Rathbone Brothers Plc
Interim statement 2016

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

Introduction

Condensed consolidated interim financial statements

Further information

Half year highlights

Financial highlights

Funds under management

+4.8%[1]

30 June 2016: £30.6bn
31 December 2015: £29.2bn
30 June 2015: £28.3bn

As at 30 June 2016, Rathbone Brothers Plc managed £30.6 billion of client funds, of which £27.3 billion were managed by our Investment Management segment.

Profit before tax

(28.3%)

Half year 2016: £22.8m
Half year 2015: £31.8m
Full year 2015: £58.6m

Profit before tax for the six months to 30 June 2016 was impacted by subdued investment markets, as well as additional costs relating to the acquisition of the Vision businesses in 2015 and the planned London office move to 8 Finsbury Circus. We have continued to invest in the strategy initiatives to secure future growth.

Basic earnings per share

(32.9%)

Half year 2016: 35.7p
Half year 2015: 53.2p
Full year 2015: 97.4p

Underlying operating income

+2.9%

Half year 2016: £120.2m
Half year 2015: £116.8m
Full year 2015: £229.2m

Underlying results in the first half of 2016 exclude the additional costs relating to the Vision acquisition and the London office move.

Underlying[2] profit before tax

(5.1%)

Half year 2016: £35.3m
Half year 2015: £37.2m
Full year 2015: £70.4m

Underlying[2] earnings per share

(9.5%)

Half year 2016: 56.5p
Half year 2015: 62.4p
Full year 2015: 117.0p

Underlying operating margin[3]

Half year 2016: 29.4%
Half year 2015: 31.9%
Full year 2015: 30.7%

Dividends per share

0.0%

Half year 2016: 21.0p
Half year 2015: 21.0p
Full year 2015: 55.0p

1 Percentage change from 31 December 2015 (all others show percentage change from 30 June 2015)

2 Underlying profit before tax and underlying earnings per share exclude charges in relation to client relationships and goodwill, acquisition-related costs, head office relocation costs and, in 2015, loss on derivative financial instruments and gain on remeasurement of non-controlling interest

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

Mark Nicholls
Chairman

Philip Howell
Chief Executive

First half defined by political and macroeconomic factors

The first six months of 2016 were dominated by the political and macroeconomic climate. Our investment teams faced some particularly turbulent market conditions, compounded by the uncertainties surrounding Brexit and mixed signals in many economies.

Although the FTSE 100 Index was 6504 at 30 June 2016, up 4.2% from 6242 at the beginning of 2016, it lacked direction for most of the period, notwithstanding a late rally at the end of June. The FTSE 100 Index has undoubtedly benefited from sterling weakness, but the FTSE 250 fell 6.6% in the first half of 2016.

In these conditions, our investment teams have been working hard to manage portfolios, and have endeavoured to ensure that all communications with our clients remain timely and insightful.

Annualised growth totalled 4.2% in the first six months

Total group funds under management were £30.6 billion at 30 June 2016 up 4.8% from £29.2 billion at 31 December 2015. Of this, £27.3 billion was managed by our Investment Management segment and £3.3 billion by our Unit Trusts segment.

Investment Management net inflows were £0.5 billion in the first half (2015: £0.6 billion) representing an annualised growth rate of 4.2% (2015: 5.1%). Organic growth of £0.3 billion was similar to last year (2015: £0.3 billion), equating to an annualised net organic growth rate of 2.5% (2015: 2.8%). Our charities business continued to perform well with funds under management growing 5.7% from £3.5 billion to £3.7 billion in the first six months of 2016.

Rathbones was named 'Private Client Asset Manager of the Year – Institutional' and 'Charity Investment Manager of the Year' at the Citywealth awards in May. These recognise an excellence in client service, leadership and vision, together with an overall contribution to the profession. This is the fourth year in a row that the charities team has won this award.

Against a backdrop of mass redemptions across the industry, our Unit Trusts business continued to buck the trend. Funds under management were up 6.5% from £3.1 billion at 31 December 2015 to £3.3 billion, with net inflows of £259 million (2015: £107 million). Market share in our Income fund remained steady, while our Global Opportunities and Ethical Bond funds performed positively against sectors that otherwise suffered large redemptions.

The trend toward fee-based income continues

Fee income of £87.1 million in the first half of 2016 increased 12.1% compared to last year (2015: £77.7 million) in spite of an average FTSE 100 Index (calculated on our fee billing dates) of 6298, down 5.7% compared to 6677 a year ago. The WMA Balanced Index ended the period at 3721, up 5.4% from 31 December 2015, largely reflecting the strong performance of gilts, in which we were relatively underweight. Fee income represented 72.5% of total net operating income in the six months ended 30 June 2016 (2015: 66.5%), supporting our objective to move to more fee-based income in the medium term.

Net commission income of £19.5 million was down 25.9% from £26.3 million in the first half of 2015, reflecting weak investing conditions.

The trend toward fee-based income continues

Net interest income increased 3.6% to £5.7 million in the first half (2015: £5.5 million), largely reflecting an increase in deposit balances. Average deposits were £1.7 billion in 2016 compared to £1.6 billion a year ago. Client loans decreased 6.8% to £104.2 million from £111.8 million at 31 December 2015 due to repayments. Fees from advisory services and other income increased 8.2% to £7.9 million (2015: £7.3 million) largely reflecting the consolidation of Vision and Castle ('the Vision businesses') income, following their acquisition at the end of 2015.

Underlying operating expenses of £84.9 million (2015: £79.6 million) increased 6.7% year-on-year. Planned additions in headcount increased fixed staff costs by 8.9% to £40.2 million (2015: £36.9 million). Average headcount in the first half of 2016 was 1,045, up 9.3% compared to 956 a year ago. Variable staff costs decreased 5.8% to £19.5 million (2015: £20.7 million) reflecting lower profitability in the period and the lower value of growth awards. Variable staff costs as a percentage of underlying profit before variable staff costs remained stable at 35.6% (2015: 35.7%). Other direct costs of £25.2 million (2015: £22.0 million) were up 14.5% and include £0.6 million of operating costs relating to the Vision businesses (2015: £nil). Total incremental expenditure on strategic initiatives was £2.0 million in the first half of 2016.

Underlying profit before tax fell 5.1% to £35.3 million (2015: £37.2 million) in the first six months of 2016; however, our underlying profit margin remained strong at 29.4% in the first half of 2016 compared to 31.9% in 2015. Underlying earnings per share of 56.5p (2015: 62.4p) fell 9.5%.

Profit before tax for the half year of £22.8 million is 28.3% lower than the £31.8 million in 2015, reflecting the impact of previously announced non-underlying costs in relation to the acquisition of the Vision businesses, and costs incurred to date in respect of our planned London office move to 8 Finsbury Circus. Our effective tax rate for the first half of 2016 was 25.3% (2015: 20.4%) with the increase a result of deferred payments to acquire the Vision businesses (see note 3). All of the above are reflected in our basic earnings per share, which at 35.7p has fallen 32.9% from 53.2p last year.

The board has decided to maintain the interim dividend at 21.0p per share (2015: 21.0p). The interim dividend will be paid on 5 October 2016 (see note 7).

Strategic priorities continue despite market volatility

Despite volatile markets, we spent the first half of the year building on many of our strategic initiatives.

Acquired growth continued during the first half of the year. Our Glasgow office, which opened in May 2015, has performed strongly, securing over £250 million funds under management in just over a year of operation. We hired some key individuals to our financial planning team, and expect to add to the number of financial advisers throughout the rest of 2016.

