

RATHBONE BROTHERS PLC REPORT AND ACCOUNTS 2013



RATHBONES
Established 1742

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

As at 31 December 2013, Rathbones managed £22.0 billion of client funds, of which £20.2 billion were managed by Rathbone Investment Management.

HIGHLIGHTS OF THE YEAR

FINANCIAL HIGHLIGHTS

Funds under management	p18 
2013: £22.0bn 2012: £18.0bn	+22.2%
Operating income	p18 
2013: £176.4m 2012: £155.6m	+13.4%
Underlying¹ profit before tax	p19 
2013: £50.5m 2012: £44.8m	+12.7%
Profit before tax	p19 
2013: £44.2m 2012: £38.5m	+14.8%
Underlying¹ earnings per share	p19 
2013: 86.7p 2012: 77.4p	+12.0%
Basic earnings per share	p19 
2013: 76.1p 2012: 66.5p	+14.4%
Dividends paid and proposed per share	p20 
2013: 49.0p 2012: 47.0p	+4.3%

- 1 Underlying profit before tax and underlying earnings per share exclude amortisation of acquired client relationships and, in 2012, head office relocation costs
2 Restated for the effect of changes to accounting standards (see note 1)

BUSINESS HIGHLIGHTS

Philip Howell joins Rathbones as deputy chief executive and will succeed Andy Pomfret as chief executive on 1 March 2014. [p2 !\[\]\(cbe2492b119e39e02a1dab2af4a4b296_img.jpg\)](#)

Lymington and Newcastle offices open. [p18 !\[\]\(e474458956c9a37fbf9586ddb60a7fa1_img.jpg\)](#)

Charity Investment Manager of the Year Citywealth Magic Circle Award. [p25 !\[\]\(3e2231b1ad3ca8da8658228c00dd08e0_img.jpg\)](#)

Funds under management exceed £20 billion. [p4 !\[\]\(5361750c22c4e047a52f4eac1ec2d4cc_img.jpg\)](#)

Launch of Rathbones' enhanced investment process including roll-out of front office asset allocation modelling system. [p8 !\[\]\(870f5d5e9c0d57485634be3ecf52f3ca_img.jpg\)](#)

Taylor Young clients and personnel welcomed to Rathbones following acquisition in 2012. [p23 !\[\]\(4fe57c3593bf1b21d272ae7ac8dfaf77_img.jpg\)](#)

Partnership with English Lacrosse ahead of the 2017 World Championships. [p37 !\[\]\(0d5ec72f61334709c3fc9450209b754f_img.jpg\)](#)

James Dean appointed to the board as a non-executive director. [p2 !\[\]\(b792654f2cef9719eabeb6c5be00811e_img.jpg\)](#)

CHAIRMAN'S STATEMENT



“We appointed Philip Howell as deputy chief executive in March 2013 and on 2 December 2013 we announced that he had been appointed to the board and would become chief executive on 1 March 2014.”

OVERVIEW OF 2013

2013 was a positive year for investment markets generally, benefiting both Rathbones and our clients. This positive backdrop, combined with better levels of new business, meant that our total funds under management grew by 22.2% over the year to £22.0 billion. It is particularly pleasing that the growth in our business was broad-based, with our relationship approach continuing to be well received by private clients, professional intermediaries, trustees, charities and institutions. Rathbones welcomed some 1,500 clients in 2013 either directly, or through financial intermediaries, or as clients of seasoned investment managers who have recently joined us. Our unit trust business also performed well, growing its funds under management from £1.3 billion to £1.8 billion through both strong inflows and good investment performance.

As part of our ongoing investment in the business in 2013, we broadened our geographical spread by opening two new offices. In addition we continued to attract good people, enhanced our investment process and improved both our front and back office systems, which continue to provide the high quality support required by our clients and staff.

GOVERNANCE, THE BOARD AND SENIOR MANAGEMENT

The last few years have seen prolific growth in corporate governance codes, principles and guidelines. Much of this is sensible but no amount of process will remedy the situation if a firm's culture, starting at the top, is not healthy. Our annual report has been reshaped and supplemented to incorporate the new requirements in what we hope is a digestible way. All committee chairmen, for example, now provide a personal introduction to the work of their committee.

During the year, apart from routine duties, the board spent considerable time discussing risk, strategy, potential acquisitions, succession planning and litigation matters.

In my 2012 report I outlined how we had reduced the size of the board and I think it worked better in 2013 as a more cohesive and focused unit. As part of the succession planning I described last year we instigated a search for a non-executive director with accounting experience. After a rigorous process we were delighted to appoint James Dean as a new non-executive director on 1 November 2013. James was a senior partner of Ernst & Young. It remains our aspiration to achieve greater gender balance by appointing a second female non-executive director with appropriate skills by 2015.

We appointed Philip Howell as deputy chief executive in March 2013 and on 2 December 2013 we announced that he had been appointed to the board and would become chief executive on 1 March 2014 in succession to Andy Pomfret, who is retiring. Andy has been chief executive of Rathbones for nine years and was finance director for five years before that. Rathbones has flourished under his strong leadership and it is a tribute to Andy that he not only brought in Philip as a potential successor but has also ensured a smooth hand-over of responsibilities. I have enjoyed working with Andy immensely and we all wish him well in his future plural career.

STRATEGY

Set out on pages 6 to 16 is our strategic report, which describes our business model and strategic objectives and assesses how we have run the business. Rathbones has grown its investment management business very successfully over the years, both organically and by acquisition, and as a larger business we will be looking over the next year to develop our strategic processes and formalise our risk and capital planning disciplines to a greater degree. This will be a top priority for our new chief executive and I look forward to working with him and the rest of the board on this.

“We are well placed to take advantage of future growth opportunities in our sector and continue to look to the future with optimism.”

RISK AND LITIGATION

The report from the chairman of the group risk committee is set out on page 53. Whilst we have made considerable progress in 2013, risk management remains an area we want to develop further. We plan to establish an independent risk management structure to supplement our historic and proven practice of ensuring that our investment teams take responsibility for the risks in their areas of business. We will continue to promote a culture of risk awareness and responsibility throughout the firm. The biggest risks for Rathbones continue to arise from our ambition to grow our business and from regulatory intervention in our sector.

We were successful on all substantial coverage issues in the insurance case referred to in note 32 to the consolidated financial statements, but this was negated by the court's finding that insurers had rights of subrogation against Rathbones. Both sides have lodged an appeal. The board believes that the underlying Jersey claim will be unsuccessful and that effective insurance cover will be confirmed on appeal. Nevertheless litigation is not without risk and therefore the possibility exists that the group's insurance will not be effective or proves insufficient.

REGULATION

The regulatory impact on the private client investment management industry increased during the year. The regulatory system changed significantly as the Financial Services Authority was replaced by the Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA). We are therefore subject to two regulatory regimes.

Our investment management and unit trust businesses are both regulated by the FCA, but, as Rathbone Investment Management is a bank, we are also regulated by the PRA. In addition, European legislation is increasingly impacting our industry. We believe that it is important that short term political imperatives do not mean that the pendulum swings too far in our area of financial services and that unintended consequences do not work against the best interests of good investment managers and their clients.

REMUNERATION

The report from the chairman of the remuneration committee is set out on pages 54 to 65. It includes our remuneration policy, which shareholders are asked to approve at the Annual General Meeting (AGM). Work continues on implementing a firm wide remuneration structure that reinforces a performance-driven culture from the top to the bottom of the group.

SHAREHOLDERS

We endeavour to maintain an effective and regular dialogue with our major shareholders. The views of all our shareholders and what we believe is in their best interests shape all aspects of our decision-making. At the AGM, in line with best practice, we give shareholders the opportunity to vote on the appointment or reappointment of each board member. Biographies of each director are set out on pages 44 to 46.

I hope you find this year's annual report provides a clear account of how we run the business, what we have achieved and what we aim to achieve in the coming years.

OUTLOOK

We are well placed to take advantage of future growth opportunities in our sector and continue to look to the future with optimism. I very much look forward to working with our new chief executive, Philip Howell, and the board in the coming years to develop and grow the business further.

Mark Nicholls
Chairman

19 February 2014

CHIEF EXECUTIVE'S STATEMENT



PERFORMANCE

Our 2013 performance was, as always, affected by the markets. There were several periods of uncertainty but markets generally improved throughout the year (and ended relatively high), having a positive impact on our fee and commission income. This positive market sentiment also benefited our net organic growth rate, which is again above 5% on an annualised basis.

We achieved a key milestone when our total funds under management exceeded £20 billion in April and by the year end this had increased to £22.0 billion. Notably our charity team grew their funds under management to £2.7 billion by the year end; their funds under management have doubled over the last five years.

Another area of significant growth was our unit trust business where funds under management increased 38.5% to £1.8 billion. 2014 has also started positively with significant inflows into the Income and Global Opportunities funds in particular.

Costs increased during 2013, due to investment and higher variable awards, which are performance related. We continue to invest in our systems and expect this to deliver benefits in the coming years. We are also spending more money on our research process and anticipate expanding the number of people dedicated to this area.

Profit before tax of £44.2 million in 2013 was up 14.8% (2012: £38.5 million). Given this increase and the improving economic picture, the board has decided to increase the final dividend by 1.0p, making the total dividend for the year 49.0p (2012: 47.0p).

REGULATION

Regulation remains a key issue for all financial services firms. Although we consider our banking licence is an important differentiator amongst our peers, we are subject to two regimes, which results in a significant increase in the time and cost of dealing with our regulators. European legislation is also increasingly impacting the UK wealth management and banking sectors.

KEY EVENTS

The clients and staff of Taylor Young Investment Management moved across to our systems and London office in early 2013 following our acquisition of the business at the end of 2012. This has been a successful acquisition, bringing across a net £367.4 million of funds under management and eight new investment management colleagues. Our Newcastle and Lymington offices, opened at the start of 2013, are now fully operational and are working hard to build their client bases.

The roll-out of our new asset allocation modelling software across Rathbone Investment Management commenced in late 2013. This exciting tool enables each of our investment managers to analyse any number of their clients' portfolios and actively compare them to model strategies. The ability to make this comparison quickly and conveniently should significantly improve the efficiency of managing portfolios, allowing more time to be spent communicating with existing clients as well as gaining new ones.

One of the reasons for the share placing at the end of 2012 was to enable us to expand our loan book. Client loans now total almost £90 million, up 37.0% from the end of 2012. As well as a welcome solution for clients, this has helped to offset continued low interest income from our treasury assets.

We continue to develop our marketing initiatives and our support of English Lacrosse in particular. This has resulted in favourable publicity for Rathbones.

RETIREMENT

On 2 December 2013 we announced that I will be retiring at the end of February 2014. I joined the group in 1999 as the finance director, taking over as chief executive at the end of 2004. This has been a fascinating and challenging period, characterised by unstable markets. Over this period the business has grown from £5 billion of funds under management to over £22 billion. This achievement is entirely down to the people who work for Rathbones, and I will miss them all as I move to a plural career. Philip Howell will take on the role of chief executive a year after he joined as my deputy. Having spent the last year working with Philip I believe he is the ideal person to lead Rathbones in the future. I wish him and everyone at Rathbones well. Thank you all for your support over the last 15 years.

Andy Pomfret
Chief Executive

19 February 2014

STRATEGIC REPORT

Although this section is titled 'strategic report', as noted on page 70 for the purposes of Chapter 4A of the Companies Act 2006, the full strategic report comprises the following sections: chairman's statement; chief executive's statement; our business; strategy and key performance indicators; risk management; Rathbones' performance; segmental review; financial position; liquidity and cash flows; and corporate responsibility report.

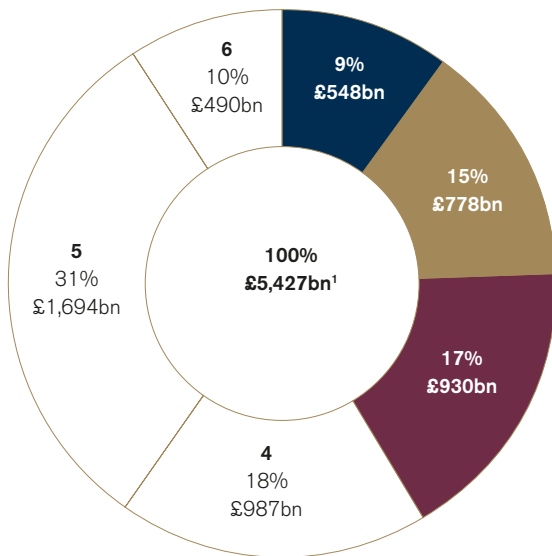
6	Our business
12	Strategy and key performance indicators
14	Risk management

OUR BUSINESS

OUR MARKET

The UK asset management industry was responsible for £5.4 trillion of funds at the end of 2012 (an increase of 6.5% since the end of 2011) and it is estimated this will have increased further, by another 7%, to circa £5.8 trillion¹ by the end of 2013. The industry comprises a number of distinct sectors.

Our market (%)



- 6 Private client funds (industry in which Rathbone Investment Management operates)
- 9 Retail clients (industry in which Rathbone Unit Trust Management operates)
- 17 Institutional – other (including sovereign wealth funds, local authorities, charities and companies) (industry in which Rathbone Investment Management's Specialist Charity Team operates)
- 4 Institutional – insurance companies
- 5 Institutional – corporate pension funds
- 6 Alternatives (including hedge funds, property funds and private equity funds)

Rathbone Brothers Plc, through its subsidiaries Rathbone Investment Management and Rathbone Unit Trust Management, is an important part of the industry, providing wealth management solutions for the private client, retail and charity sectors of the UK fund management industry. The following table helps to put this in context.

The private wealth industry

Rathbones in context

- £548 billion of assets managed in the UK by private client wealth managers¹.
 - The UK market comprises circa two million individuals with liquid assets of >£100,000².
 - There are an additional estimated 530,000 high net worth individuals with liquid assets of >£500,000, and around 100,000 with investible assets of >£2 million².
 - The top 47 charity fund managers look after circa £50 billion.
 - Around £778 billion is managed in investment funds for retail clients.
 - Over 150³ companies offer wealth management services in the UK. It is estimated that fund management firms in the UK directly employ over 50,000 people¹.
- We manage £20.2 billion, equating to an approximate 4% market share.
 - Our discretionary investment management client portfolios range in size from £100,000 (our stated minimum investment) to £100 million.
 - We provide investment management services to over 41,000 clients.
 - Over 50% of the money we manage is in client relationships of greater than £1 million.
 - We manage £2.68 billion of charity-related funds, mostly in respect of small and medium sized charities.
 - We manage £1.8 billion within our unit trust business.
 - We employ over 880 individuals across the group.

1 The City UK Fund Management 2013 report
 2 MDRC UK high net worth 2013 report
 3 Private Asset Managers directory 2013
 4 Charitable Finance, November 2013 (please note, this is not an exhaustive list of charity fund managers)

OUR INDUSTRY

The UK private client wealth management industry remains heterogeneous in terms of the many different cultures, structures, investment styles and business models in place at the numerous firms operating within it. Our independence and culture are inextricably linked to our business model, allowing us to develop the business in line with our underlying philosophy that private clients want a tailored and professional service suitable for their personal needs. A discretionary and bespoke approach to investment management best allows us to provide this.

Within this industry there are three principal and very distinct service offerings for private clients and charities seeking an investment management service: discretionary, advisory and self-directed. Each will appeal to a different type of client, often with very different needs. Our discretionary investment management service is where clients give our investment managers complete discretion over all investment decisions relating to their portfolios. In contrast, an advisory client is either responsible for generating their own investment ideas, or at the very least confirming their agreement to those suggested to them by their wealth manager. A client opting for a self-directed service will be entirely responsible for their own investment decisions, relying on resources made available to them via a share dealing platform or the media. For many years, Rathbones has focused on a discretionary service that is dynamic, and appeals to those clients who may not wish, or have little time to deal with the complexities of managing their own investments to a greater or lesser extent. Discretionary clients value the trusted relationship that they develop with their investment manager over time, during which their portfolio will be professionally managed to reflect their risk appetite and will respond to life events or changing family circumstances.

Many firms operating in the private client wealth industry seek to provide investment management as part of a wider holistic wealth solution, such that a client's investment portfolio becomes one element within an overall financial planning or private banking package. Whilst we focus on the provision of discretionary investment management services, we are also able to provide a number of complementary services (including financial planning, client loans and trust services) should they be required. We believe that this approach allows us to provide the highest-quality service to our clients in our particular area of expertise, working alongside other professional advisors as our clients require.

We provide services to a wide range of clients. Our whole of market, flexible and non-prescriptive approach to portfolio construction is another key differentiator amongst many of our peers, attracting clients who are seeking a bespoke, rather than model-based, investment portfolio built around their specific requirements and circumstances, and

managed by an individual who is personally accountable to them. We are one of the largest investment houses in the UK in terms of discretionary funds under management.

The competitive landscape

UK market by discretionary assets under management (AUM) at 31 December 2012¹

	Discretionary AUM ² £m	Total AUM £m
Coutts & Co	49,652	51,721
Brewin Dolphin	18,200	26,000
Rathbones	15,698	16,700
Lloyds TSB Private Banking	13,885*	13,885
Hargreaves Lansdown Asset Management ⁴	10,336*	25,839*
HSBC ³	10,308*	29,954*
Smith & Williamson ⁴	9,767	13,023
Investec Wealth & Investment	9,758	12,840
Cazenove Capital Management	9,000	9,000
Quilter Cheviot	6,059	6,732
Close Brothers Asset Management	5,489	8,854
UBS Wealth Management	5,123	26,963

¹ Source: Private Asset Managers directory 2013

² Barclays Wealth and St James's Place Wealth Management (total AUM: £50.2bn and £34.8bn respectively) do not provide a breakdown of their discretionary AUM

³ Combined data for HSBC Global Asset Managers and HSBC Private Bank

⁴ Includes assets other than private client discretionary or advisory portfolios ie assets under administration, charities, institutional, pensions which distorts proportion of discretionary AUM figure

* Private Asset Managers directory estimate

Our independent unit trust business, Rathbone Unit Trust Management, is a boutique asset manager operating in the retail client market providing a focused range of well-performing unit trusts designed to service the retail market. This is a highly competitive, fast-paced and expanding sector, served both by firms of a similar size as well as multi-national firms. Our funds under management account for a market share of 0.3%, and our efforts to improve the balance of our fund range over the last few years, has positioned us well for future growth. The unit trust team also provides an important contribution to the Rathbone Investment Management investment process.

In recent years the UK wealth management market has been subject to significant change in relation to regulation, merger and acquisition activity and corporate change. In spite of this, Rathbones has benefited from a period of stability, during which we have consistently invested in the business, enhancing front office systems, improving operational efficiencies and developing our investment process, in order to improve our client service, increase scalability and support solid future organic growth.

OUR BUSINESS MODEL

Our vision is to be the UK’s leading independently-owned provider of investment management services to private clients and trustees.

We aim to build trusted relationships with our clients and be accountable to them for how we manage their money. We believe our focus on a discretionary investment management service is the ideal way to deliver outstanding client service, value for money, and investment excellence.

We aim to create value for our shareholders and employees through a combination of organic growth, earnings-enhancing acquisitions, positive investment performance and effective cost management.

Our values

Responsibility

Our clients trust us to protect their financial future. Living up to this expectation is important to us.

Relationships

Our clients receive exceptional service and peace of mind through a direct relationship with the person accountable for their investments.

Relevance

Our investment services are designed to meet the needs of each client and their financial goals.

The rigour we apply to understanding our clients’ circumstances and the depth of our investment process ensures our clients receive relevant advice.

OUR SERVICES

Investment Management

Rathbone Investment Management manages over 90% of its clients’ accounts on a discretionary basis. Client accounts often include ISAs, SIPPs and trusts. We operate a whole-of-market approach to investment and investment in in-house funds is neither encouraged nor discouraged, with under 2% of Rathbone Investment Management’s total funds under management invested in funds managed by Rathbone Unit Trust Management.

Our personal service is underpinned by a well-researched, robust investment process which informs and supports our investment managers as they tailor portfolios to each individual client’s needs. See our case study on page 26 for more detail on how our investment process is structured.

Our business model

Independent ownership

- The direct ownership of our businesses gives us the freedom to reinvest into our core offering.
- We invest in processes and systems that support the business as well as the high-calibre people that deliver it.
- Our high staff shareholding helps to incentivise our employees to ensure the continuing success of the company.

Direct relationship with investment managers

An absence of ‘relationship managers’ allows our investment managers to build close and long-lasting relationships with their clients.

For our clients, this direct access to the person accountable for their investments is often the reason they come to and stay with us.

All round investment service

The subsidiary businesses of Rathbone Brothers Plc collectively offer whole-of-market investment options to clients with investible assets ranging from £1,000 to over £100 million.

We value our clients’ existing financial relationships and are always happy to work alongside advisers to best meet a client’s needs.

An outstanding investment process

Our investment process is fundamental to the services we provide, guiding the thinking of our investment managers whilst allowing enough flexibility to ensure that individual clients’ objectives are met.

See our investment process case study on page 26.

High-quality systems

The investment systems we provide to our investment managers are industry-leading and a programme of continual investment and development ensures they support our people in delivering the outstanding service our clients expect.

See our front office systems case study on page 24.

Growth

Focusing on these aspects of our business ensures we are able to grow our funds under management through organic growth, earnings-enhancing acquisition and investment performance. This in turn drives shareholder value.

The Rathbone Unitised Portfolio Service represents an investment opportunity for clients with fewer investible assets (£25,000 or more) and is an attractive proposition for financial intermediaries looking after smaller investors/clients.

Our ethical investment service, delivered by Rathbone Greenbank Investments, continually develops its extensive expertise to ensure that both financial and ethical issues are integrated within portfolios to meet the overall objectives of clients.

Rathbone Investment Management International's Jersey office provides clients with access to offshore investment management services.

Banking services

As a licensed deposit taker, we are able to offer our clients a range of banking services including currency, payment services, fixed interest term deposits and loans (often for bridging purposes) secured against investment portfolios and other assets.

Financial planning

Rathbone Pension & Advisory Services is independent of Rathbone Investment Management and, through our chartered financial planners, advises our clients on financial planning options. These include retirement and inheritance tax planning and we also offer and administer the Rathbone SIPP.

Trust and tax services

Rathbone Trust Company provides advisory and compliance services in relation to taxation, probate and trusts, together with family office support.

Unit Trusts

Our unit trusts and open-ended investment companies (OEICs) cover the UK stock market, embracing small, medium and large companies to achieve growth and income. In addition, we manage an ethical bond fund, a strategic bond fund and a global equity fund focused on international opportunities.

Our in-house research team works closely with our unit trust fund managers and provides support to both this business and to the core investment management business, forming an integral part of our investment process.

Rathbone multi asset funds provide the building blocks for the collective investment management solutions for private clients, delivered via the Rathbone Unitised Portfolio Service. These funds are available to investors with as little as £1,000 to invest.

OUR CLIENTS

Rathbone Investment Management serves three main client groups: private clients, charities and trustees making up the majority of our group funds under management. Within the retail sector, Rathbone Unit Trust Management offers a range of unit trusts and OEICs to private investors with £1,000 or more to invest, providing a credible investment solution to smaller retail clients, and the intermediaries serving them.

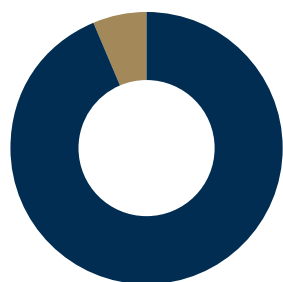
Split of funds under management %



Our investment management business consists of over 41,000 clients predominantly managed on a discretionary basis, representing a total of £20.2 billion of funds under management. Over 85% of these funds are managed for private clients and trustees, with investment portfolios for private clients often including a mix of ISA, trust and pension accounts.

Our charities team works with over 1,000 charities and not-for-profit organisations, with funds under management totalling £2.7 billion, over half of which is managed on behalf of charities focusing on education, religion or the disadvantaged and disabled. Our ethical team manages £640 million. Together, these two teams manage over 15% of our funds under management and in 2013 we embarked on a programme of internal reorganisation to more closely align our charity and ethical investment teams under a 'specialist services' banner, allowing resources to be more effectively deployed to support the growth of this area of our business through focused marketing initiatives and targeted business development.

Service type %



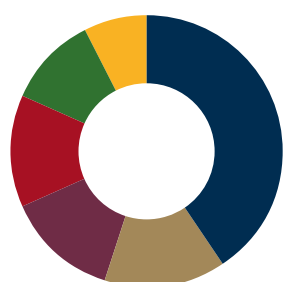
● Discretionary **93.8**
● Non-discretionary **6.2**

Our reputation as one of the leading discretionary investment managers in the UK continues to attract new clients looking for a personal and professional service. Many of these clients are referred to us by our existing clients, with whom we have built long-standing relationships, in some instances spanning generations.

Others have been referred by a professional intermediary (an independent financial adviser, lawyer or accountant) or have been happy to join us when we have recruited their existing investment manager. Our targeted marketing campaigns have also had some success in attracting new clients. We hold £3.6 billion in accounts managed on behalf of the clients of financial intermediaries. Over the last few years we have continued to build on and develop business-to-business relationships with intermediary firms across the UK. In 2013 38% of new client accounts were introduced by over 300 intermediaries, equating to some £413 million.

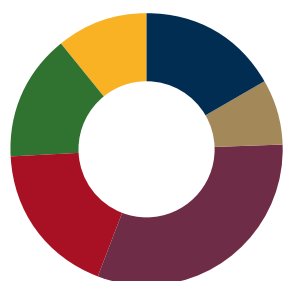
Our unit trusts are distributed in the UK mainly through financial intermediaries and third party platforms. Within this sector investment performance is very carefully analysed and our improved three and five year fund performance should prove beneficial in attracting inflows from both intermediaries looking to invest on behalf of their clients and individuals managing their money on a self-directed basis via a platform. Likewise, our multi asset funds provide an important investment solution for smaller portfolios. More recently, we have won a £95 million corporate mandate to manage funds in respect of the Scottish Life pension funds and we see relationships of this nature as a potentially rich source of new business for the unit trust team.

Account type %



● Private clients **40.6**
● Trust and settlements **14.5**
● ISAs **13.5**
● Charities **13.1**
● Pensions including SIPPs **10.9**
● Other **7.4**

Account size %



● > £10 million **16.9**
● £5 – £10 million **7.6**
● £1 – £5 million **31.4**
● £500,000 – £1 million **18.4**
● £250,000 – £499,999 **14.9**
● Up to £249,999 **10.8**

Our principal distribution channels are summarised in the table below.

Rathbone Investment Management	Rathbone Unit Trust Management
Type of client <ul style="list-style-type: none"> Private client Trustees Specialist services (charity, ethical) 	<ul style="list-style-type: none"> Retail clients
Principal distribution channels <ul style="list-style-type: none"> Client referral Direct marketing Panel relationships Financial intermediaries 	<ul style="list-style-type: none"> Financial intermediaries Third party platforms Corporate mandates

OUR EMPLOYEES

Continuity of service is important to our clients and this is best achieved by employing quality individuals who are well-motivated and confident to promote and represent the company. Turnover amongst our employees, and our investment managers in particular, remains extremely low, equating to 6% across the business, and 4% in respect of investment teams for 2013. When combined with careful recruitment (and some select corporate acquisitions) this has provided not only high levels of continuity for our clients and their advisers, but also positive growth in the investment management business.

OUR SHAREHOLDERS

We proactively engage with the market and our shareholders to ensure that they remain well-informed regarding our progress and performance, and over the course of the year we sought the views of a number of our largest shareholders in respect of remuneration. At the start of 2013 we appointed a second broker, Peel Hunt, to work alongside Canaccord Genuity. In 2013 we also introduced short videos on our website designed to complement the release of both our full year and interim results. In addition to our results roadshows in February and August our investor relations programme included roadshows to both East Coast USA and Dublin, as well as a number of regional UK visits. We also hosted our first investor day in November which was attended by a number of our larger shareholders; this was well-received and we hope it will become a regular event.

We seek to provide stable dividend growth and will only increase our dividend if we believe that it will be sustainable. We believe dividend cover should normally be 1 times to 2 times earnings, depending on the economic cycle. Our dividend payout ratio for 2013 is 64% (2012: 71%).

LOOKING AT 2014

There are four key themes to the leadership agenda for 2014:

Investment process

Over the course of the year we will continue the roll-out of our proprietary front office systems, in particular our asset allocation modelling software. We intend to support our investment managers further by strengthening our in-house research function, as well as our core investment process and the investment risk management capability. We also wish to improve our investment performance reporting by achieving independent accreditation.

Operational efficiency

Our operational efficiency is an important feature of our overall service and as in previous years we will maintain our programme of continuous improvement across our operations and IT platforms. More specifically we will undertake a significant software upgrade to our key document management system in order to improve functionality and also plan to deliver an enhanced version of our online client service.

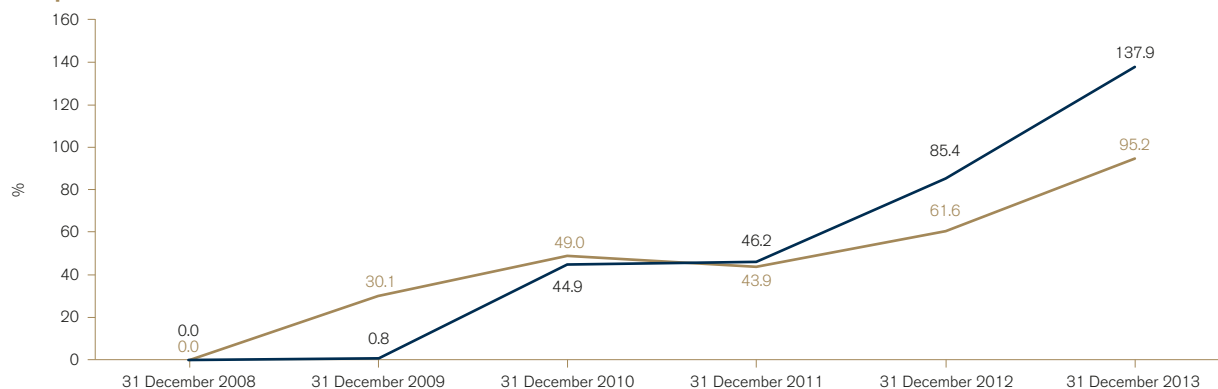
Leadership development

We will seek to reinforce senior management to ensure that our key support functions are appropriately resourced for strategic growth. Our training focus will continue to be directed towards both professional and management development. We also aim to develop the organisational structure of the front office to promote teamwork and optimal client service.

Growth initiatives

We will continue to search actively for high-quality corporate acquisition and recruitment opportunities that fit our culture and are within our risk appetite. In terms of organic growth, we plan to invest further in specialist areas of the investment management business that are already demonstrating positive momentum, for example charities and ethical. In addition we will concentrate our business development activity on increasing relationships with IFAs, professional intermediaries and our strategic partnership with Vision Independent Financial Planning Limited and Castle Investment Solutions Limited (see note 20 to the consolidated financial statements).

Our performance



- Rathbone Brothers Plc – Total Shareholder Return
- FTSE All Share – Total Shareholder Return

STRATEGY AND KEY PERFORMANCE INDICATORS

Strategic objectives

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

How we achieve our aims

- Our brand is well-recognised and known for focusing on bespoke discretionary investment management.
- Our model prioritises the importance of a direct client relationship with the investment manager responsible for managing a client's portfolio.
- Our robust investment process enables investment managers to invest across a broad range of asset classes and geographies.
- Our operational and support functions are largely managed in-house by an experienced team, ensuring the highest service standards and sound risk control.
- Our unit trust and multi asset funds provide a wider range of solutions to clients and their advisors.
- Our complementary tax, trust and financial planning services support the investment management business and deepen client relationships.
- Our continual investment in employees and systems helps deliver a quality client service.

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

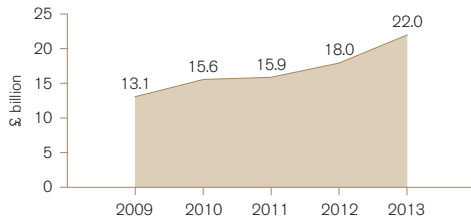
- Our ongoing investment in infrastructure drives cost efficiency, improves client service and supports organic growth.
- Our pursuit of inorganic growth opportunities that fit our culture increases shareholder value.
- Our intention to maintain our underlying operating margin at or around 30% balances cost/income decisions.
- Our risk management framework promotes management accountability for operational and business risks.
- Our conservative treasury policy operates within clear risk-based guidelines.
- Our aim is to manage capital and liquidity at optimal levels in light of market conditions, regulatory requirements and growth opportunities.
- Our strong aspiration is to ensure we meet or exceed regulatory requirements.

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

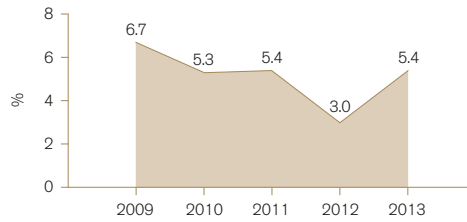
- Our policy is to encourage directors to build up a meaningful shareholding over a five year period.
- Our share-based savings schemes are offered to all employees.
- Our aim is to provide competitive and fair benchmarked remuneration which attracts, retains and motivates.
- Our remuneration schemes ensure that behaviour is aligned with shareholder and client interests.
- Our learning and development training activity promotes the highest professional and personal standards at all levels.
- Our recruitment practice ensures that new employees fit our culture and share our ethos.
- Our intent is to foster high levels of employee retention to ensure continuity of client service.

Key performance indicators

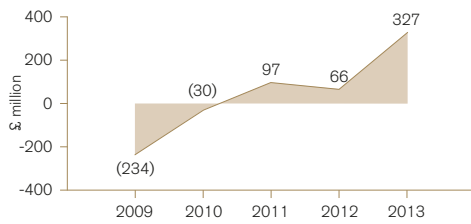
Total funds under management



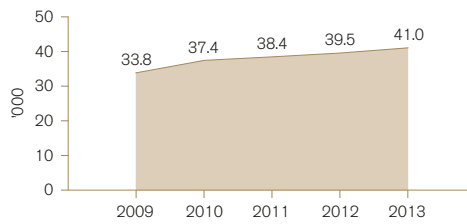
Net organic growth rates in Investment Management funds under management



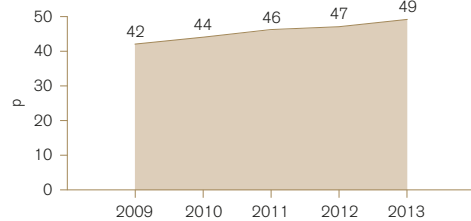
Unit Trusts net inflows



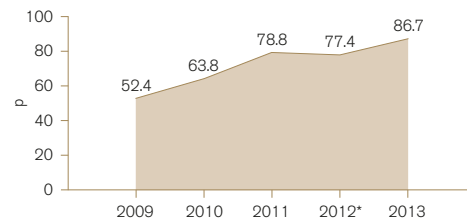
Number of Investment Management clients



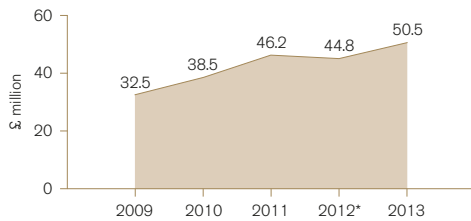
Dividend per share



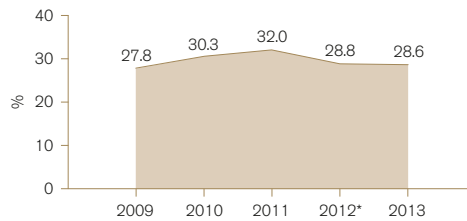
Underlying earnings per share



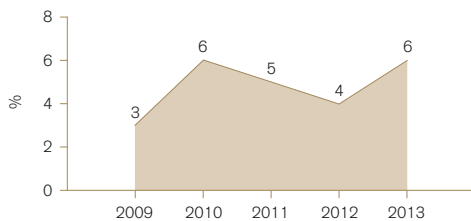
Underlying profit before tax



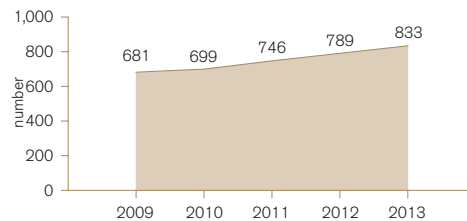
Underlying operating margin



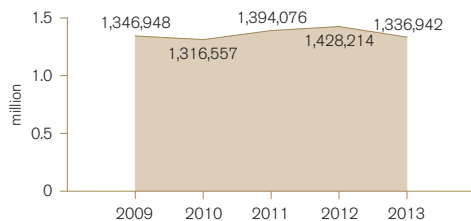
Staff turnover



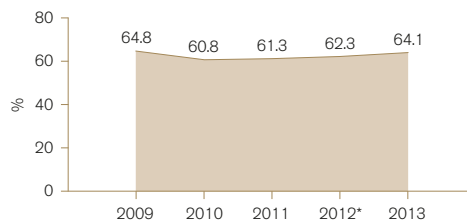
Average full time equivalent employees



Number of shares held by SIP participants



Staff costs as a percentage of operating costs



Principal risks to strategy

Performance and advice Risk F	p15
Processing Risk O	p16
Regulatory Risk G	p15
Reputational Risk H	p15

Business model Risk E	p15
Credit Risk A	p15
Pension Risk D	p15

Business change Risk I	p16
People Risk N	p16

* Restated – note 1.1

RISK MANAGEMENT

Rathbones continues to enhance its risk management framework, which provides a structured and consistent approach to ensuring that all identified risks are owned by management, business units and, in some cases, specific committees. Risk management is supported by a dedicated risk function.

RISK APPETITE

Rathbones' risk appetite is defined as the amount and type of risk the company is prepared to take or retain in the pursuit of its strategy. Our appetite articulates some overarching parameters for all of Rathbones, and specific measures for each Level 2 risk category (see below). During the year Rathbones operated within its stated risk appetite and the board remains committed to mitigating risk to within levels that are consistent with a relatively low overall appetite for risk. The board continues to recognise that the business is susceptible to market fluctuations and will bear losses from financial and operational risks from time-to-time either as reductions in income, losses or increases in operating costs.

RISK ASSESSMENT

Rathbones reviews and monitors risk exposures closely, considering the potential impact and any management actions required to mitigate the impact of emerging issues and future events. The group risk register is the principal tool for monitoring risks which are classified in a strict hierarchy. The highest level (Level 1) identifies risks as either financial, business or operational. The next level (Level 2) contains 15 risk categories, which are listed below. Detailed risks (Level 3) are a subset of Level 2 risks and are captured and maintained across the company within separate business unit risk registers. A watch list is maintained to record any emerging issues and future events which will or could have the potential to impact Rathbones' risk profile and may therefore require active management, process changes or systems development. The watch list is regularly reviewed and monitored by executive management and governance committees.

RISK SCORING

During 2013, Rathbones continued to assess the risks using a 1 – 4 scoring system with each Level 3 risk rated by assessing the likelihood of its occurrence in a five year period and the associated impact. A residual risk score is then derived by taking into account an assessment of the internal control environment or insurance mitigation.

RISK PROFILE

Thirty-nine Level 3 risks currently form the basis of the group's risk register, each of which is classified under one of the 15 Level 2 risk categories.

Rathbones' approach to managing risk is underpinned by our understanding of our current risk exposures and how risks change over time. The risk register and watch list are monitored closely by executive management, the group risk committee and the board.

The risk profile and ratings for the majority of Level 2 risks have remained consistent during 2013. The following table summarises the changes.

Ref	Risk	Risk change in 2013	Description of change
F	Performance and advice	↑	Insurance risks arising from Jersey trust legal proceedings (notes 2.4 and 32 to the consolidated financial statements).
G	Regulatory	↑	Higher FSCS levies and volume of regulation impacting the business.
K	Data integrity and security	↑	Increased financial impact and consequences of potential cyber attacks, fraud and external data loss events.

The board believes that the principal risks and uncertainties facing the group have been identified within the following information. Our overall risk profile and ways in which we mitigate risks are analysed below. These listings are not exhaustive and risk mitigators exclude the oversight provided by board committees.

