to equity holders of the company				13,762

	Investment Management £'000	Unit Trusts £'000	Total £'000
Segment total assets	3,045,037	103,967	3,149,004
Unallocated assets			4,529
Total assets	3,045,037	103,967	3,153,533

Six months ended 30 June 2018 (unaudited)	Investment Management £'000	Unit Trusts £'000	Indirect expenses £'000	Total £'000
Net investment management fee income	98,350	15,916	–	114,266
Net commission income	20,973	–	–	20,973
Net interest income	6,903	–	–	6,903
Fees from advisory services and other income	9,087	1,962	–	11,049
Underlying operating income	135,313	17,878	–	153,191
Staff costs – fixed	(31,864)	(1,658)	(13,289)	(46,811)
Staff costs – variable	(17,759)	(3,813)	(4,349)	(25,921)
Total staff costs	(49,623)	(5,471)	(17,638)	(72,732)
Other direct expenses	(12,086)	(3,012)	(17,103)	(32,201)
Allocation of indirect expenses	(31,707)	(3,034)	34,741	–
Underlying operating expenses	(93,416)	(11,517)	–	(104,933)
Underlying profit before tax	41,897	6,361	–	48,258
Charges in relation to client relationships and goodwill (note 14)	(6,198)	–	–	(6,198)
Acquisition-related costs (note 5)	(669)	–	(639)	(1,308)
Segment profit before tax	35,030	6,361	(639)	40,752
Head office relocation (note 6)				2,924
Profit before tax				43,676
Taxation (note 8)				(8,931)
Profit for the period attributable to equity holders of the company				34,745

	Investment Management £'000	Unit Trusts £'000	Total £'000
Segment total assets	2,681,662	95,976	2,777,638
Unallocated assets			3,906
Total assets			2,781,544

Year ended 31 December 2018 (audited)	Investment Management £'000	Unit Trusts £'000	Indirect expenses £'000	Total £'000
Net investment management fee income	200,530	32,865	–	233,395
Net commission income	41,439	–	–	41,439
Net interest income	15,321	–	–	15,321
Fees from advisory services and other income	18,019	3,789	–	21,808
Underlying operating income	275,309	36,654	–	311,963
Staff costs – fixed	(66,512)	(3,300)	(26,152)	(95,964)
Staff costs – variable	(37,736)	(7,552)	(9,806)	(55,094)
Total staff costs	(104,248)	(10,852)	(35,958)	(151,058)
Other direct expenses	(27,629)	(6,950)	(34,768)	(69,347)
Allocation of indirect expenses	(64,596)	(6,130)	70,726	–
Underlying operating expenses	(196,473)	(23,932)	–	(220,405)
Underlying profit before tax	78,836	12,722	–	91,558
Charges in relation to client relationships and goodwill (note 14)	(13,188)	–	–	(13,188)
Acquisition-related costs (note 5)	(16,228)	–	(3,697)	(19,925)
Segment profit before tax	49,420	12,722	(3,697)	58,445
Head office relocation (note 6)				2,861
Profit before tax				61,306
Taxation (note 8)				(15,137)
Profit for the year attributable to equity holders of the company				46,169

	Investment Management £'000	Unit Trusts £'000	Total £'000
Segment total assets	2,786,718	81,004	2,867,722
Unallocated assets			–
Total assets			2,867,722

Included within Investment Management underlying operating income is £1,451,000 (30 June 2018: £1,247,000; 31 December 2018: £2,532,000) of fees and commissions receivable from Unit Trusts. Intersegment sales are charged at prevailing market prices.

The following table reconciles underlying operating expenses to operating expenses:

	Unaudited Six months to 30 June 2019 £'000	Unaudited Six months to 30 June 2018 £'000	Audited Year to 31 December 2018 £'000
Underlying operating expenses	**126,103**	104,933	220,405
Charges in relation to client relationships and goodwill (note 14)	**7,795**	6,198	13,188
Acquisition-related costs (note 5)	**18,857**	1,308	19,925
Head office relocation (note 6)	**–**	(2,924)	(2,861)
Operating expenses	**152,755**	109,515	250,657