We have continued to strengthen our research capability, with three new hires in the first half of 2016. We also launched the Rathbones Research Hub in February. The Hub supports our collaborative investment culture, allowing investment managers easier access to recommendations and research from the investment committees, as well as the ability to make their own contributions to our collaboration process. Investment managers also welcomed some further upgrades to our asset allocation management tool.

We continue to progress our distribution strategy as we build further partnerships with IFA networks across the country. Despite market volatility, financial advisers continue to seek to outsource investment services. We have added resources covering Scotland and the North, and dedicated full time support to pursue opportunities in London.

Progress on our Private Office initiative continued during the first half of the year. In addition to securing an external asset manager relationship with Credit Suisse, we have also hired a nucleus team of three client directors to deliver our wider range of services. We are expecting the team to be able to welcome clients to Rathbones towards the end of this year.

We continue to make capital investments in the business to ensure that our systems and infrastructure remain robust. In the first half we have enhanced our management information systems, and developed additional space in our Liverpool office to support our future growth aspirations. We are also making improvements to our client account opening processes and continue to improve the capability of our website.

Finally, plans to move to our new London office space at 8 Finsbury Circus remain on schedule and we expect to relocate during Q1 2017.

Financial position and regulatory capital

Shareholders' equity of £279.7 million at 30 June 2016 has fallen 6.8% since 31 December 2015 (£300.2 million) and 1.0% since 30 June 2015 (£282.4 million). This is largely as a result of the value of retirement benefit obligations during the first half increasing £27.5 million from 31 December 2015 (£4.5 million), and £21.2 million from 30 June 2015 (£10.8 million). This reflects the substantial fall in the long-term corporate bond yields that are used to discount the value of long-term liabilities. The board is considering the future of its defined benefit pension schemes.

Total assets at 30 June 2016 were £2,344.8 million (31 December 2015 (restated): £1,833.9 million; 30 June 2015: £1,940.9 million), of which £1,860.0 million (31 December 2015: £1,402.9 million; 30 June 2015: £1,505.9 million) represents the cash element of client portfolios that is held as a banking deposit. Cash in client portfolios increased to 6.6% of total investment management funds at 30 June 2016 (31 December 2015: 5.1%; 30 June 2015: 5.6%). As a result, balances with central banks increased from £583.2 million at 31 December 2015 to £960.1 million at 30 June 2016 (30 June 2015: £703.3 million).

Our Consolidated Common Equity Tier 1 ratio was 16.0% at 30 June 2016 (31 December 2015 (restated): 16.3%; 30 June 2015: 14.1%). Our consolidated leverage ratio was 6.2% at 30 June 2016 (31 December 2015: 7.7%; 30 June 2015: 6.3%). As the CRD IV capital buffer regime applies to banks for the first time in 2016, we have enhanced disclosures in respect of the Pillar 2 buffer capital we are required to hold. More detail can be found in the regulatory capital section on page 25.

Board and senior management changes

Ali Johnson succeeded Richard Loader as company secretary in April. The board would like to thank Richard for his much-valued contribution to the success of the group over the years.

Business risks reflect current market conditions

The principal risks facing Rathbones in 2016 continue to be associated with our ambition to grow and develop our business, and also from regulatory developments impacting our sector. Our risk framework is described in detail in the strategic report and group risk committee report in our 2015 annual report and accounts (pages 20-25 and page 69).

Following the result of the referendum on the United Kingdom's membership of the European Union, we remain alert to the risks associated with volatile investment markets, the valuation of retirement benefit obligations, and our ability to sublet surplus office space in London.

Market uncertainty expected but growth aspirations remain

Whilst markets are expected to remain volatile, Rathbones will continue to pursue the strategic initiatives that will grow the business. We remain alert to acquisition opportunities that fit with our culture and philosophy.

Mark Nicholls
Chairman

Philip Howell
Chief Executive

Condensed consolidated interim financial statements

Consolidated interim statement of comprehensive income

for the six months ended 30 June 2016

	Note	**Unaudited Six months to 30 June 2016 £'000**	Unaudited Six months to 30 June 2015 £'000	Audited Year to 31 December 2015 £'000
Interest and similar income		**7,141**	6,125	12,663
Interest expense and similar charges		**(1,394)**	(629)	(1,822)
Net interest income		**5,747**	5,496	10,841
Fee and commission income		**120,948**	113,478	222,638
Fee and commission expense		**(8,596)**	(4,200)	(8,049)
Net fee and commission income		**112,352**	109,278	214,589
Net trading income		**1,445**	1,298	2,230
Other operating income		**657**	678	1,361
Share of profit of associates		**–**	83	157
Gain on remeasurement of non-controlling interest	3	**–**	–	885
Operating income		**120,201**	116,833	230,063
Charges in relation to client relationships and goodwill	11	**(5,778)**	(5,479)	(11,014)
Acquisition-related costs	3	**(4,431)**	–	(162)
Head office relocation costs	4	**(2,257)**	–	(412)
Loss on derivative financial instruments	16	**–**	–	(1,030)
Other operating expenses		**(84,910)**	(79,589)	(158,813)
Operating expenses		**(97,376)**	(85,068)	(171,431)
Profit before tax		**22,825**	31,765	58,632
Taxation	6	**(5,778)**	(6,473)	(12,261)
Profit for the period attributable to equity holders of the company		**17,047**	25,292	46,371
Other comprehensive income:				
Items that will not be reclassified to profit or loss				
Net remeasurement of defined benefit liability		**(29,080)**	664	6,524
Deferred tax relating to the net remeasurement of defined benefit liability		**4,535**	(133)	(1,509)
Items that may be reclassified to profit or loss				
Net gain on revaluation of available for sale investment securities		**12**	15	53
Deferred tax relating to revaluation of available for sale investment securities		**–**	(3)	(10)
Other comprehensive income net of tax		**(24,533)**	543	5,058
Total comprehensive income for the period net of tax attributable to equity holders of the company		**(7,486)**	25,835	51,429
Dividends paid and proposed for the period per ordinary share	7	**21.0p**	21.0p	55.0p
Dividends paid and proposed for the period		**10,160**	10,093	26,305
Earnings per share for the period attributable to equity holders of the company:	8			
– basic		**35.7p**	53.2p	97.4p
– diluted		**35.4p**	52.8p	96.6p

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

Consolidated interim statement of changes in equity
for the six months ended 30 June 2016