FINANCIAL RISKS

Ref	Level 2 risk	Definition	Key mitigators
A	Credit	The risk that one or more counterparties fail to fulfil contractual obligations, including stock settlement.	<ul style="list-style-type: none"> • Banking committee oversight. • Counterparty limits and credit reviews. • Treasury policy and procedures manual. • Active monitoring of exposures. • Annual Individual Capital Adequacy Assessment Process.
B	Liquidity	The risk of having insufficient financial resources to meet obligations as they fall due, or that secure access to such resources would be at excessive cost.	<ul style="list-style-type: none"> • Banking committee oversight. • Daily reconciliations and reporting to senior management. • Cash flow forecasting. • Contingency funding plan. • Annual Individual Liquidity Adequacy Assessment Process (including stress testing).
C	Market	The risk that earnings or capital will be adversely affected by changes in the level or volatility of interest rates, foreign currency exchange rates or market prices.	<ul style="list-style-type: none"> • Banking committee oversight. • Documented policies and procedures. • Daily monitoring of interest rates, exchange rates and maturity mismatch. • Robust application of policy and investment limits.
D	Pension	The risk that funding our defined benefit pension schemes materially affects dividends, reserves and capital.	<ul style="list-style-type: none"> • Management and trustee oversight. • Monthly valuation estimates. • Triennial independent actuarial valuations. • Investment policy and oversight. • Monthly management information. • Annual Individual Capital Adequacy Assessment Process.

Further detailed discussion of the group's exposures to financial risks is included in note 30 to the consolidated financial statements.

BUSINESS RISKS

Ref	Level 2 risk	Definition	Key mitigators
E	Business model	The risk that the business model does not respond in an optimal manner to changing market conditions such that sustainable growth, market share or profitability is adversely affected.	<ul style="list-style-type: none"> • Board and executive oversight. • A documented strategy. • Annual business targets, subject to regular review and challenge. • Regular reviews of pricing structure. • Continued investment in marketing, the investment process and service standards. • Trade body participation.
F	Performance and advice	The risk that clients receive inappropriate financial, trust or investment advice, inadequate documentation or unsuitable portfolios resulting in a failure to meet clients' investment and/or other objectives or expectations.	<ul style="list-style-type: none"> • Investment governance and structured committee oversight, specifically strategic asset allocation and stock selection. • Management oversight and active client service, performance measurement and attribution analysis. • Weekly investment management meetings. • Monthly investment manager peer reviews. • Consistent and competitive remuneration schemes. • Compliance monitoring.
G	Regulatory	The risk that the introduction of new regulation or changes to interpretation or enforcement of existing regulation, or imposition of levies, materially affects the business model, our services, cost levels or operations.	<ul style="list-style-type: none"> • Active involvement with representative industry bodies. • Compliance monitoring and oversight of industry and regulatory developments. • Close contact with the regulators. • Documented policy and procedures.
H	Reputational	The risk of reputational damage from financial and non-financial events or failing to meet stakeholders' expectations.	<ul style="list-style-type: none"> • Board and executive oversight with a strong compliance culture. • Investment in staff training and development. • Proactive communications with shareholders/investor relations. • Investment process, management and performance monitoring. • A treating clients fairly culture. • Strong values and approach to governance. • Monitoring of media coverage.

OPERATIONAL RISKS

Ref	Level 2 risk	Definition	Key mitigators
I	Business change	The risk that the planning or implementation of change is ineffective or fails to deliver desired outcomes.	<ul style="list-style-type: none"> • Project and IT committees. • Dedicated project office function. • Documented business plans and IT strategy. • Two-stage assessment, challenge and approval of project plans. • Documented project and change procedures.
J	Business continuity	The risk that an internal or external event results in either failure or detriment to core business processes or services.	<ul style="list-style-type: none"> • Group business continuity committee oversight. • Documented crisis/incident management and disaster recovery plans. • Regular disaster recovery testing. • Continuous monitoring of IT systems availability. • Off-site data centre.
K	Data integrity and security	The risk of a lack of integrity of, inappropriate access to, or disclosure of, client- or company-sensitive information.	<ul style="list-style-type: none"> • Data security committee oversight. • Data protection policy and procedures. • System access controls and encryption. • Penetration testing and multi-layer network security. • Training and employee awareness programmes. • Office and physical security within all locations.
L	Legal and compliance	The risk of remediation, censure, fines or legal action as a result of a failure to identify or inability to comply with regulatory or legislative requirements or inadequate or ineffective insurance cover.	<ul style="list-style-type: none"> • Executive oversight. • Retained specialist legal advisers. • Compliance department. • Data protection policy and compliance monitoring. • Documented policies and procedures. • Training and employee awareness programmes.
M	Outsourcing	The risk of one or more third parties failing to provide or perform outsourced services to standards expected by the group, impacting the ability to deliver core services.	<ul style="list-style-type: none"> • Executive oversight. • Active relationship management, including regular service review meetings. • Service level agreements and monitoring of key performance indicators. • Compliance monitoring.
N	People	The risk of loss of key staff, lack of skilled resources and inappropriate behaviour or actions.	<ul style="list-style-type: none"> • Executive oversight. • Succession and contingency planning. • Transparent, consistent and competitive remuneration schemes. • Investment in staff training and development. • Contractual clauses with restrictive covenants.
O	Processing	The risk that the design or execution of client/financial/settlement transaction processes (including dealing activity) are inadequate or fail to deliver an appropriate level of service and protection to client or company assets.	<ul style="list-style-type: none"> • Authorisation limits and management oversight. • Dealing limits and supporting system controls. • Active investment in automated processes. • Counter review/four-eyes processes. • Segregation of duties. • Documented procedures. • Annual controls assessment (ISAE3402 report).

OUR PERFORMANCE

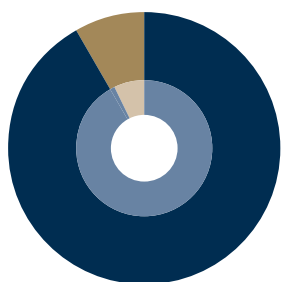
- 18 Rathbones' performance
- 21 Segmental review
- 29 Financial position
- 32 Liquidity and cash flows
- 33 Corporate responsibility report



RATHBONES' PERFORMANCE

Our 2013 financial year was positive for Rathbones and our clients. Markets improved steadily in the early part of the year and eventually shrugged off mid-year uncertainty over the sustainability of the recovery ending the year strongly. This strength in financial markets, particularly in the second half of 2013, helped improve net organic fund inflows which, together with acquired business, helped us grow total funds under management to £22.0 billion at 31 December 2013, representing an increase of 22.2% on £18.0 billion at the start of the year.

Chart 1: Group funds under management



	2013 £bn	2012 £bn
Investment Management	20.2	16.7
Unit Trusts	1.8	1.3
Total	22.0	18.0

Positive markets and continued growth in both Rathbone Investment Management and Rathbone Unit Trust Management helped to improve 2013 profitability and earnings per share, as shown in table 1.

Table 1. Extracts from the consolidated statement of comprehensive income

	2013 £m	2012 £m (restated – note 1.1)
Operating income	176.4	155.6
Underlying operating expenses	(125.9)	(110.8)
Underlying profit before tax ¹	50.5	44.8
Underlying operating margin ²	28.6%	28.8%
Profit before tax	44.2	38.5
Effective tax rate	21.3%	24.7%
Taxation	(9.4)	(9.5)
Profit after tax	34.8	29.0
Underlying earnings per share	86.7p	77.4p
Earnings per share	76.1p	66.5p
Dividend per share ³	49p	47p

1 Profit before tax excluding amortisation of acquired client relationships and, in 2012, head office relocation costs

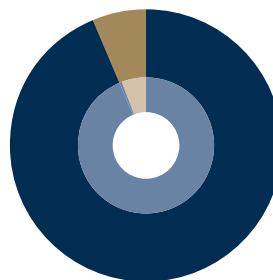
2 Underlying profit before tax as a % of operating income

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

GROUP OPERATING INCOME

Operating income increased 13.4% to £176.4 million in 2013, reflecting higher fees and commissions from higher levels of funds under management offset by lower net interest income. A detailed analysis of the components of income is set out in the segmental review on pages 21 to 28.

Chart 2: Group operating income



	2013 £m	2012 £m
Investment Management	165.3	146.7
Unit Trusts	11.1	8.9
Total	176.4	155.6

GROUP UNDERLYING OPERATING EXPENSES

Underlying operating expenses have increased 13.6% to £125.9 million and reflect a combination of business growth and investment as well as some other factors (see chart 3).

Total fixed staff costs, including support staff, increased by 9.9% to £56.8 million in 2013. Average full time equivalent headcount grew 5.6% to 833 (2012: 789), which reflected the addition of new revenue-generating teams, including the new offices in Lymington and Newcastle and the team from Taylor Young's private client business. We have also taken on more staff in operational roles and support departments in line with a growing business. In addition, salary inflation amounted to 3.7%.

Total variable staff costs, including variable awards for business support staff, increased by 32.2% to £27.9 million. This reflects higher growth-based awards in line with improved net organic growth levels and an outperformance versus the WMA Balanced Index, together with the higher cost of cash-settled awards, in line with share price growth and higher profitability.

As planned, infrastructure costs increased by £2.4 million largely as a result of the opening of new offices in Newcastle and Lymington and increased IT expenditure to improve automation and help drive process efficiencies.

Underlying operating expenses also included £2.7 million of legal fees (2012: £0.8 million) in relation to the claims outlined in note 32 to the consolidated financial statements and £0.7 million of accelerated accounting charges for deferred awards on the retirement of the chief executive.

PROFIT BEFORE TAX/OPERATING MARGIN

Underlying profit before tax and earnings per share are considered by the board to be a better reflection of true business performance than looking at Rathbones' results on a statutory basis only. These measures are widely used by research analysts covering the group. Underlying results exclude expenditure falling in the two categories explained below. A full reconciliation between underlying profit and profit attributable to shareholders is provided in note 3 to the consolidated financial statements.

Amortisation of acquired client relationships (note 21)

As explained in notes 1.15 and 2.1, client relationship intangible assets are created in the course of acquiring funds under management. The amortisation charge associated with these assets represents a significant non-cash item. It has, therefore, been excluded from underlying profit, which represents largely cash-based earnings. Charges for amortisation of client relationship intangibles in the year ended 31 December 2013 were £6.3 million (2012: £6.0 million).

Head office relocation costs (note 8)

In February 2012, we relocated our head office to 1 Curzon Street, taking advantage of the opportunity to bring London-based employees together, with most now sitting on the same floor of a single building. Charges in 2012 of £0.3 million associated with this move were separately highlighted and excluded from underlying profit due to their non-recurring nature. No such expenditure was incurred in 2013. Head office operating lease costs of £3.3 million per annum are included within underlying operating expenses.

Underlying profit before tax grew 12.7% from £44.8 million in 2012 to £50.5 million. The underlying operating margin, which is calculated as the ratio of underlying profit before tax to operating income, was 28.6% for the year ended 31 December 2013 (2012: 28.8%). Profit before tax grew by 14.8% to £44.2 million for the year, up from £38.5 million in 2012. Head office relocation costs were not repeated in 2013.

TAXATION

The tax charge for 2013 was £9.4 million (2012: £9.5 million), and represents an effective tax rate of 21.3% (2012: 24.7%).

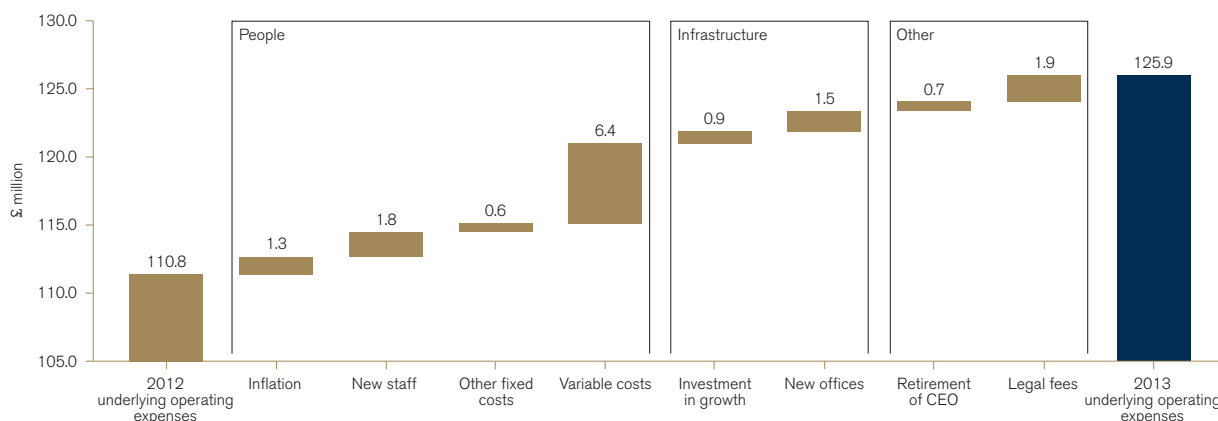
The effective tax rate is lower than the derived UK standard rate of corporation tax of 23.2% due to:

- an increase in the tax deduction available for share-based awards driven by a higher share price; and
- the reversal of an overprovision in 2012 for the impact of deferred awards;
- partially offset by disallowable expenses.

A full reconciliation of the income tax expense is provided in note 10 to the consolidated financial statements.

The Finance Bill 2013, which includes provisions for the UK corporation tax rate to be reduced to 20% over the next two years, was passed by the House of Commons on 2 July 2013 and the reductions are therefore deemed to be substantively enacted. Deferred tax balances have therefore been calculated based on the reduced rates where timing differences are forecast to unwind in future years.

Chart 3: Underlying operating expenses



BASIC EARNINGS PER SHARE

Basic earnings per share for the year ended 31 December 2013 were 76.1p, up 14.4% on 66.5p in 2012 and incorporating the full year impact of the £24.0 million placing in November 2012. On an underlying basis, earnings per share increased by 12.0% to 86.7p in 2013 (see note 12 to the consolidated financial statements).

DIVIDENDS

In light of the results for the year, the board have proposed a final dividend for 2013 of 31.0p. This results in a full year dividend of 49.0p, an increase of 2.0p on 2012 (4.3%). The proposed dividend is covered 1.6 times by basic earnings and 1.8 times by underlying earnings.

LEGAL PROCEEDINGS

As reported in the 2012 report and accounts, a claim relating to the management of a Jersey trust has been filed against a former employee (and director) of a former subsidiary and others (and that former subsidiary has recently been joined in as a defendant). In addition, the company issued proceedings against certain of its civil liability (professional indemnity) insurers in respect of the former employee's potential liabilities arising out of the Jersey claim.

In November 2013 the company announced that judgment had been handed down following the trial in the Commercial Court in London in respect of the insurance case. In December, the company and the former employee in question decided to appeal subrogation aspects of the judgment and our insurers also decided to appeal coverage aspects of the judgment. The hearing of those appeals before the Court of Appeal is expected to take place in the second half of 2014. The underlying Jersey claim is now expected to come to trial towards the end of 2015. Further detail on these matters is set out in note 32 to the consolidated financial statements.

The board believes that, whilst legal costs may continue to be incurred, it is more likely than not that any final judgment in relation to the above claims will result in no liability to the company, and accordingly no provision has been made in the consolidated financial statements.

SEGMENTAL REVIEW

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

INVESTMENT MANAGEMENT

The Investment Management segment presented in this annual report includes the results of all the activities described on pages 8 and 9, except for those under the sub-heading Unit Trusts. It also includes the results of the group's treasury operations.

Key performance indicators

The financial performance of Investment Management is largely driven by the value of funds under management. Revenue margins are expressed as a basis point return, which depends on a mix of tiered fee rates, commissions charged for transactions undertaken on behalf of clients and the interest margin earned on cash in client portfolios and loans to clients, as described below. Funds are closely managed by investment managers, who maintain relationships with clients that are critical to the retention of client accounts.

Year-on-year changes in the key performance indicators for Investment Management are shown in table 2, below:

Table 2. Investment Management – key performance indicators

	2013	2012
Funds under management at 31 December ¹	£20.2bn	£16.7bn
Underlying rate of net organic growth in Investment Management funds under management ¹	5.4%	3.0%
Underlying rate of total net growth in Investment Management funds under management ¹	9.0%	6.2%
Average net operating basis point return ²	81bps	85bps
Number of Investment Management clients	41,000	39,500
Number of investment managers	209	205

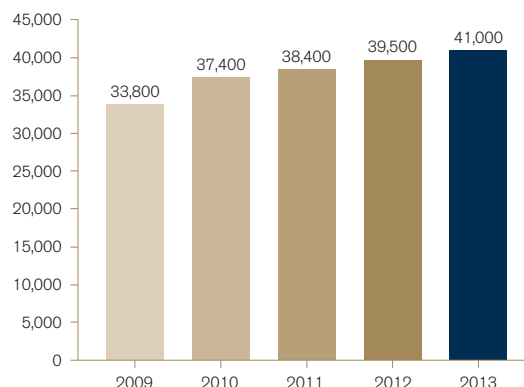
¹ See table 3

² See table 6

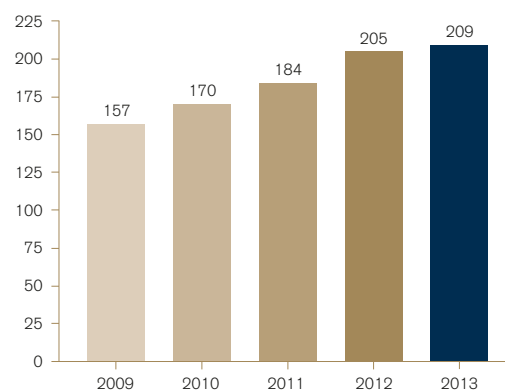
During 2013 we have continued to attract new clients both organically and through acquisitions. The total number of clients (or groups of closely related clients) increased from 39,500 to 41,000 during the year (see chart 4), with some 480 clients joining us in the year as a result of our purchase of Taylor Young Investment Management's private client business. During 2013, the total number of investment managers increased to 209 at 31 December 2013 from 205 at the end of 2012 (see chart 4).

Chart 4: Investment Management

Number of Investment Management clients



Number of investment managers



Fund flows

Investment Management funds under management increased by 21.0% to £20.2 billion at 31 December 2013 from £16.7 billion at the start of the year. This increase is analysed in table 3, below:

Table 3. Investment Management – funds under management

	2013 £bn	2012 £bn
As at 1 January	16.7	14.8
Inflows	2.7	2.1
– organic ¹	2.1	1.6
– acquired ²	0.6	0.5
Outflows ¹	(1.2)	(1.2)
Market adjustment ³	2.0	1.0
As at 31 December	20.2	16.7
Net organic new business ⁴	0.9	0.4
Underlying rate of net organic growth ⁵	5.4%	3.0%
Underlying rate of total net growth ⁶	9.0%	6.2%

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

² Value at 31 December

³ Represents the impact of market movements and investment performance

⁴ Organic inflows less outflows

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

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

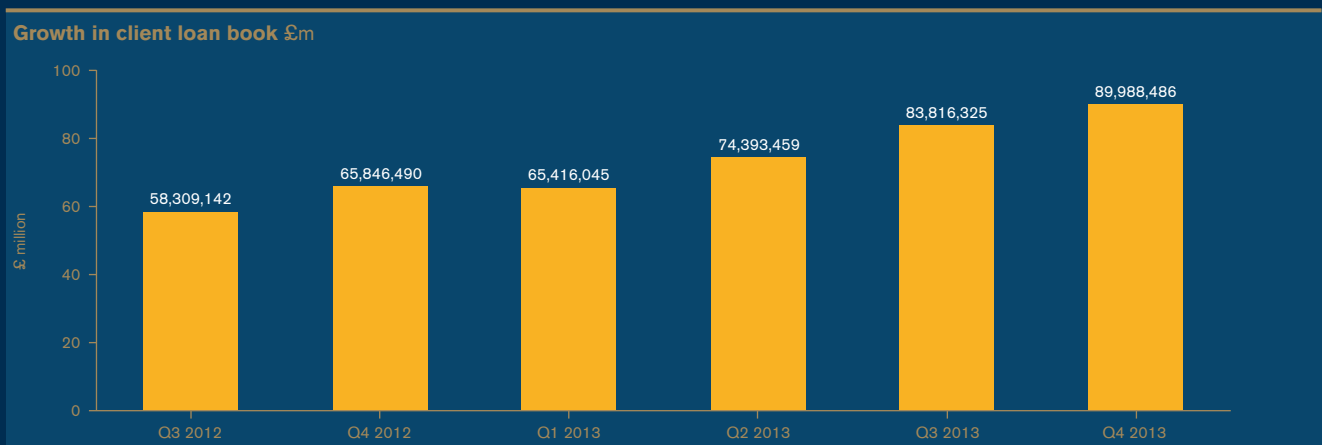
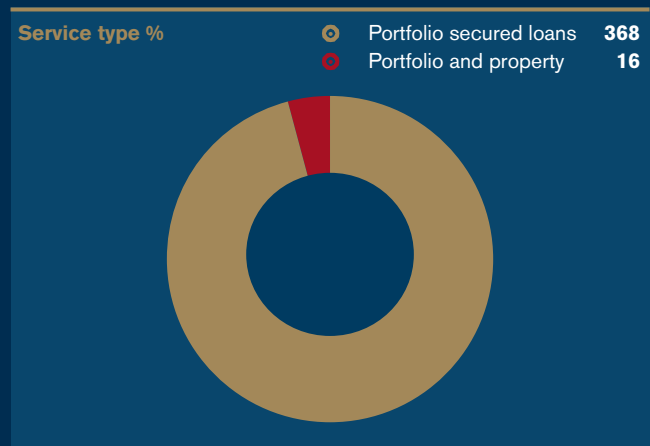
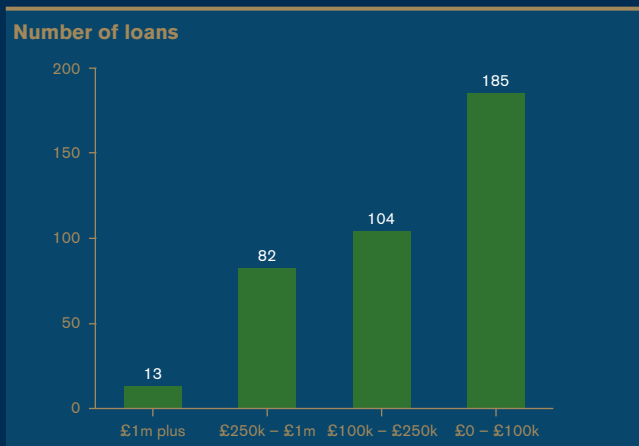
LOANS TO CLIENTS

In November 2012, as part of our share placing, we indicated that we would use some of the capital raised to support further the growth and development of our client loan book. At the end of 2013, 384 loans had been advanced to clients totaling £89.2 million (2012: £65.1 million in respect of 308 loans).

Although it is not necessary to be a bank in order to offer loans, we are able to use treasury assets to provide loans to clients. In a prolonged low interest environment this has helped to offset the lower interest rate margins earned on the cash held within our clients' portfolios, whilst also providing a valuable service to a number of our clients, thus helping to enhance our long-term relationship. Interest earned from the loan book in 2013 was £0.7 million (2012: £0.4 million).

Our personal relationship with our clients allows us to make a decision on a loan application quickly, typically within 24 hours. Loans are only available to our existing investment management clients and are generally secured on the client's investment portfolio under our control. Our lending ratios are prudent; typically we will lend up to half the value of the portfolio (subject to certain criteria being met) and more recently we have written some loans which are partially secured on a property.

The majority of our loans are short to medium term in nature and it is not uncommon for clients to use the loans as bridging finance when moving property. In such instances, we often benefit from additional funds being added to the client's portfolio once the loan has been repaid.



The improvement in market sentiment in 2013 is reflected in the increase in underlying net organic growth, which is measured as funds introduced by new or existing clients to existing investment managers. Underlying net organic growth in 2013 was 5.4% of opening funds under management in the year compared to 3.0% in 2012.

All areas of the business contributed to growth in 2013, with referrals from existing clients remaining a key source of new business. Charity funds under management continued to grow strongly, supported by good investment performance, and reached £2.7 billion at 31 December 2013, up 28.6% from £2.1 billion at the start of the year. We are now one of the 10 largest charity investment managers in the UK by funds under management. We were shortlisted by the Charity Times as Investment Manager of the Year 2013 and we are delighted that the chair of the Charity Commission spoke at our annual charity symposium.

We retained our marketing focus on intermediaries during the year. Funds under management in accounts linked to independent financial advisers (IFAs) and provider panel relationships increased by £703 million during 2013, ending the year at £3.6 billion, an increase of 24.1%. Of this increase, Vision Independent Financial Planning Limited, in which we have a 19.9% holding, represented £164 million.

Acquired inflows of £0.6 billion in the year include £367.4 million from the purchase of Taylor Young Investment Management Limited's private client base in November 2012 and funds introduced by newly joining investment managers who are subject to earn-out arrangements (see note 2.1 to the consolidated financial statements).

In total, net organic and acquired growth added £1.5 billion to Investment Management funds under management in 2013 (2012: £0.9 billion), representing an underlying rate of total net growth of 9.0% (2012: 6.2%).

The FTSE 100 Index and the FTSE WMA Balanced Index rose by 14.4% and 10.8% respectively over the year, which helped generate a positive market adjustment of £2.0 billion (2012: £1.0 billion positive adjustment).

Performance across all of our discretionary portfolios was reasonably strong against the WMA Balanced Index. Although underweight in US equities overall, favourable asset allocation towards UK equities and corporate bonds was supported by good stock selection decisions, particularly in the UK.

Financial performance

Investment Management income is derived from:

- a tiered scale of investment management or advisory fees, which are applied based on the value of clients' funds under management, and a flat fee for each account;
- commissions which are levied on transactions undertaken on behalf of clients; and
- an interest margin earned on the cash held in clients' portfolios and on loans to clients.

Table 4. Investment Management – financial performance

	2013 £m	2012 ¹ £m
Net investment management fee income ²	104.2	89.6
Net commission income	42.0	37.4
Net interest income ³	8.6	9.9
Fees from advisory services ⁴ and other income	10.5	9.8
Net operating income	165.3	146.7
Underlying operating expenses ⁵	(116.2)	(102.4)
Underlying profit before tax	49.1	44.3
Underlying operating margin ⁶	29.7%	30.2%

1 Comparatives restated due to change in accounting standard for pensions (see note 1.1 to the consolidated financial statements)

2 Net investment management fee income is stated after deducting fees and commission expenses paid to introducers

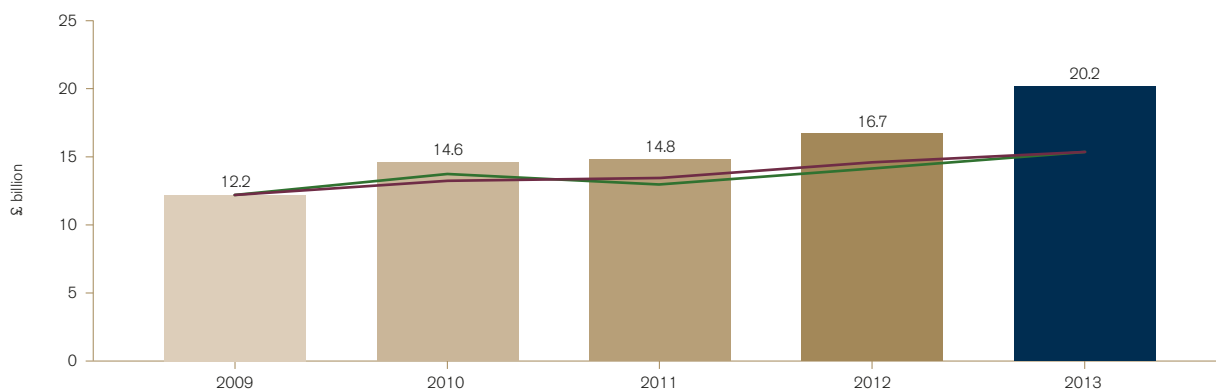
3 Presented net of interest expense paid on client accounts

4 Fees from advisory services includes income from trust, tax and pensions advisory services

5 See table 7

6 Underlying profit before tax as a % of underlying net operating income

Chart 5: Investment Management – funds under management five year growth



○ FTSE 100*

○ FTSE WMA Balanced*

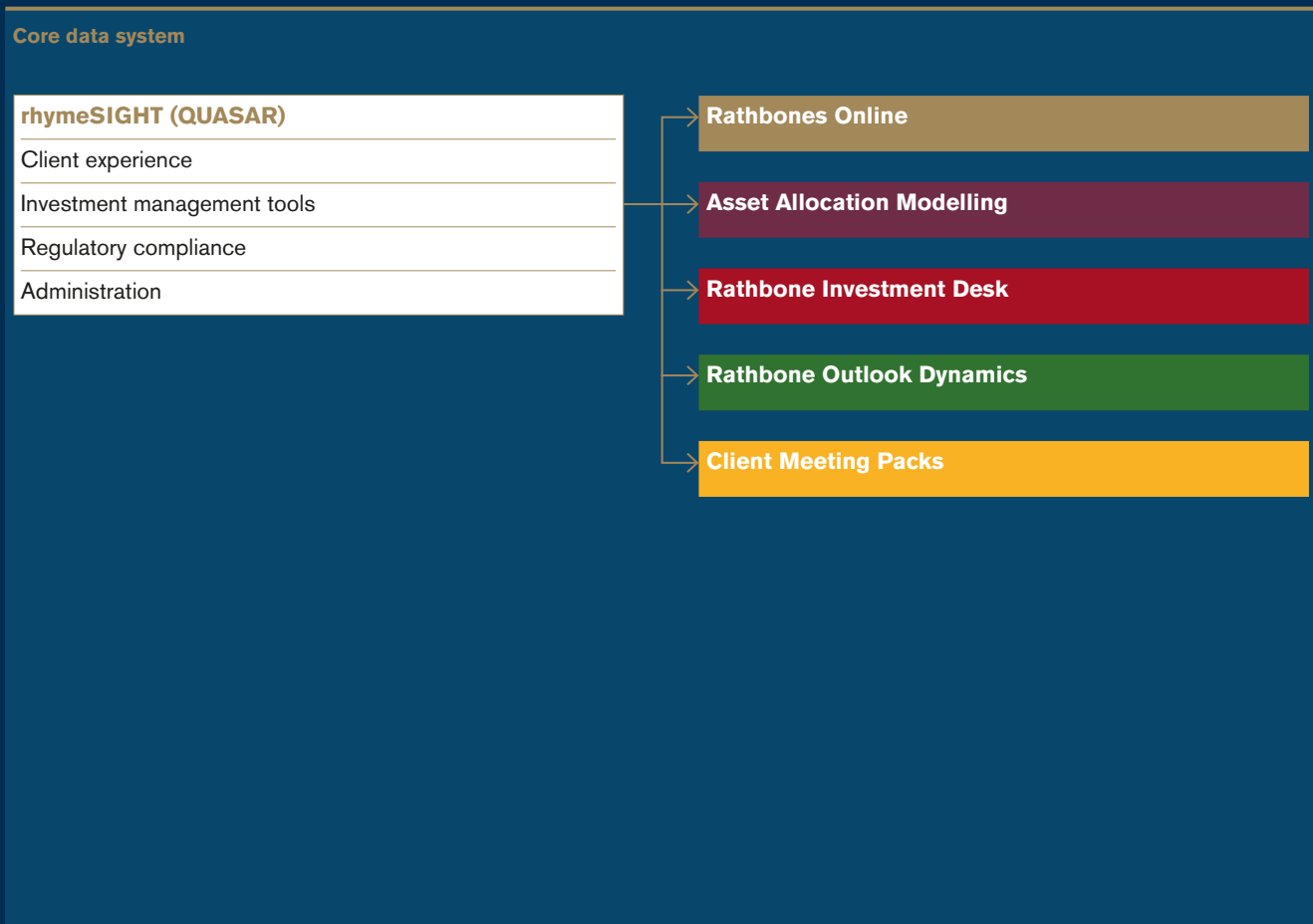
* FTSE 100 and FTSE WMA figures show how funds under management would have changed between 2009 and 2013 if they had tracked each index

FRONT OFFICE SYSTEMS

All our systems (front and back office) run off a central, consolidated database enabling data integrity across all modular systems which are ‘bolted on’ to this core system (see chart).

Through a programme of continual, incremental investment, our investment system modules represent a significant competitive advantage. These modules include:

- Rathbone Investment Desk – our core investment software
- Client Meeting Packs – client reporting and update software
- Rathbone Outlook Dynamics – client relationship management software
- Asset Allocation Modelling – advanced portfolio management software, specifically designed to allow our investment managers to more easily leverage our investment process output
- Rathbones Online – our planned upgrade to Client Online Valuations.



Net investment management fee income increased by 16.3% from £89.6 million to £104.2 million in 2013, benefiting from continuing growth in funds under management. For the majority of clients, fees are calculated based on a tiered fee scale applied to the value of funds at our quarterly charging dates. Average funds under management on these billing dates in 2013 were £19.0 billion, up 18.8% from 2012.

Table 5. Investment Management – average funds under management

	2013 £bn	2012 £bn
Valuation dates for billing:		
– 5 April	18.2	15.6
– 30 June	18.4	15.5
– 30 September	19.1	16.1
– 31 December	20.2	16.7
Average	19.0	16.0
Average FTSE 100 level	6419	5734

Positive markets and the resultant growth in investor confidence during the year led to an increase in transaction activity on behalf of our clients and commissions have remained strong throughout the year. In 2013, commission income of £42.0 million was up 12.3% on £37.4 million in 2012, despite the loss of substantially all trail commission income in 2013 following the implementation of the Retail Distribution Review (RDR) (2012: £2.0 million).

Net interest income of £8.6 million in 2013 was 13.1% below £9.9 million in 2012 as margins continued to be compressed. The investment management loan book added £0.7 million to net interest income in 2013, up from £0.4 million in 2012.

As our fee rates are tiered, rising markets reduce the average net return earned in fees. This, combined with the loss of trail commission post-RDR and continued pressure on interest margins, resulted in a decrease in the basis point return earned on average funds under management to 81 bps from 85 bps in 2012, as shown in the table below:

Table 6. Investment Management – revenue margin

	2013 bps	2012 bps
Basis point return ¹ from:		
– fee income	55	56
– commission	22	24
– interest	4	5
Basis point return on funds under management	81	85

¹ Net operating income (see table 4) excluding interest on own reserves, fees from advisory services and other income, divided by the average funds under management on the quarterly billing dates (see table 5)

Fees from advisory services and other income of £10.5 million were 7.1% higher than 2012, reflecting the impact of business growth.

Underlying operating expenses in Investment Management for 2013 were £116.2 million, compared to £102.1 million in 2012, an increase of 13.8%. This is highlighted in the table below:

Table 7. Investment Management – underlying operating expenses

	2013 £m	2012 ¹ £m
Staff costs ² :		
– fixed	39.8	36.3
– variable	20.6	16.8
Total staff costs	60.4	53.1
Other operating expenses	55.8	49.3
Underlying operating expenses	116.2	102.4
Underlying cost/income ratio ³	70.3%	69.8%

¹ Comparatives restated due to change in accounting standard for pensions (see note 1.1 to the consolidated financial statements)

² Represents the costs of investment managers and teams directly involved in client facing activities

³ Underlying operating expenses as a % of net operating income (see table 4)

Fixed staff costs of £39.8 million increased by 9.6% year-on-year, principally reflecting teams joining the front office, in particular in Newcastle and Lymington, increased pension costs and salary inflation. Variable staff costs are also higher, reflecting higher underlying profitability, positive investment performance and growth in funds under management.

Other operating expenses of £55.8 million include property, depreciation, settlement, IT, finance and other central support services costs. The year-to-year increase of £6.5 million (13.2%) reflects increased investment in the business, recruitment and higher variable awards in support functions.

INVESTMENT PROCESS

Over the past twelve months, we have made further improvements to our investment process, applying a more disciplined and objective methodology to provide a forward-looking asset allocation framework. We believe that this process ensures we are clearly focused on our clients' objectives and risk profiles.

Our investment managers have a dual role, both investing for and directly managing the relationship with their clients. We do not use relationship managers to act as a conduit between clients and our investment team. This business model is increasingly rare, but we strongly believe that it is in the best interests of our clients.

One of the key developments in our investment process is the introduction of a rigorous 'top down' asset allocation framework to ensure that our approach is forward-looking, objective and gives clear outputs, which can be tested against recommendations from external investment strategists. This approach enables us to focus on correlations or otherwise between asset classes as well as the volatility of individual asset classes.

Investment selection committees bring together the 'intellectual capital' of Rathbones to produce 'bottom up' recommended lists for UK and international equities, fixed income and collectives. Over 40 investment professionals from across our business participate in the process and the outputs are derived from our combined expertise and experience, ensuring that we identify investments that are suitable for our clients. These committees are comprised of experienced investment practitioners, supported by our highly-qualified research team.

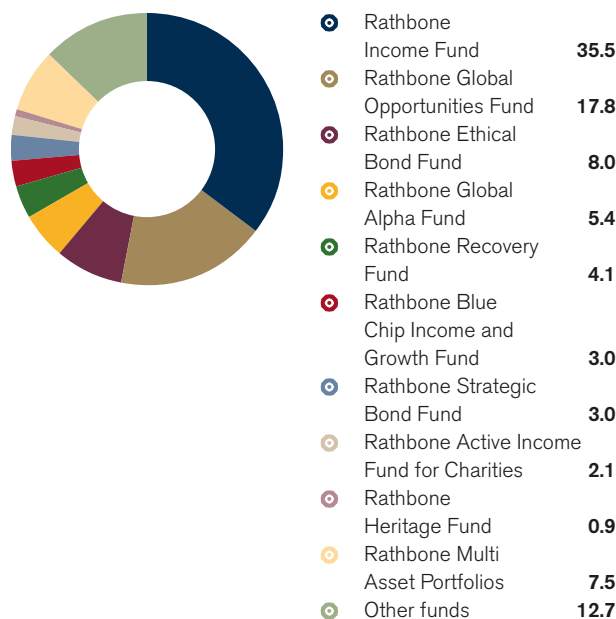
The investment process is at the heart of our service, guiding the thinking of our investment managers, yet allowing them enough flexibility to meet the requirements of individual clients. Our approach is not prescriptive, with our investment managers remaining ultimately responsible for constructing each of their clients' individual portfolios. This is fundamental to our investment philosophy: while we believe that a rigorous framework is the key to providing consistent risk-adjusted returns and our strategic asset allocation committee meets quarterly to determine the weightings for our core investment strategies, we do not believe in 'one size fits all' or that there is only one investment solution.



UNIT TRUSTS

The Unit Trusts segment presented in this annual report includes the results of all the activities described as core services under the sub-heading Unit Trusts on page 9.

Chart 6: Unit Trusts funds %



Key performance indicators

Unit Trusts' financial performance is principally driven by the value and growth of funds under management. Year-on-year changes in the key performance indicators for Unit Trusts are shown in table 8, below:

Table 8. Unit Trusts – key performance indicators

	2013	2012
Funds under management at 31 December ¹	£1.8bn	£1.3bn
Underlying rate of net growth in Unit Trusts funds under management ¹	23.1%	6.4%
Profit before tax ²	£1.4m	£0.6m

¹ See table 9
² See table 12

Fund flows

The retail asset management industry saw a much improved trend in net retail sales but with industry concentration in a small number of funds continuing. Focus shifted from mainstream fixed income funds to equity (the best-selling asset class by net sales in the industry for nine consecutive months) and multi asset funds, both areas in which we have expertise and strong product offerings. Particularly key to the growth of the business is that sales have been strong across the product range, from bond funds, to multi asset to global equity and UK equity income products. The pick-up in

markets, coupled with greater optimism, led to a 42.7% rise in industry-wide net retail sales to £20.4 billion, compared to £14.3 billion in 2012, as reported by the Investment Management Association (IMA). Moving with this trend, Unit Trusts' funds under management increased by 38.5% year-on-year (the industry was up 16.0%, according to the IMA) to £1.8 billion from £1.3 billion at the end of 2012, supported both by market movements and net growth in funds, as shown in table 9 below:

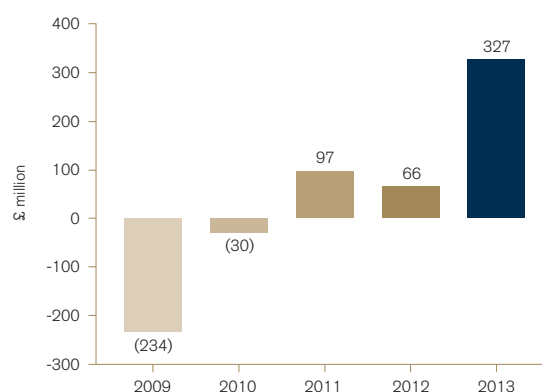
Table 9. Unit Trusts – funds under management

	2013 £bn	2012 £bn
As at 1 January	1.3	1.1
Net inflows	0.3	0.1
– inflows ¹	0.6	0.3
– outflows ¹	(0.3)	(0.2)
Market adjustments ²	0.2	0.1
As at 31 December	1.8	1.3
Underlying rate of net growth ³	23.1%	6.4%

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

Unit Trusts' positive momentum continued to grow in 2013, which was a record year with gross sales of £0.6 billion. As a result, net inflows accelerated to £0.3 billion, up from £0.1 billion in 2012. Net inflows in 2013 included £95 million that is managed in the new Rathbone Global Alpha Fund under a mandate from Scottish Life that was won during the year following a competitive tender process. We also launched the Rathbone Heritage Fund in the year, a selectively marketed unitised fund which provides a discretionary-level service. Sales in 2013 were strong across the range of funds.