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 2019 £'000	Unaudited Six months to 30 June 2018 £'000	Audited Year to 31 December 2018 £'000
United Kingdom	**166,943**	147,717	301,029
Jersey	**5,788**	5,474	10,934
Underlying operating income	**172,731**	153,191	311,963

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 2019		Unaudited Six months to 30 June 2018		Audited Year to 31 December 2018	
	Investment Management £'000	**Unit Trusts £'000**	Investment Management £'000	Unit Trusts £'000	Investment Management £'000	Unit Trusts £'000
Products and services transferred at a point in time	**36,632**	**167**	22,311	1,794	44,392	3,431
Products and services transferred over time	**118,615**	**17,317**	113,002	16,084	230,917	33,223
Underlying operating income	**155,247**	**17,484**	135,313	17,878	275,309	36,654

Major clients

The group is not reliant on any one client or group of connected clients for generation of revenues. At 30 June 2019, the group provided investment management services to 60,000 clients (30 June 2018: 51,000; 31 December 2018: 60,000).

4 Business combinations

Speirs & Jeffrey

On 31 August 2018, the group acquired 100% of the ordinary share capital of Speirs & Jeffrey Limited ('Speirs & Jeffrey'). Full details of the acquisition are set out in note 35 of the 2018 report and accounts.

Contingent consideration

Contingent consideration of £15,000,000 was paid in May 2019, following the satisfaction of certain operational targets. Of this, £1,050,000 was treated as consideration in the acquisition accounting, as it was paid to vendors who were not required to remain in employment with the group (note 15). The amount paid was equal to what was provided for as at the date of acquisition; therefore, no measurement period adjustment has been reflected against the cost of acquisition. The remaining £13,950,000 was paid to vendors required to remain in employment with the group until the targets were met. Hence, it has been treated as remuneration for post-combination services and the cost charged to profit and loss. The contingent consideration payment was made 100% in shares (note 18).

Other deferred payments

The group continues to provide for the cost of other deferred and contingent payments to be made to vendors required to remain in employment with the group for the duration of the respective deferral periods, as set out in note 35 of the 2018 report and accounts.

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

The group is also providing for incentive plans in place for non-sellers, which are subject to the same operational and financial performance targets as the earn out consideration for the vendors.

The charge recognised in profit or loss for the period ended 30 June 2019 for the above elements is as follows:

	Unaudited 30 June 2019 £'000	Unaudited 30 June 2018 £'000	Audited 31 December 2018 £'000
Initial share consideration	**3,910**	–	2,607
Contingent consideration	**6,015**	–	8,021
Earn Out consideration and incentivisation awards	**6,120**	–	4,086
	16,045	–	14,714

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

We do not expect to reflect any measurement period adjustments within the 12 month period following acquisition.

5 Acquisition-related costs

	Unaudited Six months to 30 June 2019 £'000	Unaudited Six months to 30 June 2018 £'000	Audited Year to 31 December 2018 £'000
Acquisition of Speirs & Jeffrey	**17,817**	639	18,411
Acquisition of Vision and Castle	**1,040**	669	1,514
Acquisition-related costs	**18,857**	1,308	19,925

Costs relating to the acquisition of Speirs & Jeffrey

The group incurred £17,817,000 (30 June 2018: £639,000; 31 December 2018: £18,411,000) in relation to the acquisition of Speirs & Jeffrey, which is made up as follows.

	Unaudited Six months to 30 June 2019 £'000	Unaudited Six months to 30 June 2018 £'000	Audited Year to 31 December 2018 £'000
Acquisition costs:			
Staff costs	**16,045**	–	14,714
Legal and advisory fees	**–**	639	2,465
Stamp duty	**–**	–	653
Integration costs	**1,772**	–	579
	17,817	639	18,411

Non-staff acquisition costs of £nil (30 June 2018: £639,000; 31 December 2018: £3,118,000) and integration costs of £1,772,000 (30 June 2018: £nil; 31 December 2018: £579,000) have not been allocated to a specific operating segment (note 3).

Costs relating to the acquisition of Vision Independent Financial Planning and Castle Investment Solutions

The group has incurred the following costs in relation to the 2015 acquisition of Vision Independent Financial Planning and Castle Investment Solutions, summarised by the classification within the income statement:

	Unaudited Six months to 30 June 2019 £'000	Unaudited Six months to 30 June 2018 £'000	Audited Year to 31 December 2018 £'000
Staff costs	**690**	498	1,074
Interest expense	**350**	171	440
	1,040	669	1,514

Amounts reported in staff costs relate to deferred payments to previous owners who remain in employment with the acquired companies.