	Note	Share capital £'000	Share premium £'000	Merger reserve £'000	Available for sale reserve £'000	Own shares £'000	Retained earnings £'000	Total equity £'000
At 1 January 2015 (audited)		2,395	92,987	31,835	28	(5,531)	149,557	271,271
Profit for the period							25,292	25,292
Net remeasurement of defined benefit liability							664	664
Net gain on revaluation of available for sale investment securities					15			15
Deferred tax relating to components of other comprehensive income					(3)		(133)	(136)
Other comprehensive income net of tax		–	–	–	12	–	531	543
Dividends paid							(15,766)	(15,776)
Issue of share capital	15	8	3,188					3,196
Share-based payments:								
– value of employee services							(388)	(388)
– cost of own shares acquired						(1,894)		(1,894)
– cost of own shares vesting						1,410	(1,410)	–
– tax on share-based payments							134	134
At 30 June 2015 (unaudited)		2,403	96,175	31,835	40	(6,015)	157,950	282,388
Profit for the period							21,079	21,079
Net remeasurement of defined benefit liability							5,860	5,860
Net gain on revaluation of available for sale investment securities					38			38
Deferred tax relating to components of other comprehensive income					(7)		(1,376)	(1,383)
Other comprehensive income net of tax		–	–	–	31	–	4,484	4,515
Dividends paid							(10,070)	(10,070)
Issue of share capital	15	4	1,468					1,472
Share-based payments:								
– value of employee services							1,410	1,410
– cost of own shares acquired						(519)		(519)
– cost of own shares vesting						357	(357)	–
– tax on share-based payments							(83)	(83)
At 31 December 2015 (audited)		**2,407**	**97,643**	**31,835**	**71**	**(6,177)**	**174,413**	**300,192**
Profit for the period							**17,047**	**17,047**
Net remeasurement of defined benefit liability							**(29,080)**	**(29,080)**
Net gain on revaluation of available for sale investment securities					**12**			**12**
Deferred tax relating to components of other comprehensive income					**–**		**4,535**	**4,535**
Other comprehensive income net of tax		**–**	**–**	**–**	**12**	**–**	**(24,545)**	**(24,533)**
Dividends paid							**(16,336)**	**(16,336)**
Issue of share capital	15	**12**	**3,818**					**3,830**
Share-based payments:								
– value of employee services							**734**	**734**
– cost of own shares acquired						**(1,043)**		**(1,043)**
– cost of own shares vesting						**659**	**(659)**	**–**
– tax on share-based payments							**(149)**	**(149)**
At 30 June 2016 (unaudited)		**2,419**	**101,461**	**31,835**	**83**	**(6,561)**	**150,505**	**279,742**

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

Consolidated interim balance sheet
as at 30 June 2016

	Note	**Unaudited 30 June 2016 £'000**	Unaudited 30 June 2015 £'000	Audited 31 December 2015 £'000 (restated – note 1)
Assets				
Cash and balances with central banks		**960,115**	703,338	583,156
Settlement balances		**99,199**	59,012	17,948
Loans and advances to banks		**105,869**	112,996	108,877
Loans and advances to customers	9	**111,382**	100,996	117,269
Investment securities:				
– available for sale		**84,705**	50,851	53,386
– held to maturity		**725,000**	674,177	707,745
Prepayments, accrued income and other assets		**70,516**	60,302	59,513
Property, plant and equipment	10	**9,492**	9,871	10,006
Deferred tax asset		**8,083**	6,238	4,577
Investment in associates		**–**	1,472	–
Intangible assets	11	**170,409**	161,664	171,453
Total assets		**2,344,770**	1,940,917	1,833,930
Liabilities				
Deposits by banks		**3,434**	10,522	299
Settlement balances		**74,856**	55,593	21,481
Due to customers		**1,860,023**	1,505,856	1,402,890
Accruals, deferred income and other liabilities		**55,309**	51,913	58,900
Current tax liabilities		**4,820**	5,645	6,359
Provisions for liabilities and charges	12	**15,080**	18,169	19,816
Subordinated loan notes	13	**19,541**	–	19,492
Retirement benefit obligations	14	**31,965**	10,831	4,501
Total liabilities		**2,065,028**	1,658,529	1,533,738
Equity				
Share capital	15	**2,419**	2,403	2,407
Share premium	15	**101,461**	96,175	97,643
Merger reserve		**31,835**	31,835	31,835
Available for sale reserve		**83**	40	71
Own shares		**(6,561)**	(6,015)	(6,177)
Retained earnings		**150,505**	157,950	174,413
Total equity		**279,742**	282,388	300,192
Total liabilites and equity		**2,344,770**	1,940,917	1,833,930

The condensed consolidated interim financial statements were approved by the board of directors and authorised for issue on 26 July 2016 and were signed on their behalf by:

Philip Howell
Chief Executive

Paul Stockton
Finance Director

Company registered number: 01000403

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

Consolidated interim statement of cash flows
for the six months ended 30 June 2016

	Note	**Unaudited Six months to 30 June 2016 £'000**	Unaudited Six months to 30 June 2015 £'000	Audited Year to 31 December 2015 £'000
Cash flows from operating activities				
Profit before tax		**22,825**	31,765	58,632
Share of profit of associates		**–**	(83)	(157)
Net interest income		**(5,747)**	(5,496)	(10,841)
Net impairment charges/(recoveries) on impaired loans and advances		**1**	(8)	19
Net charge for provisions	12	**1,014**	155	1,045
Loss on fair value of derivative		**–**	330	1,030
Gain on remeasurement of non-controlling interest		**–**	–	(885)
Profit on disposal of property, plant and equipment		**(13)**	–	(4)
Depreciation, amortisation and impairment		**9,925**	7,992	16,115
Defined benefit pension scheme charges		**1,652**	2,185	4,217
Defined benefit pensions contributions paid		**(3,268)**	(4,400)	(6,902)
Share-based payment charges		**1,860**	2,381	4,629
Interest paid		**(1,428)**	(658)	(1,282)
Interest received		**10,466**	8,125	11,349
		37,287	42,288	76,965
Changes in operating assets and liabilities:				
– net decrease/(increase) in loans and advances to banks and customers		**46,368**	10,699	(5,606)
– net increase in settlement balance debtors		**(81,251)**	(43,122)	(2,058)
– net increase in prepayments, accrued income and other assets		**(14,328)**	(7,372)	(2,396)
– net increase in amounts due to customers and deposits by banks		**460,268**	233,952	120,763
– net increase/(decrease) in settlement balance creditors		**53,375**	33,009	(1,103)
– net (decrease)/increase in accruals, deferred income, provisions and other liabilities		**(5,057)**	(4,062)	329
Cash generated from operations		**496,662**	265,392	186,894
Tax paid		**(6,435)**	(4,226)	(10,414)
Net cash inflow from operating activites		**490,227**	261,166	176,480
Cash flows from investing activities				
Dividends received from associates		**–**	45	107
Acquisition of subsidiaries, net of cash acquired		**(2,258)**	–	(3,528)
Purchase of property, equipment and intangible assets		**(11,439)**	(12,443)	(22,879)
Proceeds from sale of property, plant and equipment		**13**	21	33
Purchase of investment securities		**(540,000)**	(590,620)	(988,127)
Proceeds from sale and redemption of investment securities		**522,745**	346,068	709,853
Net cash used in investing activities		**(30,939)**	(256,929)	(304,541)
Cash flows from financing activities				
Issue of ordinary shares	18	**2,787**	1,302	2,255
Net proceeds from the issue of subordinated loan notes		**–**	–	19,454
Dividends paid		**(16,336)**	(15,766)	(25,836)
Net cash used in financing activities		**(13,549)**	(14,464)	(4,127)
Net increase/(decrease) in cash and cash equivalents		**445,739**	(10,227)	(132,188)
Cash and cash equivalents at the beginning of the period		**703,628**	835,816	835,816
Cash and cash equivalents at the end of the period	18	**1,149,367**	825,589	703,628

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

Notes to the condensed consolidated interim financial statements

1 Basis of preparation

Rathbone Brothers Plc ('the company') is the parent company of a group of companies ('the group') that provides personalised investment and wealth management services for private clients, charities and trustees. The group also provides financial planning, private banking, offshore fund management and trust administration services. The products and services from which the group derives its revenues are described in 'our approach' on pages 11 to 15 of the annual report and accounts for the year ended 31 December 2015 and have not materially changed since that date.

These condensed consolidated interim financial statements, on pages 6 to 24, 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 2015 except as disclosed below. The condensed consolidated interim financial statements should be read in conjunction with the group's audited financial statements for the year ended 31 December 2015, which are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

The information in this interim statement 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 2015 are not the group's statutory accounts for that financial year. The group's financial statements for the year ended 31 December 2015 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.