Chart 7. Unit Trusts – annual net flows



At 31 December 2013, the value of assets managed in each fund was as follows:

Table 10. Unit Trusts – fund assets

	2013 £m	2012 £m
Rathbone Income Fund	656	484
Rathbone Global Opportunities Fund	330	190
Rathbone Ethical Bond Fund	148	102
Rathbone Global Alpha Fund	100	–
Rathbone Recovery Fund	76	59
Rathbone Blue Chip Income and Growth Fund	56	46
Rathbone Strategic Bond Fund	55	43
Rathbone Active Income Fund for Charities	39	21
Rathbone Heritage Fund	16	–
Rathbone Multi Asset Portfolios	138	110
Other funds	235	211
	1,849	1,266

During 2013, the range of funds continued to consolidate their long term performance track record, which is critical to maintaining sales momentum. At 31 December 2013, all of our main retail funds reported strong three-year and five-year track records.

Table 11. Unit Trusts – fund performance

2013/(2012) Quartile ranking ¹ over:	1 year	3 years	5 years
Rathbone Blue Chip Income and Growth Fund	3(1)	2(2)	2(2)
Rathbone Ethical Bond Fund	1(1)	1(1)	1(2)
Rathbone Global Opportunities Fund	1(3)	1(1)	1(2)
Rathbone Income Fund	2(2)	1(1)	1(2)
Rathbone Recovery Fund ²	1(2)	1(1)	n/a (n/a)
Rathbone Strategic Bond Fund ³	3(3)	n/a (n/a)	n/a (n/a)

- 1 Ranking of institutional share classes at 31 December 2013 and 31 December 2012
 2 Performance data for the Rathbone Recovery Fund is not yet available beyond three years as the fund was launched on 13 July 2009
 3 Performance data for the Rathbone Strategic Bond Fund is not yet available beyond one year as the fund was launched on 3 October 2011

Following the implementation of RDR, we saw investors continue to switch from retail to institutional units across all of our funds during the year. Institutional units carry a lower annual management charge (typically half that of retail units) and do not allow for any form of trail commission to advisers who must now levy their own charges directly to investors. By 31 December 2013 some 36% of holdings in our retail funds were in institutional units.

Financial performance

Unit Trusts' income is primarily derived from:

- annual management charges, which are calculated on the daily value of funds under management, net of rebates and trail commission payable to intermediaries; and

- net dealing profits which are earned on the bid-offer spread from sales and redemptions of units and market movements on the small stock of units that are held on our books overnight.

Table 12. Unit Trusts – financial performance

	2013 £m	2012 ¹ £m
Net annual management charges	9.5	7.6
Net dealing profits	1.2	0.6
Initial charges net of discounts	0.2	0.5
Interest and other income	0.2	0.2
Net operating income	11.1	8.9
Underlying operating expenses ²	(9.7)	(8.3)
Profit before tax	1.4	0.6
Operating margin ³	12.6%	6.7%

- 1 Comparatives restated due to change in accounting standard for pensions (see note 1.1 to the consolidated financial statements)
 2 See table 13
 3 Profit before tax divided by net operating income

Net annual management charges increased 25.0% to £9.5 million in 2013, driven principally by the rise in average funds under management. Net annual management charges as a percentage of average funds under management fell to 62 bps (2012: 64 bps) as a result of the continued switch from retail to institutional units by the platforms during the year.

Net dealing profits of £1.2 million were double the £0.6 million reported in 2012, as the level of gross sales grew significantly in 2013. Net operating income as a percentage of average funds under management fell to 72 bps in 2013 from 75 bps in 2012.

Table 13. Unit Trusts – underlying operating expenses

	2013 £m	2012 ¹ £m
Staff costs:		
– fixed	3.1	2.9
– variable	1.8	0.9
Total staff costs	4.9	3.8
Other operating expenses	4.8	4.5
Underlying operating expenses	9.7	8.3
Underlying cost/income ratio ²	87.4%	93.3%

- 1 Comparatives restated due to change in accounting standard for pensions (see note 1.1 to the consolidated financial statements)
 2 Underlying operating expenses as a % of net operating income (see table 12)

Fixed staff costs of £3.1 million for year ended 31 December 2013 were 6.9% higher than the previous year principally due to salary increases and a small increase in average headcount over the year.

Variable staff costs of £1.8 million were higher than £0.9 million in 2012 as higher profitability and growth in gross sales drove increases in profit share and sales commissions.

Other operating expenses have increased by 6.7% to £4.8 million, principally as a result of higher third party administration costs, reflecting both the launch of institutional class shares and the increased level of sales of units.

FINANCIAL POSITION

Table 14. Extracts from the consolidated balance sheet and components of regulatory capital

	2013 £m (unless stated)	2012 £m (unless stated)
Capital resources		
– Tier 1 capital ratio ¹	21.0%	20.1%
– Total equity	251.0	229.5
– Return on assets ²	2.9%	2.5%
– Consolidated leverage ratio ³	12.6%	12.4%
Other resources		
– Total assets	1,229.8	1,137.7
– Treasury assets ⁴	940.8	896.4
– Investment management loan book ⁵	89.2	65.1
– Intangible assets from acquired growth ⁶	99.7	92.8
– Tangible assets and software ⁷	16.8	16.6
– Net defined benefit asset	1.6	–
Liabilities		
– Due to customers ⁸	891.9	828.4
– Net defined benefit liability	–	2.1

1 Tier 1 capital as a proportion of total risk exposure amount, calculated on a Basel III basis

2 Profit after tax divided by average total assets

3 Tier 1 capital resources on a Basel III basis as a percentage of total assets, excluding intangible assets and investment in associates, plus a proportion of off balance sheet exposures

4 Balances with central banks, loans and advances to banks and investment securities (excluding available for sale equity investments)

5 See note 15 to the consolidated financial statements

6 Net book value of acquired client relationships and goodwill (note 21)

7 Net book value of property, plant and equipment and computer software (notes 18 and 21)

8 Total amounts of cash in client portfolios held by Rathbone Investment Management as a bank (note 23)

REGULATORY CAPITAL

Rathbones is classified as a banking group under the Capital Requirements Directive and we are therefore required to operate within a wide range of restrictions on capital resources and banking exposures that are prescribed by the prudential rules of the Prudential Regulation Authority (PRA). At 31 December 2013, the group had regulatory capital resources of £142.3 million (2012: £128.7 million), calculated on a Basel III basis as follows:

Table 15. Regulatory capital resources (Basel III basis)

	2013 £m	2012 £m
Share capital and share premium	67.8	64.5
Reserves	188.9	170.9
Less:		
– Own shares	(5.7)	(5.8)
– Intangible assets ¹	(105.0)	(97.4)
– Other regulatory adjustments ²	(3.7)	(3.5)
Total regulatory capital resources (all of which are Tier 1)	142.3	128.7

1 Net book value of goodwill, client relationship intangibles and software are deducted directly from capital resources

2 Adjustments to exclude balances related to the group's pension schemes, its captive insurance company and own shares held in the Employee Benefits Trust

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

Our consolidated common equity Tier 1 ratio, calculated on a Basel III basis, is much higher than the banking industry norm. This reflects the impact of our placing in November 2012, the low risk nature of our banking activity and our lack of debt financing. The Tier 1 ratio has risen to 21.0% from 20.1% at the previous year end, mainly due to growth in reserves. The consolidated leverage ratio, also calculated on a Basel III basis, was 12.6% at 31 December 2013, up slightly from 12.4% at 31 December 2012. The leverage ratio represents the group's Tier 1 capital resources as a percentage of its total assets, excluding intangible assets and investment in associates, plus a proportion of off-balance sheet exposures.

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

Table 16. Group Pillar I requirement

	2013 £m	2012 £m
Credit risk requirement	32.6	31.6
Market risk requirement	0.2	0.1
Operational risk requirement	21.3	19.4
Pillar I requirement	54.1	51.1

CAPITAL RESOURCES

The consolidated balance sheet remains healthy with total equity of £251.0 million at 31 December 2013, up 9.4% from £229.5 million at the end of 2012. The business remains well capitalised and does not rely on wholesale markets to fund its operations. The group is wholly funded by equity.

TOTAL ASSETS

Total assets at 31 December 2013 were £1,229.8 million (2012: £1,137.7 million), of which £891.9 million (2012: £828.4 million) represents the cash held in banking client portfolios.

TREASURY ASSETS

As a licensed deposit taker, Rathbone Investment Management holds the group's surplus liquidity on its balance sheet together with clients' cash held on a banking basis. Cash in client portfolios of £896.8 million (2012: £833.9 million), including £4.9 million (2012: £5.5 million) held in client money accounts, represented 4.4% of total investment management funds at 31 December 2013 compared to 5.0% at the end of 2012.

The treasury department of Rathbone Investment Management, reporting through the banking committee to the board, operates in accordance with procedures set out in a board-approved treasury manual and monitors exposure to market, credit and liquidity risk as described in note 30 to the consolidated financial statements. The treasury department invests in a range of securities issued by a relatively large number of counterparties. These counterparties must be 'A' rated or higher by Fitch and are regularly reviewed by the banking committee. During the year, we increased the share of treasury assets held with the Bank of England to £211.0 million from £116.0 million at 31 December 2012.

Loans to clients (see also the case study on page 22)

Loans are provided as a service to investment management clients who have short to medium term cash requirements. Such loans are normally made on a fully secured basis against portfolios held in Rathbones' nominee name (see note 15) and are usually advanced for a maximum of one year. In addition, equitable charges may be made on property held by the client. All loans (and any extensions to the initial loan period) are subject to approval by the banking committee. Our ability to provide such loans is a valuable additional service, for example, for clients that require bridging finance when moving home and, in the current low interest rate climate, the yield on such low-risk loans supports our overall interest rate margin.

As foreshadowed last year, we have increased the size of the investment management loan book during 2013, to take advantage of the higher demand for client loans. Outstanding loans totalled £89.2 million at the end of 2013 (2012: £65.1 million). This activity remains an important part of building our relationship with clients.

Intangible assets

Intangible assets arise principally from acquired growth in funds under management and are categorised as goodwill and client relationships. At 31 December 2013, the total carrying value of intangible assets arising from acquired growth was £99.7 million (2012: £92.8 million). During the year, client relationship intangible assets of £13.2 million were capitalised (2012: £10.0 million), including £9.6 million relating to the acquisition of Taylor Young Investment Management Limited's private client base. No goodwill was acquired during 2012 or 2013.

Client relationship intangibles are amortised over the estimated life of the client relationship, generally a period of 10 to 15 years. When client relationships are lost, any related intangible asset is derecognised in the year. The total amortisation charge for client relationships, including the impact of lost relationships, in 2013 was £6.3 million (2012: £6.0 million).

Goodwill which arises from business combinations is not amortised, but is subject to a test for impairment at least annually. No goodwill was found to be impaired during 2012 or 2013.

Further details on the group's intangible assets are provided in note 21 to the consolidated financial statements.

Capital expenditure

During 2013, we have continued to invest for future growth with capitalised expenditure on our premises and systems totalling £4.5 million (2012: £6.1 million). Capital expenditure in 2012 included £2.0 million in relation to the relocation of our head office. We continue to work at improving the efficiency of our systems and back office and investment in new systems continues at a steady pace. Although some of this is driven by regulatory change, much is driven by our desire to optimise the service that our clients receive and to give our investment managers the tools they need to manage portfolios more easily.

In 2014, we expect capital expenditure to remain at 2013 levels as we continue to invest in our internet portal for clients and advisers as part of our ongoing endeavours to improve and develop the business.

Defined benefit pension schemes

We operate two defined benefit pension schemes, both of which have been closed to new members for several years. Actuarial valuations of the schemes as at 31 December 2010 were carried out during 2011 and these are due to be updated during the second half of 2014 based on the position at 31 December 2013.

Continued market volatility in 2013, in particular in relation to interest rates and inflation expectations, has meant that the funding positions of our pension schemes have also been volatile during the year. However, the strong

growth in asset prices in 2013 has moved both the schemes into a surplus (on an accounting basis) at 31 December 2013. The combined accounting surplus on the two defined benefit schemes was £1.6 million at the year end, compared to a combined deficit of £2.1 million at 31 December 2012. This improvement is mainly due to continued funding, improved asset returns and the impact of higher discount rates on the valuation of scheme liabilities. Full details of the assumptions underlying the accounting valuation and associated sensitivities are included in note 26 to the consolidated financial statements.

Funding valuations, which form the basis of the annual contributions that we make into the schemes, are required to be more prudent than valuations used for financial reporting. Regular annual contributions to the schemes for ongoing service by scheme members were £2.5 million in 2013, based on 14.8% of pensionable salaries. In addition, further funding contributions of up to £3.1 million per year are payable until 2017 under the current agreement, although this will be revisited during 2014 as part of the triennial valuation process.

LIQUIDITY AND CASH FLOWS

Table 17. Extracts from the consolidated statement of cash flows

	2013 £m	2012 £m
Cash and cash equivalents at the end of the year	319.8	230.2
Net cash inflows/(outflows) from operating activities	145.3	(176.8)
Net increase in cash and cash equivalents	89.7	100.3

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

As a bank, Rathbones is subject to the PRA's ILAA regime, which requires us to hold a suitable Liquid Assets Buffer to ensure that short-term liquidity requirements can be met under certain stressed scenarios. Liquidity risks are actively managed on a daily basis and depend on operational and investment transaction activity.

Cash and balances at central banks was £211.0 million at 31 December 2013 (2012: £116.0 million).

Cash and cash equivalents, as defined by accounting standards, includes cash, money market funds and banking deposits which had an original maturity of less than three months (note 34 to the consolidated financial statements).

Net cash flows from operating activities include the effect of a £62.9 million decrease in banking client deposits (2012: £80.2 million increase) and a £37.9 million decrease in the component of treasury assets placed in term deposits for more than three months (2012: £131.2 million increase).

Offsetting these inflows was a net outflow of £16.9 million from the maturity of certificates of deposit and the liquidation of holdings in money market funds (2012: £284.9 million net inflows), shown within investing activities in the consolidated statement of cash flows.

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

- outflows relating to the payment of dividends of £22.1 million (2012: £20.1 million)
- outflows relating to payments to acquire intangible assets of £17.0 million (2012: £7.7 million)
- £2.4 million of capital expenditure on property, plant and equipment (2012: £4.0 million).

CORPORATE RESPONSIBILITY REPORT

SOCIAL AND ENVIRONMENTAL COMMITTEE
CHAIRMAN'S REPORT

I am pleased to introduce the sixth annual corporate responsibility report of the social and environmental committee (SEC), which I chair. The SEC is responsible for ensuring that Rathbones effectively manages its sustainability issues. It is formed by members of staff from key functions such as facilities, HR, marketing, IT and investment management. It meets on a quarterly basis and reports directly to the executive committee of the board.

With regard to environmental, social and governance (ESG) matters as they affect our business, the board believes that the SEC has identified and assessed the significant risks to the company.

We have extended the scope of carbon footprint calculations this year to include the carbon emissions attributable to paper, waste and refrigerants. As a result, our reported carbon footprint increased by 27% from 2,276 in 2011/12 to 2,882 in 2012/13. On a like-for-like basis, our carbon footprint is up by 11%, reflecting the growth of our business. However, energy usage per m² is 12% lower in our new London head office.

We have continued our partnership with ClimateCare and offset 2,900 tCO₂e in 2013. We will, however, continue to strive to reduce our environmental impact wherever possible.

Rathbones is committed to act as a good corporate citizen and takes its responsibilities as investment manager, employer and purchaser seriously. We remain a constituent company of the FTSE4Good Index Series.

Andy Pomfret
Chief Executive
Chairman of the SEC

OUR STRATEGY

Rathbones' corporate responsibility strategy can be summarised as follows:

Clients and investments

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

Employees

- Motivate and reward appropriately, encouraging their development.

Communities

- Engage in the communities in which we operate.

Environment

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

CLIENTS AND INVESTMENTS

Responsible investment

Although general investment activities are not covered by a formal responsible investment policy, we take into account social, environmental and ethical considerations for specific mandates throughout the group, particularly those managed by our specialist ethical investment unit, Rathbone Greenbank Investments, as well as a number managed by our charities team.

As at 31 December 2013, Rathbone Greenbank Investments had £635 million of funds under management, representing 3.1% of funds managed by Rathbone Investment Management.

Through Rathbone Greenbank Investments and Rathbone Unit Trust Management's Ethical Bond Fund, the company is able to provide investment services tailored to clients' interests in the area of socially responsible or sustainable investment. Where appropriate, the company is also able to participate in new share issues offered by companies that provide environmentally or socially beneficial products or services.

Affiliations

Rathbone Brothers Plc has been both a signatory and respondent to the Carbon Disclosure Project (CDP) since 2006. It is also a signatory to the CDP sister programmes on Water Disclosure and Forests. The group became a signatory to the UN-backed Principles for Responsible Investment in September 2009 and continues to play an active role in the PRI Clearinghouse, a global platform for collaborative engagement initiatives which aims to encourage sustainable long-term value. In addition, Rathbone Greenbank Investments is a long-standing member of influential responsible investor groups such as the UK Sustainable and Investment Finance Association (UKSIF) and the Ecumenical Council for Corporate Responsibility. In October 2013, Rathbone Unit Trust Management's Ethical Bond Fund was re-accredited under the latest version of the European SRI Transparency Code.

Voting

The group's voting activity is coordinated by its corporate governance committee. Composed of investment managers and representatives of internal teams from across the business, the committee maintains group policy on corporate governance, and ensures its application in proxy voting through the maintenance of a contract with an external corporate governance consultant. Advice and research received by the committee supplements the analysis carried out by the stock selection and collectives committees as part of the investment process.

The committee was established in line with Rathbones' obligations under the Principles for Responsible Investment (PRI), and pays heed to the Financial Reporting Council UK Stewardship Code. Rathbone Unit Trust Management, as an institutional investor, meets its obligations as a signatory to the Stewardship Code, while Rathbone Investment Management exercises the voting rights attached to approximately 90% of the UK equity it holds on behalf of its clients. Voting is also undertaken on any company if requested by an underlying shareholder.

During 2013, the committee oversaw active proxy voting at 448 company meetings. Voting on these resolutions includes consideration of such issues as executive remuneration, auditor independence, appointment of directors and non-financial reporting.

Engagement

Engagement with companies on ESG matters is mainly undertaken by Rathbone Greenbank Investments' ethical research team. This ranges from low-level contact with companies on issues relating to ESG disclosure to participation in co-filing and voting on shareholder resolutions at company AGMs. These activities may occur as a result of fundamental analysis of companies' ESG

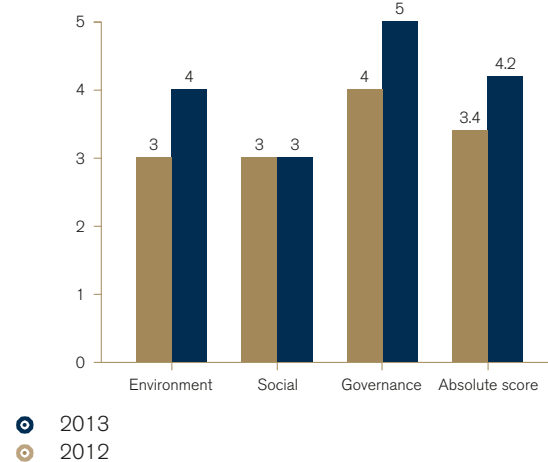
reporting or through collaborative efforts initiated by interest groups such as UKSIF or the PRI Clearinghouse.

FTSE4Good ESG ratings scores for Rathbones

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

The Index's latest semi-annual review for which ratings scores were published (March 2013) confirmed Rathbone Brothers Plc as a constituent of the FTSE4Good Index Series, awarding the company the following ESG ratings in a range of 0 (poor) to 5 (good). September 2012 scores are in brackets.

Overall ESG rating (0 – 5)



FTSE4Good ESG ratings also award an overall score relative to each company's super-sector, which, in the case of Rathbone Brothers Plc, is Financial Services. An adjusted score based on the level of risk associated with our super-sector is calculated and then readjusted relative to our peers. On this basis, Rathbones scored 98 out of 100 in this review (September 2012: 78).

EMPLOYEES

Our approach

Our employees are Rathbones' greatest asset. Our aim is to attract, recruit and retain people with the right skills and experience who demonstrate high levels of professionalism and enthusiasm and who will impact positively on the business.

Employee relations, learning and development, performance management, remuneration, benefits and resourcing sit at the heart of Rathbones' HR strategy and contribute to the continuing success of the business.

Employee relations

Rathbones aims to provide objective and consistent support to all staff, underpinned by clear policies and procedures, ensuring that we continue to be a fair employer and provide a supportive working environment.

Work-life balance

Rathbones recognises the importance of an appropriate work-life balance, both to the health and welfare of employees and to the business. Holiday entitlement begins at 25 days per annum for all employees, increasing to 30 days after five years' service, with the opportunity to buy up to five additional days of flexible leave. We also provide time off for dependants, parental leave and paternity leave and have a childcare voucher scheme in place, which currently has 86 participants.

Maternity benefits remain in excess of those required under statutory provisions. Career breaks of up to two years are also available for those with childcare responsibilities. Flexible working policies are offered with a high number of successful applications, particularly from parents with young children. On completion of five years' service, employees have the opportunity to take up to three months' unpaid leave once in every 10 years without any loss of service-related benefits such as pension or death in service cover. The uptake and effectiveness of these policies is monitored, together with other indicators of staff satisfaction levels such as average annual sickness rates and staff turnover.

Employee wellbeing

Rathbones is committed to providing a safe and healthy environment in which its employees can work. With the help of external consultants, our health and safety policy for the UK offices is regularly updated to reflect current legislation and best practice. We provide training courses for those with health and safety responsibilities and a steering group comprising representatives from all our offices meets twice a year to share knowledge and to ensure that health and safety standards are maintained.

Health and wellbeing is encouraged, with all UK staff offered the opportunity to attend an annual medical examination. We also make use of occupational health advisors, who provide us with advice to ensure that employees with illness and disability are supported to work if they feel able to do so. An independent and confidential employee assistance programme offering advice on employment, personal and legal concerns is available. Upon completion of a qualifying period, all UK employees (and their direct family members) are eligible for private medical cover paid for by the company.

Performance and reward

We ensure that fair and consistent practices are in place to enable managers and employees to work together to

recognise achievements, address issues and agree objectives which will motivate and encourage high performance.

Rathbones is committed to offering rewarding and stimulating careers and a key part of achieving this aim is to give all employees the opportunity to review their performance and development with their line manager. The annual appraisal is an important part of this and significant improvements were made this year to include more extensive investment performance data.

Rathbones' aim is to offer remuneration packages which attract, retain, motivate and reward employees. We ensure that we remain competitive through regular review and benchmarking.

Employees are encouraged to identify with and to become involved in the financial performance of the group. Rathbones offers both a Share Incentive Plan (SIP) and Save As You Earn (SAYE) schemes to encourage employee share ownership. To encourage the use of public transport, we offer interest-free loans for season tickets to all employees on satisfactory completion of their probationary period and run a cycle to work scheme.

Rathbones recognises its responsibility to assist in the financial welfare of its employees when they reach retirement age and makes provision for employees to participate in a pension arrangement. Following our staging date of 1 November 2013, all employees who were not already in a pension arrangement have been auto-enrolled in line with current legislation. All employees are eligible to receive at least a 3% contribution from the company to a personal pension arrangement. Where an employee is able to make a contribution equivalent to 5% of their salary, the company makes a contribution of 10%.

Equality and diversity

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

At senior management level (board and group executive committee), following the retirement of two female directors at the 2013 AGM, Rathbones now has one woman at this level. The board has committed to work to achieve the Lord Davies' review target of 25% female board representation by 2015 and will be working towards this target in 2014.

For Rathbones as a whole, 51% of our people are female and 49% male. We have a good proportion of women in senior and middle management roles in support departments, our investment research team and within the unit trust business. Women are less well represented in front line investment management roles, and the low turnover of staff makes it more difficult to rebalance this quickly, but we are trying to address this for the long term by bringing in more women in graduate trainee positions (our graduate programme currently comprises equal numbers of men and

women) and by encouraging more applications from women to our work experience programme. Our work-life balance provisions are also designed to encourage women to remain in work with us when raising a family.

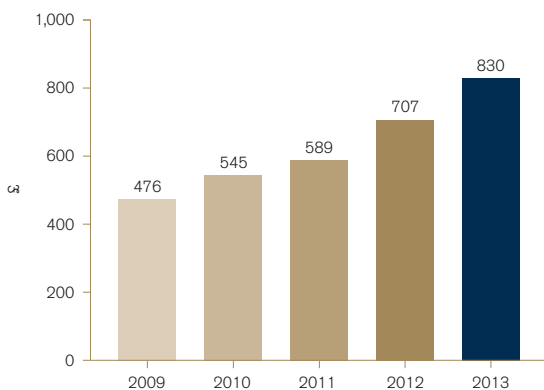
Learning and talent development

Rathbones' success is founded on the quality of its people, therefore learning and development is an important part of our strategy. We continue to increase investment in training and deliver high-quality development opportunities aligned to our business strategy to enable business success whilst encouraging employees to fulfil their potential.

Investment in learning and development

Rathbones recognises the importance of delivering high-quality training to enable employees to improve professional knowledge and expertise, develop management and personal skills, achieve qualifications and provide regulatory updates. The total investment in learning and development has increased year-on-year, as has the average spend per employee.

Average spend per employee



Qualifications

Rathbones supports employees to study for qualifications as part of our commitment to achieving excellent professional standards. During the year, 48 employees attained a recognised professional qualification.

Rathbones Apprenticeship Programme

Against a background of an increasingly competitive job market, the rising costs of higher education and a lack of real opportunities for young people, apprenticeship programmes are of increasing interest to both employers and students.

Rathbones recruited six apprentices in September 2013 to help them gain the skills and knowledge to develop a career and to:

- provide a development programme comprising both on-the-job training and experience as well as off-the-job development to achieve appropriate qualifications
- create a pool of talented people to meet Rathbones' future resource requirements.

Development programmes

We continue to deliver a number of programmes to enable employees to fulfil their potential and to help the business grow its most important asset. Our key 2013 programmes are summarised below:

Training for investment professionals

Graduates	<ul style="list-style-type: none"> • Two year programme • 16 participants developing career skills
Team members	<ul style="list-style-type: none"> • Nine month programme • Employees identified as having future potential
Managers	<ul style="list-style-type: none"> • One year programme • 13 team leaders developing professional management practice
Leaders	<ul style="list-style-type: none"> • One year programme • 19 senior leaders developing skills to lead the organisation

Training for investment professionals

The focus of development for investment professionals has been on the continuous improvement of client service and enhancing investment performance along with ensuring compliance with regulatory requirements.

All investment managers attended workshops drawing together the concepts and practicalities of portfolio management. Training sessions focused on defining and managing risk and ensuring investment strategies are demonstrably linked to clients' requirements. This work was also supported by IT system enhancements and training with the aim of creating efficiencies in managing investments.

Induction

During the year we opened two new offices and welcomed a number of new investment managers to the organisation. We recognise the importance of a good induction process to help them to quickly establish themselves in their new job.

Our induction offering has been enhanced, including more guidance for managers. For those employees who are new to our industry we now offer a course called Introduction to the City and Global Financial Markets to help them understand the context within which they are working.

COMMUNITIES

Donations and fundraising

During the year, the group made total charitable donations of £234,000, representing 0.53% of group pre-tax profits (2012: £206,000, representing 0.54% of group pre-tax profits). This included a payment to the newly created Rathbone Charitable Foundation. Employees are encouraged to donate to charity in a tax efficient manner through the Give As You Earn (GAYE) payroll giving scheme. In 2013, Rathbones' employees made payments totalling £230,000 (2012: £167,000) through this scheme, which is administered by the Charities Aid Foundation. The company matched staff donations of up to £200 per month made through GAYE and in 2013 donated £128,000 (2012: £118,000) to causes chosen by employees through this method.

In addition to corporate and payroll giving, for many years Rathbones has selected charities by employee ballot with funds being raised by a number of events. For 2012 and 2013, employees voted to support the Claire House Hospice for children in the North West and The Oliver King Foundation, a Liverpool based charity which raises awareness of Sudden Arrhythmic Death Syndrome. Over the two years, £22,000 was raised for these good causes.

Education and youth development

Our corporate responsibility programme has increased extensively during 2013 and now includes several initiatives that focus on youth development. The Rathbones Financial Awareness Programme is a significant element of our investment in young people, which involves investment managers delivering presentations to 16 – 24 year olds within our offices and at schools around the UK. Covering subjects that include budgeting, the pitfalls of debt, long-term saving and investment options, careers and general interview guidance, the events aim to equip young people with the necessary information to understand their options and take ownership of their finances at a young age. The programme is free and we have already reached over 1,000 young people and work with over 20 schools in both the independent and state education sectors.

Our relationship with schools also extends to our support of sport through our partnerships with English Lacrosse and Lacrosse Scotland. Our involvement has had a significant impact on the development of the sport, particularly with the introduction of additional initiatives to encourage participation in the sport at community level. We are also supporting education through the sponsorship of events such as the Education Business Awards, which recognise excellence in the investment of education. The development of this focused programme is an exciting progression for Rathbones and is something that we plan to build on throughout 2014 and beyond.

ENVIRONMENT

Environmental concerns form a key element of Rathbones' day-to-day operations. We strive to understand the full impact of our business on the environment and act where possible to mitigate it. This report forms the sixth consecutive year we have calculated the carbon footprint of our business activities, including office buildings, business travel, waste generation and paper use.

Under the 2013 reporting regulations, quoted companies such as Rathbones are required to report their annual greenhouse gas emissions in their directors' report for the first time.

Scope

Our reporting period covers the year to 30 September 2013 (2012/13). We have extended the boundary of our carbon footprint calculations this year. In particular, the carbon emissions attributable to paper, waste and refrigerants have been calculated and included for the first time. This will allow us to have clear sight of a fuller range of our environmental impacts and target our efforts effectively.

Due to these changes, 2012/13 will form a new baseline year for tracking our progress in the future, replacing 2007/08. However, for progress against historic performance, percentage changes shown are calculated using the 2007/08 baseline year.

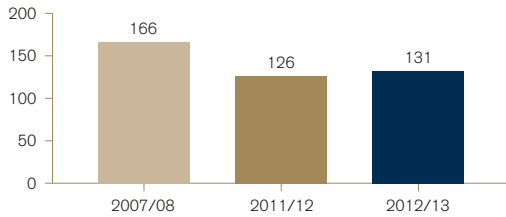
Building energy use

Following the opening of new offices in Newcastle and Lymington and the relocation of our Jersey office, our floor area has increased by 5% this year.

Emissions of greenhouse gases (tCO₂e)¹ per square metre of floor area caused by the use of gas and electricity have increased by 4% compared to last year. The winter of 2012/13 was particularly cold compared with previous years, especially the relatively mild winter of 2011/12², resulting in greater heating energy demand. Electricity consumption per square metre in particular has increased by 9% since 2011/12. The increase in electricity use caused 188³ tCO₂e more to be emitted than in the previous year. However, since 2007/08 we are using our offices more efficiently; overall our consumption of gas and electricity per square metre has reduced by 15%.

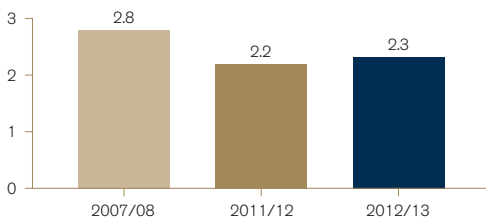
We now have the first full year of data for our new head office in Curzon Street. Pleasingly, gas and electricity consumption per m² is 12% lower than it was at our old head office⁴.

Building tCO₂e per 1000m²



Since September 2012 employee numbers have increased by 6%. Over the same period, we have also seen an increase in carbon emissions from gas and electricity per full time equivalent (FTE) employee of 5%. However, since our baseline 2007/08 we have achieved an overall decrease of 23%.

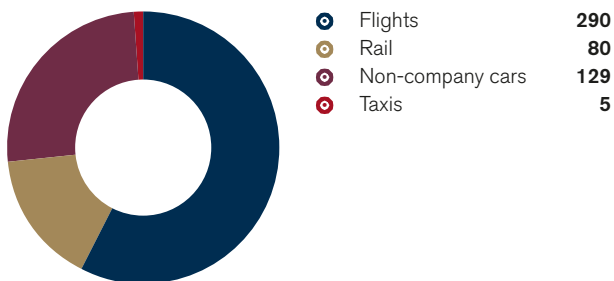
tCO₂e from buildings per (FTE) employee



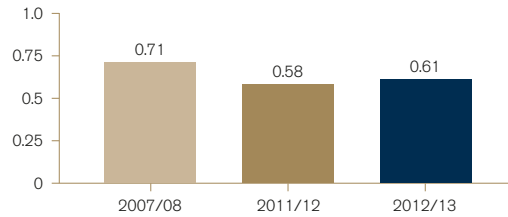
Travel

Business travel accounts for 17% of our total carbon footprint, and the carbon emissions per FTE staff member caused by travel have increased 5% since 2011/12 to 0.61 tCO₂e (against 2007/08 this is an 18% improvement). The 34% increase in carbon emissions from flights this year is caused by the opening of a new office in Jersey which resulted in a number of journeys by project team members, more flights between Edinburgh and London and an increase in the number of flights to the USA to training courses on laws and regulations affecting our US clients.

Breakdown of emissions from business travel tCO₂e



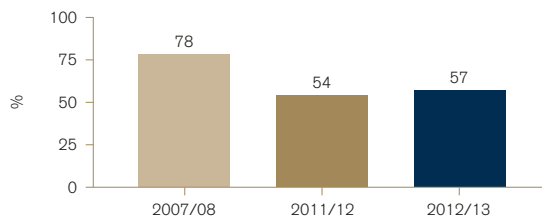
Travel tCO₂e per (FTE) employee



Paper

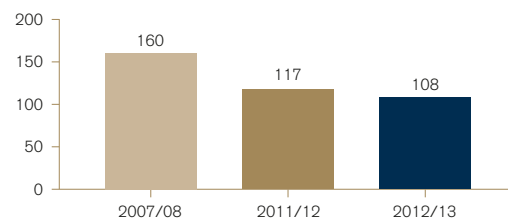
Manufacturing and transporting the paper we used resulted in 333 tCO₂e, which is 12% of our total carbon footprint. Paper production is a carbon intensive process which can be mitigated by increasing the recycled content of the paper used. We are pleased that after falling for some years, the overall recycled content of the paper we use has increased by 3% this year. Although this is still 27% lower than levels in 2007/08, the trend seen this year is encouraging and reflects our efforts to use paper with the highest recycled content possible. All paper used by Rathbones is covered by a chain of custody certificate such as that of the Forest Stewardship Council, which ensures that the wood used to make the paper is from sustainably managed forests.

Percentage of the pulp that went into making our paper and printed materials that was post-consumer (recycled)



The overall weight of paper we used this year has increased by 6%, largely due to the change of regulator in 2013, which required a significant amount of documentation to be reprinted. Increased business activity also causes increased paper use. However the number of sheets we used per £bn funds under management (FUM) has decreased by 8%, so we are pleased to be successfully decoupling growth in business activity from growth in paper use.

Tens of thousands of A4 sheets equivalent per £bn FUM at 31 December 2013



Waste

93% of all waste produced at our sites is recycled.

In line with the objectives we set last year, we have improved the way we calculate our waste data. We now have good data for our Liverpool and London offices, which account for approximately 80% of staff. We have extrapolated these figures for the remaining 20% of staff.

Where possible, all Rathbones offices have some recycling facilities in place and 93% of our waste is recycled. Of the remaining 7%, 3% is sent to energy-from-waste facilities and only 4% is sent to landfill. 87% of our electrical equipment that reached end of life last year was sent for reuse and the rest was responsibly recycled.

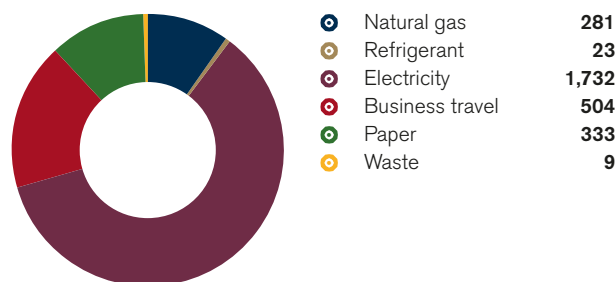
Refrigerants

Refrigerants are used in cooling mechanisms such as air conditioning refrigeration units. They are unstable in the atmosphere and have global warming potential many times higher than that of CO₂. When the refrigerant level in a cooling unit has dropped, this means that some refrigerant has escaped into the atmosphere. This year it is a mandatory requirement to report these emissions. The refrigerant refills identified at our Liverpool office and data centre last year totalled 23 tCO₂e.

Carbon footprint

Our carbon footprint for 2012/13⁵ was 2,882 tCO₂e. Since 2007/08 our overall carbon footprint has increased by 6%⁶, which is accounted for in large part by the cold weather and increases in business activity and associated flights.

Breakdown of total carbon footprint by resource area tCO₂e



Carbon footprint by scope⁸

	2012/13 (restated)	2011/12	2007/08
Scope 1:			
– Natural gas	281	278	293
– Refrigerant	23	–	–
– Company cars	–	–	17
Scope 2:			
– Purchased electricity	1,463	1,320	1,493
Scope 3:			
– Data centre ⁹	133	117	–
– Business travel	504	455	445
– Paper	333	–	–
– Waste	9	–	–
– Electricity transmission and distribution ¹⁰	136	106	120
Total tCO₂e	2,882	2,276	2,368

Carbon intensity

We have seen a 3% decrease in tCO₂e per £m operational income since 2011/12.

Operational income is a key indicator of our business activity; from last year to this, our operational income increased by 13%, yet we have managed to bring about a 3% reduction in tCO₂e per £m operational income.

tCO₂e per £bn FUM is also an important metric for how well we are managing our environmental impact. Despite nearly doubling £bn FUM since 2007/08, we are pleased to have reduced our total tCO₂e per £bn FUM by 49% over the same period, and by 10% since last year.

Carbon intensity

	2012/13	2011/12	2007/08	Carbon intensity (tCO ₂ e)*			
				2012/13 (restated) ⁷	2012/13 (original) ¹⁰	2011/12	2007/08
Staff (FTE)	829	780	673	3.5	3.1	2.9	3.5
Net internal area of offices (m ²)	14,430	13,567	11,496	0.20	0.18	0.17	0.21
Operating income (£m)	176.4	155.6	131.8	16.34	14.27	14.64	17.96
Funds under management (£bn)	22.0	18.0	10.5	131	114	127	226

* tCO₂e per: FTE; m²; £m of operating income; £bn funds under management

Procedures and calculations used to compile these data are in accordance with the requirements of the following standards: the World Resources Institute (WRI) Greenhouse Gas (GHG) Protocol (revised version); Defra's Environmental Reporting Guidelines: Including mandatory greenhouse gas emissions reporting guidance (June 2013) and ISO 14064 – part 1.

Carbon offsetting

We have again taken responsibility for our unavoidable CO₂ emissions, by purchasing 2,900 tonnes of carbon credits through high-quality emission reduction projects offered by ClimateCare.

The portfolio we have selected this year includes a combination of projects which demonstrate both a robust approach to emissions reductions as well as contributing to the well-being of local communities, by helping to improve the opportunities for employment, education and improved health.

Objectives

We have achieved all objectives identified in last year's report.