6 Head office relocation

During 2018, the group completed the assignment of its leases on surplus property at 1 Curzon Street. This triggered a release of £3,726,000 from the onerous lease provision held over the property in the six months ended 30 June 2018.

During the six months to 30 June 2019, no further incremental costs have been incurred in relation to the head office relocation (30 June 2018: credit of £2,924,000 incurred; 31 December 2018: credit of £2,861,000 incurred).

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 2019	Unaudited Six months to 30 June 2018	Audited year to 31 December 2018
Investment Management:			
– investment management services	**975**	769	855
– advisory services	**115**	103	107
Unit Trusts	**34**	32	33
Shared services	**381**	321	334
	1,505	1,225	1,329

8 Taxation

The tax expense for the six months ended 30 June 2019 was calculated based on the estimated average annual effective tax rate. The overall effective tax rate for this period was 31.1% (six months ended 30 June 2018: 20.4%; year ended 31 December 2018: 24.6%).

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 2019 £'000	Unaudited Six months to 30 June 2018 £'000	Audited Year to 31 December 2018 £'000
United Kingdom taxation	**7,165**	7,389	14,964
Overseas taxation	**143**	153	268
Deferred taxation	**(1,094)**	1,389	(95)
	6,214	8,931	15,137

The underlying UK corporation tax rate for the year ending 31 December 2019 is 19.0% (2018: 19.0%).

The Finance Bill 2016 contained legislation to reduce the UK corporation tax rate to 17.0% in April 2020 and was substantively enacted in September 2016. 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.

9 Dividends

An interim dividend of 25.0p per share was declared on 23 July 2019 and is payable on 1 October 2019 to shareholders on the register at the close of business on 6 September 2019 (30 June 2018: 24.0p). In accordance with IFRS, the interim dividend has not been included as a liability in this interim statement. A final dividend for 2018 of 42.0p per share was paid on 14 May 2019.

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 2019		Unaudited Six months to 30 June 2018		Audited Year to 31 December 2018	
	Pre-tax £'000	**Post-tax £'000**	Pre-tax £'000	Post-tax £'000	Pre-tax £'000	Post-tax £'000
Underlying profit attributable to equity holders	**46,628**	**38,096**	48,258	38,713	91,558	74,170
Charges in relation to client relationships and goodwill (note 14)	**(7,795)**	**(6,314)**	(6,198)	(5,020)	(13,188)	(10,682)
Acquisition-related costs (note 5)	**(18,857)**	**(18,020)**	(1,308)	(1,308)	(19,925)	(19,636)
Head office relocation (note 6)	**–**	**–**	2,924	2,360	2,861	2,317
Profit attributable to equity holders	**19,976**	**13,762**	43,676	34,745	61,306	46,169

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 53,326,270 (30 June 2018: 50,855,180; 31 December 2018: 52,050,979).

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 2019	Unaudited 30 June 2018	Audited 31 December 2018
Weighted average number of ordinary shares in issue during the period – basic	**53,326,270**	50,855,180	52,050,979
Effect of ordinary share options/Save As You Earn	**111,502**	163,305	148,564
Effect of dilutive shares issuable under the Share Incentive Plan	**1,003**	12,065	474
Effect of contingently issuable ordinary shares under the Executive Incentive Plan	**508,274**	353,605	375,759
Effect of contingently issuable shares under the S&J initial share consideration	**1,006,522**	–	1,006,522
Diluted ordinary shares	**54,953,571**	51,384,155	53,582,298

	Unaudited Six months to 30 June 2019	Unaudited Six months to 30 June 2018	Audited Year to 31 December 2018
Earnings per share for the period attributable to equity holders of the company:			
– basic	**25.8p**	68.3p	88.7p
– diluted	**25.0p**	67.6p	86.2p
Underlying earnings per share for the period attributable to equity holders of the company:			
– basic	**71.4p**	76.1p	142.5p
– diluted	**69.3p**	75.3p	138.4p

11 Loans and advances to customers

	Unaudited 30 June 2019 £'000	Unaudited 30 June 2018 £'000	Audited 31 December 2018 £'000
Overdrafts	**6,777**	4,691	6,096
Investment management loan book	**131,235**	117,082	131,730
Trust and financial planning debtors	**1,080**	1,062	1,104
Other debtors	**29**	29	29
	139,121	122,864	138,959

12 Property, plant and equipment

During the six months ended 30 June 2019, the group purchased assets with a cost of £893,000 (six months ended 30 June 2018: £1,638,000; year ended 31 December 2018: £3,255,000).