Measurement period adjustment

In the current period, the group recognised a measurement period adjustment to provisional amounts in respect of a business combination completed on 31 December 2015. This has arisen due to payments made to the previous owners of the acquired companies during the current period, in respect of the net assets of the companies at the acquisition date.

Comparatives have been restated for the impact of the adjustment. As at 31 December 2015, total assets have been increased by £301,000, and total liabilities have been increased by the same amount. There has been no impact on operating income, profit or shareholders' equity in the current or prior periods. Further details on the restated comparatives can be found in notes 3, 11 and 12.

Developments in reporting standards and interpretations

Future new standards and interpretations

A number of new standards and amendments to standards and interpretations will be effective for future annual periods beginning after 1 January 2016 and, therefore, have not been applied in preparing these condensed consolidated interim financial statements. IFRS 9 'Financial Instruments', IFRS 15 'Revenue from Contracts with Customers' and IFRS 16 'Leases' are expected to have the most significant effect on the consolidated financial statements of the group.

IFRS 9 'Financial Instruments' and IFRS 15 'Revenue from Contracts with Customers' are not expected to become mandatory for periods commencing before 1 January 2018. IFRS 16 'Leases' is not expected to become mandatory for periods commencing before 1 January 2019. These standards have not yet been adopted by the EU and the group does not plan to adopt these standards early.

IFRS 9 'Financial Instruments' could change the classification and measurement of financial assets and the timing and extent of credit provisioning. IFRS 15 'Revenue from Contracts with Customers' could change how and when revenue is recognised from contracts with customers. IFRS 16 'Leases' eliminates the classification of leases as either operating leases or finance leases. The group will be required to recognise all leases with a term of more than 12 months as a lease asset on its balance sheet; the group will also recognise a financial liability representing its obligation to make future lease payments. The extent of their impact has not yet been fully determined.

2 Segmental information

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

2 Segmental information

Six months ended 30 June 2016 (unaudited)	Investment Management £'000	Unit Trusts £'000	Indirect expenses £'000	Total £'000
Net investment management fee income	**77,315**	**9,799**	**–**	**87,114**
Net commission income	**19,443**	**–**	**–**	**19,443**
Net interest income	**5,747**	**–**	**–**	**5,747**
Fees from advisory services and other income	**6,288**	**1,609**	**–**	**7,897**
Underlying operating income	**108,793**	**11,408**	**–**	**120,201**
Staff costs – fixed	**(29,075)**	**(1,541)**	**(9,576)**	**(40,192)**
Staff costs – variable	**(14,430)**	**(2,290)**	**(2,780)**	**(19,500)**
Total staff costs	**(43,505)**	**(3,831)**	**(12,356)**	**(59,692)**
Other direct expenses	**(11,254)**	**(2,600)**	**(11,364)**	**(25,218)**
Allocation of indirect expenses	**(22,487)**	**(1,233)**	**23,720**	**–**
Underlying operating expenses	**(77,246)**	**(7,664)**	**–**	**(84,910)**
Underlying profit before tax	**31,547**	**3,744**	**–**	**35,291**
Charges in relation to client relationships and goodwill (note 11)	**(5,778)**	**–**	**–**	**(5,778)**
Acquisition-related costs (note 3)	**(4,431)**	**–**	**–**	**(4,431)**
Segment profit before tax	**21,338**	**3,744**	**–**	**25,082**
Head office relocation costs (note 4)				**(2,257)**
Profit before tax				**22,825**
Taxation (note 6)				**(5,778)**
Profit for the period attributable to equity holders of the company				**17,047**
Segment total assets	**2,290,797**	**47,735**		**2,338,532**
Unallocated assets				**6,238**
Total assets				**2,344,770**

Six months ended 30 June 2015 (unaudited)	Investment Management £'000	Unit Trusts £'000	Indirect expenses £'000	Total £'000
Net investment management fee income	69,129	8,613	–	77,742
Net commission income	26,337	–	–	26,337
Net interest income	5,496	–	–	5,496
Fees from advisory services and other income	5,828	1,430	–	7,258
Underlying operating income	106,790	10,043	–	116,833
Staff costs – fixed	(25,899)	(1,525)	(9,455)	(36,879)
Staff costs – variable	(15,480)	(1,872)	(3,356)	(20,708)
Total staff costs	(41,379)	(3,397)	(12,811)	(57,587)
Other direct expenses	(9,562)	(1,703)	(10,737)	(22,002)
Allocation of indirect expenses	(22,319)	(1,229)	23,548	–
Underlying operating expenses	(73,260)	(6,329)	–	(79,589)
Underlying profit before tax	33,530	3,714	–	37,244
Charges in relation to client relationships and goodwill (note 11)	(5,479)	–	–	(5,479)
Segment profit before tax	28,051	3,714	–	31,765
Taxation (note 6)				(6,473)
Profit for the period attributable to equity holders of the company				25,292

2 Segmental information

Six months ended 30 June 2015 (unaudited)	Investment Management £'000	Unit Trusts £'000	Indirect expenses £'000	Total £'000
Segment total assets	1,894,746	42,070		1,936,816
Unallocated assets				4,101
Total assets				1,940,917

Year ended 31 December 2015 (audited)	Investment Management £'000	Unit Trusts £'000	Indirect expenses £'000	Total £'000
Net investment management fee income	143,777	17,632	–	161,409
Net commission income	43,136	–	–	43,136
Net interest income	10,841	–	–	10,841
Fees from advisory services and other income	11,241	2,551	–	13,792
Underlying operating income	208,995	20,183	–	229,178
Staff costs – fixed	(51,277)	(2,966)	(19,296)	(73,539)
Staff costs – variable	(29,460)	(3,794)	(6,493)	(39,747)
Total staff costs	(80,737)	(6,760)	(25,789)	(113,286)
Other direct expenses	(19,186)	(4,370)	(21,971)	(45,527)
Allocation of indirect expenses	(45,306)	(2,454)	47,760	–
Underlying operating expenses	(145,229)	(13,584)	–	(158,813)
Underlying profit before tax	63,766	6,599	–	70,365
Charges in relation to client relationships and goodwill (note 11)	(11,014)	–	–	(11,014)
Acquisition-related costs (note 3)	(162)	–	–	(162)
Loss on derivative financial instruments (note 16)	(1,030)	–	–	(1,030)
Gain on remeasurement of non-controlling interest (note 3)	885	–	–	885
Segment profit before tax	52,445	6,599	–	59,044
Head office relocation costs (note 4)				(412)
Profit before tax				58,632
Taxation (note 6)				(12,261)
Profit for the year attributable to equity holders of the company				46,371
Segment total asset (restated – note 1)	1,793,558	37,806		1,831,364
Unallocated assets				2,566
Total assets				1,833,930

2 Segmental information

The following table reconciles underlying operating income to operating income:

	Unaudited Six months to 30 June 2016 £'000	Unaudited Six months to 30 June 2015 £'000	Audited Year to 31 December 2015 £'000
Underlying operating income	**120,201**	116,833	229,178
Gain on remeasurement of non-controlling interest (note 3)	**–**	–	885
Operating income	**120,201**	116,833	230,063

The following table reconciles underlying operating expenses to operating expenses:

	Unaudited Six months to 30 June 2016 £'000	Unaudited Six months to 30 June 2015 £'000	Audited Year to 31 December 2015 £'000
Underlying operating expenses	**84,910**	79,589	158,813
Charges in relation to client relationships and goodwill (note 11)	**5,778**	5,479	11,014
Acquisition-related costs (note 3)	**4,431**	–	162
Loss on derivative financial instruments (note 16)	**–**	–	1,030
Head office relocation costs (note 4)	**2,257**	–	412
Operating expenses	**97,376**	85,068	171,431

Included within Investment Management underlying operating income is £634,000 (30 June 2015: £604,000; 31 December 2015: £1,243,000) of fees and commissions receivable from Unit Trusts. Intersegment sales are charged at prevailing market prices.