Progress against our 2012/13 objectives

- 1 Continue to grow our business without a corresponding increase in CO₂ emissions.

Achieved Rathbones has achieved a 3% decrease in tCO₂e per £m operating income and a 10% decrease in tCO₂e per £bn FUM.

- 2 Put in place protocols to capture robust data on our waste management performance.

Achieved Waste protocols have been rolled out in Liverpool and London.

- 3 Include CO₂ from our paper use and waste generation in our carbon footprint and start to use this to drive reductions.

Achieved Emissions from paper (333 tCO₂e) and waste (9 tCO₂e) have been included in our total carbon footprint for the first year.

- 4 Investigate the opportunities for improving the quality of data that we have on our energy use at our head office.

Achieved Eight meters are used to collect data for our electricity consumption at our head office. Gas readings are taken for the entire property and proportioned to Rathbones' occupation of the building. This is a significant improvement on estimates from invoices in the previous year.

Our objectives for 2013/14

- 1 Drive down emissions from paper either through reducing total weight of paper used or increasing the recycled content.
- 2 Continue improving the robustness of our waste data and reducing the weight of waste produced per employee.
- 3 Continue to promote the use of videoconferencing as an alternative to travel.
- 4 Encourage the greater use by clients of online rather than paper-based services.
- 5 Improve our data quality, particularly in respect of purchased electricity (Scope 2).

Carbon Smart opinion statement



Carbon Smart’s statement provides Rathbones and its stakeholders with a third party assessment of the quality and reliability of Rathbones’ carbon footprint data for the reporting period 1 October 2012 to 30 September 2013. It does not represent an independent third party assurance of Rathbones’ management approach to sustainability.

Carbon Smart has been commissioned by Rathbones for the sixth consecutive year to calculate Rathbones’ carbon footprint for all offices for its 2013 corporate responsibility report. Through this engagement Carbon Smart has assured Rathbones that the reported carbon footprint is representative of the business and that the data presented is credible and compliant with appropriate standards and industry practices. Data has been collected and calculated following the ISO 14064 – part 1 standard and verified against the WRI GHG Protocol principles of completeness, consistency and accuracy.

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

Carbon Smart has concluded the points listed below.

Relevance

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

Completeness

Rathbones continues to use the operational control approach¹¹ and calculates total direct Scope 1, 2 and major Scope 3 emissions. Reported environmental data cover all employees and all entities that meet the criteria of being subject to control or significant influence of the reporting organisation.

Consistency

In order to ensure comparability, we have used the same calculation methodologies and assumptions as previous years. Our carbon footprint has been recalculated for all years back to 2007/08 in order to account for changes to the conversion factors provided by Defra for company reporting purposes. This exercise will not require repeating going forward.

Transparency

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

Accuracy

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

Carbon Smart has assessed the data quality against the WRI GHG Protocol principles. Data from each emission source has been rated 1 (poorest) to 5 (best). For this year, overall data quality has increased from 3.0 in 2011/12 to 3.8. Contributing factors include:

- Head office data for gas is calculated based on proportional occupancy of the building from meter readings along with sub-metering of electricity consumption.
- Typical energy consumption figures are used for either electricity or gas for Birmingham, Cambridge, Chichester, Exeter, Lymington and both old and new Jersey offices.
- Improvement to data collection to include refrigerant and more accurate waste data.
- Paper data remains of a very good quality.

Data quality

	Carbon footprint 2012/13 %	Data quality rating		
		2012/13	2011/12	2007/08
Overall	100	3.8	3.0	2.6
Scope 1	10	4.0	3.0	2.0
Scope 2	51	3.0	3.0	3.0
Scope 3	39	4.5	4.0	2.0
Paper	11	4.0	4.0	4.0
Waste and recycling	0.3	3.5	1.0	2.0

Ben Murray
 Director
 Carbon Smart Limited

19 February 2014

Compliance with regulations

Rathbones complies with the regulations for reporting greenhouse gas emissions. Following an operational control approach to defining our organisational boundary, our 2012/13 greenhouse gas emissions from business activities amounted to:

- 304 tCO₂e resulting from the combustion of fuel and the operation of any facilities (classified as Scope 1 in this report); and
- 1,463 tCO₂e from the purchase of electricity by the company for its own use (classified as Scope 2 in this report).

For 2011/12 our greenhouse gas emissions resulting from business activities amounted to 278 tCO₂e for Scope 1 and 1,320 tCO₂e for Scope 2. It has not been practical to gather data on energy use at our Birmingham, Cambridge, Chichester, Exeter, Jersey and Lymington offices (10% of the total floor area of our buildings), so we have used typical energy consumption figures to calculate the energy use at these sites based on floor area. We have stated the following carbon intensity metrics for 2012/13: 131 tCO₂e per £bn FUM and 16.34 tCO₂e per £m operational income. For the previous reporting period, this was 127 tCO₂e and 14.64 tCO₂e respectively. The methodology used is in accordance with the requirements of the following standards: the World Resources Institute Greenhouse Gas Protocol (revised version); Environmental Reporting Guidelines: Including mandatory greenhouse gas emissions reporting guidance (Defra, June 2013) and ISO 14064 – part 1. Whilst our financial reporting year is the calendar year, our reporting period for greenhouse gas emissions is 1 October to 30 September.

- 1 Emissions are presented in tonnes of carbon dioxide equivalent (tCO₂e) to cover emissions of greenhouse gases other than CO₂, as prescribed by the Kyoto Protocol
- 2 2012/13 was colder than 2011/12. There were approximately 24% more heating degree days (London and Liverpool average) in 2012/13 compared to 2011/12
- 3 The emissions totals for last year (2011/12) stated in this report differ from those quoted in our 2011/12 report due to changes in Defra's emissions calculation methodology. The adjusted figures are 81 tCO₂e lower for 2011/12 and 78 tCO₂e lower for 2007/08. For a full explanation, see 'Defra's methodology' in the glossary at the back of this section
- 4 Gas and electricity usage was 65 kWh per m² less at Curzon Street in 2012/13 than it was in our last full year (2010/11) at our old head office in New Bond Street despite 2012/13 being significantly colder (there were 13% more heating degree days in 2010/11)
- 5 This figure represents the 2012/13 restated baseline and carbon emissions from use of paper, waste and refrigerants
- 6 To allow comparison, the figure of a 6% increase in total carbon emissions between 2007/08 and 2012/13 excludes emissions for paper, waste and refrigerants which have been included this year for the first time
- 7 Due to the inclusion of tCO₂e from paper, waste and refrigerants in our carbon footprint this year for the first time, the 2012/13 data will replace 2007/08 as the new baseline in future reports. The table above shows both the restated and original boundaries to allow comparison to previous years
- 8 The Greenhouse Gas Protocol defines three scopes of greenhouse gas emissions. Please refer to the glossary for further information
- 9 During 2010/11, core IT facilities in our London office were outsourced to a data centre. As per the Greenhouse Gas Protocol, emissions from the data centre have been moved to Scope 3. However, where we have stated a figure for overall electricity use we have included the data centre, as we felt that to exclude it would be misleading
- 10 Electricity transmission and distribution refers to the energy loss that occurs between the power station and the point of use. Changes to legislation mean that this year these emissions must be reported separately as a Scope 3 emission. Please refer to the glossary for further information
- 11 Please refer to the glossary for further information

Glossary

Baseline year

The baseline year is the year that we measure our performance in subsequent years against. Historically, this has been 2007/08, but as there have been significant changes to our reporting this year, the 2012/13 data will form our new baseline year going forward.

Operational control approach

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

Carbon dioxide equivalent (tCO₂e)

tCO₂e is a universal unit of measurement that allows the global warming potential of different greenhouse gases to be compared as prescribed by the Kyoto Protocol.

Conversion factors

These are used to convert different activities into tCO₂e. For example, consuming 1,000 kWh of UK electricity is currently equal to emitting approximately 0.45 tCO₂e.

Defra methodology

The amount of CO₂e generated per kWh of UK grid electricity changes from year-to-year following changes to the way we generate our electricity. Historically, Defra have required that a five year rolling average factor is used to calculate CO₂e emissions from electricity use. However, from 2013, the actual in-year emissions factors must be used.

kWh

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

Heating degree days

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

Reporting regulations

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

Scope

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

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

Transmission and distribution (T&D)

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

GOVERNANCE

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DIRECTORS

CHAIRMAN

Mark Nicholls

Title: Chairman
 Appointment: 1 December 2010
 Age: 64
 Board committees: Re N



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

EXECUTIVE DIRECTORS

Andy Pomfret

Title: Chief Executive
 Appointment: 1 August 1999
 Age: 53
 Board committees: E N



Andy Pomfret qualified as a chartered accountant with Peat, Marwick, Mitchell & Co. (now KPMG). Prior to joining Rathbones in July 1999, he spent over 13 years with Kleinwort Benson as a corporate financier, venture capitalist and latterly finance director of the investment management and private banking division. He became chief executive in October 2004. He is also a non-executive director of Graphite Enterprise Trust plc and a director of the Wealth Management Association. He chairs the group's executive and social and environmental committees. He is to retire on 28 February 2014.

Philip Howell

Title: Deputy Chief Executive
 (Chief Executive from 1 March 2014)
 Appointment: 1 December 2013
 Age: 58
 Board committees: E N



Following an early military career, Philip spent over 30 years in the investment banking and private banking sectors, undertaking a range of leadership roles as well as gaining considerable general management experience. He was with Barclays for 24 years, which included leadership assignments in Asia and South Africa, and subsequently as head of strategy and corporate development focused on the international and private banking divisions. Before joining Rathbones, he continued his involvement in private wealth management, firstly as chief executive of Fortis Private Banking and subsequently of Williams de Broë. He is to succeed Andy Pomfret as chief executive on 1 March 2014.

Paul Stockton

Title: Finance Director
 Appointment: 24 September 2008
 Age: 48
 Board committees: E



Paul Stockton qualified as a chartered accountant with Price Waterhouse (now PwC) in 1992. In 1999 he joined Old Mutual Plc as group financial controller, becoming director of finance in 2001 and finance director of Gerrard Limited eight months later. Following the sale of Gerrard to Barclays in 2003, he left in 2005 and has since worked for Euroclear in Brussels and as a division finance director of the Pearl Group. He joined Rathbones in August 2008 and is also a non-executive director of the Financial Services Compensation Scheme.

Paul Chavasse

Title: Head of Investment Management
 Appointment: 26 September 2001
 Age: 49
 Board committees: E



Paul Chavasse started his career working for the institutional fund management arm of NatWest, which was later merged with Gartmore. After a period in the private client businesses of NatWest and Coutts, his final role before joining the group as chief operating officer in 2001 was as head of NatWest Portfolio Management in Bristol. He became head of investment management in March 2012.

Board committees

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

A Audit committee

Full details of its role are set out in the audit committee report on page 66.

E Executive committee

Full details of its role are set out in the executive committee report on page 52.

N Nomination committee

Full details of its role are set out in the nomination committee report on page 69.

Re Remuneration committee

Full details of its role are set out in the remuneration report on page 54.

Ri Group risk committee

Full details of its role are set out in the group risk committee report on page 53.

Committee membership

	Executive	Audit	Remuneration	Nomination	Group risk
Mark Nicholls			⊙	⊙	
Andy Pomfret	⊙			⊙	
Philip Howell	⊙			⊙	
Paul Stockton	⊙				
Paul Chavasse	⊙				
David Harrel		⊙	⊙	⊙	⊙
Oliver Corbett		⊙	⊙	⊙	⊙
James Dean		⊙	⊙	⊙	⊙
Kathryn Matthews		⊙	⊙	⊙	⊙

⊙ Committee member
 ⊙ Committee chairman

NON-EXECUTIVE DIRECTORS

David Harrel

Title: Senior Independent Director
 Appointment: 1 December 2007
 Age: 65
 Board committees: A Re N Ri



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

Oliver Corbett

Title: Non-executive Director
 (Independent)
 Appointment: 7 March 2006
 Age: 49
 Board committees: A Re N Ri



Oliver Corbett is the chief financial officer of LCH.Clearnet Group Limited. He is a chartered accountant and worked for SG Warburg, Phoenix Securities (later Donaldson Lufkin and Jenrette) and Dresdner Kleinwort Wasserstein, where he was managing director of investment banking. He was group finance director of Novae Group plc from October 2003 to November 2012. He is chairman of the audit committee.

James Dean

Title: Non-executive Director
 (Independent)
 Appointment: 1 November 2013
 Age: 56
 Board committees: A Re N Ri



James Dean is a chartered accountant with over 20 years' experience working in financial services. Prior to pursuing a plural career, James worked in a variety of roles at Ernst & Young over a period of 14 years, including holding the position of managing partner for the UK Financial Services Audit Practice for four years. He holds a number of other non-executive directorships including Liverpool Victoria Friendly Society and The Stafford Railway Building Society.

Kathryn Matthews

Title: Non-executive Director
 (Independent)
 Appointment: 6 January 2010
 Age: 54
 Board committees: A Re N Ri



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

DIRECTORS' REPORT

GROUP RESULTS AND COMPANY DIVIDENDS

The Rathbone Brothers Plc group profit after taxation for the year ended 31 December 2013 was £34,751,000 (2012: £28,983,000). The directors recommend the payment of a final dividend of 31.0p (2012: 30.0p) on 19 May 2014 to shareholders on the register on 25 April 2014. An interim dividend of 18.0p (2012: 17.0p) was paid on 9 October 2013 to shareholders on the register on 13 September 2013. This results in total dividends of 49.0p (2012: 47.0p) per ordinary share for the year.

These dividends amount to £22,645,000 (2012: £21,220,000) – see note 11 to the consolidated financial statements on page 94.

SHARE CAPITAL

The company's share capital comprises one class of ordinary shares of 5p each. At 31 December 2013, 46,287,664 shares were in issue (2012: 45,954,071). 50,000 shares were held in treasury (2012: 50,000). The shares carry no rights to fixed income and each share carries the right to one vote at general meetings. All shares are fully paid.

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

The board currently has the authority to allot 15,100,000 shares (approximately one third of the issued share capital at 18 March 2013). The board currently has the authority to buy back up to 2,300,000 shares under certain stringent conditions.

Regarding the appointment and replacement of directors, the company is governed by the company's Articles of Association, the UK Corporate Governance Code ('the Code'), the Companies Act 2006 and related legislation. Amendment of the Articles of Association requires a special resolution of shareholders.

DIRECTORS

Directors' details are set out in the corporate governance report on page 49. Their biographies are on pages 44 to 46. Andy Pomfret is to retire from the board on 28 February 2014.

EMPLOYEES

Details of the company's employment practices, its policy regarding the employment of disabled persons and its employee involvement practices can be found in the corporate responsibility report on pages 34 to 36.

CORPORATE RESPONSIBILITY

Information about greenhouse gas emissions are set out in the corporate responsibility report on pages 38 to 42.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The risk management objectives and policies of the group are set out in note 30 to the consolidated financial statements.

INDEMNIFICATION OF DIRECTORS

The company has put in place insurance to cover its directors and officers against the costs of defending themselves in civil legal action taken against them in that capacity and any damages awarded. The company has granted indemnities, which are uncapped, to its directors and to the company secretary by way of deed. Qualifying third party indemnity provisions as defined by Section 234 of the Companies Act 2006 were therefore in place throughout 2013 and remain in force at the date of this report.

SUBSTANTIAL SHAREHOLDINGS

At 19 February 2014, the company had received notifications in accordance with the Financial Conduct Authority's Disclosure and Transparency Rule 5.1.2 of the following interests of 3% or more in the voting rights of the company (see table 1).

Table 1. Substantial shareholdings at 19 February 2014

Shareholder	Date of notification	Number of voting rights	% of voting rights
BlackRock Inc.	23 January 2014	5,525,563	11.95%
Lindsell Train Ltd.	2 August 2012	4,021,768	9.18%
Massachusetts Financial Services Company	19 May 2011	2,254,063	5.19%
BlackRock UK Special Situations Fund	26 November 2013	2,312,691	5.01%

SHARE PRICE

The mid-market price of the company's shares at 31 December 2013 was £16.14 (2012: £12.99) and the range during the year was £12.85 to £16.91 (2012: £10.35 to £13.73).

AUDITOR

The audit committee reviews the appointment of the external auditor and their relationship with the group, including monitoring the group's use of the auditor for non-audit services. Note 7 to the consolidated financial statements sets out details of the auditor's remuneration. Having reviewed the independence and effectiveness of the external auditor, the audit committee has recommended to the board that the existing auditor, KPMG, be reappointed. KPMG have indicated their willingness to continue in office but have advised the company that KPMG Audit Plc is being wound down with audit work now being undertaken by KPMG LLP. A resolution appointing KPMG LLP as auditor and authorising the directors to set their remuneration will be proposed at the 2014 AGM.

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

GOING CONCERN

Details of the group's business activities, results, cash flows and resources, together with the risks it faces and other factors likely to affect its future development, performance and position are set out in the chairman's statement, chief executive's statement, strategic report and group risk committee report. In addition, note 1.6 to the consolidated financial statements provides further details.

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 company publishes Pillar III disclosures annually on its website, which provide detail about its regulatory capital resources and requirements. During the year, and as at 31 December 2013, the group has had no external borrowings and is wholly funded by equity.

In 2013, the group has continued to generate organic growth in client funds under management and this is expected to continue. The directors believe that the company is well-placed to manage its business risks successfully despite the continuing uncertain economic and political outlook.

As the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future, they continue to adopt the going concern basis of accounting in preparing the annual financial statements. In forming their view, the directors have considered the company's prospects for a period exceeding 12 months from the date the financial statements are approved.

POLITICAL DONATIONS

No political donations were made during the year (2012: nil).

POST-BALANCE SHEET EVENTS

There were no post-balance sheet events.

ANNUAL GENERAL MEETING

The 2014 AGM will be held on Wednesday 14 May 2014 at 12.00 noon at 1 Curzon Street, London W1J 5FB. Full details of all resolutions and explanatory notes are set out in the separate notice of the meeting.

By Order of the Board

Richard Loader
Company Secretary

19 February 2014

Registered office: 1 Curzon Street, London W1J 5FB

CORPORATE GOVERNANCE REPORT

INTRODUCTION FROM THE CHAIRMAN

You will find in this annual report commentaries from me and other committee chairmen on important aspects of our governance. The board’s primary focus is on ensuring that the business prospers for the benefit of our shareholders and other stakeholders. Governance provides a framework for ensuring this, but is not an end in itself. I believe that the most important element of a sound corporate governance framework is a healthy board culture. I believe we have this at Rathbones where, through open and constructive dialogue, our non-executive directors hold our executive directors accountable for their stewardship. Although there are further improvements we can make I believe that this year the smaller board has contributed to more focused and rigorous discussions in a positive atmosphere.

Regarding board changes, as foreshadowed in my chairman’s statement last year, we appointed a new non-executive director, James Dean, on 1 November 2013 following the retirement of Kate Avery and Caroline Burton at the AGM. On 1 December 2013 we appointed Philip Howell to the board with the intention that he becomes chief executive on 1 March 2014 in succession to Andy Pomfret. We take the recommendations of the UK Corporate Governance Code seriously and we have been compliant with it throughout the year.

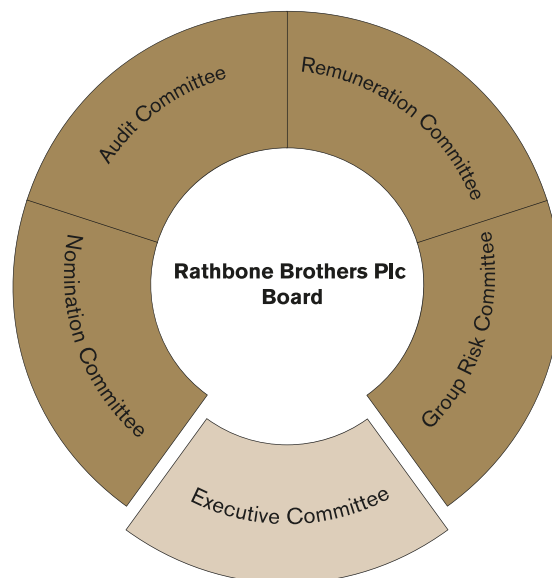
Finally, we are mindful of the recommendations of Lord Davies’ review in February 2011 and his follow up report in April 2013. Our aspiration is to comply with his recommendations and to have a 25% female representation on the board by the end of 2015. That said, we must bear in mind the importance of only appointing the highest quality candidates to our board, who have the right skills and who thereby ensure the continuing confidence of our regulators.

Mark Nicholls
Chairman

GOVERNANCE OF THE COMPANY

In relation to compliance with the UK Corporate Governance Code, this report together with the directors’ report states the position at 19 February 2014. The company was in compliance with the UK Corporate Governance Code (‘the Code’) issued in June 2010 and in September 2012 by the Financial Reporting Council (FRC) throughout the year. The UK Listing Authority Listing Rules still refer to the June 2010 version of the Code.

The board and committee structure



THE BOARD

The biographies of the directors and their details are set out on pages 44 to 46. The board currently consists of a non-executive chairman, four executive directors and four other non-executive directors. The board considers that all of the non-executive directors are independent. The roles of the chairman, Mark Nicholls, and the chief executive, Andy Pomfret, are separated and are clearly defined in writing and agreed by the board.

Kate Avery and Caroline Burton retired from the board on 14 May 2013. James Dean and Philip Howell were appointed to the board on 1 November 2013 and 1 December 2013 respectively. Andy Pomfret is to retire from the board on 28 February 2014 with Philip Howell succeeding him as chief executive from 1 March 2014.

ATTENDANCE AT BOARD MEETINGS

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

ROLE OF THE BOARD

We meet as a full board at least seven times a year with one meeting devoted entirely to strategic issues. Most board meetings are preceded by a board dinner which allows for broader discussions and an opportunity for the board to meet other members of the management team. In months where no formal board meeting is scheduled, an informal meeting

of the non-executive directors and the chairman and chief executive is generally held. The non-executive directors also have informal meetings without the chairman or chief executive present.

ROLE OF THE CHAIRMAN

The chairman's main responsibilities include:

- ensuring that the composition of the board is appropriate with the right balance of skills, experience and background
- ensuring that an appropriate governance framework is in place
- setting the board agenda, which is primarily focused on strategy, value creation and accountability
- ensuring that the board is kept properly informed
- chairing board meetings
- ensuring that the formal schedule of matters reserved for the board's attention is adhered to. This covers key areas of the group's business including:
 - determination of the group's aims and the strategy to be adopted in achieving those aims
 - maintenance of a sound system of internal control and risk management
 - major organisational change
 - reviews of budgets and financial statements
 - significant transactions and contracts
 - remuneration principles
 - governance
 - significant regulatory matters
 - major capital expenditure.

ROLE OF THE CHIEF EXECUTIVE

The chief executive is the most senior executive director on the board, with responsibility for proposing strategy to the board, and for delivering the strategy as agreed.

ROLE OF THE NON-EXECUTIVE DIRECTORS

The non-executive directors:

- bring independent judgment to the board table gained at a senior level in other organisations
- constructively challenge strategy and management performance.

The senior independent director is David Harrel, who is available to shareholders if they have concerns that they would rather not address to the chairman or executive directors or which remain unresolved after an approach through the normal channels.

ROLE OF THE COMPANY SECRETARY

The company secretary:

- manages board and committee meetings, providing suitable papers and taking minutes
- ensures that the board and particularly the non-executive directors are receiving appropriate and balanced information
- facilitates induction and assists with professional development as required
- advises the board on corporate governance matters and on the rules and regulations that affect a UK listed company.

The appointment or removal of the company secretary is a matter for the board.

Table 1. Attendance at board meetings

	Plc Board ¹	Executive Committee ²	Audit Committee	Remuneration Committee	Nomination Committee	Group Risk Committee
C R R Avery	1/2		2/3	3/4		
C M Burton	2/2		3/3	3/4		
P D G Chavasse	6/7	12/12				
O R P Corbett	6/7		6/6	7/8	4/4	4/4
J W Dean	1/2		1/1	2/3	1/1	1/1
D T D Harrel	7/7		6/6	8/8	4/4	1/1
P L Howell	1/1	1/1				
K A Matthews	7/7		6/6	8/8	4/4	4/4
M P Nicholls	7/7			8/8	4/4	
A D Pomfret	7/7	11/12				
R P Stockton	7/7	12/12				

¹ Scheduled bi-monthly meeting

² Scheduled monthly meeting

BOARD PERFORMANCE

Board review

The board undertakes an annual review of its operation and performance towards the end of each year. In 2012 this was carried out based on an internal questionnaire, developed and executed with assistance from Lintstock Limited, a London-based corporate advisory firm. A number of the key points raised and the action taken in 2013 are summarised below.

Key issues	Action taken in 2013
More financial expertise on the board.	James Dean, a former Ernst & Young partner with extensive financial services experience, was appointed to the board on 1 November 2013.
Greater summarisation and highlighting of information.	Greater use of exception reporting has been encouraged using red, amber and green ranking of issues where appropriate. Meeting contributors are asked to only raise key issues where guidance or a decision is required.
Greater use could be made of the non-executive directors' skills and experience.	There has been more consultation with the non-executive directors this year outside meetings, and a greater recognition that their role is to contribute constructively and not just challenge.
A need to spend less time on day-to-day issues and more time on the long term 'shape' of the business.	Regulatory and governance demands cannot be avoided but the greater use of board dinners and lunches and of the annual strategy day have helped move the board focus towards strategic matters.
Focus on risk acceptance rather than risk avoidance.	A risk appetite statement was approved by the board during the year and will be used to assess future business change.

Subjects raised in the 2013 review included:

- a need to review the board agenda and the time allocated to agenda items
- suggested improvements to board papers
- oversight of the business by the non-executive directors
- requests for more market and competitor analysis
- the possible skill set of any new non-executive directors
- potential threats and opportunities to the business
- training needs for all directors.

These will be addressed in 2014 and reported on in the 2014 report.

DIRECTOR APPRAISAL

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

TRAINING

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

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

BOARD COMMITTEES

The principal board committees are the executive, audit, remuneration, nomination and group risk committees. Full details of their work are set out in the separate reports for each committee which follow this report.

Mark Nicholls
Chairman

19 February 2014

EXECUTIVE COMMITTEE REPORT

EXECUTIVE COMMITTEE CHAIRMAN'S STATEMENT

Please see the chief executive's statement on page 4.

COMMITTEE MEMBERS

Our current members and their responsibilities are as follows:

Board members:

- Andy Pomfret (chief executive)
- Philip Howell (deputy chief executive)
- Paul Stockton (finance director)
- Paul Chavasse (head of investment management).

Other members:

- Ian Buckley (senior risk officer, chief executive of the trust business and chairman of the pension and advisory business)
- Andrew Butcher (chief operating officer)
- Mike Webb (chief executive of the unit trust business).

We formally meet each month. These formal meetings are minuted and copies of the minutes are sent to committee members and to the board. Details of attendance by the directors on the committee are set out on page 50. Ad hoc and informal meetings are held as required.

ROLE AND RESPONSIBILITIES OF THE COMMITTEE

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

WHAT WE HAVE DONE

Our main focus is on the implementation of the agreed strategy and on the day-to-day management of the group. We discuss the management and performance of the operating businesses (including their strategy, financial results and regulatory compliance) and growth initiatives. We agree the annual business plan and budget prior to its submission to the board for approval.

Our people are our main asset and so HR matters and learning and development are important agenda items. The maintenance of and investment in our core IT and operations infrastructure are significant costs to the business and so are subject to regular review. The prioritisation of projects and allocation of resources is closely reviewed.

We also have oversight of marketing and investor relations and are closely involved in the day-to-day relationship with our regulators. We review significant reporting to regulators, shareholders and other stakeholders. We receive updates from internal audit on their work schedule and discuss any significant issues they raise following their work. We regularly review the current risk register and potential future risks to the business.

Non-committee members are regularly invited to attend part of a meeting to report on a particular aspect of our business. The head of internal audit may attend any meeting whilst the minutes are provided to senior members of the risk management team. Non-executive directors may also attend meetings, which is particularly useful as part of a new director's induction process.

Andy Pomfret

Chairman of the executive committee

19 February 2014

GROUP RISK COMMITTEE REPORT

RISK COMMITTEE CHAIRMAN'S ANNUAL STATEMENT

Risk management process enhancements continued to be made in 2013. The governance framework was revised with the committee now consisting of the independent non-executive directors. The chairman, group finance director, head of internal audit, senior risk officer and senior risk analyst will normally attend all meetings but whether the chief executive should be present will be a decision between the chairman of the committee and the chief executive, recognising that there may be situations where it would not be appropriate for the chief executive to be in attendance.

As highlighted in the strategic report on page 14, we approved a risk appetite document and discussed work done on the quantification of operational risk. This involved the modelling of a number of operational risk event-driven scenarios as part of our annual regulatory Internal Capital Adequacy Assessment Process (ICAAP). Reassuringly, these calculations provided assurance that the 15% of three year average net operational income figure used to calculate an operational risk charge was within a comfortable range.

2014 is likely to see further changes and refinements to our risk management processes, in particular, further strengthening of our governance structure with a more dedicated focus on the second line of defence and enhancements to our risk appetite with particular regard to future strategic developments.

COMMITTEE MEMBERS

Our current members are the independent non-executive directors Kathryn Matthews (chairman), Oliver Corbett, James Dean and David Harrel. We met on four occasions in 2013 (2012: four). Details of attendance by members are set out on page 50.

ROLE AND RESPONSIBILITIES OF THE COMMITTEE

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

WHAT WE HAVE DONE

Full details of our risk management processes are included in the strategic report on pages 14 to 16.

Business unit representatives are members of a risk management committee who look at risks from a 'bottom up' basis. The group executive committee takes a 'top down' view of risks. These lists are discussed by the group risk committee, which takes a more holistic view of risk. Its responsibilities include:

- producing a consolidated top 10 list of risks
- considering a 'watch list' of emerging risks and issues
- advising the board on the group's overall risk appetite and risk tolerance
- identifying trends and correlations
- reviewing the risk assessment process and the metrics used
- providing guidance to other committees and to the board
- supporting the board's assessment of any proposed strategic business change
- assessing reports on any material breaches of risk tolerances and the adequacy of proposed management action.

Additionally, the committee reviewed the risk-related aspects of key regulatory documents including those relating to the ICAAP and the Individual Liquidity Adequacy Assessment (ILAA) process.

Kathryn Matthews

Chairman of the group risk committee

19 February 2014

REMUNERATION COMMITTEE REPORT

REMUNERATION COMMITTEE CHAIRMAN'S ANNUAL STATEMENT

Shareholders will notice a number of changes to our remuneration committee report this year. These have been made following the introduction of new regulations in October. I welcome the new regulations, which should provide shareholders with greater clarity of remuneration structures and total compensation and greater consistency of reporting.

The regulations now give shareholders the power to approve the directors' remuneration policy by way of a binding vote. Our policy, which has been reviewed and amended by the remuneration committee, is set out below and will be submitted to shareholders for approval at the AGM on 14 May 2014. You will see that the committee is seeking approval of the policy for one year (2014). A new management team is in place and a further review of the policy, particularly its longer term elements, is to be undertaken in 2014. I intend to submit a revised policy for approval at the 2015 AGM, which will remain in place for three years.

During 2013 and as part of the process referred to above, the committee approved the replacement of the existing executive profit sharing scheme with a new performance targeted bonus scheme. These changes which are set out in the Remuneration Policy Statement, included the reduction of the maximum bonus opportunity from 200% to 125% of salary coupled with objective performance metrics and personal performance targets which will come into effect from 1 January 2014 (subject to shareholder approval). No changes to the Long Term Incentive Plan are currently proposed with conditional awards of 75% of salary (100% in exceptional circumstances).

The committee also introduced some changes to the existing profit share scheme for 2013 to reinforce alignment of awards to performance. By making these changes, the committee believes that management is incentivised to deliver the strategy as set out earlier in the report and accounts with an appropriate balance of fixed and variable remuneration. The profit and operating margin metrics ensure that sufficient regard is given to the quality of business growth and its risk management.

There remains uncertainty regarding the implementation of CRD IV, its impact on small banks and the remuneration of their senior management. The PRA reported in December that it will not revise its guidance on the application of proportionality issued in April 2013 until the European Banking Authority publishes revised remuneration guidelines in 2014. In view of the uncertainty, we currently intend to seek shareholder approval for a variable pay cap of 200% of salary at the 2014 AGM.

Executive salaries were increased during the year in line with the increase given to most employees. Towards the end of the year, the committee conducted a complete review of executive salaries, taking into account the proposed

changes to executive variable pay, the appointment of a new chief executive and benchmarking against companies of a similar size and complexity. This led to the rebasing of salaries as set out further in this report.

The committee approved executive profit share awards for 2013 which reflected the strong performance by the company in terms of growth of funds under management, profit before tax and EPS as well as taking into account achievement against personal performance targets. The performance of the business also meant that 2011 – 13 LTIP performance targets (TSR and EPS growth) were achieved in full.

In addition the committee approved Andy Pomfret's settlement arrangements in accordance with his contract, the specifics of which are set out in greater detail in this report.

Finally, during the year Mark Nicholls and I met a number of our major shareholders to seek their views on remuneration policies generally and particularly in relation to the then pending changes in regulation. We have borne in mind those helpful discussions when reviewing our policies and will continue to do so as we further refine our policies during 2014.

David Harrel

Chairman of the remuneration committee

19 February 2014

ANNUAL REPORT ON REMUNERATION

The remuneration of directors in 2013 and 2012 is set out in the table below:

Single total figure of remuneration for each director (audited)

	a	b	c	c	d	e	Share		Total
	Salary	Taxable	Bonus –	Bonus –	Long term	Pensions	Incentive	SAYE	£'000
	and fees	benefits	cash	deferred	incentives	£'000	Plan	£'000	£'000
	£'000	£'000	£'000	shares	£'000		£'000		
				£'000					
2013									
Executive directors									
P D G Chavasse	256	2	96	192	292	37	2	2	879
P L Howell	25	–	17	–	–	2	–	4	48
A D Pomfret	349	2	137	274	398	40	2	2	1,204
R P Stockton	227	2	74	148	260	24	2	1	738
	857	6	324	614	950	103	6	9	2,869
Non-executive directors									
C R R Avery	15	–	–	–	–	–	–	–	15
C M Burton	15	–	–	–	–	–	1	–	16
O R P Corbett	50	–	–	–	–	–	2	–	52
J W Dean	7	–	–	–	–	–	–	–	7
D T D Harrel	60	–	–	–	–	–	2	–	62
K A Matthews	50	–	–	–	–	–	2	–	52
M P Nicholls	120	–	–	–	–	–	2	–	122
	317	–	–	–	–	–	9	–	326
Total	1,174	6	324	614	950	103	15	9	3,195
2012									
Executive directors									
I M Buckley	206	1	53	105	237	24	3	–	629
P D G Chavasse	221	1	79	157	297	39	3	–	797
R P Lanyon	91	1	42	83	231	9	1	–	458
A T Morris	203	1	56	112	232	60	3	–	667
A D Pomfret	340	1	86	172	405	39	3	–	1,046
R I Smeeton	228	1	74	148	271	36	3	–	761
R P Stockton	233	1	80	159	265	22	3	–	763
	1,522	7	470	936	1,938	229	19	–	5,121
Non-executive directors									
C R R Avery	40	–	–	–	–	–	3	–	43
C M Burton	48	–	–	–	–	–	3	–	51
O R P Corbett	50	–	–	–	–	–	3	–	53
D T D Harrel	52	–	–	–	–	–	3	–	55
K A Matthews	48	–	–	–	–	–	3	–	51
M P Nicholls	120	–	–	–	–	–	2	–	122
	358	–	–	–	–	–	17	–	375
Total	1,880	7	470	936	1,938	229	36	–	5,496

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

Base salary

Executive directors' salaries were increased by 2.5% on 1 January 2013 in line with the increase given to most employees. Following a review of salaries and a comparison with companies of similar size and complexity, salaries were adjusted with effect from 1 January 2014. Details are shown in the Remuneration Policy Statement.

Non-executive directors' fees

Non-executive directors' fees were unchanged in 2013 but were increased with effect from 1 January 2014 as set out in the Remuneration Policy Statement.

Taxable benefits

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

Bonus

Transitional arrangements were put in place in 2013 prior to the introduction of the new bonus policy outlined in the Remuneration Policy Statement. Bonus awards for 2013 were made within an 80% to 120% range of a 'standard' bonus award (based on a three year historic average). The committee considered the overall performance of the business and the performance of each director when approving individual awards. Individual performance was assessed using five individual performance targets. One third of awards are payable in cash and two-thirds are payable in deferred Rathbone Brothers Plc shares. The deferred share awards vest after three years and are adjusted to reflect dividends paid during the deferral period. On vesting, a nil paid option is granted which may be exercised within seven years of grant. Deferred share awards are not subject to performance conditions.

As outlined in the Remuneration Policy Statement, bonus arrangements have been revised in 2014 with the introduction of robust corporate performance targets in addition to personal targets.

Long Term Incentive Plan (LTIP)

Executive directors are awarded rights to acquire ordinary shares at the start of a three year plan cycle. Awards are limited to 75% of salary other than in exceptional circumstances when the committee considers that a 100% limit would be appropriate. At the end of each plan cycle, the company's performance is assessed against the total shareholder return (TSR) and earnings per share (EPS) performance targets for that cycle. The extent to which the

targets have been achieved determines the actual number of shares (if any) attributable to each participant.

TSR over the plan cycle (50%)

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

EPS growth over the plan cycle (50%)

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

For the 2011 – 13 plan cycle, the Rathbone Brothers Plc TRI increased by 79% whilst the FTSE All Share TRI increased by 31%, a differential of 48%, comfortably exceeding the 10% threshold for a 100% award. EPS increased by 53% from 49.8p in 2010 to 76.1p in 2013. 100% awards from both elements of the plan will therefore be made. These awards will vest on 1 March 2014 and have been valued using the average share price for the last quarter of 2013 of £15.66.

Pensions

Paul Chavasse is a member of the Rathbone 1987 Pension Scheme. The figure disclosed is the increase in the value of his benefits less his contributions. Philip Howell, Andy Pomfret and Paul Stockton participate in the scheme for death in service benefits only. Andy Pomfret and Paul Stockton have self-invested personal pension scheme arrangements. Contributions are paid at 11.5% and 10% of salary per annum respectively. Philip Howell is paid a cash allowance of 8.6% of salary.

Share Incentive Plan

This benefit is the value of the Share Incentive Plan matching share awards made in the year. Employees and directors may contribute up to £125 per month with contributions matched on a one-for-one basis by the company.

SAYE

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

Scheme interests awarded during the year (audited)

Performance share (LTIP) awards for the three year cycle to 31 December 2015 were made during the year. The 2013 – 15 awards were conditional awards shares subject to the performance conditions described above (with 25% of each part of an award vesting at a threshold level of performance). The awards were made on 19 March 2013 and calculated using 75% of salary at 1 January 2013 and the average closing share price for the 20 days to the award date of £14.31. The face value of the awards and number of shares awarded are shown below. The awards are contingent on the satisfaction of the performance conditions which are set out in the remuneration policy statement on page 59. Executive directors were also awarded interests in shares under the all employee SAYE scheme. A SAYE option grant was made on 28 March 2013 at £11.06, which was 80% of the closing mid-market share price on 5 March 2013 of £13.82. Options may be exercised after three or five years.

Scheme	Date of award	Number of shares	Market value of shares at grant	Face value	Date of vesting
P D G Chavasse					
LTIP	19/03/13	13,390	£14.31	£191,611	31/12/15
SAYE	28/03/13	813	£11.06	£8,992	01/05/16
P L Howell					
LTIP	19/03/13	15,723	£14.31	£224,996	31/12/15
SAYE	28/03/13	1,356	£11.06	£14,997	01/05/18
A D Pomfret					
LTIP	19/03/13	18,265	£14.31	£261,372	31/12/15
SAYE	28/03/13	813	£11.06	£8,992	01/05/16
R P Stockton					
LTIP	19/03/13	11,944	£14.31	£170,919	31/12/15
SAYE	28/03/13	406	£11.06	£4,490	01/05/16

Directors' interests in shares and shareholding guidelines (audited)

New executive directors are encouraged to build up and maintain a shareholding at least equivalent to the value of one year's basic salary within five years of taking up their appointment. At 31 December 2013, directors' shareholdings were as set out in table 1. During the year, directors exercised SAYE options as shown in table 2.