13 Right of use assets

	Property £'000	Motor vehicles and equipment £'000	Total £'000
Cost			
1 January 2019 (unaudited)	**53,806**	**40**	**53,846**
Additions	**-**	**-**	**-**
At 30 June 2019	**53,806**	**40**	**53,846**
Depreciation and impairment			
1 January 2019 (unaudited)	**-**	**-**	**-**
Charge in the period	**2,428**	**22**	**2,450**
At 30 June 2019	**2,428**	**22**	**2,450**
Carrying amount at 1 January 2019	**53,806**	**40**	**53,846**
Carrying amount at 30 June 2019	**51,378**	**18**	**51,396**

14 Intangible assets

	Goodwill £'000	Client relationships £'000	Software development costs £'000	Purchased software £'000	Total intangibles £'000
Cost					
At 1 January 2019	**92,359**	**203,617**	**7,209**	**36,887**	**340,072**
Internally developed in the period	**–**	**–**	**613**	**–**	**613**
Purchased in the period	**–**	**4,297**	**–**	**2,157**	**6,454**
Disposals	**–**	**(880)**	**–**	**–**	**(880)**
At 30 June 2019	**92,359**	**207,034**	**7,822**	**39,044**	**346,259**
Amortisation and impairment					
At 1 January 2019	**1,359**	**69,061**	**5,215**	**25,519**	**101,154**
Charge in the period	**266**	**7,529**	**414**	**2,123**	**10,332**
Disposals	**–**	**(880)**	**–**	**–**	**(880)**
At 30 June 2019	**1,625**	**75,710**	**5,629**	**27,642**	**110,606**
Carrying value at 30 June 2019 (unaudited)	**90,734**	**131,324**	**2,193**	**11,402**	**235,653**
Carrying value at 30 June 2018 (unaudited)	**62,913**	**89,008**	**1,597**	**9,631**	**163,149**
Carrying value at 31 December 2018 (audited)	**91,000**	**134,556**	**1,994**	**11,368**	**238,918**

The total amount charged to profit or loss in the period, in relation to goodwill and client relationships, was £7,795,000 (six months ended 30 June 2018: £6,198,000; year ended 31 December 2018: £13,188,000).

Impairment

During the period, the group updated its assessment of goodwill allocated to the investment management, trust and tax and Rooper & Whately cash generating units (CGUs) for impairment.

The recoverable amounts of goodwill allocated to the CGUs are determined from value-in-use calculations. There was no indication of impairment of goodwill allocated to the investment management or Rooper & Whately CGUs during the period.

The calculated recoverable amount of goodwill allocated to the trust and tax CGU at 30 June 2019 was £329,000, which was lower than the carrying value of £595,000 at 31 December 2018. The recoverable amount was calculated based on forecast earnings for the current year, extrapolated for a 10 year period, assuming an annual decrease in revenues of 1.0% per annum (31 December 2018: decrease of 1.0% per annum). The pre-tax rate used to discount the forecast cash flows was 12.0% (31 December 2018: 14.3%), as the group judges this discount rate appropriately reflects the market in which the CGU operates and, in particular, its small size. The group has therefore recognised an impairment charge of £266,000 during the period. This impairment has been included in the Investment Management segment in the segmental analysis (note 3).