Geographic analysis

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

	Unaudited Six months to 30 June 2016 £'000	Unaudited Six months to 30 June 2015 £'000	Audited Year to 31 December 2015 £'000
United Kingdom	**115,798**	112,909	221,957
Jersey	**4,403**	3,924	8,106
Operating income	**120,201**	116,833	230,063

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

Major clients

The group is not reliant on any one client or group of connected clients for generation of revenues. At 30 June 2016, the group provided investment management services to 48,000 clients (30 June 2015: 47,000; 31 December 2015: 47,000).

3 Business combinations

On 31 December 2015, the group acquired the remaining 80.1% of the ordinary share capital of Vision Independent Financial Planning Limited ('Vision') and Castle Investment Solutions Limited ('Castle').

Deferred and contingent consideration

A net asset value payment of £1,563,000 was made in March 2016, following the provisional agreement of the net asset value (as at the acquisition date) of the acquired businesses. The payment was lower than was provided for at 31 December 2015, and as such, the comparative figures have been restated accordingly (notes 1 and 12). The carrying values of the net assets acquired remain provisional and subject to finalisation of the acquired businesses' completion accounts.

A further payment of £3,232,000 was made in June 2016, following the achievement of certain operational targets. Of this, £695,000 related to contingent consideration. The remaining £2,537,000 related to deferred payments to previous owners who are remaining in employment with the acquired companies and was charged to profit or loss in the six months to 30 June 2016. These payments were made 80% in cash and 20% in shares.

Contingent consideration of up to £1,640,000 is payable between the balance sheet date and the end of 2019 (note 12). Further deferred payments to previous owners remaining in employment of up to £7,456,000 is payable over the same period and is being charged to profit or loss over the deferral period. Of this, £1,532,000 has been charged to profit or loss in the six months to 30 June 2016. Both sets of payments are subject to performance against certain growth and operational targets, and will be made 80% in cash and 20% in shares.

Identifiable assets acquired and liabilities assumed

As a result of the settlement of the net asset value payment (see above), the identifiable net assets of the acquired businesses at the acquisition date have been restated. This has resulted in a reduction in net asset value of the companies as at 31 December 2015.

Acquisition-related costs

The group has incurred the following costs in relation to this acquisition, summarised by their classification within the income statement:

	Unaudited Six months to 30 June 2016 £'000	Unaudited Six months to 30 June 2015 £'000	Audited Year to 31 December 2015 £'000
Staff costs	**4,069**	–	–
Legal and advisory fees	**362**	–	162
Acquisition-related costs	**4,431**	–	162

Amounts reported in staff costs relate to deferred payments to previous owners who are remaining in employment (described above).

Remeasurement of non-controlling interest

Prior to the acquisition of the remaining 80.1% of the two companies, the group remeasured its pre-existing 19.9% holdings to fair value, recognising a gain of £885,000 during the year ended 31 December 2015.

4 Head office relocation

Contract negotiations for 8 Finsbury Circus, London were at an advanced stage as at 31 December 2015. The group reviewed its estimate of the timing of dilapidation costs arising from the current head office lease. As a result, the provision for dilapidations of the premises at 1 Curzon Street, London was increased by £412,000 as at 31 December 2015.

On 6 January 2016, the group exchanged contracts for five 17-year leases for a total of 75,000 sq ft of office space at 8 Finsbury Circus. The group began recognising costs relating to rent and dilapidations on the new premises from the date the leases began, 13 May 2016.

During the six months ended 30 June 2016, incremental costs of £2,257,000 (30 June 2015: £nil; 31 December 2015: £412,000) were incurred as a result of the decision to move the head office to 8 Finsbury Circus. Included in these costs are rental costs of £599,000 for 8 Finsbury Circus prior to occupation. A provision of £181,000 for dilapidations at the new property has also been recognised. Total depreciation charges of £1,717,000 in relation to 1 Curzon Street includes £1,409,000 which has been accelerated by the decision to move. Legal and professional costs of £68,000 have also been incurred.

Construction work will begin towards the end of July 2016 and it is expected that the move from the current head office in Curzon Street will be completed in early 2017, which will be the trigger point for recognition of a provision for surplus property.

5 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 2016	Unaudited Six months to 30 June 2015	Audited Year to 31 December 2015
Investment Management:			
– investment management services	**679**	598	628
– advisory services	**81**	74	77
Unit Trusts	**26**	45	27
Shared services	**259**	239	249
	1,045	956	981

6 Taxation

The tax expense for the six months ended 30 June 2016 was calculated based on the estimated average annual effective tax rate. The overall effective tax rate for this period was 25.3% (six months ended 30 June 2015: 20.4%; year ended 31 December 2015: 20.9%).

	Unaudited Six months to 30 June 2016 £'000	Unaudited Six months to 30 June 2015 £'000	Audited Year to 31 December 2015 £'000
United Kingdom taxation	**4,805**	5,568	12,140
Overseas taxation	**92**	103	143
Deferred taxation	**881**	802	(22)
	5,778	6,473	12,261

The underlying UK corporation tax rate for the year ending 31 December 2016 is 20.0% (2015: 20.2%).

The Finance Bill 2016 contained legislation to reduce the UK corporation tax rate to 17.0% in April 2020 (with the reduction to 19.0% in April 2017 remaining unchanged). Royal Assent of the Bill has been delayed until Autumn 2016; therefore, deferred income taxes are calculated on all temporary differences under the liability method using an effective tax rate of 18.0% (30 June 2015: 20.0%; 31 December 2015: 19.0%).

7 Dividends

An interim dividend of 21.0p per share was declared on 26 July 2016 and is payable on 5 October 2016 to shareholders on the register at the close of business on 9 September 2016 (30 June 2015: 21.0p). In accordance with IFRS, the interim dividend has not been included as a liability in this interim statement. A final dividend for 2015 of 34.0p per share was paid on 23 May 2016.

8 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 2016		Unaudited Six months to 30 June 2015		Audited Year to 31 December 2015	
	Pre-tax £'000	**Post-tax £'000**	Pre-tax £'000	Post-tax £'000	Pre-tax £'000	Post-tax £'000
Underlying profit attributable to equity holders	**35,291**	**27,020**	37,244	29,662	70,365	55,728
Gain on remeasurement of non-controlling interest (note 3)	**–**	**–**	–	–	885	706
Charges in relation to client relationships and goodwill (note 11)	**(5,778)**	**(4,622)**	(5,479)	(4,370)	(11,014)	(8,784)
Acquisition-related costs (note 3)	**(4,431)**	**(3,545)**	–	–	(162)	(129)
Loss on derivative financial instruments (note 16)	**–**	**–**	–	–	(1,030)	(821)
Head office relocation costs (note 4)	**(2,257)**	**(1,806)**	–	–	(412)	(329)
Profit attributable to equity holders	**22,825**	**17,047**	31,765	25,292	58,632	46,371

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 47,805,338 (30 June 2015: 47,525,980; 31 December 2015: 47,612,026).