Table 1: Directors' shareholdings at 31 December 2013

	Beneficially owned (non-SIP)	Beneficially owned (SIP) ¹	Total beneficially owned ²	LTIP	Bonus scheme	SIP (not yet beneficially owned) ¹	SAYE	Total
Executive directors								
P D G Chavasse	50,403	5,913	56,316	44,981	43,992	645	813	90,431
P L Howell	–	–	–	15,723	–	–	1,356	17,079
A D Pomfret	58,448	6,225	64,673	61,350	60,767	645	813	123,575
R P Stockton ³	1,651	1,262	2,913	40,116	41,296	646	889	82,947
Chairman								
M P Nicholls	3,000	326	3,326	–	–	423	–	423
Non-executive directors								
O R P Corbett	–	2,498	2,498	–	–	645	–	645
J W Dean	1,000	–	1,000	–	–	–	–	–
D T D Harrel	–	271	271	–	–	494	–	494
K A Matthews	–	616	616	–	–	644	–	644
	114,502	17,111	131,613	162,170	146,055	4,142	3,871	316,238

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

² There were no changes in beneficially owned shareholdings between 1 January 2014 and 7 March 2014

³ R P Stockton's beneficial shareholding will increase to target levels following the vesting of 2011 – 13 LTIP and 2010 deferred bonus awards

Table 2: SAYE options

	Exercised in 2013	Grant date	Market price on grant	Exercise date	Exercise price	Market price on exercise	Gain on exercise
P D G Chavasse	1,303	23/12/09	£8.70	28/03/13	£6.96	£14.59	£9,942
A D Pomfret	1,303	23/12/09	£8.70	01/02/13	£6.96	£13.70	£8,782
R P Stockton	651	23/12/09	£8.70	01/02/13	£6.96	£13.70	£4,388
	3,257						

Payments for loss of office (audited)

As announced on 2 December 2013, Andy Pomfret will be retiring as chief executive on 28 February 2014. On retirement, he will receive a termination payment being his base salary for the unexpired period of his contractual notice period, a payment in lieu of outstanding holiday entitlements and compensation in respect of losses incurred as a result of leaving the SIP and SAYE plans on terms which are outside our retirement policies and practices. Deferred profit share awards for 2013 and earlier years will continue to vest on the third anniversary of the end of the financial year for which the award was made. Long Term Incentive Plan awards for the 2011 – 13, 2012 – 14 and 2013 – 15 plan cycles will continue until their maturity, be subject to existing performance conditions but will be reduced pro-rata to reflect his period of service to 31 December 2013.

From an accounting perspective, the announcement of Andy Pomfret's retirement has resulted in early recognition of accounting charges for deferred awards that would have been recognised in future years had he continued to be employed by the company. Consequently, deferred staff costs of £709,000 have been accelerated and are included in the reported results for 2013.

Payments to past directors (audited)

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

The following LTIP awards will be made in respect of the 2011 – 13 plan cycle which ended on 31 December 2013. The conditional share awards were granted on 12 December 2011 using a share price of £10,825. The performance conditions were satisfied in full and the awards will vest on 1 March 2014. Adjustments have been made to reflect dividends paid since the date of grant.

	Rathbone Brothers Plc ordinary shares
I M Buckley	15,396
R P Lanyon	8,280
A T Morris	15,167
R I Smeeton	17,014

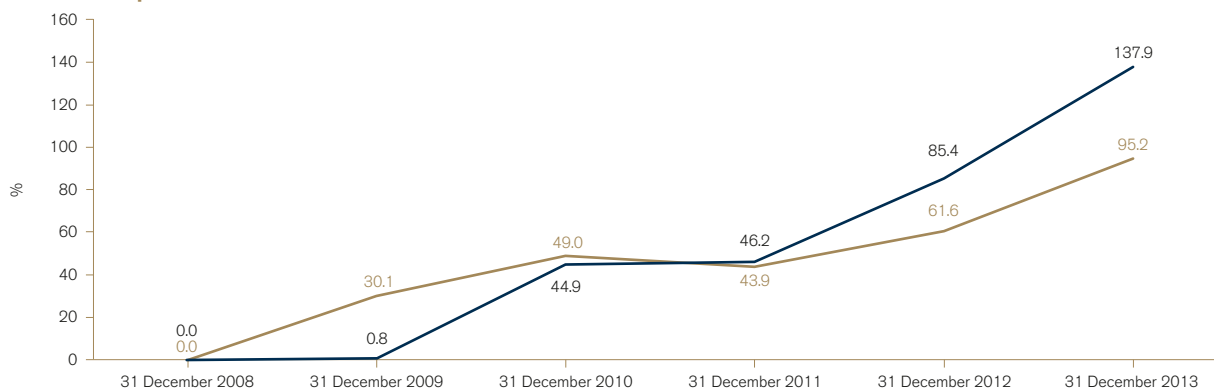
Notes

- 1 I M Buckley is on the group executive committee and remains eligible for LTIP awards
- 2 A T Morris' and R I Smeeton's LTIP awards are paid in full but their other non-pensionable remuneration is reduced by the value of the LTIP award

Performance graph and table (unaudited)

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

Chart 1: Our performance



- Rathbone Brothers Plc – Total Shareholder Return
- FTSE All Share – Total Shareholder Return

Chief executive officer single figure (unaudited)

Andy Pomfret was chief executive throughout the five year period from 1 January 2009 to 31 December 2013.

	2009	2010	2011	2012	2013
CEO single figure of total remuneration (£'000)	508	736	678	1,046	1,204
Short term bonus as a % of maximum opportunity	25%	52%	46%	38%	59%
Long term incentive awarded as % of maximum opportunity	0%	24%	0%	100%	100%

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

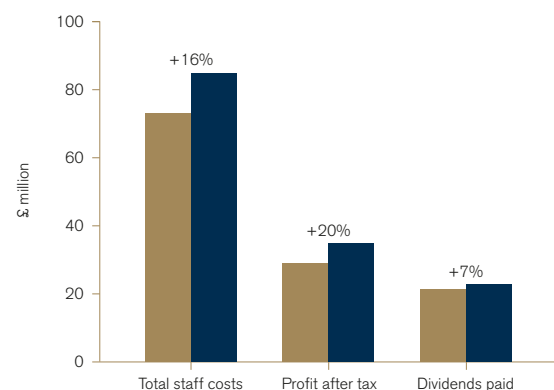
The table below shows the percentage year-on-year change in salary, benefits and bonus in 2013 for the chief executive compared with the average Rathbones employee.

	Salary	Benefits	Annual bonus
CEO	3%	0%	60%
Average pay based on all Rathbones employees	3%	0%	18%

Relative importance of spend on pay

Chart 2 shows the relationship between total employee remuneration, profit after tax and dividend distributions for 2012 and 2013. The reported profit after tax has been selected by the directors as a useful indicator when assessing the relative importance of spend on pay.

Chart 2: Relative importance of spend on pay



2013
2012

Remuneration committee members

Current committee members are the independent non-executive directors David Harrel (chairman), Oliver Corbett, James Dean and Kathryn Matthews. Mark Nicholls was considered to be independent on his appointment as company chairman and is also a member of the committee. Kate Avery and Caroline Burton were committee members until their retirement from the board on 14 May 2013.

The committee met on eight occasions in 2013 (2012: seven). Details of attendance by members are set out on page 50.

Advisers to the committee and their fees

Deloitte LLP provides advice to the committee on remuneration package assessments, scheme design and reporting best practice. They provide a variety of limited, non-audit services to the company but, as a signatory to the Remuneration Consultants Group Code of Conduct, the committee considers them to be independent. Deloitte's fees for remuneration committee advice in 2013 were calculated on a time cost basis and were £32,800 (2012: £22,400).

The company secretary and head of HR attend committee meetings.

Statement of voting at the Annual General Meeting

At the AGM held on 14 May 2013, the resolution seeking approval of the remuneration report received the following votes.

	Total number of votes	% of votes cast
For	31,564,484	99.8%
Against	50,605	0.2%
Total votes cast	31,615,089	100.0%
Votes withheld	523,836	

The company is always keen to consult with shareholders regarding any proposed changes to our remuneration policy. It also welcomes feedback on the current policy, particularly where there are any concerns.

REMUNERATION POLICY STATEMENT

This remuneration policy will be submitted to shareholders for approval by ordinary resolution at the AGM on 14 May 2014. Following the appointment of Philip Howell as chief executive on 1 March 2014 further changes to our compensation structure are planned. The policy is therefore to be effective, subject to obtaining shareholder approval, from 14 May 2014 for 2014 only and a revised policy will be submitted for approval at the AGM in 2015.

The overriding aims of the Rathbone directors' remuneration policy are:

- *Performance linked* – total remuneration should reflect a director's performance in the delivery of the group's strategy. Whilst objective measures are used where possible to measure performance, judgment is also required.
- *Market tested* – total remuneration should be in line with the market, having regard to the size and complexity of the group's operations.
- *Fair* – the policy should ensure that remuneration is fair for both the director and the company and that anomalies are avoided. Some element of discretion is therefore required.
- *Linked to strategy* – total remuneration should be aligned with the group's strategy.
- *Risk controlled* – the policy should not encourage actions that are outside the board's approved risk appetite.
- *Flexible* – to recognise that the business is evolving and responsibilities change.
- *Balanced* – the policy should have an appropriate mix of short and long term elements.

Elements of the remuneration package

Executive directors

Component	Purpose and link to strategy	Operation	Opportunity	Applicable performance measures	Recovery
Base salary	The core, fixed component of the package designed to enable the recruitment and retention of high-calibre individuals.	Base salaries are reviewed annually on 1 January and are compared to salaries in other companies of similar size and complexity to ensure that the market rate is being paid. Adjustments may be made at other times to reflect a change of responsibility.	Base salaries at 1 January 2014 are: Andy Pomfret £348,500 Paul Chavasse £285,000 Philip Howell £450,000 Paul Stockton £286,000 Normal annual increases will not exceed 10% per annum and salaries will not exceed £0.6m.	Not applicable.	Not applicable.
Benefits	Benefits are typically provided to directors to complement the remuneration package and ensure that it is sufficiently attractive to enable recruitment.	These include: <ul style="list-style-type: none"> • private medical insurance for directors and their dependants • death in service cover • share incentive plan free and matching shares • annual medicals • limited legal and professional advice on company-related matters • relocation costs. 	The cost of benefits will not generally exceed £0.1m per annum per director. The payment of legal costs or relocation costs could increase this figure but the total cost should not exceed £0.3m per annum.	Not applicable.	Not applicable.

Component	Purpose and link to strategy	Operation	Opportunity	Applicable performance measures	Recovery
Annual bonus	<p>The annual bonus rewards short-term performance and the achievement of corporate and individual goals. The performance measures as described have been selected to support the controlled delivery of our business strategy as set out in the strategic report.</p>	<p>The annual bonus is paid in cash (50%), and deferred Rathbones shares (50%), which are awarded after three years.</p> <p>Deferred awards are increased by notional adjustments for dividends paid, calculated using shares held at the record date.</p> <p>Deferred share awards vest after the third anniversary of the financial year for which the award was made. No performance conditions apply to the deferred share awards (other than a malus provision).</p>	<p>The target bonus award is 75% of base salary (60% of the maximum bonus) with a maximum award payable of 125% of base salary.</p>	<p>Bonus performance metrics are 75% corporate and 25% personal.</p> <p>Corporate targets (75%)</p> <ul style="list-style-type: none"> Profit before tax (PBT) compared to the budget – 25% Growth in investment assets under management – 25% Operating margin – 25% <p>A supplementary financial underpin applies such that non-PBT awards will not be made unless the threshold PBT has been reached. The remuneration committee may adjust the corporate targets in exceptional and/or unforeseen circumstances. Corporate target awards are reduced for an individual director if the director's personal target score (see below) is less than 15%.</p> <p>Personal targets (25%)</p> <p>These are set by the chief executive and chairman (for the chief executive) at the start of each year and are agreed with each director and approved by the remuneration committee.</p> <p>Deferred share awards are adjusted on vesting to reflect dividends paid since grant.</p>	<p>In the case of a 'bad' leaver, all deferred awards will normally lapse. A 'bad' leaver is a director who leaves other than on retirement, redundancy, due to ill health or on the sale of the business unless the remuneration committee determine otherwise.</p> <p>A malus provision gives the committee discretion to reduce outstanding, unvested awards in exceptional circumstances.</p>

Component	Purpose and link to strategy	Operation	Opportunity	Applicable performance measures	Recovery
Long Term Incentive Plan	The LTIP aligns the interests of shareholders and directors in creating long-term shareholder value.	Under the performance share plan, executive directors are awarded rights to acquire ordinary shares at the start of a three year plan cycle. These are either conditional awards or nil cost options. At the end of the plan cycle, the group's performance is assessed against the performance targets set for that cycle. The extent to which the targets have been achieved determine the actual number of shares (if any) to be awarded. Adjustments are made to take account of dividends paid between the date of grant and the date of vesting (or in the case of a nil cost option and if the grantor so determines, the date of exercise).	Awards will normally not exceed 75% of base salary. This may be increased to 100% of base salary in exceptional circumstances.	<p>LTIP performance metrics are TSR (50%) and EPS (50%).</p> <p>TSR (50%) Rathbone Brothers Plc Total Return Index (TRI) relative to the FTSE All Share TRI.</p> <ul style="list-style-type: none"> • Below % change in FTSE All Share TRI – 0% vesting • Equal to % change in FTSE All Share TRI – 25% vesting • Greater than the % change in FTSE All Share TRI by up to 9.9% – straight line increase • Greater than the % change in FTSE All Share TRI by 10% or more – 100% vesting <p>EPS (50%) EPS growth over the three year plan cycle.</p> <ul style="list-style-type: none"> • Less than 15% EPS growth – 0% vesting • 15% EPS growth – 25% vesting • 15% – 37.5% EPS growth – straight line increase • Over 37.5% EPS growth – 100% vesting <p>The committee may amend the performance targets for future awards in the light of changes to the business and wider environment to ensure that they remain appropriate.</p>	In the case of a 'bad' leaver (see above), all deferred awards will lapse unless the company decides otherwise.

Component	Purpose and link to strategy	Operation	Opportunity	Applicable performance measures	Recovery
All employee share plans (SIP and SAYE)	To encourage employee share ownership in a tax efficient way.	All directors may participate in the SIP but only executive directors may participate in the SAYE scheme.	<p>SIP Monthly partnership share contributions are matched by the company on a one-for-one basis and are used to purchase matching shares. Limits are £1,500 per annum (due to increase to £1,800 per annum from 6 April 2014).</p> <p>Free shares of up to £3,000 (due to increase to £3,600 from 6 April 2014) may be awarded if performance conditions are met.</p> <p>SAYE Employees may contribute £250 per month (due to increase to £500 per month from 6 April 2014 for schemes launched after that date) over three or five years with an option to acquire Rathbones shares at the end of the period.</p>	<p>SIP £100 of free shares are awarded for each 1% growth in EPS above the percentage increase in the RPI.</p> <p>SAYE Options are granted at a discount of up to 20%.</p>	<p>SIP For a 'bad' leaver, matching and free shares held for less than three years are forfeited.</p> <p>SAYE 'Bad' leavers within three years of the option grant lose the right to exercise their option.</p>
Pension or cash allowance	To provide the executive director with retirement benefits as part of an attractive overall package.	Executive directors may be a member of a group defined benefit scheme (DB). If not, payments may be made to a personal pension arrangement such as SIPP or to the group defined contribution scheme. Alternatively, they may receive a cash pension allowance.	<p>Paul Chavasse is a member of the group DB scheme. Pension is accrued at 1/60th for each year of service with a normal retirement age of 60 for service prior to 1 July 2009. From that date, future service benefits are based on career average revalued earnings with a normal retirement age of 65 rather than 60.</p> <p>The maximum personal pension or allowance payment is 14% of salary.</p>	Not applicable.	Not applicable.

Chairman and other non-executive directors

Component	Purpose and link to strategy	Operation	Opportunity	Applicable performance measures	Recovery
Base fee	To enable the recruitment of high-calibre non-executive directors with the appropriate skills and experience.	Base fees are reviewed annually by the board on 1 January and are compared to fees in other companies of similar size and complexity to ensure that the market rate is being paid. Adjustments may be made at other times to reflect a change of responsibility. Fees are paid in cash.	<p>The base fee for the chairman in 2012 and 2013 was £120,000 per annum. This was increased to £140,000 on 1 January 2014.</p> <p>The base fee for the other NEDs in 2012 and 2013 was £40,000 per annum. This was increased to £42,500 on 1 January 2014.</p>	Not applicable.	Not applicable.

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

Notes to the remuneration policy table

The performance metrics chosen for the annual bonus and long term incentive plans are key performance metrics used by the business and shareholders. For the bonus scheme, the comparison of actual profit before tax with budget links performance to strategy and the business plan. Growth in funds under management is a key measure of business growth whilst maintenance of the operating margin is a key indicator of the health of the business: profitable growth and cost control. For the LTIP, TSR growth relative to other companies and EPS growth are commonly used measures designed to ensure alignment of interests between participants and shareholders.

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

The committee may make minor amendments to the policy set out above (for regulatory, exchange control, tax or administrative purposes or to take account of a change in legislation) without obtaining shareholder approval for that amendment.

The company consulted with major shareholders but has not consulted with employees when drawing up the remuneration policy set out in this report.

Appointment of new directors

For new directors, the structure of the package offered will mirror that provided to current directors. The package quantum will depend on the role and the experience and background of the new director. Advice from our remuneration consultants will be taken to ensure that the package is in line with median market levels for companies of similar size and complexity. The company may pay compensation for the forfeiture of any award under variable remuneration arrangements entered into with the previous

employer. A sign-on payment may also be paid to reflect the value of benefits the new director may have received from his former employer.

Payments for loss of office and service contracts

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

Executive director	Date of contract	Notice period
P D G Chavasse	15 November 2011	12 months
P L Howell	12 February 2013	12 months
A D Pomfret	13 October 2011	12 months
R P Stockton	14 October 2011	6 months

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

Non-executive directors have a letter of appointment rather than a contract of employment. As with all other directors, they are now required to stand for re-election annually in accordance with the UK Corporate Governance Code. The effectiveness of the non-executive directors is subject to an annual assessment. Any term beyond six years is subject to particularly rigorous review and takes into account the need for progressive refreshing of the board. The executive directors are responsible for determining the fees of the non-executive directors, who do not receive pension or

other benefits from the group and do not participate in any group incentive scheme other than the SIP.

from holding more than one other position in a quoted company given the time commitment. Prior approval of any new appointment is required by the board with fees being payable to the company.

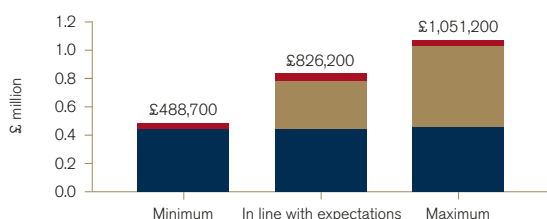
Other directorships

Executive directors are encouraged to take on external appointments as non-executive directors, but are discouraged

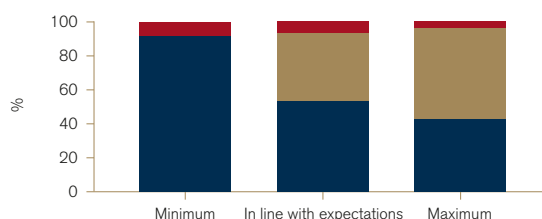
Statement of implementation of the remuneration policy in the current financial year

Philip Howell

Value of package

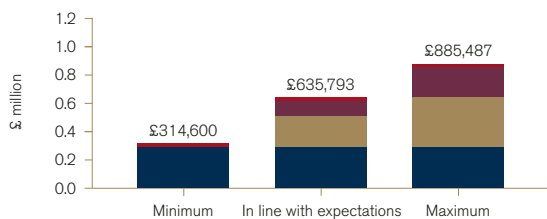


Composition of package

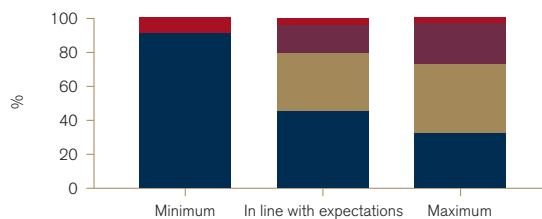


Paul Stockton

Value of package

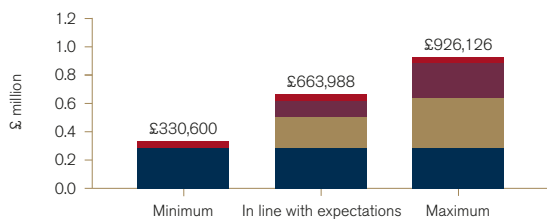


Composition of package

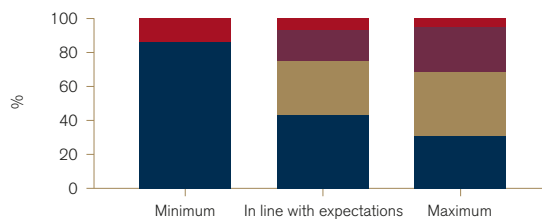


Paul Chavasse

Value of package



Composition of package



- Salary
- Bonus
- Long term incentives
- Pension

1 Base salary at 1 January 2014
 2 Benefits have not been included as they are not material
 3 Pension benefits are the percentage contribution (actual or estimated in the case of the DB scheme) or the pension allowance paid
 4 The target bonus where performance is in line with expectations is set at 75% of salary which equates to 60% of the maximum bonus which is 125% of salary
 5 The target LTIP award is an estimated award for the 2012 – 14 LTIP of 50% of the provisional award, calculated using the 31 December 2013 share price of £16.14

AUDIT COMMITTEE REPORT

AUDIT COMMITTEE CHAIRMAN'S ANNUAL STATEMENT

As anticipated in last year's report, over the past year we have focused on a number of key issues including data security, the accounting treatment of acquisitions, group capital planning and new guidance on internal audit in the financial services sector. We also asked management to undertake an organisational review of the finance department.

I was delighted to welcome James Dean as a committee member in November 2013. His appointment is important for succession planning purposes and his extensive audit and accounting experience will prove invaluable to us in the years ahead.

COMMITTEE MEMBERS

Our current members are the independent non-executive directors Oliver Corbett (chairman), James Dean, David Harrel and Kathryn Matthews. Kate Avery and Caroline Burton were members of the committee until their retirement from the board on 14 May 2013.

The board is satisfied that at least one member of the committee has recent and relevant financial experience. Both James Dean and I are chartered accountants whilst the other committee members have extensive experience of financial matters and of the financial services industry.

We met on six occasions in 2013 (2012: seven). Details of attendance by members are set out on page 50. The chief executive, finance director, heads of internal audit and compliance and the audit partner attend meetings by invitation.

ROLE AND RESPONSIBILITIES OF THE COMMITTEE

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

WHAT WE HAVE DONE

Financial reporting

During the year, we considered the significant financial and regulatory reporting issues and judgments made in connection with the financial statements and the appropriateness of accounting policies. We reviewed the narrative statements in the report and accounts and interim statement to ensure that they were reasonable and consistent with the reported results.

The significant judgment issues considered in 2013 included:

Client relationship intangibles

The group assesses whether payments made to newly recruited investment managers under contractual agreements represent payments for the acquisition of client relationship intangibles or remuneration for ongoing services provided to the group. Payments made for the acquisition of client relationship intangibles are capitalised whereas those that are judged to be in relation to the provision of ongoing services are expensed in the period in which they are incurred (see note 2.1 to the consolidated financial statements).

During the year the audit committee reviewed evidence to ensure that the period during which awards accruing to new investment managers are capitalised is suitable. Typically, this will be for 12 months after the cessation of any non-compete period with any payments made after this point charged to profit or loss. The audit committee agree that this approach continues to be appropriate.

The carrying value of assets

We reviewed the methodology for valuing assets where a significant amount of judgment is required, including intangible assets (particularly goodwill and client relationships) and the Jersey loan notes.

The Jersey loan notes were received on the sale of the group's Jersey trust operation in 2008 and have a nominal value of £5.0 million. They are unsecured, have no fixed maturity and are repayable on the occurrence of certain events, principally the refinancing of the Jersey trust operations by its existing owner. The estimated present value of future cash flows arising from the loan notes was discussed and a carrying value of £2.8 million agreed. Full details are shown in notes 2.2 and 15 to the consolidated financial statements.

The valuation of defined benefit pension obligations

We reviewed the key assumptions made, particularly salary increases, inflation and the discount rate when valuing the company's pension scheme liabilities, which are disclosed in note 26 to the consolidated financial statements. We reviewed the professional advice taken and considered feedback provided by the auditors on the assumptions used by us and by other companies. We satisfied ourselves that the assumptions used were reasonable.

Provisions and contingent liabilities

We discussed and reviewed provisions totalling £9.9 million summarised in note 25 to the consolidated financial statements. These primarily include provisions made in respect of future property dilapidation liabilities and future payments to be made following the acquisition of businesses or amounts payable to new investment managers as outlined above.

We discussed the legal action and related legal advice relating to the management of a Jersey trust (which has been filed against a former subsidiary, Rathbone Trust Company Jersey Limited, and a former employee and director of that company, amongst others) and the related legal proceedings against excess civil liability insurers, details of which are disclosed in note 32 to the consolidated financial statements. The audit committee considers these disclosures to be appropriate.

Internal controls and risk management systems

Our review of the effectiveness of the group's internal financial controls is achieved primarily by the assessment of the work of the group internal audit department, reports produced by the compliance function, the findings of the annual external audit and periodic reviews of identified risks and mitigating controls undertaken by senior management. A separate group risk committee report considers risk management issues (see page 53).

During the year we considered an independent data security report on access to our core investment management systems and approved new procedures for the transfer of distributable reserves from subsidiaries to the company to ensure that reserves in this company are always sufficient to cover dividend payments. We received updates from internal audit on attempted frauds affecting our business and our industry. We also had regular updates from the head of compliance on the work of the compliance team and on any areas of particular focus or concern. We also commissioned a review of the finance department by the auditor and the recommendations arising from this work will be taken forward in 2014.

Internal audit

We approved the 2013 internal audit plan in late 2012. The frequency of internal audit reviews is determined by a risk-based approach. This ensures that whilst the focus is on higher-risk areas, all parts of the business are covered over a three year cycle. Regular updates are given to us on the findings of completed internal audit reviews, the status of scheduled work and on the follow up of reviews by management to ensure that the agreed recommendations are acted upon promptly. We saw all reviews containing high risk-related recommendations and a sample of other reviews.

Some spare capacity is allowed in the plan so that ad hoc reviews at the request of management or the committee can be undertaken. For example, an additional review was undertaken in 2013 on payroll and the processing of non-routine payments.

We also reviewed internal audit resources, approved the internal audit charter and considered the implications of new Chartered Institute of Internal Auditors guidance on effective internal audit in the financial services sector. Internal audit has worked towards full adherence to the guidance with one main exception. The establishment of a dedicated

quality assurance team is not considered practical given the relatively small size of the internal audit team.

External audit

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

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

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

We reviewed the independence and the nature of non-audit services supplied by the external auditor and non-audit fee levels relative to the audit fee. Our prior approval is required where the fee for an individual non-audit service is expected to exceed £25,000. Fees for non-audit services paid to the auditor should not, in aggregate, exceed 50% of the audit fee in any year without our prior written approval. Non-audit fees payable to the auditor in 2013 were £71,000. This represents 14.2% of the fees for assurance services of £499,000, which includes the assurance reports required by our regulators and the review of the interim statement (2012: £65,000, 13.1% of £497,000). We recognise that, given their knowledge of the business, there are often advantages in using the external auditor to provide certain non-audit services and we are satisfied that their independence has not been impaired by providing these services.

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

Confidential reporting policy

We annually review the group's Public Interest Disclosure Act 1998 confidential reporting policy, approve any changes to the document and receive details of any reports made.

Other

We also discussed compliance matters including an update on any client complaints and attempted frauds. Sadly, client identity theft is an increasingly common problem affecting the financial services industry. Regular meetings are held on a one-to-one basis with the head of internal audit, head of compliance or the audit partner before audit committee meetings to ensure that any concerns can be raised in confidence. I also have regular one-to-one meetings between audit committee meetings. We can access independent professional advice if we consider it necessary.

Oliver Corbett
Chairman of the audit committee

19 February 2014

NOMINATION COMMITTEE REPORT

NOMINATION COMMITTEE CHAIRMAN'S ANNUAL STATEMENT

The nomination committee had a busy year with a particular focus on succession.

COMMITTEE MEMBERS

Our current members are Mark Nicholls (chairman), Oliver Corbett, James Dean, David Harrel, Kathryn Matthews and Andy Pomfret. Kate Avery and Caroline Burton served on the committee until their retirement from the board at the AGM on 14 May 2014. We met on four occasions in 2013 (2012: two). Details of attendance by members are set out on page 50.

ROLE AND RESPONSIBILITIES OF THE COMMITTEE

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

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

WHAT WE HAVE DONE IN 2013

2013 was a year of considerable change. Early in the year an opportunity arose to strengthen the management team with the appointment of Philip Howell, who had considerable experience in the investment management industry. Following a number of interviews, meetings with senior management, discussions with our regulators and approval by the board, he joined us in March 2013 as deputy chief executive. Andy Pomfret had earlier informed the board of his wish to retire once a successor had been identified. As anticipated Philip performed well from the outset and, following discussions at the nomination committee, we informed the regulators of the intention to appoint him as chief executive. Philip was appointed to the board on 1 December 2013 and will become chief executive on 1 March 2014. This process has both given Philip time to get to know the business and has ensured a smooth hand-over of responsibility from Andy Pomfret.

Regarding non-executive directors, Kate Avery and Caroline Burton both retired from the board at the AGM in May. The nomination committee has long anticipated the need to recruit a suitably qualified accountant to provide support for the current chairman of the audit committee and to potentially succeed him in future. Accordingly, the executive search firm Blackwood Group, were appointed following a tender process involving five firms. Following an extensive search and interview process, we were delighted to be able to recommend the appointment of James Dean to the board on 1 November 2013. James is a former Ernst and Young partner with a wealth of financial services experience which will be of great benefit to the business in the years ahead.

Regarding diversity, we aspire to achieve a minimum of 25% female representation on the board by 2015. Female candidates with the knowledge and experience to be a director of a financial services business are in great demand but we intend to progress towards achieving this target during this year.

Reference is made in the corporate governance report to the board effectiveness review and to the appraisal process for individual directors.

Mark Nicholls

Chairman of the nomination committee

19 February 2014

APPROVAL OF STRATEGIC REPORT

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

- Chairman's statement
- Chief executive's statement
- Our business
- Strategy and key performance indicators
- Risk management
- Rathbones' performance
- Segmental review
- Financial position
- Liquidity and cash flows
- Corporate responsibility report.

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

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

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

By Order of the Board

Andy Pomfret
Chief Executive

19 February 2014

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE REPORT AND ACCOUNTS

The directors are responsible for preparing the annual report and the consolidated and parent company financial statements in accordance with applicable law and regulations.

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

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

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

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

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

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

The board confirms that the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the group's performance, business model and strategy.

DISCLOSURE OF INFORMATION TO THE AUDITOR

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

STATEMENT AS A RESULT OF THE DISCLOSURE AND TRANSPARENCY RULES OF THE FINANCIAL CONDUCT AUTHORITY

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit of the parent company and its undertakings included in the consolidation taken as a whole; and
- the strategic report and directors' report include a fair view of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

By Order of the Board

Andy Pomfret
Chief Executive

19 February 2014

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF RATHBONE BROTHERS PLC ONLY

Opinions and conclusions arising from our audit.

OUR OPINION ON THE FINANCIAL STATEMENTS IS UNMODIFIED

We have audited the financial statements of Rathbone Brothers Plc for the year ended 31 December 2013 set out on pages 76 to 150.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2013 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the consolidated financial statements, Article 4 of the IAS Regulation.

OUR ASSESSMENT OF RISKS OF MATERIAL MISSTATEMENT

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

Recognition and impairment of client relationships intangibles: £52,487,000

Refer to page 66 (audit committee report), page 85 (accounting policy) and pages 87 and 102 to 103 (financial disclosures).

The risk: Individually purchased client relationships are initially recognised at cost with those acquired as part of a business combination initially recognised at fair value. The classification of the individually purchased client relationships as intangible assets or an expense item and the recognition and the impairment of the intangible assets in respect of customer relationships are two of the key judgment areas our audit concentrated on.

The primary areas of estimation arise in:

- The group's assessment of whether payments made to newly recruited investment managers under contractual

arrangements represent payments for the acquisition of client relationship intangibles (which would be capitalised) or payments in respect of providing ongoing services to Rathbones (which would be expensed). In forming this judgment, the group has determined that the appropriate accounting policy is to capitalise payments made to investment managers relating to client relationships acquired during the 12 months period after the conclusion of any 'non-compete' arrangements between an investment manager and their previous employer.

- The group's assessment of whether the ongoing benefits offered by the capitalised client relationship intangibles are greater than the carrying value or whether there is an indication of impairment.
- The group's estimation of the useful economic life of the client relationships over which these intangible assets are subsequently amortised ranges typically between 10 and 15 years using a straight line method. The decisions made by the group in respect of the useful economic life may make a material difference to the financial statements and this is considered to be a significant audit risk. The sensitivity of this estimate is disclosed in the critical accounting judgments and key sources of estimated uncertainty in note 2 to the financial statements.

Our response: To assess whether the accounting policy referred to above is appropriate we have used our industry knowledge and experience from similar businesses and also considered the criteria for the recognition of payments to secure an asset management contract as an asset in accordance with IAS 18 Revenue. The key assumption relating to the recognition of client relationship intangibles is the length of time taken to acquire client relationships. We have performed testing of a sample of newly recognised client relationship intangibles to ensure such costs were only capitalised when they fell within 12 months of the conclusion of any non-compete arrangements and that such costs related to relationships already held by the investment manager.

In considering the adequacy of the impairment assessment performed by the group to support the carrying valuations of client relationship intangibles, we have performed testing which included an assessment of the population of capitalised client relationships to ensure that client relationship intangibles relating to closed accounts and those clients with balances that do not generate income for the group are no longer recognised on the balance sheet.

Our consideration of the appropriateness of the useful economic life of the client relationships and amortisation period included performing an analysis of the length of the client relationships held by the group with reference to the historic gross outflows of funds under management. We have also considered the adequacy of the group's disclosure in respect of intangible assets in note 21 to the consolidated financial statements.

Recoverability of loan notes: £2,835,000

Refer to page 66 (audit committee report), page 83 to 85 (accounting policy) and pages 88, 96 and 136 (financial disclosures).

The risk: The parent company holds loan notes with a nominal value of £5,000,000 that were issued by the acquirer of the group's Jersey trust business operations in 2008. There is a risk in respect of the recoverability of the notes since the loan notes are unsecured and repayment is contingent on the occurrence of certain events, principally the refinancing of the operations disposed of. The judgment as to the timing over the refinancing of the operations disposed of affects the recoverable cash flow and therefore the carrying value of the loan notes. In order to determine the appropriate carrying value of the loan notes during the year, the group prepared a discounted cash flow model which considered various scenarios in terms of the timing of repayment and the amount of repayment received and resulted in an impairment of £256,000 during the year.

Our response: Our audit work on the appropriateness of the carrying value of these notes focused on testing the integrity of the discounted cash flow model prepared by the group as well as performing a critical assessment of the appropriateness of the key assumptions/inputs used in various scenarios in this model, where the main assumptions are the ability of the acquirer to make a payment in the future and the timing and magnitude of any payments made. Our audit work on the appropriateness of the key assumptions applied by the group when producing this model was performed with a reference to an inspection of correspondence between the group and the issuer of the notes and an analysis of available information on the financial position and performance of the notes issuer. We considered the adequacy of the group's disclosures (see note 15) in respect of the recoverability of the loan notes, and whether disclosures about the sensitivity of the outcome of the impairment assessment to changes in key assumptions properly reflected the risks inherent in the valuation of the loan notes.

Valuation of defined benefit pension surplus: £1,614,000

Refer to page 66 (audit committee report), pages 86 to 87 (accounting policy) and pages 88 and 105 to 109 (financial disclosures).

The risk: The parent company has recognised a pension surplus of £1,614,000 as at 31 December 2013. The valuation of the defined benefit pension surplus/deficit is an important judgment as this balance is volatile and impacts the company's distributable reserves. Management has obtained advice from actuarial specialists in order to calculate this surplus and uncertainty arises as a result of estimates made in respect of long-term trends and market conditions to determine the value based on the group's expectations of the future. As a result, the actual surplus or deficit realised by the group may

be significantly different to that recognised on the balance sheet since small changes to the assumptions used in the calculation materially affect the valuation and may result in the recognition of a deficit.

Our response: With the support of our own actuarial specialists, we challenged key assumptions and estimated inputs used in the calculation of the pensions surplus. The key assumptions and estimates we tested included the discount rate, RPI inflation, salary growth, life expectancy and expected return on equities that were applied to the valuation. This included a comparison of key assumptions against externally derived data and our benchmark ranges for similar schemes. We have also considered the adequacy of the group's disclosure in respect of the surplus and the assumptions used in note 26 to the consolidated financial statements.

Contingent liabilities: nil

Refer to pages 66 to 67 (audit committee report), page 86 (accounting policy) and pages 88, 126 and 149 (financial disclosures).

The risk: Note 32 refers to two related legal claims that are ongoing. The directors have determined that no provision should be raised in respect of these claims as at 31 December 2013 as they believe that it is more likely than not that any final judgment in relation to these claims will not result in a liability against the group and, on this basis, have disclosed them as a contingent liability. Due to the complexity of the two cases and the risks concerning the sufficiency of the insurance cover, the assessment of whether a liability is probable, possible or remote is considered to be inherently subjective and the amounts involved are potentially material.

Our response: In this area, our audit procedures included, among others, holding discussions with the group's external legal advisers and examination of the correspondence and documentation in respect of the case so as to understand the current status and position of the case and to assess whether the classification of this issue as a contingent liability is appropriate. We have also considered the adequacy of the group's disclosure provided in note 2 and note 32 to the consolidated financial statements.

OUR APPLICATION OF MATERIALITY AND AN OVERVIEW OF THE SCOPE OF OUR AUDIT

The materiality for the group financial statements as a whole was set at £2.3 million. This has been determined with reference to a benchmark of group profit before taxation (of which it represents 5%) which we consider to be one of the principal considerations for members of the company in assessing the financial performance of the group.

We agreed with the audit committee to report to it all corrected and uncorrected income statement misstatements we identified through our audit with a value in excess of

£115,000, in addition to other audit misstatements below that threshold that we believe warranted reporting on qualitative grounds.

Audits for group reporting purposes were performed at the key reporting components in the UK (five entities) and Jersey (one entity). These audits covered 97.5% of total group revenue; 97.8% of group profit before taxation; and 98.6% of total group assets.

The group audit team performed the audits of the key reporting components in accordance with the materiality levels used for local audits, which ranged from £0.03 million to £2.2 million.

OUR OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006 IS UNMODIFIED

In our opinion:

- the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006
- the information given in the strategic report and directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements
- information given in the corporate governance statement set out on pages 49 to 51 with respect to internal control and risk management systems in relation to financial reporting processes and about share capital structures is consistent with the financial statements.

WE HAVE NOTHING TO REPORT IN RESPECT OF THE MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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

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

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

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

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

Under the Listing Rules we are required to review:

- the directors' statement, set out on page 48, in relation to going concern
- the part of the corporate governance statement on page 49 relating to the company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review.

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

Scope of report and responsibilities

As explained more fully in the directors' responsibilities statement set out on page 71, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. A description of the scope of an audit of accounts is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate. This report is made solely to the company's members as a body and is subject to important explanations and disclaimers regarding our responsibilities, published on our website at www.kpmg.com/uk/auditscopeukco2013a, which are incorporated into this report as if set out in full and should be read to provide an understanding of the purpose of this report, the work we have undertaken and the basis of our opinions.