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 2018	12,147	1,220	677	13,743	27,787
Charged to profit or loss	–	–	143	514	657
Unused amount credited to profit or loss	–	–	(50)	(3,726)	(3,776)
Net credit to profit or loss	–	–	93	(3,212)	(3,119)
Other movements	(1,842)	35	–	–	(1,807)
Utilised/paid during the period	(4,544)	–	(204)	(2,975)	(7,723)
At 30 June 2018 (unaudited)	5,761	1,255	566	7,556	15,138
Charged to profit or loss	–	–	306	1,322	1,628
Unused amount credited to profit or loss	–	–	(7)	–	(7)
Net charge to profit or loss	–	–	299	1,322	1,621
Other movements	(1,799)	3,123	–	600	1,924
Utilised/paid during the period	(2,901)	(2,000)	(56)	(1,942)	(6,899)
At 31 December 2018 (audited)	**1,061**	**2,378**	**809**	**7,536**	**11,784**
Charged to profit or loss	**–**	**32**	**264**	**462**	**758**
Unused amount credited to profit or loss	**–**	**–**	**(161)**	**(7)**	**(168)**
Net charge to profit or loss	**–**	**32**	**103**	**455**	**590**
Other movements	**4,297**	**72**	**–**	**–**	**4,369**
Utilised/paid during the period	**(520)**	**(1,050)**	**(616)**	**(1,688)**	**(3,874)**
At 30 June 2019 (unaudited)	**4,838**	**1,432**	**296**	**6,303**	**12,869**
Payable within 1 year	**470**	**1,432**	**296**	**2,632**	**4,830**
Payable after 1 year	**4,368**	**–**	**–**	**3,671**	**8,039**
At 30 June 2019 (unaudited)	**4,838**	**1,432**	**296**	**6,303**	**12,869**

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. In 2018, there was a net release of £3,641,000 in relation to the value of certain payments where not all performance conditions were ultimately met.

Deferred and contingent consideration in business combinations

Following the satisfaction of certain operational targets, contingent consideration of £1,050,000 was paid to vendors of Speirs & Jeffrey in May 2019 (see note 4). Deferred and contingent consideration of £1,432,000 (30 June 2018: £1,255,000; 31 December 2018: £1,328,000) relates to the present value of amounts payable at the end of 2019 in respect of the acquisition of Vision and Castle.

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 advisors 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 £6,303,000 relate to dilapidation provisions expected to arise on leasehold premises held by the group, and monies due under the contract with the assignee of leases on the group's former property at 1 Curzon Street (30 June 2018: £7,556,000; 31 December 2018: £7,536,000).

Dilapidation provisions are calculated using a discounted cash flow model. During the six months ended 30 June 2019, dilapidation provisions increased by £404,000 (30 June 2018: decreased £418,000; 31 December 2018: increased £1,449,000). The group utilised £38,000 (30 June 2018: £889,000; 31 December 2018: £912,000) of the dilapidations provision held for its properties during the period. The impact of discounting led to an additional £441,000 (30 June 2018: reduction of £21,000; 31 December 2018: additional £127,000) being provided for over the period.

The group utilised £1,650,000 in relation to amounts due to the assignee of the 1 Curzon Street leases as part of a contribution to rent paid by the assignee.

Amounts payable after one year

Property-related provisions of £3,671,000 are expected to be settled within 14 years of the balance sheet date, which corresponds to the longest lease for which a dilapidations provision is being held. Remaining provisions payable after one year are expected to be settled within two years of the balance sheet date.

16 Subordinated loan notes

	Unaudited 30 June 2019 £'000	Unaudited 30 June 2018 £'000	Audited 31 December 2018 £'000
Subordinated loan notes			
– face value	**20,000**	20,000	20,000
– carrying value	**19,866**	19,751	19,807

Subordinated loan notes consist of 10-year Tier 2 notes, which are repayable in August 2025, with a call option in August 2020 and annually thereafter. Interest is payable at a fixed rate of 5.856% until the first call option date and at a fixed margin of 4.375% over six month LIBOR thereafter.

An interest expense of £644,000 (30 June 2018: £641,000; 31 December 2018: £1,283,000) was recognised in the period.