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

	Unaudited 30 June 2016	Unaudited 30 June 2015	Audited 31 December 2015
Weighted average number of ordinary shares in issue during the period – basic	**47,805,338**	47,525,980	47,612,026
Effect of ordinary share options/Save As You Earn	**134,226**	160,451	174,219
Effect of dilutive shares issuable under the Share Incentive Plan	**12,207**	18,464	26,636
Effect of contingently issuable ordinary shares under Long Term and Executive Incentive Plans	**217,754**	217,470	204,110
Diluted ordinary shares	**48,169,525**	47,922,365	48,016,991

	Unaudited Six months to 30 June 2015	Unaudited Six months to 30 June 2015	Audited Year to 31 December 2015
Underlying earnings per share for the period attributable to equity holders of the company:			
– basic	**56.5p**	62.4p	117.0p
– diluted	**56.1p**	61.9p	116.1p

9 Loans and advances to customers

	Unaudited 30 June 2016 £'000	Unaudited 30 June 2015 £'000	Audited 31 December 2015 £'000
Overdraft	**6,232**	5,997	4,468
Investment management loan book	**104,180**	93,971	111,810
Trust and pension debtors	**953**	1,012	978
Other debtors	**17**	16	13
	111,382	100,996	117,269

10 Property, plant and equipment

During the six months ended 30 June 2016, the group purchased assets with a cost of £2,276,000 (six months ended 30 June 2015: £1,056,000; year ended 31 December 2015: £2,547,000).

Assets with a net book value of £nil were disposed of in the six months ended 30 June 2016 (six months ended 30 June 2015: £21,000; year ended 31 December 2015: £29,000, resulting in a gain on disposal of £13,000 (six months ended 30 June 2015: £nil; year ended 31 December 2015: £4,000).

11 Intangible assets

	Goodwill £'000	Client relationships £'000	Software development costs £'000	Purchased software £'000	Total £'000
Cost					
At 1 January 2016 (restated – note 1)	**64,272**	**138,659**	**4,514**	**21,838**	**229,283**
Internally developed in the period	**–**	**–**	**203**	**–**	**203**
Purchased in the period	**–**	**4,785**	**–**	**1,104**	**5,889**
Disposals	**–**	**(802)**	**–**	**–**	**(802)**
At 30 June 2016	**64,272**	**142,642**	**4,717**	**22,942**	**234,573**
Amortisation and impairment					
At 1 January 2016	**666**	**37,790**	**3,616**	**15,758**	**57,830**
Charge in the period	**141**	**5,637**	**211**	**1,147**	**7,136**
Disposals	**–**	**(802)**	**–**	**–**	**(802)**
At 30 June 2016	**807**	**42,625**	**3,827**	**16,905**	**64,164**
Carrying value at 30 June 2016 (unaudited)	**63,465**	**100,017**	**890**	**6,037**	**170,409**
Carrying value at 30 June 2015 (unaudited)	57,565	97,833	863	5,403	161,664
Carrying value at 31 December 2015 (audited) (restated – note 1)	63,606	100,869	898	6,080	171,453

The total amount charged to profit or loss in the period, in relation to goodwill and client relationships, was £5,778,000 (six months ended 30 June 2015: £5,479,000; year ended 31 December 2015: £11,014,000). A further £1,553,000 (six months ended 30 June 2015: £1,623,000; year ended 31 December 2015: £3,254,000) was expensed as staff costs during the period, representing amounts due for client relationships introduced more than 12 months after the cessation of any non-compete period.

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.

11 Intangible assets

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 2016 was £1,147,000, which was lower than the carrying value of £1,288,000 at 31 December 2015. 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 2015: no increase per annum). The pre-tax rate used to discount the forecast cash flows was 9% (31 December 2015: 11%) 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 £141,000 during the period. This impairment has been included in the Investment Management segment in the segmental analysis (note 2).

12 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 2015	19,179	30	653	1,082	20,944
Charged to profit or loss	–	–	127	82	209
Unused amount credited to profit or loss	–	(7)	(47)	–	(54)
Net charge to profit or loss	–	(7)	80	82	155
Other movements	7,273	–	–	–	7,273
Utilised/paid during the period	(10,040)	(23)	(140)	–	(10,203)
At 30 June 2015 (unaudited)	16,412	–	593	1,164	18,169
Charged to profit or loss	–	–	307	631	938
Unused amount credited to profit or loss	–	–	(48)	–	(48)
Net charge to profit or loss	–	–	259	631	890
Business combinations	–	3,908	–	–	3,908
Other movements	4,035	–	–	–	4,035
Utilised/paid during the period	(7,055)	–	(131)	–	(7,186)
At 1 January 2016 (audited) (restated – note 1)	**13,392**	**3,908**	**721**	**1,795**	**19,816**
Charged to profit or loss	**–**	**–**	**855**	**306**	**1,161**
Unused amount credited to profit or loss	**–**	**(58)**	**(89)**	**–**	**(147)**
Net charge to profit or loss	**–**	**(58)**	**766**	**306**	**1,014**
Other movements	**4,783**	**48**	**–**	**–**	**4,831**
Utilised/paid during the period	**(7,902)**	**(2,258)**	**(421)**	**–**	**(10,581)**
At 30 June 2016 (unaudited)	**10,273**	**1,640**	**1,066**	**2,101**	**15,080**
Payable within 1 year	**1,398**	**538**	**1,066**	**1,251**	**4,253**
Payable after 1 year	**8,875**	**1,102**	**–**	**850**	**10,827**
At 30 June 2016 (unaudited)	**10,273**	**1,640**	**1,066**	**2,101**	**15,080**

12 Provisions for liabilities and charge

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, variable costs to acquire client relationship intangibles at 31 December 2015 included £4,389,000 (30 June 2015: £7,221,000) in relation to the purchase of part of Deutsche Asset & Wealth Management's London-based private client investment management business. The final payment of £4,495,000 was made during the period, based on the value of transferred funds under management retained by the group at 31 December 2015.

Deferred and contingent consideration in business combinations

Deferred and contingent consideration of £1,640,000 (30 June 2015: £nil; 31 December 2015 (restated – note 1): £3,908,000) is payable in instalments up to the end of 2019 following the acquisition of Vision and Castle. The payments are contingent on certain operational and financial targets being met.

The group has estimated the size and timing of the amounts payable by taking into account the expected outcome of the conditions attached to the payments. The group has discounted the amounts payable after one year.

Following the provisional agreement of the net asset value of the acquired businesses, a net asset value payment of £1,563,000 was made in March 2016. As a result of this, deferred and contingent consideration in business combinations as at 1 January 2016 has been restated to reflect this measurement period adjustment.

A further payment of £695,000 was made in June 2016, following the achievement of operational targets.

Legal and compensation

During the ordinary course of business the group may be subject to complaints, as well as threatened and actual legal proceedings both in the UK and overseas. Any such matters are periodically reassessed, with the assistance of external professional advisers where appropriate, to determine the likelihood of the group incurring a liability. 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.

Property-related

Property-related provisions consist of £2,101,000 in relation to dilapidation provisions expected to arise on leasehold premises held by the group (30 June 2015: £1,164,000; 31 December 2015: £1,795,000). Dilapidation provisions are calculated using a discounted cash flow model; during the six months ended 30 June 2016, provisions have increased by £306,000 (30 June 2015: £82,000; 31 December 2015: £713,000) due to the impact of discounting and taking on new leases.

Amounts payable after one year

Property-related provisions of £850,000 are expected to be settled within 20 years of the balance sheet date, which corresponds to the longest lease for which a dilapidation provision is being held. Provisions for deferred and contingent consideration in business combinations of £1,102,000 are expected to be settled within four years of the balance sheet date. Remaining provisions payable after one year are expected to be settled within two years of the balance sheet date.