Richard Faulkner (Senior Statutory Auditor)
for and on behalf of KPMG
Audit Plc, Statutory Auditor

Chartered Accountants
London

19 February 2014

CONSOLIDATED FINANCIAL STATEMENTS

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2013

	Note	2013 £'000	2012 £'000 (restated – note 1.1)
Interest and similar income		9,212	11,162
Interest expense and similar charges		(604)	(1,258)
Net interest income	4	8,608	9,904
Fee and commission income		174,325	153,703
Fee and commission expense		(9,938)	(10,305)
Net fee and commission income	5	164,387	143,398
Dividend income	6	127	110
Net trading income	6	1,226	562
Other operating income	6	1,972	1,586
Share of profit of associates	20	89	21
Operating income		176,409	155,581
Amortisation of acquired client relationships	7	(6,306)	(6,025)
Head office relocation costs	8	–	(300)
Other operating expenses		(125,899)	(110,752)
Operating expenses	7	(132,205)	(117,077)
Profit before tax		44,204	38,504
Taxation	10	(9,453)	(9,521)
Profit after tax		34,751	28,983
Profit for the year attributable to equity holders of the company		34,751	28,983
Other comprehensive income:			
<i>Items that will not be reclassified to profit or loss</i>			
Net remeasurement of defined benefit asset/liability	26	2,188	968
Deferred tax relating to net remeasurement of defined benefit asset/liability	19	(788)	(474)
<i>Items that may be reclassified to profit or loss</i>			
Revaluation of available for sale investment securities:			
– net gain from changes in fair value	16	2,072	923
– net profit on disposal transferred to profit or loss during the year		(5)	–
		2,067	923
Deferred tax relating to revaluation of available for sale investment securities	19	(298)	(154)
Other comprehensive income net of tax		3,169	1,263
Total comprehensive income for the year net of tax attributable to equity holders of the company		37,920	30,246
Dividends paid and proposed for the year per ordinary share	11	49.0p	47.0p
Dividends paid and proposed for the year		22,645	21,220
Earnings per share for the year attributable to equity holders of the company:	12		
– basic		76.1p	66.5p
– diluted		75.6p	65.9p

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2013

(restated – note 1.1)	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 2012		2,178	34,216	31,835	2,179	(4,729)	124,974	190,653
Profit for the year							28,983	28,983
Net remeasurement of defined benefit liability	26						968	968
Revaluation of available for sale investment securities	16				923			923
Deferred tax relating to components of other comprehensive income	19				(154)		(474)	(628)
Other comprehensive income net of tax		–	–	–	769	–	494	1,263
Dividends paid	11						(20,074)	(20,074)
Issue of share capital	27	120	27,944					28,064
Share-based payments:								
– value of employee services							2,129	2,129
– cost of own shares acquired	28					(1,630)		(1,630)
– cost of own shares vesting	28					515	(515)	–
– tax on share-based payments	19						105	105
At 1 January 2013		2,298	62,160	31,835	2,948	(5,844)	136,096	229,493
Profit for the year							34,751	34,751
Net remeasurement of defined benefit asset	26						2,188	2,188
Revaluation of available for sale investment securities:								
– net gain from changes in fair value	16				2,072			2,072
– net profit on disposal transferred to profit or loss during the year					(5)			(5)
Deferred tax relating to components of other comprehensive income	19				(298)		(788)	(1,086)
Other comprehensive income net of tax		–	–	–	1,769	–	1,400	3,169
Dividends paid	11						(22,096)	(22,096)
Issue of share capital	27	17	3,324					3,341
Share-based payments:								
– value of employee services							2,918	2,918
– cost of own shares acquired	28					(609)		(609)
– cost of own shares vesting	28					731	(731)	–
– tax on share-based payments	19						33	33
At 31 December 2013		2,315	65,484	31,835	4,717	(5,722)	152,371	251,000

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

CONSOLIDATED BALANCE SHEET

as at 31 December 2013

	Note	2013 £'000	2012 £'000
Assets			
Cash and balances with central banks	13	211,005	116,003
Settlement balances		19,611	12,606
Loans and advances to banks	14	106,327	169,795
Loans and advances to customers	15	95,543	71,711
Investment securities:			
– available for sale	16	53,985	55,749
– held to maturity	16	575,838	559,025
Prepayments, accrued income and other assets	17	46,368	40,279
Property, plant and equipment	18	11,522	11,950
Net deferred tax asset	19	1,699	1,930
Investment in associates	20	1,296	1,237
Intangible assets	21	104,969	97,423
Surplus on retirement benefit schemes	26	1,614	–
Total assets		1,229,777	1,137,708
Liabilities			
Deposits by banks	22	–	518
Settlement balances		27,626	18,592
Due to customers	23	891,897	828,443
Accruals, deferred income, provisions and other liabilities	24	55,282	55,004
Current tax liabilities		3,972	3,528
Retirement benefit obligations	26	–	2,130
Total liabilities		978,777	908,215
Equity			
Share capital	27	2,315	2,298
Share premium	27	65,484	62,160
Merger reserve		31,835	31,835
Available for sale reserve		4,717	2,948
Own shares	28	(5,722)	(5,844)
Retained earnings		152,371	136,096
Total equity		251,000	229,493
Total liabilities and equity		1,229,777	1,137,708

The financial statements were approved by the board of directors and authorised for issue on 19 February 2014 and were signed on its behalf by:

A D Pomfret *R P Stockton*
Chief Executive Finance Director

Company registered number: 01000403

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

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2013

	Note	2013 £'000	2012 £'000 (restated – note 1.1)
Cash flows from operating activities			
Profit before tax		44,204	38,504
Share of profit of associates	20	(89)	(21)
Net profit on disposal of available for sale investment securities		(5)	–
Net interest income		(8,608)	(9,904)
Net impairment charges on impaired loans and advances	15	290	801
Net charge for provisions	25	500	290
Profit on disposal of property, plant and equipment		(1)	(9)
Depreciation and amortisation		10,580	10,237
Defined benefit pension scheme charges	26	3,188	3,167
Defined benefit pension contributions paid	26	(4,744)	(7,409)
Share-based payment charges	9	4,833	3,232
Interest paid		(615)	(1,272)
Interest received		9,802	12,523
		59,335	50,139
Changes in operating assets and liabilities:			
– net decrease/(increase) in loans and advances to banks and customers		37,904	(131,154)
– net (increase)/decrease in settlement balance debtors		(7,005)	837
– net increase in prepayments, accrued income and other assets		(6,678)	(3,209)
– net increase/(decrease) in amounts due to customers and deposits by banks		62,936	(80,208)
– net increase/(decrease) in settlement balance creditors		9,034	(3,604)
– net decrease in accruals, deferred income, provisions and other liabilities		(409)	(742)
		155,117	(167,941)
Cash generated from/(used in) operations			
Tax paid		(9,830)	(8,885)
		145,287	(176,826)
Cash flows from investing activities			
Dividends received from associates	20	30	–
Purchase of equity-accounted associates	20	–	(1,216)
Acquisition of subsidiaries, net of cash acquired		–	(1,244)
Purchase of property, plant, equipment and intangible assets		(19,415)	(11,690)
Proceeds from sale of property, plant and equipment		1	42
Purchase of investment securities	16	(839,938)	(1,353,137)
Proceeds from sale and redemption of investment securities	16	823,062	1,638,004
		(36,260)	270,759
Cash flows from financing activities			
Issue of ordinary shares	34	2,732	26,434
Dividends paid	11	(22,096)	(20,074)
		(19,364)	6,360
Net increase in cash and cash equivalents			
Cash and cash equivalents at the beginning of the year		230,165	129,872
		319,828	230,165
Cash and cash equivalents at the end of the year			

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 PRINCIPAL ACCOUNTING POLICIES

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

1.1 Developments in reporting standards and interpretations

Standards affecting the reported results or the financial position

In the current year, the group has adopted the amendments to IAS 19 '*Employee Benefits*', which has affected the amounts reported in these financial statements. Comparatives have been restated to reflect the impact of the change.

The group has changed its accounting policy with respect to the basis for determining the income or expense related to defined benefit pension schemes ('Schemes'). Under IAS 19, the group determines the net interest income or expense for the year arising on the Schemes by applying a single discount rate, based on the long-term return on high-quality corporate bonds, to the net surplus or deficit at the beginning of the reporting period; taking into account any changes during the period as a result of contributions and benefit payments. Previously, the group determined interest income on Schemes' assets based on the long-term rate of expected return on those assets.

The amendments to IAS 19 have reduced profit after tax by £276,000 and increased other comprehensive income by the same amount. The income tax charge for the year has been reduced by £69,000 and the deferred tax charge through other comprehensive income has been increased by the same amount. There has been no impact on shareholders' equity or total assets. Profit after tax for the year ended 31 December 2012 has been reduced by £233,000 and other comprehensive income has been increased by the same amount. The income tax charge for the year ended 31 December 2012 has been reduced by £75,000 and the deferred tax charge through other comprehensive income has been increased by the same amount.

Changes in accounting disclosure

Fee and commission income was previously presented net of broker commissions paid. Following a review of broker contracts, the group has concluded that the broker commissions receivable and payable should be shown gross in the income statement and has re-presented these costs as fee and commission expense. This re-presentation has increased fee and commission income by £1,666,000 in 2013 (2012: £1,549,000) and fee and commission expense by the same amount. The re-presentation has had no impact on net operating income, profit or equity in either period.

Standards not affecting the reported results or the financial position

The following new and revised standards and interpretations have been adopted in the current year. Their adoption has not had any significant impact on the amounts reported in these financial statements but may impact the accounting for future transactions and arrangements:

- IFRS 10 '*Consolidated Financial Statements*'*
- IFRS 11 '*Joint Arrangements*'*
- IFRS 12 '*Disclosure of Interests in Other Entities*'*
- IFRS 13 '*Fair Value Measurements*'

IFRS 10 '*Consolidated Financial Statements*'*

IFRS 10 introduced a new control model that focuses on whether the group has power over the investee, exposure or rights to variable returns from its involvement with the investee and ability to use its power to affect those returns. Consequently, the group reassessed the control it has over its 100% owned subsidiaries and 19.9% owned associates. The group concluded that it controlled its subsidiaries as the parent entity has power over these subsidiaries and uses this to control the returns it receives. The group has significant influence over, but not control of, associates and therefore these are not consolidated. There was no change to the number of subsidiaries the group consolidates following the adoption of IFRS 10.

New standards and interpretations

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2013 and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the group except for IFRS 9 '*Financial Instruments*' and IFRIC 21 '*Levies*'. The effective date for IFRS 9 is yet to be confirmed and the effective date for IFRIC 21 is 1 January 2014.

* These standards were adopted early. Mandatory adoption is required from 1 January 2014

IFRS 9 '*Financial Instruments*' could change the classification and measurement of financial assets. The group does not plan to adopt this standard early and the extent of the impact has not been determined. IFRS 9 '*Financial Instruments*' has not yet been adopted by the EU.

IFRIC 21 '*Levies*' will change the point at which the group recognises a liability in respect of Financial Services Compensation Scheme (FSCS) levies. From 1 January 2014, the group will recognise a liability in respect of FSCS levies from the date at which the triggering event specified in the legislation occurs. The triggering event for recognition of FSCS levies will change from 31 December of the preceding financial year to 1 April of the current financial year, resulting in levies recognised in the current financial year being derecognised and recognised in the following financial year. If the company had adopted the amendments to IFRIC 21 in 2013, it would have resulted in an increase in profit after tax of £92,000 (2012: £111,000) and would have resulted in an increase in equity of the same amount.

1.2 Basis of consolidation

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

The group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries and special purpose entities are fully consolidated from the date on which control is obtained and deconsolidated from the date that control ceases; their results are included in the consolidated financial statements up to the date that control ceases. Intercompany transactions and balances between group companies are eliminated on consolidation.

Associates are companies over which the group has significant influence, but not control or joint control, over the financial and operating policies of the associates (note 1.4).

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

1.3 Business combinations

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

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they arise within twelve months of the acquisition date. Later changes in the fair value of contingent consideration are charged to profit or loss or other comprehensive income, except for obligations that are classified as equity, which are not remeasured.

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

1.4 Investments in associates

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

1.5 Basis of preparation

The consolidated and company financial statements have been prepared in accordance with IFRS as adopted by the EU. The company financial statements are presented on pages 130 to 150.

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

1.6 Going concern

The directors have, at the time of approving the financial statements, a reasonable expectation that the company and the group have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements. Further detail is contained in the directors' report on page 48.

1.7 Foreign currencies

The group and company's functional and presentational currency is sterling.

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

1.8 Income

Net interest income

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

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

Net fee and commission income

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

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

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

Dividend income

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

1.9 Operating leases

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

1.10 Share-based payments

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

Equity-settled awards

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

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

Cash-settled awards

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

1.11 Taxation

Current tax

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

Deferred tax

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

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

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the group intends to settle its current tax assets and liabilities on a net basis.

1.12 Cash and cash equivalents

Cash comprises cash in hand.

Cash equivalents comprise money market funds which are realisable on demand and loans and advances to banks with a maturity of less than three months from the date of acquisition.

For the purposes of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

1.13 Financial assets

Initial recognition

Financial assets are initially recognised at fair value.

Classification and subsequent valuation

Financial assets are classified in the following categories:

- **At fair value through profit or loss**

Financial instruments are classified in this category if they are held for trading, or if they are designated in this category by the group. Financial assets held at fair value through profit or loss are carried at fair value, with gains and losses arising from changes in fair value taken directly to profit or loss.

Derivatives are categorised as held for trading. Fair values of derivatives are determined using valuation techniques, including discounted cash flow models and option pricing models as appropriate. All derivatives are included in assets when their fair value is positive, and in liabilities when their fair value is negative, unless the company has the legal ability and intention to settle net.

- **Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the group provides money, goods or services to a debtor or purchases a loan or other debtor with no intention of trading the receivable. Loans and receivables are measured at amortised cost using the effective interest method (note 1.8), less any impairment.

If the fair value of the loan on initial recognition is lower than the amount advanced, the shortfall is charged to profit or loss.

- **Held to maturity**

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities (other than those that meet the definition of loans and receivables or that the group has classified as available for sale or fair value through profit or loss) that the group has the positive intention and ability to hold to maturity. Held to maturity investments are measured at amortised cost using the effective interest method (note 1.8), less any impairment.

- **Available for sale**

Available for sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories. Available for sale investments are those intended to be held for an indefinite period of time, and which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

Available for sale financial assets are subsequently carried at fair value. Gains and losses arising from changes in the fair value of available for sale financial assets are recognised in other comprehensive income and presented in the available for sale reserve in equity. When the financial asset is sold, derecognised or impaired, the cumulative gain or loss previously recognised in equity is recycled to profit or loss.

Trade date accounting

Financial assets, excluding loans and receivables, are recognised on trade date, being the date on which the group commits to purchase the asset. Loans and receivables are recognised when cash is advanced to the borrowers.

Financial assets are derecognised when the rights to receive cash flows have expired or the group has transferred substantially all the risks and rewards of ownership.

Fair value measurement

The fair values of quoted financial instruments in active markets are based on current bid prices. If an active market for a financial asset does not exist, the group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants.

Impairment of financial assets

- **Financial assets carried at amortised cost**

If there is objective evidence that a financial asset carried at amortised cost, or a group of such financial assets, has suffered an impairment loss, the recoverable amount of the asset, or group of assets, is estimated in order to determine the extent of the impairment loss. The group measures the amount of the impairment loss as the difference between the carrying amount of the asset, or group of assets, and the present value of estimated future cash flows from the asset, or group of assets, discounted at the effective interest rate of the asset, or group of assets, at initial recognition. The present value of estimated future cash flows excludes future credit losses that have not been incurred. Any impairment loss is recognised in profit or loss.

All impairment losses are reviewed at least at each reporting date. If subsequently the amount of the loss decreases as a result of a new event, the relevant element of the outstanding impairment loss is reversed through profit or loss.

Interest on impaired financial assets is recognised at the original effective interest rate applied to the carrying amount as reduced by an allowance for impairment.

- **Financial assets carried at fair value**

When a decline in the fair value of a financial asset classified as available for sale has been recognised in other comprehensive income and there is objective evidence that the asset is impaired, the cumulative loss is removed from equity and recognised in profit or loss. The loss is measured as the difference between the amortised cost of the financial asset and its current fair value. Impairment losses on available for sale equity instruments are not reversed through profit or loss, but those on available for sale debt instruments are reversed, if there is an increase in fair value that is objectively related to a subsequent event.

1.14 Property, plant and equipment

All property, plant and equipment is stated at historical cost, which includes directly attributable acquisition costs, less accumulated depreciation and impairment losses. Depreciation is charged so as to write off the cost of assets to their estimated residual value over their estimated useful lives, using the straight line method, on the following bases:

- leasehold improvements: over the lease term
- plant, equipment and computer hardware: over three to 10 years

The assets' residual lives are reviewed, and adjusted if appropriate, at each balance sheet date. Gains and losses on disposals are determined by comparing proceeds with the carrying amount and these are included in profit or loss.

1.15 Intangible assets

Goodwill

Goodwill arises through business combinations and represents the excess of the cost of acquisition over the group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of a business at the date of acquisition.

Goodwill is recognised as an asset and is allocated to groups of cash generating units. Cash generating units are identified as the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

On disposal of a subsidiary the attributed amount of goodwill that has not been subject to impairment is included in the determination of the profit or loss on disposal.

Goodwill arising on acquisitions before 1 January 2004, being the date of the group's transition to IFRS, has been retained at the previous UK GAAP carrying amounts and is tested for impairment annually.

Client relationships

Individually purchased client relationships are initially recognised at cost (see note 2.1). Client relationships acquired as part of a business combination are initially recognised at fair value. Client relationships are subsequently carried at cost less accumulated amortisation, which is calculated using the straight line method over their estimated useful lives (normally 10 to 15 years, but not more than 15 years).

Computer software and software development costs

Costs incurred to acquire and bring to use computer software licences are capitalised and amortised through profit or loss over their expected useful lives (three to four years).

Costs that are directly associated with the production of identifiable and unique software products controlled by the group are recognised as intangible assets when the group is expected to benefit from future use of the software and the costs are reliably measurable. Other costs of producing software are charged to profit or loss as incurred. Computer software development costs recognised as assets are amortised using the straight line method over their useful lives (not exceeding four years).

1.16 Impairment of goodwill and intangible assets

At each balance sheet date the group reviews the carrying amounts of its intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the group estimates the recoverable amount of the cash generating unit to which the asset belongs. The recoverable amount is the higher of fair value less costs to sell and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money.

Goodwill is tested for impairment at least annually. For the purposes of impairment testing, goodwill is allocated to the group's cash generating units. The carrying amount of each cash generating unit is compared to its value-in-use, calculated using a discounted cash flow method. If the recoverable amount of the cash generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit.

Client relationship intangibles are tested for impairment on a portfolio basis by comparing the fair value of funds under management for each acquired portfolio of clients with their associated amortised value. An example of evidence of impairment would be lost client relationships. In determining whether a client relationship is lost, the group considers factors such as the level of funds withdrawn and the existence of other retained family relationships. When client relationships are lost, the full amount of unamortised cost is recognised immediately in profit or loss and the intangible asset is derecognised.

If the recoverable amount of any asset other than client relationships or goodwill is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount.

Any impairment loss is recognised immediately in profit or loss.

1.17 Financial liabilities

Financial liabilities are initially recognised at fair value and classified as fair value through profit or loss (if designated as such or if held for trading) or at amortised cost.

The group has not designated any liabilities as fair value through profit or loss and holds no liabilities as held for trading.

Deposits and borrowings

After initial recognition, deposits and borrowings, except deposits on demand, are subsequently measured at amortised cost using the effective interest rate method through net interest income (note 1.8). Amortised cost is calculated by taking into account any issue costs and any discounts or premiums on settlement. Deposits on demand continue to be held at face value.

1.18 Provisions and contingent liabilities

Provisions are recognised when the group has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of economic benefits, that can be reliably estimated, will occur. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation, discounted using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as an interest expense.

Contingent liabilities are possible obligations that depend on the outcome of uncertain future events or those present obligations where the outflows of resources are uncertain or cannot be measured reliably. Contingent liabilities are not recognised in the financial statements but are disclosed unless the likelihood of crystallisation is judged to be remote.

1.19 Retirement benefit obligations/surplus on retirement benefit schemes

The group's net asset/liability in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets (at bid price) are deducted. Any asset resulting from this calculation is limited to the present value of available refunds and reductions in future contributions to the plan.

The cost of providing benefits under defined benefit plans is determined using the projected unit credit method, with actuarial valuations being carried out at each balance sheet date. Net remeasurements of the defined benefit asset/liability are recognised in full in the period in which they occur in other comprehensive income.

Past service cost is recognised immediately in the period of a plan amendment.

The amount recognised in the balance sheet for death in service benefits represents the present value of the estimated obligation, reduced by the extent to which any future liabilities will be met by insurance policies.

Contributions to defined contribution retirement benefit schemes are charged to profit or loss as an expense as they fall due.

The company determines the net interest on the net defined benefit asset/liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit asset/liability.

1.20 Segmental reporting

The group determines and presents operating segments based on the information that is provided internally to the executive committee, which is the group's chief operating decision maker. Operating segments are organised around the services provided to clients; a description of the services provided by each segment is given in our business model on pages 8 and 9. No operating segments have been aggregated in the group's financial statements.

Transactions between operating segments are reported within the income or expenses for those segments; intra-segment income and expenditure is eliminated at group level. Indirect costs are allocated between segments in proportion to the principal cost driver for each category of indirect costs that is generated by each segment.

1.21 Fiduciary activities

The group commonly acts as trustee and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions. Such assets and income arising thereon are excluded from these financial statements, as they are not assets of the group. Largely as a result of cash and settlement processing, the group holds money on behalf of some clients in accordance with the Client Money Rules of the Financial Conduct Authority or the Jersey Financial Services Commission, as applicable. Such monies and the corresponding amounts due to clients are not shown on the face of the balance sheet as the group is not beneficially entitled to them.

1.22 Financial guarantees

The group provides a limited number of financial guarantees which are backed by assets in clients' portfolios. Financial guarantees are initially recognised in the balance sheet at fair value. Guarantees are subsequently measured at the higher of the best estimate of any amount to be paid to settle the guarantee and the amount initially recognised less cumulative amortisation, which is recognised over the life of the guarantee.

2 CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION AND UNCERTAINTY

The group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

2.1 Client relationship intangibles (note 21)

The group assesses whether payments made to newly recruited investment managers under contractual agreements represent payments for the acquisition of client relationship intangibles or remuneration for ongoing services provided to the group. Payments made for the acquisition of client relationship intangibles are capitalised whereas those that are judged to be in relation to the provision of ongoing services are expensed in the period in which they are incurred.

The group determines a suitable period during which awards accruing to new investment managers are capitalised. Typically, this will be for 12 months after the cessation of any non-compete period, which is in line with acquisition accounting under IFRS 3. After the defined period has elapsed, any payments made are charged to profit or loss.

During the year the group capitalised £13,245,000 of payments made to investment managers and expensed £487,000 (2012: £7,873,000 capitalised and £nil expensed). A reduction in the capitalisation period by one month would decrease client relationship intangibles by £56,000 and decrease profit before tax by £56,000.

The group makes estimates as to the expected duration of client relationships to determine the period over which related intangible assets are amortised. The amortisation period is estimated with reference to historical data on account closure rates and expectations for the future. During the year client relationship intangible assets were amortised over a 10 to 15 year period. Amortisation of £6,306,000 was charged during the year. A reduction in the average amortisation period of one year would increase the amortisation charge by approximately £600,000. At 31 December 2013, the carrying value of client relationship intangibles was £52,487,000.

2.2 Loan notes (note 15)

The group holds loan notes ('Notes') with a nominal value of £5,000,000 issued in 2008 by the acquirer of the group's Jersey trust operations. The Notes are repayable on the occurrence of certain events, principally the refinancing of the operations disposed of.

The carrying value of the Notes, net of provision for impairment, was £2,835,000 at 31 December 2013 (2012: £2,821,000). The impairment has been calculated using a discounted cash flow model based on the estimated repayment date of the Notes, using a discount rate equal to the initial effective interest rate of the loan. Changing the estimated repayment date of the Notes by one year would result in an increase or decrease in their carrying value, net of provision for impairment, of approximately £240,000. A 1% increase/decrease in the assumed rate at which interest accrues under the loan would increase/decrease the net carrying value, net of provision for impairment, by approximately £90,000 with a consequent equal change in profit before tax.

2.3 Retirement benefit obligations (note 26)

The group makes estimates about a range of long-term trends and market conditions to determine the value of the surplus or deficit on its retirement benefit schemes, based on the group's expectations of the future and advice taken from qualified actuaries. Long-term forecasts and estimates are necessarily highly judgmental and subject to risk that actual events may be significantly different to those forecast. If actual events deviate from the assumptions made by the group then the reported surplus or deficit in respect of retirement benefit obligations may be materially different.

The principal assumptions underlying the reported surplus of £1,614,000 and information on the sensitivity of the retirement benefit obligations to changes in underlying estimates is set out in note 26.

2.4 Legal proceedings (note 32)

Note 32 to the consolidated financial statements refers to two related legal claims that are ongoing.

As with all disputes of this nature, the eventual outcome is uncertain and depends on the outcome of the Jersey claim (which is now not expected to come to trial until 2015), on the outcome of the Court of Appeal hearing in the insurance proceedings and on whether either or both cases are subject to a negotiated settlement at any stage. There is a risk that the group's insurance cover for the year in question will not be effective in relation to the Jersey claim or will prove insufficient to cover losses, in which case any obligation could be material.

The board believes that, whilst legal costs may continue to be incurred, it is more likely than not that any final judgment in relation to the above claims will result in no liability to the company, and accordingly no provision has been made (2012: no provision).

3 SEGMENTAL INFORMATION

For management purposes the group is currently organised into two operating segments: Investment Management and Unit Trusts. The products and services from which each reportable segment derives its revenues are described in our services on pages 8 and 9. Complementary services, as described in our services, are reported within the Investment Management segment. These segments are the basis on which the group reports its performance to the executive committee, which is the group's chief operating decision maker. Certain items of income are presented within different categories of operating income in the financial statements compared to the presentation for internal reporting. Staff costs for internal reporting purposes include only those staff directly involved in the provision of the services from which each segment's revenue is generated. The cost of staff providing support services is included in indirect expenses.

At 31 December 2013	Investment Management £'000	Unit Trusts £'000	Total £'000
Net investment management fee income	104,222	9,651	113,873
Net commission income	42,051	–	42,051
Net interest income	8,608	–	8,608
Fees from advisory services and other income	10,456	1,421	11,877
Operating income	165,337	11,072	176,409
Staff costs – fixed	(39,848)	(3,059)	(42,907)
Staff costs – variable	(20,588)	(1,799)	(22,387)
Total staff costs	(60,436)	(4,858)	(65,294)
Other direct expenses	(19,456)	(2,400)	(21,856)
Allocation of indirect expenses	(36,348)	(2,401)	(38,749)
Underlying operating expenses	(116,240)	(9,659)	(125,899)
Underlying profit before tax	49,097	1,413	50,510
Amortisation of acquired client relationships (note 21)	(6,306)	–	(6,306)
Profit before tax attributable to equity holders of the company	42,791	1,413	44,204
Taxation (note 10)			(9,453)
Profit for the year attributable to equity holders of the company			34,751
	Investment Management £'000	Unit Trusts £'000	Total £'000
Segment total assets	1,195,571	23,556	1,219,127
Unallocated assets			10,650
Total assets			1,229,777

At 31 December 2012 (restated – note 1.1)	Investment Management £'000	Unit Trusts £'000	Total £'000
Net investment management fee income	89,607	8,160	97,767
Net commission income	37,403	–	37,403
Net interest income	9,904	–	9,904
Fees from advisory services and other income	9,766	741	10,507
Operating income	146,680	8,901	155,581
Staff costs – fixed	(36,348)	(2,892)	(39,240)
Staff costs – variable	(16,774)	(913)	(17,687)
Total staff costs	(53,122)	(3,805)	(56,927)
Other direct expenses	(16,052)	(2,189)	(18,241)
Allocation of indirect expenses	(33,228)	(2,356)	(35,584)
Underlying operating expenses	(102,402)	(8,350)	(110,752)
Underlying profit before tax	44,278	551	44,829
Amortisation of acquired client relationships (note 21)	(6,025)	–	(6,025)
Segment profit before tax	38,253	551	38,804
Head office relocation costs (unallocated) (note 8)			(300)
Profit before tax attributable to equity holders of the company			38,504
Taxation (note 10)			(9,521)
Profit for the year attributable to equity holders of the company			28,983
	Investment Management £'000	Unit Trusts £'000	Total £'000
Segment total assets	1,102,144	19,837	1,121,981
Unallocated assets			15,727
Total assets			1,137,708

Included within Investment Management net fee and commission income is £829,000 (2012: £1,797,000) of fee and commission income receivable from Unit Trusts. Intersegment sales are charged at prevailing market prices.

Centrally incurred indirect expenses are allocated to operating segments on the basis of the cost drivers that generate the expenditure, principally the headcount of staff directly involved in providing those services from which the segment earns revenues, the value of funds under management and the segment's total revenue.

Geographic analysis

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

	2013 £'000	2012 £'000
United Kingdom	170,786	150,822
Jersey	5,623	4,759
Operating income	176,409	155,581

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

	2013 £'000	2012 £'000
United Kingdom	114,015	107,603
Jersey	2,476	1,770
Non-current assets	116,491	109,373

Major clients

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

4 NET INTEREST INCOME

	2013 £'000	2012 £'000
Interest income		
Cash and balances with central banks	948	107
Held to maturity investment securities	4,322	7,783
Available for sale investment securities	227	490
Loans and advances to banks	1,522	1,286
Loans and advances to customers	2,193	1,496
	9,212	11,162
Interest expense		
Banks and customers	(604)	(1,258)
Net interest income	8,608	9,904

Interest income from loans and advances to customers includes £282,000 (2012: £326,000) in relation to impaired financial assets (see note 15).

5 NET FEE AND COMMISSION INCOME

	2013 £'000	2012 £'000 (re-presented – note 1.1)
Fee and commission income		
Investment Management	156,346	138,139
Unit Trusts	17,979	15,564
	174,325	153,703
Fee and commission expense		
Investment Management	(2,439)	(4,698)
Unit Trusts	(7,499)	(5,607)
	(9,938)	(10,305)
Net fee and commission income	164,387	143,398

6 DIVIDEND, NET TRADING AND OTHER OPERATING INCOME

Dividend income

Dividend income comprises income from available for sale equity securities of £127,000 (2012: £110,000).

Net trading income

Net trading income of £1,226,000 (2012: £562,000) comprises unit trust net dealing profits.

Other operating income

Other operating income of £1,972,000 (2012: £1,586,000) comprises rental income from sub-leases on certain properties leased by group companies, gains on revaluation of derivative financial instruments and sundry income.

7 OPERATING EXPENSES

	2013 £'000	2012 £'000 (restated – note 1.1)
Staff costs (note 9)	84,778	72,918
Depreciation of property, plant and equipment (note 18)	2,813	2,720
Amortisation of internally generated intangible assets included in operating expenses (note 21)	331	401
Amortisation of purchased software (note 21)	1,130	1,091
Auditor's remuneration (see below)	570	562
Net impairment charges on impaired loans and advances (note 15)	290	801
Operating lease rentals	6,006	6,294
Other	29,981	25,965
Other operating expenses	125,899	110,752
Amortisation of acquired client relationships (note 21)	6,306	6,025
Head office relocation costs (note 8)	–	300
Total operating expenses	132,205	117,077

A more detailed analysis of auditor's remuneration is provided below:

	2013 £'000	2012 £'000
Fees payable to the company's auditor for the audit of the company's annual financial statements	90	88
Fees payable to the company's auditor and their associates for other services to the group:		
– audit of the company's subsidiaries pursuant to legislation	241	236
– audit-related assurance services	168	173
– tax compliance services	6	42
– other assurance services	65	23
	570	562

Of the above, audit-related services for the year totalled £499,000 (2012: £497,000).

Fees for audit-related assurance services include £77,000 for the provision of assurance reports to our regulators and review of the interim statement (2012: £75,000).

8 HEAD OFFICE RELOCATION COSTS

Rathbones completed the move of its head office premises to 1 Curzon Street, London W1J 5FB, on 27 February 2012. All charges relating to the move were recognised during the year ended 31 December 2012.

9 STAFF COSTS

	2013 £'000	2012 £'000 (restated – note 1.1)
Wages and salaries	65,449	57,250
Social security costs	8,419	7,024
Share-based payments	4,833	3,232
Pension costs (note 26):		
– defined benefit schemes	3,188	3,167
– defined contribution schemes	2,889	2,245
	6,077	5,412
	84,778	72,918

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

	2013	2012
Investment Management:		
– investment management services	506	483
– advisory services	70	67
Unit Trusts	30	30
Shared services	227	209
	833	789

10 INCOME TAX EXPENSE

	2013 £'000	2012 £'000 (restated – note 1.1)
Current tax:		
– charge for the year	11,096	9,218
– adjustments in respect of prior years	(821)	(378)
Deferred tax (note 19):		
– (credit)/charge for the year	(687)	643
– adjustments in respect of prior years	(135)	38
	9,453	9,521

The tax charge on profit for the year is lower (2012: higher) than the standard rate of corporation tax in the UK of 23.2% (2012: 24.5%). The differences are explained below:

	2013 £'000	2012 £'000 (restated – note 1.1)
Tax on profit from ordinary activities at the standard rate of 23.2% (2012: 24.5%)	10,276	9,508
Effects of:		
– disallowable expenses	348	747
– share-based payments	(232)	(146)
– tax on overseas earnings	(44)	(258)
– overprovision for tax in previous years	(956)	(340)
– other	(31)	5
Effect of change in corporation tax rate on deferred tax	92	5
	9,453	9,521

11 DIVIDENDS

	2013 £'000	2012 £'000
Amounts recognised as distributions to equity holders in the year:		
– final dividend for the year ended 31 December 2012 of 30.0p (2011: 29.0p) per share	13,800	12,640
– interim dividend for the year ended 31 December 2013 of 18.0p (2012: 17.0p) per share	8,296	7,434
Dividends paid in the year of 48.0p (2012: 46.0p) per share	22,096	20,074
Proposed final dividend for the year ended 31 December 2013 of 31.0p (2012: final dividend of 30.0p) per share	14,349	13,786

An interim dividend of 18.0p per share was paid on 9 October 2013 to shareholders on the register at the close of business on 13 September 2013 (2012: 17.0p).

A final dividend declared of 31.0p per share (2012: 30.0p per share) is payable on 19 May 2014 to shareholders on the register at the close of business on 25 April 2014. The final dividend is subject to approval by shareholders at the Annual General Meeting on 14 May 2014 and has not been included as a liability in these financial statements.

12 EARNINGS PER SHARE

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

	2013 Pre-tax £'000	2013 Taxation £'000	2013 Post-tax £'000	2012 Pre-tax £'000 (restated – note 1.1)	2012 Taxation £'000 (restated – note 1.1)	2012 Post-tax £'000 (restated – note 1.1)
Underlying profit attributable to shareholders	50,510	(10,919)	39,591	44,829	(11,070)	33,759
Amortisation of acquired client relationships (note 21)	(6,306)	1,466	(4,840)	(6,025)	1,476	(4,549)
Head office relocation costs (note 8)	–	–	–	(300)	73	(227)
Profit attributable to shareholders	44,204	(9,453)	34,751	38,504	(9,521)	28,983

Basic earnings per share has been calculated by dividing profit attributable to shareholders by the weighted average number of shares in issue throughout the year, excluding own shares, of 45,667,571 (2012: 43,604,542).

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

	2013	2012
Weighted average number of ordinary shares in issue during the year – basic	45,667,571	43,604,542
Effect of ordinary share options/Save As You Earn	45,814	122,257
Effect of dilutive shares issuable under the Share Incentive Plan	60,078	5,589
Effect of contingently issuable ordinary shares under the Long Term Incentive Plan	222,122	258,180
Diluted ordinary shares	45,995,585	43,990,568

	2013	2012 (restated – note 1.1)
Underlying earnings per share for the year attributable to equity holders of the company:		
– basic	86.7p	77.4p
– diluted	86.1p	76.7p

13 CASH AND BALANCES WITH CENTRAL BANKS

	2013 £'000	2012 £'000
Cash in hand	5	3
Balances with central banks	211,000	116,000
	211,005	116,003

Balances with central banks are interest-bearing and repayable on demand. The fair value of balances with central banks is not materially different to their carrying amount.

14 LOANS AND ADVANCES TO BANKS

	2013 £'000	2012 £'000
Repayable:		
– on demand or at short notice	61,171	52,614
– 3 months or less excluding on demand or at short notice	25,000	51,060
– 1 year or less but over 3 months	20,156	65,902
– 5 years or less but over 1 year	–	219
	106,327	169,795
Amounts include loans with:		
– variable interest rates	81,087	52,831
– fixed interest rates	25,000	116,637
– non-interest-bearing	240	327
	106,327	169,795

The fair value of loans and advances is not materially different to their carrying amount. Fair value has been calculated as the discounted amount of estimated future cash flows expected to be received using current market rates.

Loans and advances to banks included in cash and cash equivalents at 31 December 2013 were £61,171,000 (note 34) (2012: £62,611,000).

The group's exposure to credit risk arising from loans and advances to banks is described in note 30.

15 LOANS AND ADVANCES TO CUSTOMERS

	2013 £'000	2012 £'000
Overdrafts	2,424	2,939
Investment management loan book	89,211	65,067
Trust and pension debtors	1,071	884
Other debtors	2,837	2,821
	95,543	71,711

The fair value of loans and advances to customers is not materially different to their carrying amount. Fair value has been calculated as the discounted amount of estimated future cash flows expected to be received using current market rates. Debtors arising from the trust and pensions businesses are non-interest-bearing.

	2013 £'000	2012 £'000
Repayable:		
– on demand or at short notice	2,448	2,959
– 3 months or less excluding on demand or at short notice	28,340	20,730
– 1 year or less but over 3 months	61,634	40,894
– 5 years or less but over 1 year	383	4,026
– greater than 5 years	–	386
With no fixed maturity date	3,851	3,581
Less: allowance for losses on loans and advances (see below)	(1,113)	(865)
	95,543	71,711
Amounts include loans and advances with:		
– variable interest rates	94,428	70,785
– non-interest-bearing	1,115	926
	95,543	71,711

No overdrafts or investment management loan book balances were impaired as at 31 December 2013 (2012: none impaired).

Included within other debtors are loan notes ('Notes') that were issued by the acquirer of the group's Jersey trust operations in 2008. The Notes are unsecured and have no fixed maturity, being repayable on the occurrence of certain events, principally the refinancing of the Jersey trust operations by its existing owner. The Notes are carried at amortised cost, less provision for impairment.

Based on a review of the performance of the business in 2013 and the prevailing economic conditions at 31 December 2013, the group has revised its estimates of the likely timing of repayment of the Notes. As a result, the estimated present value of the future cash flows from the Notes was reduced and the carrying value of the Notes at 31 December 2013 was written down to £2,835,000 (2012: £2,821,000), in accordance with IAS 39, resulting in an impairment loss of £256,000 (2012: £760,000) in the year.

Allowance for losses on loans and advances to customers

	2013 Trust and pension debtors £'000	2013 Other debtors £'000	2013 Total £'000	2012 Trust and pension debtors £'000	2012 Other debtors £'000	2012 Total £'000
At 1 January	105	760	865	110	–	110
Amounts written off	(42)	–	(42)	(46)	–	(46)
Charge to profit or loss	34	256	290	41	760	801
At 31 December	97	1,016	1,113	105	760	865

The group's exposure to credit risk arising from loans and advances to customers is described in note 30.

16 INVESTMENT SECURITIES

Available for sale securities

	2013 £'000	2012 £'000
Equity securities – at fair value:		
– listed	5,642	3,584
– unlisted	691	614
Money market funds – at fair value:		
– unlisted	47,652	51,551
	53,985	55,749

Held to maturity securities

	2013 £'000	2012 £'000
Debt securities – at amortised cost:		
– unlisted	575,838	559,025
	575,838	559,025

Maturity of debt securities

	2013 £'000	2012 £'000
Due within 1 year	575,838	559,025
	575,838	559,025

Available for sale securities include money market funds and direct holdings in equity securities. Equity securities include 300,000 shares in London Stock Exchange Group Plc, Euroclear plc shares and units in Rathbone Unit Trust Management Limited managed funds. Equity securities do not bear interest. Money market funds, which declare daily dividends that are in the nature of interest at a variable rate and which are realisable on demand, have been included within cash equivalents (note 34).

The group has not reclassified any financial asset between being measured 'at amortised cost' and being measured 'at fair value through profit or loss' during the year (2012: none reclassified).