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 2019 % p.a.	Unaudited 30 June 2018 % p.a.	Audited 31 December 2018 % p.a.
Rate of increase of pensions in payment:			
– Laurence Keen Scheme	**3.60**	3.50	3.60
– Rathbone 1987 Scheme	**3.30**	3.20	3.30
Rate of increase of deferred pensions	**3.40**	3.30	3.40
Discount rate	**2.35**	2.75	2.85
Inflation*	**3.40**	3.30	3.40
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	**18.00**	16.00	17.00
– Rathbone 1987 Scheme	**22.00**	20.00	21.00

* Inflation assumptions are based on the Retail Prices Index

The assumed life expectations of members retiring aged 65 were:

	Unaudited 30 June 2019		Unaudited 30 June 2018		Audited 31 December 2018	
	Males	**Females**	Males	Females	Males	Females
Retiring today	**23.6**	**25.6**	23.8	25.7	23.6	25.6
Retiring in 20 years	**25.4**	**27.4**	25.5	27.5	25.3	27.3

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

	Unaudited 30 June 2019		Unaudited 30 June 2018		Audited 31 December 2018	
	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	**(148,177)**	**(12,860)**	(143,028)	(12,601)	(134,150)	(12,383)
Fair value of scheme assets	**139,181**	**12,160**	129,663	11,914	123,712	11,624
Total deficit	**(8,996)**	**(700)**	(13,365)	(687)	(10,438)	(759)

The group made lump sum contributions into its pension schemes totalling £1,918,000 during the period (30 June 2018: £1,738,000; 31 December 2018: £3,269,000).

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 2018	51,302,074		2,566	143,089	31,835	177,490
Shares issued:						
– to Share Incentive Plan	58,076	2,436.0 – 2,484.0	3	1,420	–	1,423
– to Save As You Earn scheme	136,604	1,106.0 – 1,648.0	7	1,863	–	1,870
– to Employee Benefit Trust	269,372	5.0	12	–	–	12
– on placing	2,400,000	2,500.0	120	58,189	–	58,309
At 30 June 2018 (unaudited)	54,166,126		2,708	204,561	31,835	239,104
Shares issued:						
– in relation to business combinations	1,006,522	2,484.0	50	24,950		25,000
Prior period adjustment (note 1)				(24,950)	24,950	–
– to Share Incentive Plan	21,573	2,354.0 – 2,488.0	1	525	–	526
– to Save As You Earn scheme	12,736	1,106.0 – 1,648.0	–	187	–	187
– to Employee Benefit Trust	–	5.0	1	–	–	1
At 31 December 2018 (restated)	**55,206,957**		**2,760**	**205,273**	**56,785**	**264,818**
Shares issued:						
– in relation to business combinations	**603,913**	**2,484.0**	**30**	**–**	**14,970**	**15,000**
– to Share Incentive Plan	**70,722**	**2,085.0 – 2,540.0**	**4**	**1,633**	**–**	**1,637**
– to Save As You Earn scheme	**125,526**	**1,556.0 – 1,648.0**	**6**	**2,015**	**–**	**2,021**
– to Employee Benefit Trust	**70,000**	**5.00**	**4**	**–**	**–**	**4**
At 30 June 2019 (unaudited)	**56,077,118**		**2,804**	**208,921**	**71,755**	**283,480**

On 18 June 2018, the company issued 2,400,000 shares by way of a placing for cash consideration at £25.00 per share, which raised £58,309,000, net of £1,691,000 placing costs, offset against share premium arising on the issue.

On 31 August 2018, the company issued 1,006,522 shares in respect of the initial share consideration from the acquisition of Speirs & Jeffrey. These shares are being held in own shares until they vest on the third anniversary of issue.

On 28 May 2019, the company issued 603,913 shares in respect of the contingent consideration from the acquisition of Speirs & Jeffrey, following the satisfaction of certain operational targets.

At 30 June 2019, the group held 2,189,960 own shares (30 June 2018: £890,880; 31 December 2018: £1,943,853).

19 Share-based payments

The group recognised total expenses of £4,925,000 (30 June 2018: £2,803,000; 31 December 2018: £6,886,000) in relation to share-based transactions in the period. This excludes the staff costs in relation to the acquisition to Speirs & Jeffrey reported within acquisition-related costs (note 5).