13 Subordinated loan notes

	Unaudited 30 June 2016 £'000	Unaudited 30 June 2015 £'000	Audited 31 December 2015 £'000
Subordinated loan notes			
– Face value	**20,000**	–	20,000
– Carrying value	**19,541**	–	19,492

On 3 August 2015, Rathbone Investment Management issued £20,000,000 of 10-year Tier 2 notes ('Notes'). The Notes are repayable in August 2025, with a call option in August 2020 and annually thereafter. Interest is payable at a fixed rate of 5.856% until the first call option date and at a fixed margin of 4.375% over 6 month LIBOR thereafter.

14 Long term employee benefits

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

	Unaudited 30 June 2016 % p.a.	Unaudited 30 June 2015 % p.a.	Audited 31 December 2015 % p.a.
Rate of increase in salaries	**4.10**	4.30	4.20
Rate of increase of pensions in payment:			
– Laurence Keen Scheme	**3.40**	3.50	3.50
– Rathbones 1987 Scheme	**3.10**	3.20	3.10
Rate of increase of deferred pensions	**3.10**	3.30	3.20
Discount rate	**3.05**	3.90	4.00
Inflation*	**3.10**	3.30	3.20

* Inflation assumptions are based on the Retail Price Index

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

	Unaudited 30 June 2016		Unaudited 30 June 2015		Audited 31 December 2015	
	Males	**Females**	Males	Females	Males	Females
Retiring today	**24.3**	**26.5**	24.2	26.4	24.2	26.4
Retiring in 20 years	**26.6**	**28.8**	26.5	28.6	26.5	28.6

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

	Unaudited 30 June 2016		Unaudited 30 June 2015		Audited 31 December 2015	
	Rathbone 1987 Scheme	**Laurence King Scheme**	Rathbone 1987 Scheme	Laurence King Scheme	Rathbone 1987 Scheme	Laurence King Scheme
Present value of defined benefit obligations	**(199,897)**	**(16,801)**	(166,066)	(15,309)	(161,965)	(14,002)
Fair value of scheme assets	**169,915**	**14,818**	155,486	15,058	157,475	13,991
Total deficit	**(29,982)**	**(1,983)**	(10,580)	(251)	(4,490)	(11)

The group made special contributions into its pension schemes of £1,936,000 during the period (30 June 2015: £2,792,000; 31 December 2015: £3,792,000).

15 Share capital

The following movements in share capital occurred during the period:

	Number of shares	Exercise price pence	Share capital £'000	Share premium £'000	Total £'000
At 1 January 2015	47,890,269		2,395	92,987	95,382
Shares issued:					
– to Share Incentive Plan	139,573	1,934.0 – 2,264.0	7	2,873	2,880
– to Save As You Earn scheme	31,813	984.0 – 1,556.0	1	314	315
– on exercise of options	107	1,172.0	–	1	1
At 30 June 2015 (unaudited)	48,061,762		2,403	96,175	98,578
Shares issued:					
– to Share Incentive Plan	66,310	1,934.0 – 2,264.0	3	1,402	1,405
– to Save As You Earn scheme	3,261	934.0 – 1,641.0	1	39	40
– on exercise of options	2,953	852.0 – 1,172.0	–	27	27
At 31 December 2015 (audited)	**48,134,286**		**2,407**	**97,643**	**100,050**
Shares issued:					
– in relation to business combinations (note 3)	**37,912**	**1,705.0**	**2**	**645**	**647**
– to Share Incentive Plan	**104,667**	**1,968.0 – 2,039.0**	**5**	**2,069**	**2,074**
– to Save As You Earn scheme	**102,319**	**934.0 – 1,641.0**	**5**	**1,104**	**1,109**
– on exercise of options	**–**	**–**	**–**	**–**	**–**
At 30 June 2016 (unaudited)	**48,379,184**		**2,419**	**101,461**	**103,880**

At 30 June 2016, the group held 376,273 own shares (30 June 2015: 388,831; 31 December 2015: 384,295).

16 Financial instruments

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 2016 (unaudited)	**Level 1 £'000**	**Level 2 £'000**	**Level 3 £'000**	**Total £'000**
Assets				
Available for sale securities:				
– equity securities	**1,082**	**–**	**–**	**1,082**
– money market funds	**–**	**83,623**	**–**	**83,623**
Total financial assets	**1,082**	**83,623**	**–**	**84,705**

At 30 June 2015 (unaudited)	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Assets				
Available for sale securities:				
– equity securities	880	–	–	880
– money market funds	–	49,971	–	49,971
Derivative financial instruments	–	–	700	700
Total financial assets	880	49,971	700	51,551

16 Financial instruments

At 31 December 2015 (audited)	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Assets				
Available for sale securities:				
– equity securities	1,070	–	–	1,070
– money market funds	–	52,316	–	52,316
Total financial assets	1,070	52,316	–	53,386

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.

Level 3 financial instruments

Derivative financial instruments

Prior to the acquisition of Vision and Castle (note 3), the group was party to certain option contracts over the equity instruments of the two companies. The agreement to acquire the remaining 80.1% of the companies superseded the option contracts; the carrying value of which was written down to £nil, realising a loss of £1,030,000 for the year ended 31 December 2015.

Losses relating to the derivative financial instruments are included within 'loss on derivative financial instruments'. There were no other gains or losses arising from changes in the fair value of financial instruments categorised as level 3 within the fair value hierarchy.

	Derivative financial instruments £'000	**Total £'000**
At 1 January 2015	1,030	1,030
Total unrealised gains and losses recognised in:		
– profit or loss	(330)	(330)
At 30 June 2015 (unaudited)	700	700
Total unrealised gains and losses recognised in:		
– profit or loss	(700)	(700)
At 31 December 2015 (audited) and 30 June 2016 (unaudited)	–	–

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

– Held to maturity debt securities comprise bank and building society certificates of deposit, which have fixed coupons, and UK treasury bills. The fair value of debt securities at 30 June 2016 was £727,395,000 (30 June 2015: £676,125,000; 31 December 2015: £710,718,000) and the carrying value was £725,000,000 (30 June 2015: £674,177,000; 31 December 2015: £707,745,000). Fair value for held to maturity assets is based on market bid prices and hence would be categorised as level 1 within the fair value hierachy.

– Subordinated loan notes (note 13) comprise Tier 2 loan notes issued during 2015. The fair value of the loan notes at 30 June 2016 was £20,301,000 (30 June 2015: £nil; 31 December 2015: £20,099,000) and the carrying value was £19,541,000 (30 June 2015: £nil; 31 December 2015: £19,492,000). Fair value of the loan notes is based on discounted future cash flows using current market rates for debts with similar remaining maturity, and hence would be categorised as level 2 in the fair value hierarchy.

17 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 2016 but not provided for in the condensed consolidated interim financial statements amounted to £434,000 (30 June 2015: £653,000; 31 December 2015: £534,000).

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

	Unaudited 30 June 2016 £'000	Unaudited 30 June 2015 £'000	Audited 31 December 2015 £'000
Guarantees	**—**	578	–
Undrawn commitments to lend of 1 year or less	**22,146**	17,208	20,417
	22,146	17,786	20,417

The fair value of the guarantees is £nil (30 June 2015 and 31 December 2015: £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.

18 Consolidated interim statement of cash flows

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

	Unaudited 30 June 2016 £'000	Unaudited 30 June 2015 £'000	Audited 31 December 2015 £'000
Cash and balances at central banks	**960,115**	703,338	583,156
Loans and advances to banks	**105,629**	72,280	68,156
Available for sale investment securities	**83,623**	49,971	52,316
	1,149,367	825,589	703,628

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

Cash flows arising from issue of ordinary shares comprise:

	Unaudited Six months to 30 June 2016 £'000	Unaudited Six months to 30 June 2015 £'000	Audited Year to 31 December 2015 £'000
Share capital issued (note 15)	**12**	8	12
Share premium on shares issued (note 15)	**3,818**	3,188	4,656
Purchase of newly issued shares for the purposes of share-based schemes	**(1,043)**	(1,894)	(2,413)
	2,787	1,302	2,255

19 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 £122,000 were paid in the period (six months ended 30 June 2015: £38,000; year ended 31 December 2015: £108,000) in respect of ordinary shares held by key management personnel.