The change in the group's holdings of investment securities in the year is summarised below:

	Available for sale £'000	Held to maturity £'000	Total £'000
At 1 January 2012	68,563	843,983	912,546
Additions	619,425	1,353,046	1,972,471
Disposals (sales and redemption)	(633,162)	(1,638,004)	(2,271,166)
Gain from changes in fair value	923	–	923
At 1 January 2013	55,749	559,025	614,774
Additions	293,201	839,838	1,133,039
Disposals (sales and redemption)	(297,037)	(823,025)	(1,120,062)
Gain from changes in fair value	2,072	–	2,072
At 31 December 2013	53,985	575,838	629,823

Included within available for sale securities are additions of £100,000 (2012: £91,000) and disposals of £37,000 (2012: £nil) of financial instruments that are not classified as cash and cash equivalents.

17 PREPAYMENTS, ACCRUED INCOME AND OTHER ASSETS

	2013 £'000	2012 £'000
Trust work in progress	963	995
Derivative financial instruments (note 20)	1,030	784
Prepayments and other assets	11,866	9,943
Accrued income	32,509	28,557
	46,368	40,279

Included within prepayments and other assets is an investment property which is carried at fair value. The group's interest in the investment property was acquired on 1 June 2012 and was initially recognised in the balance sheet at cost of £733,000. As at 31 December 2013, the fair value of the investment property was £718,000 (2012: £752,000). The decrease in fair value of the investment property in the year of £34,000 (2012: increase of £19,000) was due to a reduction in management's estimate of its realisable value.

18 PROPERTY, PLANT AND EQUIPMENT

	Short term leasehold improvements £'000	Plant and equipment £'000	Total £'000
Cost			
At 1 January 2012	12,996	12,432	25,428
Additions	1,719	2,316	4,035
Acquisitions through business combinations	–	8	8
Disposals	(3,449)	(3,169)	(6,618)
At 1 January 2013	11,266	11,587	22,853
Additions	739	1,646	2,385
Disposals	–	(469)	(469)
At 31 December 2013	12,005	12,764	24,769
Depreciation			
At 1 January 2012	5,235	9,533	14,768
Charge for the year	1,013	1,707	2,720
Disposals	(3,449)	(3,136)	(6,585)
At 1 January 2013	2,799	8,104	10,903
Charge for the year	1,047	1,766	2,813
Disposals	–	(469)	(469)
At 31 December 2013	3,846	9,401	13,247
Carrying amount at 31 December 2013	8,159	3,363	11,522
Carrying amount at 31 December 2012	8,467	3,483	11,950
Carrying amount at 1 January 2012	7,761	2,899	10,660

In 2012, short term leasehold improvements and plant and equipment included £1,448,000 and £575,000 respectively in relation to the relocation of our head office to 1 Curzon Street, London W1J 5FB. The relocation was completed in 2012 and no further additions in relation to the move were recognised during 2013.

19 NET DEFERRED TAX ASSET

Deferred income taxes are calculated on all temporary differences under the liability method using an effective tax rate of 20.0% (2012: 23.0%).

The reduction in corporation tax rate to 20% over the next two years had been substantively enacted at 31 December 2013. Deferred tax has been calculated using the rate expected to apply when the relevant timing difference unwinds.

The movement on the deferred tax account is as follows:

(restated – note 1.1)	Deferred capital allowances £'000	Pensions £'000	Share-based payments £'000	Staff-related costs £'000	Available for sale securities £'000	Intangible assets £'000	Total £'000
At 1 January 2012	698	2,072	1,142	105	(726)	(157)	3,134
Recognised in profit or loss in respect of:							
– current year	126	(1,272)	372	116	–	20	(638)
– prior year	(37)	–	–	(1)	–	–	(38)
– change in rate	(61)	163	(99)	(19)	–	11	(5)
Total	28	(1,109)	273	96	–	31	(681)
Recognised in other comprehensive income in respect of:							
– current year	–	(237)	–	–	(226)	–	(463)
– prior year	–	–	–	–	–	–	–
– change in rate	–	(237)	–	–	72	–	(165)
Total	–	(474)	–	–	(154)	–	(628)
Recognised in equity in respect of:							
– current year	–	–	157	–	–	–	157
– prior year	–	–	(20)	–	–	–	(20)
– change in rate	–	–	(32)	–	–	–	(32)
Total	–	–	105	–	–	–	105
At 31 December 2012	726	489	1,520	201	(880)	(126)	1,930
(restated – note 1)							
Deferred tax assets	726	489	1,520	201	–	–	2,936
Deferred tax liabilities	–	–	–	–	(880)	(126)	(1,006)
At 31 December 2012	726	489	1,520	201	(880)	(126)	1,930

	Deferred capital allowances £'000	Pensions £'000	Share-based payments £'000	Staff-related costs £'000	Available for sale securities £'000	Intangible assets £'000	Total £'000
At 1 January 2013	726	489	1,520	201	(880)	(126)	1,930
Recognised in profit or loss in respect of:							
– current year	23	(362)	384	720	–	15	780
– prior year	148	–	2	(15)	–	–	135
– change in rate	(117)	336	(196)	(130)	–	14	(93)
Total	54	(26)	190	575	–	29	822
Recognised in other comprehensive income in respect of:							
– current year	–	(509)	–	–	(480)	–	(989)
– prior year	–	–	–	–	–	–	–
– change in rate	–	(279)	–	–	182	–	(97)
Total	–	(788)	–	–	(298)	–	(1,086)
Recognised in equity in respect of:							
– current year	–	–	80	11	–	–	91
– prior year	–	–	2	3	–	–	5
– change in rate	–	–	(61)	(2)	–	–	(63)
Total	–	–	21	12	–	–	33
At 31 December 2013	780	(325)	1,731	788	(1,178)	(97)	1,699
	Deferred capital allowances £'000	Pensions £'000	Share-based payments £'000	Staff-related costs £'000	Available for sale securities £'000	Intangible assets £'000	Total £'000
Deferred tax assets	780	–	1,731	788	–	–	3,299
Deferred tax liabilities	–	(325)	–	–	(1,178)	(97)	(1,600)
At 31 December 2013	780	(325)	1,731	788	(1,178)	(97)	1,699

20 INVESTMENT IN ASSOCIATES AND RELATED DERIVATIVES

On 5 October 2012 the group purchased 19.9% of the ordinary share capital of Vision Independent Financial Planning Limited and Castle Investment Solutions Limited, as well as certain options over the equity instruments of those companies, for a total consideration of £2,000,000.

Investment in associates

Although the group holds less than 20% of the equity shares of both companies, it exercises significant influence by virtue of its contractual right to appoint one director to the board of directors of both companies. The options held by the group to acquire the remaining shares in the associates are not exercisable until the third quarter of 2015. Therefore, they do not represent substantive rights to direct the activities and policies of the associates. The group is, therefore, not judged to control the associates and they are not consolidated.

The movements in the group's investment in associates are as follows:

	2013 £'000	2012 £'000
At 1 January	1,237	–
Additions	–	1,216
Share of profit	89	21
Dividends received	(30)	–
At 31 December	1,296	1,237

The results of the associates, and their aggregated assets and liabilities as at 31 December 2013, are as follows:

Name	Country of incorporation	Assets £'000	Liabilities £'000	Revenues £'000	Profit £'000	% interest held
Vision Independent Financial Planning Limited	England and Wales	493	31	1,083	268	19.9
Castle Investment Solutions Limited	England and Wales	208	1	461	181	19.9
		701	32	1,544	449	
Group's share of profit					89	

Derivative financial instruments

As part of the transaction to acquire these holdings, the group has also entered into certain option contracts over the equity instruments of these companies. Under these contracts the group has the right to acquire the remaining 80.1% of the share capital of both associates for a variable exercise price in the third quarter of 2015.

If the group does not exercise its right to acquire the associates' remaining share capital, the founders of the associates have the right to re-purchase the group's stakes in the associates for £2,000,000 in the fourth quarter of 2015.

The group also has the right to sell its entire holdings in the associates to the founders for a consideration of £1 at any time until 29 February 2016.

The option contracts are valued together and carried at fair value. At 31 December 2013, the fair value of the option contracts was £1,030,000 (2012: £784,000) (see note 17). The fair value of the option contracts is calculated using a probability weighted expected return model (note 30).

21 INTANGIBLE ASSETS

	2013 £'000	2012 £'000
Goodwill	47,241	47,241
Other intangible assets	57,728	50,182
	104,969	97,423

Goodwill

The cost and carrying value of goodwill as at 31 December 2013 was £47,241,000 (2012: £47,241,000). No impairment was recognised during the year.

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units (CGUs) that are expected to benefit from that business combination. The carrying amount of goodwill has been allocated as follows:

	2013 £'000	2012 £'000
Investment management	45,287	45,287
Trust and tax	1,954	1,954
	47,241	47,241

The recoverable amounts of goodwill allocated to the CGUs are determined from value-in-use calculations. The group prepares cash flow forecasts derived from the most recent financial budgets approved by the board, covering the forthcoming year. The key assumptions underlying the budgets are that organic growth rates, revenue margins and profit margins will be in line with recent historical rates and equity markets will be flat for the forthcoming year. Budgets are extrapolated for up to 10 years using an annual growth rate in profit before tax of 3% for the investment management CGU and 1% for the trust and tax CGU, based on revenue growth of 7% and 3% respectively as well as the group's expectation of future industry growth rates. A ten year extrapolation period is chosen based on the group's assessment of the likely duration of client relationships. The group estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs.

The pre-tax rate used to discount the forecast cash flows is 10% for investment management and 12% for trust and tax (2012: 10% and 12% respectively), based on a risk-adjusted weighted average cost of capital. The group judge these discount rates appropriately reflect the markets in which the CGUs operate and, in particular, the relatively small size of the trust and tax CGU.

Based on the above assumptions, the calculated recoverable amount of the goodwill allocated to the trust and tax CGU at 31 December 2013 was £2,832,000. Reducing the assumed growth rate for income in the trust and tax CGU by two percentage points would reduce the calculated recoverable amount of the allocated goodwill to £2,010,000. No reasonably foreseeable changes to the assumptions used in the value-in-use calculation for the investment management CGU would result in an impairment of the goodwill allocated to it.

Other intangible assets

	Client relationships £'000	Software development costs £'000	Purchased software £'000	Total £'000
Cost				
At 1 January 2012	54,333	2,860	14,191	71,384
Internally developed in the year	–	345	–	345
Purchased in the year	7,873	–	1,727	9,600
Acquired through business combinations	2,154	–	–	2,154
Disposals	(1,536)	–	(959)	(2,495)
At 1 January 2013	62,824	3,205	14,959	80,988
Internally developed in the year	–	330	–	330
Purchased in the year	13,245	–	1,738	14,983
Disposals	(1,095)	–	(29)	(1,124)
At 31 December 2013	74,974	3,535	16,668	95,177
Amortisation				
At 1 January 2012	12,787	2,137	10,857	25,781
Charge for the year	6,025	401	1,091	7,517
Disposals	(1,536)	–	(956)	(2,492)
At 1 January 2013	17,276	2,538	10,992	30,806
Charge for the year	6,306	331	1,130	7,767
Disposals	(1,095)	–	(29)	(1,124)
At 31 December 2013	22,487	2,869	12,093	37,449
Carrying amount at 31 December 2013	52,487	666	4,575	57,728
Carrying amount at 31 December 2012	45,548	667	3,967	50,182
Carrying amount at 1 January 2012	41,546	723	3,334	45,603

Purchases of client relationships relate to payments made to investment managers and third parties for the introduction of client relationships. Client relationships purchased in the year includes £9,590,000 (2012: £nil) relating to the purchase of Taylor Young Investment Management Limited's private client base, of which £3,943,000 is payable in October 2014 (see note 25).

Purchased software with a cost of £9,694,000 (2012: £8,964,000) has been fully amortised but is still in use.

22 DEPOSITS BY BANKS

On 31 December 2013, deposits by banks included no overnight cash book overdraft balances (2012: £518,000).

The fair value of deposits by banks was not materially different to their carrying value. Fair value has been calculated as the discounted amount of estimated future cash flows expected to be paid using current market rates.

23 DUE TO CUSTOMERS

	2013 £'000	2012 £'000
Repayable:		
– on demand or at short notice	869,019	793,526
– 3 months or less excluding on demand or at short notice	22,606	34,347
– 1 year or less but over 3 months	272	570
	891,897	828,443
Amounts include:		
– variable interest rates	868,475	792,860
– fixed interest rates	13,259	25,841
– non-interest-bearing	10,163	9,742
	891,897	828,443

The fair value of amounts due to customers was not materially different to their carrying value. The estimated fair value of deposits with no stated maturity, which include non-interest-bearing deposits, is the amount at which deposits could be transferred to a third party at the measurement date. The estimated fair value of fixed interest-bearing deposits is based on discounted cash flows using interest rates for new debts with similar remaining maturity.

24 ACCRUALS, DEFERRED INCOME, PROVISIONS AND OTHER LIABILITIES

	2013 £'000	2012 £'000
Creditors	16,617	19,135
Accruals and deferred income	28,759	24,660
Other provisions (note 25)	9,906	11,209
	55,282	55,004

25 OTHER PROVISIONS

	Deferred, variable costs to acquire client relationship intangibles £'000	Legal and compensation £'000	Property-related and other £'000	Total £'000
At 1 January 2012	6,796	1,666	1,547	10,009
Charged to profit or loss	–	300	1,070	1,370
Unused amount credited to profit or loss	–	(598)	(482)	(1,080)
Net charge to profit or loss	–	(298)	588	290
Other movements	9,497	–	–	9,497
Utilised/paid during the year	(6,126)	(1,152)	(1,309)	(8,587)
At 1 January 2013	10,167	216	826	11,209
Charged to profit or loss	–	367	177	544
Unused amount credited to profit or loss	–	(14)	(30)	(44)
Net charge to profit or loss	–	353	147	500
Other movements	7,781	–	–	7,781
Utilised/paid during the year	(9,498)	(86)	–	(9,584)
At 31 December 2013	8,450	483	973	9,906
Payable within 1 year	6,426	483	–	6,909
Payable after 1 year	2,024	–	973	2,997
	8,450	483	973	9,906

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 year.

Deferred, variable costs to acquire client relationship intangibles at 31 December 2013 includes £3,943,000 in relation to the purchase of Taylor Young Investment Management Limited's private client base (2012: £nil). The final amount payable will be calculated based on the value of funds under management that have transferred from Taylor Young Investment Management Limited to the group, measured on 30 April 2014. At 31 December 2012, this included £1,081,000 in relation to deferred variable consideration for the purchase of R.M. Walkden & Co. Limited.

During the ordinary course of business the group may 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 and other provisions include £973,000 in relation to dilapidation provisions expected to arise on leasehold premises held by the group (2012: £797,000). Dilapidation provisions are calculated using a discounted cash flow model; during the year, the impact of discounting has increased the provisions by £125,000 (2012: £51,000).

Provisions payable after one year are expected to be settled within two years of the balance sheet date (2012: two years), except for property-related provisions of £973,000 (2012: £786,000), which are expected to be settled within 23 years of the balance sheet date (2012: 24 years), which corresponds to the longest lease for which a dilapidations provision is being held.

26 LONG TERM EMPLOYEE BENEFITS

The group operates a defined contribution group personal pension scheme and contributes to various other personal pension arrangements for certain directors and employees. The total of contributions made to this scheme during the year was £2,882,000 (2012: £2,223,000). The group also operates a defined contribution scheme for overseas employees, for which the total contributions were £7,000 (2012: £22,000).

The group operates two defined benefit pension schemes; the Rathbone 1987 Scheme and the Laurence Keen Scheme. The schemes are currently both clients of Rathbone Investment Management, with investments managed on a discretionary basis, in accordance with the statements of investment principles agreed by the trustees. Scheme assets are held separately from those of the group.

The trustees of the schemes are required to act in the best interest of the schemes' beneficiaries. The appointment of trustees is determined by the schemes' trust documentation and legislation. The group has a policy that one third of all trustees should be nominated by members of the schemes.

The Laurence Keen Scheme was closed to new entrants and future accrual with effect from 30 September 1999. Past service benefits continue to be calculated by reference to final pensionable salaries. From 1 October 1999, all the active members of the Laurence Keen Scheme were included under the Rathbone 1987 Scheme for accrual of retirement benefits for further service. The Rathbone 1987 Scheme was closed to new entrants with effect from 31 March 2002.

The group provides death in service benefits to all employees through the Rathbone 1987 Scheme. Third party insurance is purchased for the benefits where possible and £828,000 of related insurance premiums were expensed to profit or loss in the year (2012: £614,000). The estimated present value of the uninsured death in service benefits is included in long term employee benefits liabilities.

The schemes are valued by independent actuaries at least every three years using the projected unit credit method, which looks at the value of benefits accruing over the years following the valuation date based on projected salary to the date of termination of services, discounted to a present value using a rate that reflects the characteristics of the liability. The valuations are updated at each balance sheet date in between full valuations. The latest full actuarial valuations were carried out as at the following dates:

Rathbone 1987 Scheme	31 December 2010
Laurence Keen Scheme	31 December 2010

The next triennial valuation of both schemes will be carried out during 2014, based on 31 December 2013 data, and may result in changes to the funding commitments described below.

The assumptions used by the actuaries, to estimate the schemes' liabilities, are the best estimates chosen from a range of possible actuarial assumptions. Due to the timescale covered by the liability, these assumptions may not necessarily be borne out in practice. The principal actuarial assumptions used, which reflect the different membership profiles of the schemes, were:

	2013 Laurence Keen Scheme %	2012 Laurence Keen Scheme %	2013 Rathbone 1987 Scheme %	2012 Rathbone 1987 Scheme %
Rate of increase in salaries	4.50	4.00	4.50	4.00
Rate of increase of pensions in payment	3.60	3.40	3.40	3.00
Rate of increase of deferred pensions	3.50	3.00	3.50	3.00
Discount rate	4.60	4.50	4.60	4.50
Inflation*	3.50	3.00	3.50	3.00

* Inflation assumptions are based on the Retail Prices Index

Over the prior year the financial assumptions have been amended to reflect changes in market conditions. Specifically:

- the discount rate has been increased by 0.1% to reflect an increase in the yields available on AA-rated corporate bonds at a term consistent with the average duration of the liabilities;
- the assumed rate of future inflation has been increased by 0.5% to reflect an increase in expectations of long-term inflation as implied by changes in the fixed interest and index-linked gilts market; and
- the assumed rates of salary growth and future increases to pensions in payment have been increased for consistency with the change in the assumed rate of future inflation.

The assumed duration of the liabilities for the Laurence Keen Scheme is 18 years (2012: 18 years) and the assumed duration for the Rathbone 1987 Scheme is 24 years (2012: 24 years).

The normal retirement age for members of the Laurence Keen Scheme is 65 (60 for certain former directors). The normal retirement age for members of the Rathbone 1987 Scheme is 60 for service prior to 1 July 2009 and 65 thereafter, following the introduction of pension benefits based on Career Average Revalued Earnings (CARE) from that date. The assumed life expectancy for the membership of both schemes is based on the S1NA actuarial tables. The assumed life expectations on retirement were:

	2013 Males	2013 Females	2012 Males	2012 Females
Retiring today:				
– aged 60	28.9	31.0	28.8	30.9
– aged 65	24.1	26.1	24.0	26.0
Retiring in 20 years:				
– aged 60	31.4	33.1	31.3	33.0
– aged 65	26.4	28.1	26.3	28.0

There have been no changes to any of the demographic assumptions since the prior year. In particular, the same mortality assumptions have been used for the current year as the prior year.

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

	2013 Laurence Keen Scheme £'000	2013 Rathbone 1987 Scheme £'000	2013 Total £'000	2012 Laurence Keen Scheme £'000	2012 Rathbone 1987 Scheme £'000	2012 Total £'000
Present value of defined benefit obligations	(14,603)	(129,765)	(144,368)	(14,077)	(114,740)	(128,817)
Fair value of scheme assets	16,033	129,949	145,982	14,492	112,195	126,687
Net defined benefit asset/(liability)	1,430	184	1,614	415	(2,545)	(2,130)

The amounts recognised in profit or loss, within operating expenses, are as follows:

	2013 Laurence Keen Scheme £'000	2013 Rathbone 1987 Scheme £'000	2013 Total £'000	2012 Laurence Keen Scheme £'000 (restated – note 1.1)	2012 Rathbone 1987 Scheme £'000 (restated – note 1.1)	2012 Total £'000 (restated – note 1.1)
Current service cost	–	3,240	3,240	–	3,020	3,020
Interest (income)/expense	(30)	(22)	(52)	6	141	147
At 31 December	(30)	3,218	3,188	6	3,161	3,167

Remeasurements of the net defined benefit asset have been reported in other comprehensive income. The actual return on scheme assets was a rise in value of £1,383,000 (2012: £1,185,000 rise) for the Laurence Keen Scheme and a rise in value of £14,002,000 (2012: £9,294,000 rise) for the Rathbone 1987 Scheme.

Movements in the present value of defined benefit obligations were as follows:

	2013 Laurence Keen Scheme £'000	2013 Rathbone 1987 Scheme £'000	2013 Total £'000	2012 Laurence Keen Scheme £'000 (restated – note 1.1)	2012 Rathbone 1987 Scheme £'000 (restated – note 1.1)	2012 Total £'000 (restated – note 1.1)
At 1 January	14,077	114,740	128,817	13,421	103,113	116,534
Service cost (employer's part)	–	3,240	3,240	–	3,020	3,020
Interest cost	626	5,152	5,778	622	4,845	5,467
Contributions from members	–	1,344	1,344	–	1,321	1,321
Actuarial loss arising from financial assumptions	228	7,139	7,367	402	3,789	4,191
Benefits paid	(328)	(1,850)	(2,178)	(368)	(1,348)	(1,716)
At 31 December	14,603	129,765	144,368	14,077	114,740	128,817

Movements in the fair value of scheme assets were as follows:

	2013 Laurence Keen Scheme £'000	2013 Rathbone 1987 Scheme £'000	2013 Total £'000	2012 Laurence Keen Scheme £'000 (restated – note 1.1)	2012 Rathbone 1987 Scheme £'000 (restated – note 1.1)	2012 Total £'000 (restated – note 1.1)
At 1 January	14,492	112,195	126,687	12,902	96,292	109,194
Remeasurement of defined benefit asset:						
– interest income	656	5,174	5,830	616	4,704	5,320
– return on scheme assets (excluding amounts included in interest income)	727	8,828	9,555	569	4,590	5,159
Contributions from the sponsoring companies	486	4,258	4,744	773	6,636	7,409
Contributions from scheme members	–	1,344	1,344	–	1,321	1,321
Benefits paid	(328)	(1,850)	(2,178)	(368)	(1,348)	(1,716)
At 31 December	16,033	129,949	145,982	14,492	112,195	126,687

The statements of investment principles set by the trustees require that the assets of the schemes are invested in a balanced portfolio in the following asset classes and proportions:

	Laurence Keen Scheme	Rathbone 1987 Scheme
UK equities	35% – 55%	43% – 57%
Overseas equities	0% – 20%	21% – 35%
Fixed interest stocks	45% – 65%*	14% – 28%
Cash deposits	45% – 65%*	0% – 8%

* The total allocation of assets in the Laurence Keen Scheme to fixed interest stocks and cash deposits is expressed as a combined percentage of the two asset classes in the statement of investment principles

In the Rathbone 1987 Scheme, not more than 80% of the assets may be held in equities. A maximum of 5% of UK equities may be invested in companies outside the FTSE 350 and not more than 5% of the total portfolio can be invested in hedge funds. The trustees have initiated a programme of reducing the equity exposure of the portfolio over a 10-year period as the scheme matures by switching a proportion of the scheme's assets into fixed income and index-linked securities on the occurrence of a series of time-based and/or market-based trigger events. At 31 December 2013, £28,825,000 (2012: £19,657,000) of the scheme's assets had been switched under the programme.

In the Laurence Keen Scheme, not more than 55% of the assets may be held in equities. A maximum of 15% of UK equities may be invested in companies outside the FTSE 350 and not more than 15% of the assets may be held in alternative assets.

The analysis of the scheme assets, measured at bid prices, at the balance sheet date was as follows:

	2013 Fair value £'000	2012 Fair value £'000	2013 Current allocation %	2012 Current allocation %
Laurence Keen Scheme				
Equity instruments:				
– United Kingdom	5,105	4,808		
– Eurozone	772	497		
– North America	773	655		
– Other	1,097	993		
Equity instruments	7,747	6,953	48	48
Debt instruments:				
– United Kingdom Government Bonds	5,194	4,214		
– Overseas Government Bonds	603	337		
– United Kingdom Corporate Bonds	2,170	2,440		
Debt instruments	7,967	6,991	50	48
Cash	41	255	–	2
Other	278	293	2	2
At 31 December	16,033	14,492		
Rathbone 1987 Scheme				
Equity instruments:				
– United Kingdom	47,403	42,130		
– Eurozone	11,229	7,231		
– North America	15,474	11,408		
– Other	7,958	8,410		
Equity instruments	82,064	69,179	63	62
Debt instruments:				
– United Kingdom Government Bonds	23,887	20,765		
– Overseas Government Bonds	924	1,319		
– United Kingdom Corporate Bonds	9,745	8,754		
– Overseas Corporate Bonds	2,860	713		
Debt instruments	37,416	31,551	29	28
Derivatives:				
– Interest rate swap funds	5,446	6,636		
Derivatives	5,446	6,636	4	6
Cash	3,604	3,221	3	3
Other	1,419	1,608	1	1
At 31 December	129,949	112,195		

At 31 December 2013 the Rathbone 1987 Scheme held 291 shares (2012: 291) with a nominal value of £5,446,000 (2012: £6,636,000) in an inflation-linked interest rate swap fund. The swaps are long-dated and their duration is intended to broadly align with the duration of the scheme's liabilities.

All equity and debt instruments have quoted prices in active markets. All government bonds are issued by governments of the United Kingdom, the United States of America, Norway or Singapore, all of which are rated AAA or AA+, based on credit ratings awarded by Fitch Ratings Ltd ('Fitch') or Moody's Corporation ('Moody's') as at the balance sheet date. 'Other' scheme assets comprise commodities and property funds, both of which also have quoted prices in active markets.

The four key assumptions affecting the results of the valuation are the discount rate, future inflation, future salary growth and mortality. In order to demonstrate the sensitivity of the results to these assumptions, the actuary has recalculated the defined benefit obligations for each scheme by varying each of these assumptions in isolation whilst leaving the other assumptions unchanged. For example, in order to demonstrate the sensitivity of the results to the discount rate, the actuary has recalculated the defined benefit obligations for each scheme using a discount rate that is 0.5% higher than used for calculating the disclosed figures. A similar approach has been taken to demonstrate the sensitivity of the results to the other key assumptions. A summary of the sensitivities in respect of the total of the two schemes' defined benefit obligations is set out below:

	Combined impact on schemes' liabilities	
	(Decrease)/increase £'000	(Decrease)/increase %
0.5% increase in:		
– discount rate	(16,902)	(11.7)
– rate of inflation	10,811	7.5
– rate of salary growth	5,306	3.7
1 year increase to longevity at 60	4,247	2.9

The total regular contributions made by the group to the Rathbone 1987 Scheme during the year were £2,508,000 (2012: £3,762,000) based on 14.8% of pensionable salaries (2012: 22.6%). Additional lump sum contributions of £1,750,000 were paid in 2013 (2012: £2,874,000). The group makes regular contributions of 14.8% of pensionable salaries and the group has committed to make additional annual contributions to the scheme of £2,750,000 in 2014 and £2,420,000 in 2015. Active members of the Rathbone 1987 Scheme are required to make annual contributions to the scheme. Currently, these contributions represent an average of 7.7% of pensionable salaries (2012: 7.8%). With effect from 31 March 2002 the Rathbone 1987 Scheme was closed to new entrants and, consequently, the current pension cost will increase as the members of the scheme approach retirement.

The total contributions made by the group to the Laurence Keen Scheme during the year were £476,000 (2012: £756,000). Additional lump sum contributions of £10,000 were paid in 2013 (2012: £17,000). Annual contributions of £336,000 will continue to be made to the Laurence Keen Scheme until December 2017.

27 SHARE CAPITAL AND SHARE PREMIUM

The following movements in share capital occurred during the year:

	Number of shares	Exercise/ issue price pence	Share capital £'000	Share premium £'000	Total £'000
At 1 January 2012	43,561,140		2,178	34,216	36,394
Shares issued:					
– on placing	2,000,000	1,235.0	100	23,856	23,956
– to Share Incentive Plan	204,079	1,150.0 – 1,351.0	10	2,564	2,574
– to Save As You Earn scheme	1,160	696.0	–	8	8
– on exercise of options	187,692	415.0 – 1,172.0	10	1,516	1,526
At 1 January 2013	45,954,071		2,298	62,160	64,458
Shares issued:					
– to Share Incentive Plan	131,648	1,296.0 – 1,510.0	7	1,837	1,844
– to Save As You Earn scheme	175,391	696.0 – 1,106.0	9	1,215	1,224
– on exercise of options	26,554	743.5 – 1,172.0	1	272	273
At 31 December 2013	46,287,664		2,315	65,484	67,799

The total number of issued and fully paid up ordinary shares at 31 December 2013 was 46,287,664 (2012: 45,954,071) with a par value of 5p per share.

The holders of ordinary shares are entitled to receive dividends as declared from time-to-time, and are entitled to one vote per share at meetings of the company. The ordinary shareholders are entitled to any residual assets on the winding up of the company.

28 OWN SHARES

The following movements in own shares occurred during the year:

	Number of shares	£'000
At 1 January 2012	475,454	4,729
Acquired in the year	126,764	1,630
Released on vesting	(71,371)	(515)
At 1 January 2013	530,847	5,844
Acquired in the year	44,191	609
Released on vesting	(81,190)	(731)
At 31 December 2013	493,848	5,722

Own shares represent the cost of the company's own shares, either purchased in the market or issued by the company, that are held by the company or in an employee benefit trust to satisfy future awards under the group's share-based payment schemes (note 29). The number of own shares held as treasury shares by the company at 31 December 2013 was 50,000 (2012: 50,000). In addition, 93,904 shares were held in the Employee Benefit Trust at 31 December 2013 (2012: 106,604) and a further 349,944 (2012: 374,243) shares were held by the trustees of the Share Incentive Plan but were not unconditionally gifted to employees.

29 SHARE-BASED PAYMENTS

Share Incentive Plan

The group operates a Share Incentive Plan (SIP), which is available to all employees. Employees can contribute up to £125 per month to acquire partnership shares which are purchased or allotted twice a year at the end of six-month accumulation periods. The group currently matches employee contributions on a one-for-one basis to acquire matching shares.

The group also provides performance-related free shares, with eligible employees receiving shares valued at the rate of £100 per 1% real increase in EPS up to a maximum of £3,000 per annum.

For UK employees, SIP dividends are reinvested and used to purchase dividend shares, whilst for Jersey employees dividends are paid in cash.

As at 31 December 2013, the trustees of the SIP held 1,336,942 (2012: 1,428,214) ordinary shares of 5p each in Rathbone Brothers Plc with a total market value of £21,578,000 (2012: £18,553,000). No dividends on these shares have been waived. Of the total number of shares held by the trustees, 344,751 (2012: 366,596) have been conditionally gifted to employees and 5,193 (2012: 7,647) remain unallocated.

Long Term Incentive Plan

Details of the general terms of this plan are set out in the remuneration committee report on page 56. The total shareholder return-based performance criteria have been treated as market-based vesting conditions.

Historically, the group has settled substantially all of the LTIP awards in cash as an alternative to shares. As a consequence of this, the group treats awards under the LTIP as cash-settled rather than equity-settled. At the year end, a liability of £2,310,000 (2012: £2,278,000) has been recognised for the estimated fair value of future awards.

At 31 December 2013, the trustees held 93,904 (2012: 106,604) ordinary shares of 5p each in Rathbone Brothers Plc with a total market value of £1,515,611 (2012: £1,385,000). Dividends on these shares have been waived by the trustees.

Executive bonus

Details of the terms of the executive bonus scheme are set out in the remuneration committee report on page 56. Shares for plan awards, all of which are yet to vest, will be provided by market purchase or treasury shares.

Savings-related share option or Save As You Earn (SAYE) plan

Under the SAYE plan, employees can contribute up to £250 per month to acquire shares at the end of a three or five year savings period. Further information on the scheme is given in the remuneration committee report on page 63.

Options with an aggregate estimated fair value of £753,000, determined using a binomial valuation model including expected dividends, were granted on 28 March 2013 to directors and staff under the SAYE plan. The inputs into the binomial model for options granted during 2013, as at the date of issue, were as follows:

	2013	2012
Share price (pence)	1,459	1,276
Exercise price (pence)	1,106	984
Expected volatility	32%	33%
Risk-free rate	0.7%	0.6%
Expected dividend yield	3.2%	3.7%

The number of share options outstanding for the SAYE plan at the end of the year, the period in which they were granted and the date on which they may be exercised are given below:

Year of grant	Exercise price pence	Exercise period	2013 Number of share options	2012 Number of share options
2009	696.0	2013	–	174,253
2011	934.0	2014 and 2016	47,971	50,332
2012	984.0	2015 and 2017	48,888	52,549
2013	1,106.0	2016 and 2018	182,894	–
At 31 December			279,753	277,134

Share option scheme

Under the share option scheme approved by shareholders in 2000, certain employees hold options to subscribe for shares in the company at prices ranging from 743.5p to 1,172.0p. Options are conditional on the employee completing three years' service (the vesting period) and are exercisable three years from grant date. The options have a contractual option term of seven years from the date they become exercisable. The group has no legal or constructive obligation to repurchase or settle the options in cash.

The number of share options outstanding for the share option scheme at the end of the year, the periods in which they were granted and the periods in which they may be exercised, dependent on certain earnings per share targets being met, are given below:

Year of grant	Exercise price pence	Exercise period	2013 Number of share options	2012 Number of share options
2004	743.5	2007 – 2014	12,500	13,440
2005	852.0	2008 – 2015	35,559	44,309
2006	1,172.0	2009 – 2016	5,477	12,341
2006	1,116.0	2009 – 2016	–	10,000
At 31 December			53,536	80,090

Movements in the number of share options outstanding for both the SAYE plan and the share option scheme were as follows:

	2013 Number of share options	2013 Weighted average exercise price pence	2012 Number of share options	2012 Weighted average exercise price pence
At 1 January	357,224	821.0	475,440	782.0
Granted in the year	187,250	1,106.0	53,089	984.0
Forfeited in the year	(9,240)	1,033.0	(9,533)	882.0
Exercised in the year	(201,945)	741.0	(188,852)	812.0
Other	–	–	27,080	1,151.0
At 31 December	333,289	1,024.0	357,224	821.0

The weighted average share price at the dates of exercise for share options exercised during the year was £14.05 (2012: £12.60). The options outstanding at 31 December 2013 had a weighted average contractual life of 2.9 years (2012: 1.7 years). Options exercisable at 31 December 2013 had a weighted average exercise price of £10.24 (2012: £8.21).

The group recognised total expenses of £4,833,000 in relation to share-based payment transactions in 2013 (2012: £3,232,000).

30 FINANCIAL RISK MANAGEMENT

The group has identified the financial, business and operational risks arising from its activities and has established policies and procedures to manage these items in accordance with its risk appetite, as described in the group risk committee report on page 53. The group categorises its financial risks into the following primary areas:

- (i) credit risk (which includes counterparty default risk);
- (ii) liquidity risk;
- (iii) market risk (which includes fair value interest rate risk, cash flow interest rate risk, foreign exchange risk and price risk); and
- (iv) pension risk.

The group's exposures to pension risk are set out in note 26.

The group's financial risk management policies are designed to identify and analyse the financial risks that the group faces, to set appropriate risk tolerances, limits and controls and to monitor the financial risks and adherence to limits by means of reliable and up-to-date information systems. The group regularly reviews its financial risk management policies and systems to reflect changes in the business, counterparties, markets and the range of financial instruments that it utilises.

The treasury department, reporting through the banking committee, has principal responsibility for monitoring exposure to credit risk, liquidity risk and market risk. Procedures and delegated authorities are documented in a group treasury manual and policy documents prescribe the management and monitoring of each type of risk. The primary objective of the group's treasury policy is to manage short term liquidity requirements whilst maintaining an appropriate level of exposure to other financial risks in accordance with the group's risk appetite.

(i) Credit risk

The group takes on exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due, through its banking, treasury, trust and pensions advisory activities. The principal source of credit risk arises from placing funds in the money market and holding interest-bearing securities. The group also has exposure to credit risk through its loan book, guarantees given on clients' behalf and a loan made to the acquirers of the group's Jersey operations in 2008 (note 15).

It is the group's policy to place funds generated internally and from deposits by clients with a range of high-quality financial institutions and the Bank of England. Investments are spread to avoid excessive exposure to any individual counterparty. Loans made to clients are secured against clients' assets that are held and managed by group companies.

Exposure to credit risk is managed through setting appropriate ratings requirements and lending limits. Limits are reviewed regularly, taking into account the ability of borrowers and potential borrowers to meet repayment obligations.

The group categorises its exposures based on the long term ratings awarded to counterparties by Fitch or Moody's. Each exposure is assessed individually, both at inception and in ongoing monitoring. In addition to formal external ratings, the banking committee also utilises market intelligence information to assist its ongoing monitoring.

The group's financial assets are categorised as follows:

Cash and balances with central banks (note 13)

The group has exposure to central banks through its deposits held with the Bank of England.

Settlement balances

Settlement risk arises in any situation where a payment in cash or transfer of a security is made in the expectation of a corresponding delivery of a security or receipt of cash. The majority of transactions are carried out on a delivery versus payment basis, which results in securities and cash being exchanged within a very close timeframe. Settlement balances outside standard terms are monitored on a daily basis.

The Investment Management and Unit Trusts businesses have exposure to market counterparties in the settlement of trades. Settlement balances arising in the Investment Management segment are primarily in relation to client trades and risk of non-settlement is borne by clients.

Loans and advances to banks (note 14) and debt and other securities (note 16)

The group has exposures to a wide range of financial institutions through its treasury portfolio, which includes bank deposits, certificates of deposit and money market funds. These exposures principally arise from the placement of clients' cash, where it is held under a banking relationship, and the group's own reserves.

The group's policy requires that all such exposures are only taken with counterparties that have been awarded a minimum long term rating of A by Fitch or equivalent rating by Moody's. Counterparty limits are also in place to limit exposure to an individual counterparty or connected group of counterparties. Counterparty exposures are monitored on a daily basis by the treasury department and reviewed by the banking committee on a monthly basis, or more frequently when necessary. The banking committee may suspend dealing in a particular counterparty, or liquidate specific holdings, in the light of adverse market information.

Loans and advances to customers (note 15)

The group provides loans to clients through its investment management operations (the 'investment management loan book'). The group is also exposed to credit risk on overdrafts on clients' investment management accounts, trade debtors arising from the trust, tax and pensions advisory businesses (trust and pension debtors) and other debtors.

(a) Overdrafts

Overdrafts on clients' investment management accounts arise from time-to-time due to short term timing differences between the purchase and sale of assets on a client's behalf. Overdrafts are actively monitored and reported to the banking committee on a monthly basis.

(b) Investment management loan book

Loans are provided as a service to investment management clients who are generally asset rich but have short to medium term cash requirements. Such loans are normally made on a fully secured basis against portfolios held in Rathbones' nominee name. Extensions to the initial loan period may be granted subject to credit criteria.

The banking committee reviews all loans on a monthly basis and approves all loan extensions. Where possible, repayment plans are established with clients before loans become overdue or uncovered.

At 31 December 2013, the total lending exposure limit for the investment management loan book was £120,000,000 (2012: £85,000,000), of which £89,188,000 had been advanced (2012: £65,046,000) and a further £15,941,000 had been committed (2012: £3,002,000).

(c) Trust and pension debtors

Trust and pension debtors relate to fees which have been invoiced but not yet settled by clients. The collection and ageing of trust and pension debtors are reviewed on a monthly basis by the management committees of the group's trust and pension advisory companies. Impairment provisions are made for any debts which are considered to be doubtful for collection.

(d) Other debtors

Other loans and advances to customers are principally constituted by the loan made to the acquirers of the group's Jersey trust operations in 2008 (note 15). Such debts do not usually arise within the course of the group's day-to-day operations and therefore they are not subject to formalised standard lending criteria.

Derivative financial instruments (note 20)

At 31 December 2013, the only derivative financial instruments held by the group were the option contracts over shares in the group's associates. These options expose the group to credit risk from the potential for non-delivery by the associate companies' founders, who are private individuals.