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 2019 (unaudited)	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets				
Fair value through profit or loss:				
– equity securities	**3,624**	**–**	**1,254**	**4,878**
– money market funds	**–**	**121,430**	**–**	**121,430**
	3,624	**121,430**	**1,254**	**126,308**

At 30 June 2018 (unaudited)	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets				
Fair value through profit or loss:				
– equity securities	2,597	–	–	2,597
– money market funds	–	89,085	–	89,085
	2,597	89,085	–	91,682

At 31 December 2018 (audited)	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets				
Fair value through profit or loss:				
– equity securities	3,205	–	1,259	4,464
– money market funds	–	75,333	–	75,333
	3,205	75,333	1,259	79,797

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 2019 was £922,725,963 (30 June 2018: £778,634,000; 31 December 2018: £911,190,000) and the carrying value was £917,098,000 (30 June 2018: £775,839,000; 31 December 2018: £907,259,000). 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 2019 was £20,197,000 (30 June 2018: £20,297,000; 31 December 2018: £20,217,000) and the carrying value was £19,866,000 (30 June 2018: £19,751,000; 31 December 2018: £19,807,000). 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. The fair value of these shares is calculated by reference to the most readily available data, which is the last buy back event on 23 May 2017 when shares were sold at €774. The valuation at the balance sheet date has been adjusted for movements in exchange rates in the period. A 10% weakening of the euro against sterling, occurring on 30 June 2019, would have reduced equity and profit after tax by £102,000 (31 December 2018: £102,000). 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 2019 £'000	Unaudited 30 June 2018 £'000	Audited 31 December 2018 £'000
At 1 January	1,259	–	–
Acquired in the year	–	–	1,254
Total unrealised gains/(losses) recognised in profit or loss	(5)	–	5
At 30 June	**1,254**	–	1,259

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 2019 (audited)	122	3	11	92	34	262
Amounts written off	–	–	–	–	–	–
Net remeasurement of loss allowance	22	5	(11)	10	11	37
Balance at 30 June 2019 (unaudited)	**144**	**8**	**–**	**102**	**45**	**299**

As at 30 June 2019, 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 2019 but not provided for in the condensed consolidated interim financial statements amounted to £2,311,000 (30 June 2018: £963,000; 31 December 2018: £603,000).

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

	Unaudited 30 June 2019 £'000	Unaudited 30 June 2018 £'000	Audited 31 December 2018 £'000
Guarantees	117	117	117
Undrawn commitments to lend of 1 year or less	24,747	24,970	26,803
Undrawn commitments to lend of more than 1 year	8,340	8,020	6,051
	33,204	33,107	32,971

The fair value of the guarantees is £nil (30 June 2018 and 31 December 2018: £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 2019 £'000	Unaudited 30 June 2018 £'000	Audited 31 December 2018 £'000
Cash and balances at central banks	**1,270,056**	1,305,002	1,197,001
Loans and advances to banks	**176,178**	127,072	136,203
Investment securities held at fair value through profit or loss	**121,430**	89,085	75,333
	1,567,664	1,521,159	1,408,537

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 2019 £'000	Unaudited Six months to 30 June 2018 £'000	Audited 31 December 2018 £'000 (restated - note 1)
Share capital issued (note 18)	**44**	142	194
Share premium on shares issued (note 18)	**3,645**	61,472	62,184
Merger reserve on shares issued (note 18)	**14,973**	–	24,950
Shares issued in relation to share-based schemes for which no cash consideration was received	**(19,362)**	(2,225)	(29,888)
	(700)	59,389	57,440

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 £69,000 were paid in the period (six months ended 30 June 2018: £214,000; year ended 31 December 2018: £247,000) in respect of ordinary shares held by key management personnel.

As at 30 June 2019, the group had provided interest-free season ticket loans of £nil (30 June 2018: £4,000; 31 December 2018: £nil) to key management personnel.

At 30 June 2019, key management personnel and their close family members had gross outstanding deposits of £3,804,000 (30 June 2018: £3,340,000; 31 December 2018: £778,000) and gross outstanding loans of £724,000 (30 June 2018: £735,000; 31 December 2018: £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 2019, the group managed 27 unit trusts, Sociétés d'investissement à Capital Variable (SICAVs) and open-ended investment companies (OEICs) (together, 'collectives') (six months ended 30 June 2018: 25 collectives; year ended 31 December 2018: 27 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 2019 £'000	Unaudited Six months to 30 June 2018 £'000	Audited Year to 31 December 2018 £'000
Total management fees	**17,516**	20,000	37,608