As at 30 June 2016, the group had provided interest-free season ticket loans of £3,000 (30 June 2015: £2,000; 31 December 2015: £6,000) to key management personnel.

At 30 June 2016, key management personnel and their close family members had gross outstanding deposits of £4,104,000 (30 June 2015: £306,000; 31 December 2015: £862,000) and gross outstanding loans of £949,000 (30 June 2015: £4,139,000; 31 December 2015: £5,805,000) which were made on normal business terms. A number of the company's directors and their close family members make use of the services provided by companies within the group. Charges for such services are made at various staff rates.

The group managed 25 unit trusts and OEICs during the first half of 2016 (six months ended 30 June 2015: 21 unit trusts and OEICs; year ended 31 December 2015: 22 unit trusts and OEICs). Total management charges of £12,856,000 (six months ended 30 June 2015: £12,607,000; year ended 31 December 2015: £25,371,000) were earned during the period, calculated on the bases published in the individual fund prospectuses, which also state the terms and conditions of the management contract with the group. Management fees owed to the group as at 30 June 2016 totalled £2,183,000 (30 June 2015: £2,094,000; 31 December 2015: £2,181,000).

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

20 Events after the balance sheet date

An interim dividend of 21.0p per share was declared on 26 July 2016 (see note 7). There have been no other material events occurring between the balance sheet date and 26 July 2016.

Regulatory capital

The group is classified as a banking group under the Capital Requirements Directive 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).

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 2016 £'000	Unaudited 30 June 2015 £'000	Unaudited 31 December 2015 £'000 (restated – note 1)
Share capital and share premium	**103,880**	98,578	100,050
Reserves	**206,331**	181,432	206,319
Less:			
– own shares	**(6,561)**	(6,015)	(6,177)
– intangible assets (net of deferred tax)	**(169,582)**	(161,547)	(170,485)
Total Common Equity Tier 1 capital	**134,068**	112,448	129,707
Tier 2 capital	**15,456**	–	16,278
Total own funds	**149,524**	112,448	145,985

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 2016, the group's risk-weighted assets were £837,975,000 (30 June 2015: £795,463,000; 31 December 2015: £794,075,000).

Pillar 2 — supervisory review process

Pillar 2 supplements the Pillar 1 minimum requirement with a 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.

Pension obligation risk
The potential for additional unplanned 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 and is being phased in from 1 January 2016 to 1 January 2019. As at 30 June 2016, the buffer rate was 0.625% of risk-weighted assets. The CCB must be met with Common Equity Tier 1 capital.

Own funds requirements

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 risk exposures. The buffer rate is currently set at zero for the UK; however non-zero rates for Norway, Sweden and Hong Kong, where the group has small relevant credit risk exposures, result in an overall rate of 0.09% of risk-weighted assets for the group as at 30 June 2016. 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 proportion of any PRA buffer that must be met with Common Equity Tier 1 capital will rise from 25% in 2016 to 100% from 1 January 2019, rising by 25% each year.

The group's own funds requirements were as follows:

	Unaudited 30 June 2016 £'000	Unaudited 30 June 2015 £'000	Unaudited 31 December 2015 £'000
Own funds requirement for credit risk	**36,630**	36,771	36,511
Own funds requirement for market risk	**–**	197	346
Own funds requirement for operational risk	**30,407**	26,669	26,669
Pillar 1 own funds requirement	**67,037**	63,637	63,526
Pillar 2A own funds requirement	**27,285**	16,846	26,794
Total Pillar 1 + 2A own funds requirement	**94,322**	80,483	90,320

Statement of directors' responsibilities in respect of the interim statement

Confirmations by the board

We confirm to the best of our knowledge that:

– the condensed set of financial statements have been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the EU;

– the interim management report includes a fair view of the information required by:

  a) DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and

  b) DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

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 2016, and as at 30 June 2016, the group was primarily equity-financed, with a small amount of gearing in the form of the Tier 2 debt issued in 2015.

In 2016, the group has continued to grow client funds under management and remains profitable, despite turbulent market conditions. We have considered the risks posed to the business by the results of the referendum on the United Kingdom's membership of the European Union on 23 June and believe that the company remains well-placed to manage its business risks successfully, despite the continuing uncertain economic and political outlook.

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

Philip Howell
Chief Executive

26 July 2016

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.

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 2016 as set out on pages 6 to 24 which comprises the consolidated interim statement of comprehensive income, consolidated interim statement of changes in equity, consolidated interim balance sheet, consolidated interim statement of cash flows and the related explanatory notes. We have read the other information contained in the half yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with the terms of our engagement to assist the company in meeting the requirements of the Disclosure and Transparency Rules ('the DTR') of the UK's Financial Conduct Authority ('the UK FCA'). Our review has been undertaken so that we might state to the company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company for our review work, for this report, or for the conclusions we have reached.

Directors' responsibilities

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

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

Our responsibility

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

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half yearly financial report for the six months ended 30 June 2016 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FCA.

Nicholas Edmonds
for and on behalf of KPMG LLP

Chartered Accountants
15 Canada Square, London E14 5GL

26 July 2016

Our offices

Head office

1 Curzon Street
London
W1J 5FB
+44 (0)20 7399 0000

Investment Management

1 Curzon Street
London
W1J 5FB
+44 (0)20 7399 0000

1 Albert Street
Aberdeen
AB25 1XX
+44 (0)1224 218 180

Temple Point
1 Temple Row
Birmingham
B2 5LG
+44 (0)121 233 2626

10 Queen Square
Bristol
BS1 4NT
+44 (0)117 929 1919

North Wing, City House
126–130 Hills Road
Cambridge
CB2 1RE
+44 (0)1223 229 229

1 Northgate
Chichester
West Sussex
PO19 1AT
+44 (0)1243 775 373

28 St Andrew Square
Edinburgh
EH2 1AF
+44 (0)131 550 1350

The Senate
Southernhay Gardens
Exeter
EX1 1UG
+44 (0)1392 201 000

Vision House
Unit 6A
Falmouth Business Park
Bickland Water Road
Falmouth
Cornwall
TR11 4SZ
+44 (0)1326 210904

The Athenaeum
8 Nelson Mandela Place
Glasgow
G2 1BT
+44 (0)141 397 9900

26 Esplanade
St Helier
Jersey
JE1 2RB
Channel Islands
+44 (0)1534 740500

The Stables
Levens Hall
Kendal
Cumbria
LA8 0PB
+44 (0)1539 561 457

Port of Liverpool Building
Pier Head
Liverpool
L3 1NW
+44 (0)151 236 6666

48 High Street
Lymington
SO41 9AG
+44 (0)1590 647 657

Earl Grey House
75–85 Grey Street
Newcastle upon Tyne
NE1 6EF
+44 (0)191 255 1440

Fiennes House
32 Southgate Street
Winchester
SO23 9EH
+44 (0)1962 857 000

Unit Trusts

1 Curzon Street
London
W1J 5FB
+44 (0)20 7399 0000

Designed and produced by Webb-Jenkins

Rathbones
Look forward

Rathbone Brothers Plc
1 Curzon Street, London W1J 5FB

+44 (0)20 7399 0000
rathbones.com