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

	Unaudited Six months to 30 June 2019 £'000	Unaudited Six months to 30 June 2018 £'000	Audited Year to 31 December 2018 £'000
Management fees owed to the group	**3,542**	3,456	3,629
Holdings in unit trusts (note 20)	**3,624**	2,597	3,205
	7,166	6,053	6,834

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 2019, the group owned units in collectives managed by Rathbone Unit Trust Management with a value of £3,624,000 (30 June 2018: £2,597,000; 31 December 2018: £3,205,000), representing 0.06% (30 June 2018: 0.04%; 31 December 2018: 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

In July 2019, the clients of Speirs & Jeffrey transferred their accounts to Rathbone Investment Management, a fellow subsidiary. As a result, the cash in these clients' portfolios is now held by the group as a banking deposit. A consequent increase of approximately £150 million of both amounts due to customers and cash and cash equivalents was recognised on this date.

An interim dividend of 25.0p per share was declared on 23 July 2019 (note 9).

There have been no other material events occurring between the balance sheet date and 23 July 2019.

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 2019 £'000	Unaudited 30 June 2018 £'000	Unaudited 31 December 2018 £'000 (restated - note 1)
Share capital and share premium	**211,725**	207,269	208,033
Reserves	**303,814**	222,237	288,844
Less:			
– prudent valuation of assets held at fair value through profit or loss	**(126)**	–	(80)
– own shares	**(36,838)**	(5,484)	(32,737)
– intangible assets (net of deferred tax)	**(226,367)**	(162,501)	(229,281)
Total Common Equity Tier 1 capital	**252,208**	261,521	234,779
Tier 2 capital	**17,059**	15,517	16,473
Total own funds	**269,267**	277,038	251,252

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, market and operational risks and sets a minimum requirement for capital.

At 30 June 2019, the group's risk-weighted assets were £1,232,500,000 (30 June 2018: £992,388,000; 31 December 2018: £1,141,773,000).

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 (Pillar 2B).

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 potential losses in the non-trading book resulting from interest rate changes or widening of the spread between Bank of England base rates and LIBOR rates.

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 Pillar 2B 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 1.0% for the UK. However, different rates for other countries, where the group has small relevant credit exposures, result in an overall rate of 0.85% of risk-weighted assets for the group as at 30 June 2019. The CCyB must be met with Common Equity Tier 1 capital.

PRA buffer

The PRA also determines whether any incremental firm-specific buffer is required, in addition to the CCB and the CCyB. The PRA requires any PRA buffer to remain confidential between the group and the PRA.

The group's own funds requirements were as follows:

	Unaudited 30 June 2019 £'000	Unaudited 30 June 2018 £'000	Unaudited 31 December 2018 £'000
Own funds requirement for credit risk	**52,270**	41,021	44,598
Own funds requirement for market risk	**–**	–	414
Own funds requirement for operational risk	**46,330**	38,370	46,330
Pillar 1 own funds requirement	**98,600**	79,391	91,342
Pillar 2A own funds requirement	**49,113**	47,241	48,406
Total Pillar 1 and 2A own funds requirement	**147,713**	126,632	139,748
CRD IV buffers:			
– capital conservation buffer (CCB)	**30,812**	18,607	28,544
– countercyclical capital buffer (CCyB)	**10,460**	4,168	8,906
Total Pillar 1 and 2A own funds requirement and CRD IV buffers	**188,985**	149,407	177,198

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 have been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the EU;
- the interim management report includes a fair view of the information required by:
  (a) DTR 4.2.7R of the Disclosure 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 assessments, which include the modelling of certain extreme stress scenarios. 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 2019, and as at 30 June 2019, the group was primarily equity-financed, with a small amount of gearing in the form of the Tier 2 debt.

In 2019, the group has continued to grow client funds under management, both organically and through acquisition, and the group remains profitable. The directors believe that the company remains well-placed to manage its business risks successfully, despite an uncertain economic and political backdrop.

As we believe that the group has, and is forecast to continue to have, sufficient financial and regulatory resources 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

23 July 2019

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 2019 which comprises the consolidated interim statement of comprehensive income, consolidated interim statement of changes in equity, consolidated interim balance sheet, consolidated interim statement of cash flows and the related 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.

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.

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 are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" as adopted by the European Union.

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 2019 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Deloitte LLP

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

23 July 2019