Impairment and provisioning policies

Impairment provisions are recognised for financial reporting purposes only for losses that have been incurred at the balance sheet date, based on objective evidence of impairment.

All credit exposures are reviewed individually, at least annually, or more regularly when individual circumstances require. Impairment allowances on credit exposures are determined by an evaluation of the incurred loss at the balance sheet date on a case-by-case basis. The assessment considers, where applicable, the value of any collateral held, any changes to the external credit rating and the anticipated receipts for each individual exposure.

Impairment provisions for credit risk, which relate solely to trust and pension debtors and other debtors, are set out in note 15.

Maximum exposure to credit risk

	2013 £'000	2012 £'000
Credit risk relating to on-balance sheet exposures:		
Cash and balances with central banks	211,000	116,000
Settlement balances	19,611	12,606
Loans and advances to banks	106,327	169,795
Loans and advances to customers:		
– overdrafts	2,424	2,939
– investment management loan book	89,211	65,067
– trust and pension debtors	1,168	989
– other debtors	5,000	5,000
Debt securities:		
– unlisted debt securities and money market funds	623,490	610,576
Derivative financial instruments	1,030	784
Other financial assets	37,334	31,140
Credit risk relating to off-balance sheet exposures:		
Loan commitments	15,941	3,002
Financial guarantees	578	578
	1,113,114	1,018,476

The above table represents the gross credit risk exposure to the group at 31 December 2013 and 2012, without taking account of any collateral held or other credit enhancements attached. For on-balance sheet assets, the exposures set out above are based on gross carrying amounts.

Of the total maximum exposure 18.3% is derived from loans and advances to banks and customers (2012: 23.9%) and 56.0% represents investments in debt securities (2012: 59.9%).

The credit risk relating to off-balance sheet exposures for financial guarantees reflects the group's gross potential exposure of guarantees held on balance sheet (note 1.22).

Cash and balances with central banks

All cash and balances with central banks were neither past due nor impaired. The credit quality of these balances is analysed below by reference to the long term credit rating awarded by Fitch, or equivalent rating by Moody's, as at the balance sheet date.

	2013 £'000	2012 £'000
AAA	–	116,000
AA+ to AA-	211,000	–
Carrying value	211,000	116,000

Settlement balances

Settlement balances are summarised as follows:

	2013 £'000	2012 £'000
Neither past due nor impaired	17,928	9,424
Past due but not impaired <90 days	1,642	3,166
Past due but not impaired >90 days	41	16
Carrying value	19,611	12,606

Loans and advances

Loans and advances are summarised as follows:

	2013 Loans and advances to banks £'000	2013 Loans and advances to customers £'000	2012 Loans and advances to banks £'000	2012 Loans and advances to customers £'000
Neither past due nor impaired	106,327	92,105	169,795	68,409
Past due but not impaired	–	602	–	471
Impaired (see (c) below)	–	3,949	–	3,696
Gross carrying value	106,327	96,656	169,795	72,576
Less: allowance for impairment (note 15)	–	(1,113)	–	(865)
Net carrying value	106,327	95,543	169,795	71,711

No loans and advances have been renegotiated (2012: none).

(a) Neither past due nor impaired

The credit quality of loans and advances to banks that were neither past due nor impaired at 31 December 2013 is analysed below by reference to the long term credit rating awarded by Fitch, or equivalent rating by Moody's, as at the balance sheet date:

	2013 £'000	2012 £'000
AA+ to AA-	33,798	41,590
A+ to A	71,690	127,803
Other*	839	402
	106,327	169,795

* Cash held within the Employee Benefit Trust

The credit quality of loans and advances to customers that were neither past due nor impaired at 31 December 2013, which are all externally unrated, is analysed below between those loans that are subject to standard lending criteria, which are described on page 30, and, where applicable, those loans for which there are no standard lending criteria. All loans initially made subject to standard lending criteria remained within those criteria at 31 December 2013 (2012: all loans). An exposure is reported as past due when the contractual due date for settlement has passed and the balance has not been repaid, except in the case of trust and pension debtors, where a normal settlement period of up to 30 days is expected.

	Overdrafts £'000	Investment management loan book £'000	Trust and pension debtors £'000	Other debtors £'000	Total loans and advances to customers £'000
At 31 December 2013					
Standard lending criteria	2,424	89,211	468	2	92,105
At 31 December 2012					
Standard lending criteria	2,939	65,067	403	–	68,409

(b) Past due but not impaired

Loans and advances that are past due are assessed for impairment and provided against where objective evidence of impairment exists. Trust and pension debtors may be outstanding for some time before collection, but this is not necessarily an indication that the debt will not ultimately be collected. At 31 December 2013 and 2012, no overdrafts, loans and other debtors were past due but not impaired. The gross amounts of trust and pension debtors that were past due but not impaired were:

At 31 December	2013 £'000	2012 £'000
<90 days overdue	159	156
90 – 180 days overdue	176	181
180 – 270 days overdue	151	43
270 – 365 days overdue	72	53
>365 days overdue	44	38
At 31 December	602	471

(c) Impaired

Allowance has been made for individually impaired loans and advances to customers, as set out below:

Movement in impairment provision during the year	Overdrafts £'000	Investment management loan book £'000	Trust and pension debtors £'000	Other debtors £'000	Total loans and advances to customers £'000
At 1 January 2013	–	–	105	760	865
Amounts written off	–	–	(42)	–	(42)
Charge to profit or loss	–	–	34	256	290
At 31 December 2013	–	–	97	1,016	1,113
Gross carrying value of impaired loans and advances to customers					
At 31 December 2013	–	–	98	3,851	3,949
At 31 December 2012	–	–	115	3,581	3,696

There were no other impaired credit exposures at 31 December 2013 (2012: £nil).

Debt securities

The table below presents an analysis of debt securities by rating agency designation, as at 31 December 2013, based on Fitch or Moody's long term rating designation.

	2013 Money market funds £'000	2013 Certificates of deposit £'000	2013 Total £'000	2012 Money market funds £'000	2012 Certificates of deposit £'000	2012 Total £'000
AAA	47,652	–	47,652	51,551	–	51,551
AA+ to AA-	–	117,021	117,021	–	149,025	149,025
A+ to A-	–	458,817	458,817	–	410,000	410,000
Total	47,652	575,838	623,490	51,551	559,025	610,576

Concentration of credit risk

The group has counterparty credit risk within its treasury assets in that exposure is to a number of similar credit institutions. The banking committee actively monitors counterparties and may reduce risk by either suspending dealing or liquidating investments in the light of adverse market information, for example in anticipation of or in response to any formal Fitch or Moody's rating downgrade. This may happen in relation to specific banks or banks within a particular country or sector.

(a) Geographical sectors

The following table analyses the group's credit exposures, at their carrying amounts, by geographical region as at the balance sheet date. In this analysis, exposures are categorised based on the country of domicile of the counterparty.

	United Kingdom £'000	Eurozone £'000	Rest of the world £'000	Total £'000
At 31 December 2013				
Cash and balances with central banks	211,000	–	–	211,000
Settlement balances	18,821	140	650	19,611
Loans and advances to banks	106,327	–	–	106,327
Loans and advances to customers:				
– overdrafts	2,150	23	251	2,424
– investment management loan book	85,887	609	2,715	89,211
– trust and pension debtors	1,071	–	–	1,071
– other debtors	2	–	2,835	2,837
Debt securities:				
– unlisted debt securities and money market funds	229,172	279,318	115,000	623,490
Derivative financial instruments	1,030	–	–	1,030
Other financial assets	35,690	743	880	37,313
	691,150	280,833	122,331	1,094,314
At 31 December 2012				
Cash and balances with central banks	116,000	–	–	116,000
Settlement balances	11,704	20	882	12,606
Loans and advances to banks	169,795	–	–	169,795
Loans and advances to customers:				
– overdrafts	2,471	37	431	2,939
– investment management loan book	62,890	487	1,690	65,067
– trust and pension debtors	884	–	–	884
– other debtors	–	–	2,821	2,821
Debt securities:				
– unlisted debt securities and money market funds	199,076	276,500	135,000	610,576
Derivative financial instruments	784	–	–	784
Other financial assets	28,512	1,577	1,013	31,102
	592,116	278,621	141,837	1,012,574

At 31 December 2013, materially all eurozone exposures were to counterparties based in the Netherlands, France and Germany (2012: Netherlands, France, Finland, Germany and Ireland) and all rest of the world exposures were to counterparties based in Sweden and Switzerland (2012: Norway, Sweden and Switzerland). At 31 December 2013, the group has no exposure to sovereign debt (2012: none).

(b) Industry sectors

The group's credit exposures at the balance sheet date, analysed by the primary industry sectors in which our counterparties operate, were:

	Public sector £'000	Financial institutions £'000	Clients and other corporates £'000	Total £'000
At 31 December 2013				
Cash and balances with central banks	211,000	–	–	211,000
Settlement balances	–	19,611	–	19,611
Loans and advances to banks	–	106,327	–	106,327
Loans and advances to customers:				
– overdrafts	–	–	2,424	2,424
– investment management loan book	–	–	89,211	89,211
– trust and pension debtors	–	–	1,071	1,071
– other debtors	–	–	2,837	2,837
Debt securities:				
– unlisted debt securities and money market funds	–	623,490	–	623,490
Derivative financial instruments	–	–	1,030	1,030
Other financial assets	88	2,633	34,592	37,313
	211,088	752,061	131,165	1,094,314
At 31 December 2012				
Cash and balances with central banks	116,000	–	–	116,000
Settlement balances	–	12,606	–	12,606
Loans and advances to banks	–	169,795	–	169,795
Loans and advances to customers:				
– overdrafts	–	–	2,939	2,939
– investment management loan book	–	–	65,067	65,067
– trust and pension debtors	–	–	884	884
– other debtors	–	–	2,821	2,821
Debt securities:				
– unlisted debt securities and money market funds	–	610,576	–	610,576
Derivative financial instruments	–	–	784	784
Other financial assets	–	2,894	28,208	31,102
	116,000	795,871	100,703	1,012,574

(ii) Liquidity risk

Liquidity risk is the risk that the group will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

The primary objective of the group's treasury policy is to manage short to medium term liquidity requirements. In addition to setting the treasury policy, Rathbone Investment Management ('the Bank') performs an annual assessment of liquidity adequacy in accordance with the regulatory requirements of the PRA (our 'Individual Liquidity Adequacy Assessment'). The Bank faces two principal risks, namely that a significant proportion of client funds are withdrawn over a short period of time (retail funding risk) and the risk that marketable assets may not be capable of being realised in the time and at the value required (marketable assets risk).

Retail funding risks are monitored by daily cash mismatch analyses and Basel Committee ratios using expected cash and asset maturity profiles and regular forecasting work. This is supported by stress tests which cover firm-specific idiosyncratic scenarios and/or the effects of unforeseen market wide stresses. Marketable assets risk is primarily managed by holding cash and marketable instruments that are realisable at short notice. The group operates strict criteria to ensure that investments are liquid and placed with high-quality counterparties. A minimum liquid assets buffer (to be held in eligible liquid assets) is set by the board at least annually in conjunction with an amount prescribed by the PRA.

The group does not rely on external funding to finance its activities.

Non-derivative cash flows

The table below presents the undiscounted cash flows receivable and payable by the group under non-derivative financial assets and liabilities analysed by the remaining contractual maturities at the balance sheet date.

	On demand £'000	Not more than 3 months £'000	After 3 months but not more than 1 year £'000	After 1 year but not more than 5 years £'000	After 5 years £'000	No fixed maturity date £'000	Total £'000
At 31 December 2013							
Cash and balances with central banks	211,005	88	–	–	–	–	211,093
Settlement balances	–	19,611	–	–	–	–	19,611
Loans and advances to banks	61,173	25,231	20,476	–	–	–	106,880
Loans and advances to customers	2,451	28,381	62,963	434	–	5,255	99,484
Debt securities and money market funds	47,668	230,146	349,025	–	–	–	626,839
Other financial assets	122	34,408	320	219	6	–	35,075
Cash flows arising from financial assets	322,419	337,865	432,784	653	6	5,255	1,098,982
Deposits by banks	–	–	–	–	–	–	–
Settlement balances	–	27,626	–	–	–	–	27,626
Due to customers	869,019	22,615	272	–	–	–	891,906
Other financial liabilities	504	20,947	5,786	18,326	2,008	–	47,571
Cash flows arising from financial liabilities	869,523	71,188	6,058	18,326	2,008	–	967,103
Net liquidity gap	(547,104)	266,677	426,726	(17,673)	(2,002)	5,255	131,879
Cumulative net liquidity gap	(547,104)	(280,427)	146,299	128,626	126,624	131,879	
At 31 December 2012							
Cash and balances with central banks	116,003	45	–	–	–	–	116,048
Settlement balances	–	12,606	–	–	–	–	12,606
Loans and advances to banks	52,614	51,307	66,269	219	–	–	170,409
Loans and advances to customers	2,959	20,730	41,664	4,166	386	5,255	75,160
Debt securities and money market funds	49,074	306,031	257,010	–	–	–	612,115
Other financial assets	940	26,805	300	237	7	–	28,289
Cash flows arising from financial assets	221,590	417,524	365,243	4,622	393	5,255	1,014,627
Deposits by banks	518	–	–	–	–	–	518
Settlement balances	–	18,592	–	–	–	–	18,592
Due to customers	793,527	34,363	573	–	–	–	828,463
Other financial liabilities	1,651	21,938	5,464	14,558	1,883	–	45,494
Cash flows arising from financial liabilities	795,696	74,893	6,037	14,558	1,883	–	893,067
Net liquidity gap	(574,106)	342,631	359,206	(9,936)	(1,490)	5,255	121,560
Cumulative net liquidity gap	(574,106)	(231,475)	127,731	117,795	116,305	121,560	

Liabilities which do not have a contractual maturity date are categorised as 'on demand'. Included within the amounts due to customers on demand are balances which historical experience shows are unlikely to be called in the short term. A prudent level of highly liquid assets is retained to cover reasonably foreseeable short term changes in client deposits. All debt securities are readily marketable and can be realised through disposals.

The group holds £6,333,000 of equity investments (2012: £4,198,000), which are subject to liquidity risk but are not included in the table above. These assets are held as available for sale securities and have no fixed maturity date; cash flows arise from receipt of dividends or through sale of the assets.

Derivative cash flows

The group's exposure to derivative financial instruments is limited to option contracts over the equity instruments of its associates. These contracts do not create an obligation for the group to deliver cash or a financial asset and therefore they are not included in the liquidity tables (note 20).

Off-balance sheet items

Cash flows arising from the group's off-balance sheet financial liabilities (note 32) are summarised in the table below.

The contractual value of the group's commitments to extend credit to clients and maximum potential value of financial guarantees are analysed by the duration of the commitment. Future minimum lease payments under non-cancellable operating leases are reported by their contractual payment dates. Capital commitments are summarised by the earliest expected date of payment.

	Not more than 3 months £'000	After 3 months but not more than 1 year £'000	After 1 year but not more than 5 years £'000	After 5 years £'000	Total £'000
At 31 December 2013					
Loan commitments	15,941	–	–	–	15,941
Financial guarantees	–	–	578	–	578
Operating lease commitments	1,428	4,411	22,336	25,568	53,743
Capital commitments	159	–	–	–	159
Total off-balance sheet items	17,528	4,411	22,914	25,568	70,421
At 31 December 2012					
Loan commitments	3,002	–	–	–	3,002
Financial guarantees	–	–	578	–	578
Operating lease commitments	1,369	4,188	21,401	28,852	55,810
Capital commitments	470	–	–	–	470
Total off-balance sheet items	4,841	4,188	21,979	28,852	59,860

(iii) Market risk**Total liquidity requirement**

	On demand £'000	Not more than 3 months £'000	After 3 months but not more than 1 year £'000	After 1 year but not more than 5 years £'000	After 5 years £'000	Total £'000
At 31 December 2013						
Cash flows arising from financial liabilities	869,523	71,188	6,058	18,326	2,008	967,103
Total off-balance sheet items	–	17,528	4,411	22,914	25,568	70,421
Total liquidity requirement	869,523	88,716	10,469	41,240	27,576	1,037,524
At 31 December 2012						
Cash flows arising from financial liabilities	795,696	74,893	6,037	14,558	1,883	893,067
Total off-balance sheet items	–	4,841	4,188	21,979	28,852	59,860
Total liquidity requirement	795,696	79,734	10,225	36,537	30,735	952,927

Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates.

The group's principal exposure to cash flow interest rate risk arises from the mismatch between the repricing of its financial assets and liabilities. In particular, customer accounts and loan balances are repriced very shortly after changes in base rates, whereas the yield on the group's interest-bearing assets is correlated to the future expectation of base rates and varies depending on the maturity profile of the group's treasury portfolio. The average maturity mismatch is controlled by the banking committee, which generally lengthens the mismatch when the yield curve is expected to rise and shortens it when the yield curve is expected to fall.

The table below shows the consolidated repricing profile of the group's financial assets and liabilities, stated at their carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

At 31 December 2013	Not more than 3 months £'000	After 3 months but not more than 6 months £'000	After 6 months but not more than 1 year £'000	After 1 year but not more than 5 years £'000	Non- interest- bearing £'000	Total £'000
Assets						
Cash and balances with central banks	211,000	–	–	–	5	211,005
Settlement balances	–	–	–	–	19,611	19,611
Loans and advances to banks	86,087	20,000	–	–	240	106,327
Loans and advances to customers	94,428	–	–	–	1,115	95,543
Investment securities:						
– equity securities	–	–	–	–	6,333	6,333
– unlisted debt securities and money market funds	276,660	155,000	191,830	–	–	623,490
Derivative financial instruments	–	–	–	–	1,030	1,030
Other financial assets	–	–	–	–	37,313	37,313
Total financial assets	668,175	175,000	191,830	–	65,647	1,100,652
Liabilities						
Settlement balances	–	–	–	–	27,626	27,626
Due to customers	881,463	271	–	–	10,163	891,897
Other financial liabilities	–	–	–	–	38,893	38,893
Total financial liabilities	881,463	271	–	–	76,682	958,416
Interest rate repricing gap	(213,288)	174,729	191,830	–	(11,035)	142,236

At 31 December 2012	Not more than 3 months £'000	After 3 months but not more than 6 months £'000	After 6 months but not more than 1 year £'000	After 1 year but not more than 5 years £'000	Non-interest-bearing £'000	Total £'000
Assets						
Cash and balances with central banks	116,000	–	–	–	3	116,003
Settlement balances	–	–	–	–	12,606	12,606
Loans and advances to banks	103,709	65,759	–	–	327	169,795
Loans and advances to customers	70,785	–	–	–	926	71,711
Investment securities:						
– equity securities	–	–	–	–	4,198	4,198
– unlisted debt securities and money market funds	355,576	175,000	80,000	–	–	610,576
Derivative financial instruments	–	–	–	–	784	784
Other financial assets	–	–	–	–	31,102	31,102
Total financial assets	646,070	240,759	80,000	–	49,946	1,016,775
Liabilities						
Deposits by banks	518	–	–	–	–	518
Settlement balances	–	–	–	–	18,592	18,592
Due to customers	818,131	570	–	–	9,742	828,443
Other financial liabilities	–	–	–	–	38,633	38,633
Total financial liabilities	818,649	570	–	–	66,967	886,186
Interest rate repricing gap	(172,579)	240,189	80,000	–	(17,021)	130,589

The banking committee has set an overall pre-tax interest rate exposure limit of £6,000,000 (2012: £5,000,000) for the total potential profit or loss resulting from an unexpected immediate and sustained 2% movement in sterling interest rates for the Bank, the principal operating subsidiary. The potential total profit or loss is calculated on the basis of the average number of days to repricing of the interest-bearing liabilities compared with the period to repricing on a corresponding amount of interest-bearing assets.

At 31 December 2013, the Bank had a net present value sensitivity of £3,398,000 (2012: £2,126,000) for an upward 2% shift in rates. The group held no forward rate agreements at 31 December 2013 (2012: none).

Foreign exchange risk

The group is exposed to translational foreign exchange risk as it undertakes transactions in foreign currencies and is therefore exposed to foreign exchange rate fluctuations. The group monitors its currency exposures that arise in the ordinary course of business on a daily basis and significant exposures are managed through the use of spot contracts, from time-to-time, so as to reduce any currency exposure to a minimal amount. The group has no structural foreign currency exposure.

The group does not have any material exposure to transactional foreign exchange risk. The table below summarises the group's exposure to foreign currency translation risk at 31 December 2013. Included in the table are the group's financial assets and liabilities, at carrying amounts, categorised by currency.

At 31 December 2013	Sterling £'000	US dollar £'000	Euro £'000	Other £'000	Total £'000
Assets					
Cash and balances with central banks	211,005	–	–	–	211,005
Settlement balances	18,342	1,075	7	187	19,611
Loans and advances to banks	74,247	21,492	4,580	6,008	106,327
Loans and advances to customers	94,042	936	565	–	95,543
Investment securities:					
– equity securities	5,647	–	686	–	6,333
– unlisted debt securities and money market funds	623,490	–	–	–	623,490
Derivative financial instruments	1,030	–	–	–	1,030
Other financial assets	37,141	172	–	–	37,313
Total financial assets	1,064,944	23,675	5,838	6,195	1,100,652
Liabilities					
Settlement balances	26,428	971	–	227	27,626
Due to customers	858,948	22,110	4,985	5,854	891,897
Other financial liabilities	38,870	23	–	–	38,893
Total financial liabilities	924,246	23,104	4,985	6,081	958,416
Net on-balance sheet position	140,698	571	853	114	142,236
Loan commitments	15,941	–	–	–	15,941
At 31 December 2012	Sterling £'000	US dollar £'000	Euro £'000	Other £'000	Total £'000
Assets					
Cash and balances with central banks	116,003	–	–	–	116,003
Settlement balances	11,999	397	91	119	12,606
Loans and advances to banks	133,163	25,177	5,568	5,887	169,795
Loans and advances to customers	70,263	709	692	47	71,711
Investment securities:					
– equity securities	3,589	–	609	–	4,198
– unlisted debt securities and money market funds	610,576	–	–	–	610,576
Derivative financial instruments	784	–	–	–	784
Other financial assets	30,909	193	–	–	31,102
Total financial assets	977,286	26,476	6,960	6,053	1,016,775
Liabilities					
Deposits by banks	479	–	–	39	518
Settlement balances	16,000	1,607	768	217	18,592
Due to customers	793,332	23,978	5,468	5,665	828,443
Other financial liabilities	38,633	–	–	–	38,633
Total financial liabilities	848,444	25,585	6,236	5,921	886,186
Net on-balance sheet position	128,842	891	724	132	130,589
Loan commitments	3,002	–	–	–	3,002

A 10% weakening of the US dollar against sterling, occurring on 31 December 2013, would have reduced equity and profit after tax by £44,000 (2012: reduced by £67,000). A 10% weakening of the euro against sterling, occurring on 31 December 2013, would have reduced equity and profit after tax by £65,000 (2012: reduced by £55,000). A 10% strengthening of the US dollar or euro would have had an equal and opposite effect. This analysis assumes that all other variables, in particular other exchange rates, remain constant.

Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or foreign exchange risk). The group is exposed to price risk through its holdings of equity investment securities, which are reported at their fair value (note 16).

At 31 December 2013, the fair value of equity securities recognised on the balance sheet was £6,333,000 (2012: £4,198,000). A 10% fall in global equity markets would, in isolation, result in a pre-tax impact on net assets of £617,000 (2012: £420,000); there would be no impact on profit after tax. A 10% rise in global markets would have had an equal and opposite effect.

Fair values

The fair values of the group's financial assets and liabilities are not materially different from their carrying values, with the exception of held to maturity investment debt securities (note 16). Debt securities comprise bank and building society certificates of deposit, which have fixed coupons. The fair value of debt securities at 31 December 2013 was £577,602,000 (2012: £561,768,000). Fair value for held to maturity assets is based on market bid prices, and hence would be categorised as level 1 within the fair value hierarchy (see below).

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

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

At 31 December 2013	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Assets				
Available for sale securities:				
– equity securities	5,642	–	691	6,333
– money market funds	–	47,652	–	47,652
Derivative financial instruments	–	–	1,030	1,030
Total financial assets	5,642	47,652	1,721	55,015
At 31 December 2012	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Assets				
Available for sale securities:				
– equity securities	3,584	–	614	4,198
– money market funds	–	51,551	–	51,551
Derivative financial instruments	–	–	784	784
Total financial assets	3,584	51,551	1,398	56,533

The group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred. There have been no transfers between levels during the year (2012: none).

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

Level 3 financial instruments

Available for sale equity securities

The fair value of unlisted equity securities is calculated by reference to tangible net asset values from the published information of the underlying company with a 25% liquidity discount applied.

A five percentage point increase in the liquidity discount applied to the calculation of the fair value of the unlisted equity securities would, in isolation, result in a decrease in fair value of £46,000 (2012: £41,000). A five percentage point decrease would have an equal and opposite effect.

Derivative financial instruments

The fair value of the option contracts is calculated using a probability weighted expected return model, based on potential valuation outcomes under a range of business growth forecast scenarios. The key assumptions underlying the forecast growth in profitability of the associates in the model are the growth of funds under management, revenue margins and the discount rate used to calculate the present value of the cash flows. The key assumptions are flexed in each scenario to generate a potential valuation for the options. The probability of each scenario occurring is estimated, based on the group's judgment in light of the economic conditions prevailing at the time. The fair value of the options is calculated as the weighted average of the valuations derived under each scenario, taking account of the associated probabilities of occurrence.

Changing one or more of the key assumptions to reasonably possible alternatives would have the following effects on the fair value of the contracts. These effects have been calculated by running the valuation model using the alternative estimates of the key assumptions. Any interrelationship between the assumptions is not considered to have a significant impact within the range of reasonably possible alternative assumptions.

	Impact on fair value of:	
	Increase in the assumption £'000	Decrease in the assumption £'000
10% change in the fees and commission charged to Vision clients	712	(569)
5 percentage point change in commissions payable	(543)	696
10% change in the rate of growth in funds under management	292	(293)
1 percentage point change to the discount rate	(214)	232

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

	2013 Available for sale equity securities £'000	2013 Derivative financial instruments £'000	2013 Total £'000	2012 Available for sale equity securities £'000	2012 Derivative financial instruments £'000	2012 Total £'000
At 1 January	614	784	1,398	569	–	569
Total unrealised gains and losses recognised in:						
– profit or loss	–	246	246	–	–	–
– other comprehensive income	77	–	77	45	–	45
Acquired during the year (note 20)	–	–	–	–	784	784
At 31 December	691	1,030	1,721	614	784	1,398

The gain relating to the derivative financial instruments is included within 'other operating income' and the gain relating to the available for sale equity securities is included within 'revaluation of available for sale investment securities' in other comprehensive income.

There were no other gains or losses arising from changes in the fair value of financial instruments categorised as level 3 within the fair value hierarchy.

31 CAPITAL MANAGEMENT

Rathbone Brothers Plc's capital is defined for accounting purposes as total equity. As at 31 December 2013 this totalled £251,000,000 (2012: £229,493,000). From time-to-time, the group runs small overnight overdraft balances as part of working capital. The group had no other external borrowings at 31 December 2013 (2012: £nil).

The group's objectives when managing capital are to:

- safeguard the group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders;
- maintain a strong capital base to be able to support the development of the business when required;
- optimise the distribution of capital across group companies, reflecting the requirements of each business;
- strive to make capital freely transferable across the group where possible; and
- comply with regulatory requirements at all times.

Rathbones is classified for capital purposes as a banking group and performs an Internal Capital Adequacy Assessment Process (ICAAP), which is presented to the PRA on an annual basis. Regulatory capital resources for ICAAP purposes are calculated in accordance with published rules. These require certain adjustments to and certain deductions from accounting capital, the latter largely in respect of intangible assets. The ICAAP compares regulatory capital resources against regulatory capital requirements derived using the PRA's Pillar I and Pillar II methodology. The group has adopted the standardised approach to calculating its Pillar I credit risk component and the basic indicator approach to calculating its operational risk component. Capital management policy and practices are applied at both group and entity level.

At 31 December 2013 the group's regulatory capital resources, including retained earnings for 2013, were £132,214,000 (2012: £118,378,000). The increase in reserves during 2013 was partially offset by an increase in intangible assets.

In addition to a variety of stress tests performed as part of the ICAAP, and daily reporting in respect of treasury activity, capital levels are monitored and forecasted on a monthly basis to ensure that dividends and investment requirements are appropriately managed and appropriate buffers are kept against adverse business conditions.

Regulatory capital requirements have been met throughout the financial years ended 31 December 2012 and 2013.

32 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.

As reported in the 2012 report and accounts, a claim relating to the management of a Jersey trust has been filed against a former employee (and director) of Rathbone Trust Company Jersey Limited (RTCJ) and others. Hawksford Trust Company Jersey Limited (as RTCJ is now known) has also recently been joined in as a defendant. RTCJ was a subsidiary of the company from March 2000 until October 2008. Although the board believes that this claim will be unsuccessful, a possible material obligation may arise. Due to the complexity of the claim, the number of parties involved and the impact of the insurance cover available, it is not practicable to estimate reliably the value of any possible obligation for the company.

Professional indemnity cover of £50 million under the relevant year of the company's civil liability insurance policy is made up of a first layer of £5 million and an excess layer of a maximum of £45 million. The limit of the indemnity given jointly by RTCJ and the company to the employee in question is £40 million per event.

The group has sought to confirm the position of the company's civil liability (professional indemnity) insurers in relation to the claim and issued proceedings to confirm insurance cover against the excess insurers. The trial of those proceedings took place in October 2013 and judgment was handed down on 8 November 2013. In the judgment, the judge ruled in favour of the company and the employee on all the substantive coverage points on the insurance policy, confirming that the employee was covered by the policy in respect of liability for the wrongful acts alleged in the Jersey proceedings. However, he also ruled that the insurers should have a right of subrogation whereby they could, upon payment of any sums to the employee, take over any rights of action which the employee might have against the company pursuant to an indemnity granted to him jointly by RTCJ and the company.

The company and the former employee in question have filed notices to appeal subrogation aspects of the judgment, and insurers have filed notices to cross-appeal coverage aspects of the judgment. The hearing of these appeals before the Court of Appeal is expected to take place in the second half of 2014. There is therefore a risk that the group's insurance cover for the year in question will not be effective in relation to the Jersey claim or will prove insufficient to cover losses, in which case any obligation could be material.

The board believes that it is more likely than not that any final judgment in relation to the above claims will result in no liability to the company, and accordingly no provision has been made.

(b) Capital expenditure authorised and contracted for at 31 December 2013 but not provided in the financial statements amounted to £159,000 (2012: £470,000).

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

	2013 £'000	2012 £'000
Guarantees	578	578
Undrawn commitments to lend of 1 year or less	15,941	3,002
	16,519	3,580

The fair value of the guarantees is £nil (2012: £nil).

(d) The group leases various offices and other assets under non-cancellable operating lease agreements. The leases have varying terms and renewal rights. The company's agreement to lease space at 1 Curzon Street, London, under which total payments over the lease term at 31 December 2013 were £31,428,000, provides for an upward only reset to market rents in 2018.

	2013 £'000	2012 £'000
Payments under non-cancellable operating leases		
No later than 1 year	5,839	5,557
Later than 1 year and no later than 5 years	22,336	21,401
Later than 5 years	25,568	28,852
	53,743	55,810

(e) 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.

Levies of £786,000 have been included within administrative expenses in 2013 (2012: £1,022,000). It is only possible for the group to estimate its share of these losses until invoices are received. In addition to the FSCS levies accrued in the year further levy charges may be incurred in future years, although the ultimate cost remains uncertain.

33 RELATED PARTY TRANSACTIONS

The remuneration of the key management personnel of the group, who are defined as the company's directors and other members of senior management who are responsible for planning, directing and controlling the activities of the group, is set out below. Further information about the remuneration of individual directors is provided in the audited part of the remuneration committee report on pages 54 to 65.

	2013 £'000	2012 £'000
Short term employee benefits	6,063	8,013
Post-employment benefits	640	777
Other long term benefits	546	438
Share-based payments	2,867	2,122
	10,116	11,350

Dividends totalling £84,000 were paid in the year (2012: £418,000) in respect of ordinary shares held by key management personnel and their close family members.

As at 31 December 2013, the group had no outstanding interest-free season ticket loans (2012: £6,000) issued to key management personnel.

At 31 December 2013, key management personnel and their close family members had gross outstanding deposits of £436,000 (2012: £1,112,000) and gross outstanding banking loans of £6,488,000 (2012: £559,000), all of which (2012: all) were made on normal business terms. A number of the group's key management personnel and their close family members make use of the services provided by companies within the group. Charges for such services are made at various staff rates.

The group's transactions with the pension funds are described in note 26. At 31 December 2013, no amounts were due from the pension schemes (2012: £nil).

The group managed 22 unit trusts and OEICs during 2013 (2012: 19 unit trusts and OEICs). Total management charges of £19,169,000 (2012: £16,110,000) were earned during the year, calculated on the bases published in the individual fund prospectuses, which also state the terms and conditions of the management contract with the group. Management fees owed to the group as at 31 December 2013 totalled £1,785,000 (2012: £1,172,000).

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.

34 CONSOLIDATED STATEMENT OF CASH FLOWS

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

	2013 £'000	2012 £'000
Cash and balances at central banks (note 13)	211,005	116,003
Loans and advances to banks (note 14)	61,171	62,611
Available for sale investment securities (note 16)	47,652	51,551
	319,828	230,165

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:

	2013 £'000	2012 £'000
Share capital issued (note 27)	17	120
Share premium on shares issued (note 27)	3,324	27,944
Shares issued in relation to share-based schemes for which no cash consideration was received	(609)	(1,630)
	2,732	26,434

35 EVENTS AFTER THE BALANCE SHEET DATE

There have been no material events occurring between the balance sheet date and the date of signing this report.

COMPANY FINANCIAL STATEMENTS

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COMPANY STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2013

(restated – note 36)	Note	Share capital £'000	Share premium £'000	Available for sale reserve £'000	Own shares £'000	Retained earnings £'000	Total equity £'000
At 1 January 2012		2,178	34,216	2,179	(4,729)	22,518	56,362
Profit for the year						30,688	30,688
Net remeasurement of defined benefit liability	47					968	968
Revaluation of available for sale investment securities	16			923			923
Deferred tax relating to components of other comprehensive income	44			(154)		(474)	(628)
Other comprehensive income net of tax		–	–	769	–	494	1,263
Dividends paid	11					(20,074)	(20,074)
Issue of share capital	48	120	27,944				28,064
Share-based payments:							
– value of employee services						2,129	2,129
– cost of own shares acquired	48				(1,630)		(1,630)
– cost of own shares vesting	48				515	(515)	–
– tax on share-based payments	44					105	105
At 1 January 2013		2,298	62,160	2,948	(5,844)	35,345	96,907
Profit for the year						25,938	25,938
Net remeasurement of defined benefit asset	47					2,188	2,188
Revaluation of available for sale investment securities:							
– net gain from changes in fair value	16			2,072			2,072
– net profit on disposal transferred to profit or loss during the year				(5)			(5)
Deferred tax relating to components of other comprehensive income	44			(298)		(788)	(1,086)
Other comprehensive income net of tax		–	–	1,769	–	1,400	3,169
Dividends paid	11					(22,096)	(22,096)
Issue of share capital	48	17	3,324				3,341
Share-based payments:							
– value of employee services						2,918	2,918
– cost of own shares acquired	48				(609)		(609)
– cost of own shares vesting	48				731	(731)	–
– tax on share-based payments	44					33	33
At 31 December 2013		2,315	65,484	4,717	(5,722)	42,807	109,601

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

COMPANY BALANCE SHEET

as at 31 December 2013

	Note	2013 £'000	2012 £'000
Non-current assets			
Investment in subsidiaries	40	77,608	62,608
Investment in associates	41	1,216	1,216
Other investments	42	41,333	4,198
Trade and other receivables	43	3,865	3,605
Deferred tax	44	313	1,129
Employee benefits	47	1,614	–
		125,949	72,756
Current assets			
Trade and other receivables	43	24,567	70,088
Current tax asset		46	308
Cash and cash equivalents		5,233	1,430
		29,846	71,826
Total assets		155,795	144,582
Current liabilities			
Trade and other payables	45	(40,840)	(36,533)
Provisions for liabilities and charges	46	(5,354)	(9,012)
		(46,194)	(45,545)
Net current assets		(16,348)	26,281
Non-current liabilities			
Employee benefits	47	–	(2,130)
Total liabilities		(46,194)	(47,675)
Net assets		109,601	96,907
Equity			
Share capital	48	2,315	2,298
Share premium	48	65,484	62,160
Available for sale reserve		4,717	2,948
Own shares	48	(5,722)	(5,844)
Retained earnings		42,807	35,345
Equity shareholders' funds		109,601	96,907

The financial statements were approved by the board of directors and authorised for issue on 19 February 2014 and were signed on its behalf by:

A D Pomfret
Chief Executive

R P Stockton
Finance Director

Company registered number: 01000403

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

COMPANY STATEMENT OF CASH FLOWS

for the year ended 31 December 2013

	Note	2013 £'000	2012 £'000 (restated – note 36)
Cash flows from operating activities			
Profit before tax		25,042	30,956
Net profit on disposal of available for sale investment securities		(5)	–
Interest and dividends received		(27,977)	(30,595)
Impairment charges	43	256	760
Net charge for provisions	46	158	473
Defined benefit pension scheme charges	47	3,188	3,167
Defined benefit pension scheme contributions paid	47	(4,744)	(7,409)
Share-based payment charges	48	4,833	3,232
		751	584
Changes in operating assets and liabilities:			
– net (increase)/decrease in trade debtors		(270)	93
– net decrease/(increase) in prepayments, accrued income and other assets		45,674	(21,341)
– net (decrease)/increase in accruals, deferred income, provisions and other liabilities		(1,423)	8,119
Cash used in/(generated from) operations		44,732	(12,545)
Tax received		914	1,258
Net cash inflow/(outflow) from operating activities		45,646	(11,287)
Cash flows from investing activities			
Interest received		808	485
Intercompany dividends received		27,000	30,000
Other dividends received		157	110
Purchase of equity-accounted associates	41	–	(1,216)
Liquidation of subsidiary, net of cash transferred	40	–	917
Investment in subsidiaries	40	(30,000)	(25,550)
Capitalisation of subordinated loans to group undertakings	40	15,000	–
Purchase of other investment		(35,100)	(91)
Proceeds from sale and redemption of other investments		37	–
Net cash (used in)/generated from investing activities		(22,098)	4,655
Cash flows from financing activities			
Issue of ordinary shares	34	2,732	26,434
Dividends paid	11	(22,096)	(20,074)
Net cash (used in)/generated from financing activities		(19,364)	6,360
Net increase/(decrease) in cash and cash equivalents		4,184	(272)
Cash and cash equivalents at the beginning of the year		886	1,158
Cash and cash equivalents at the end of the year	53	5,070	886

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

NOTES TO THE COMPANY FINANCIAL STATEMENTS

36 SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The individual financial statements of the company are presented as required by the Companies Act 2006 and have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union.

On publishing the parent company financial statements here together with the group financial statements, the company is taking advantage of the exemption in Section 408 of the Companies Act 2006 not to present its individual statement of comprehensive income and related notes that form a part of these approved financial statements.

Changes in accounting policies and disclosures

Employee benefits

In the current year, the company has adopted the amendments to IAS 19 '*Employee Benefits*'. The effects on the amounts reported in these financial statements is the same as those reported in the consolidated financial statements, and are described in note 1.1 to the consolidated financial statements.

Developments in reporting standards and interpretations

Developments in reporting standards and interpretations are set out in note 1.1 to the consolidated financial statements.

Principal accounting policies

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments. The principal accounting policies adopted are as set out below:

Investments in subsidiaries and associates

Investments in subsidiaries and associates are stated at cost less, where appropriate, provision for impairment.

Management charges

Intra-group management charges arise in relation to staff costs and other administrative expenses that are initially borne by the company and then recharged to other group companies, when incurred.

Accounting policies in relation to impairment, interest income, dividend income, operating leases, foreign currency, retirement benefit obligations, taxation, cash and cash equivalents and share-based payments are set out in note 1 to the consolidated financial statements.

37 CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION AND UNCERTAINTY

The critical accounting judgments and key sources of estimation and uncertainty arise from client relationship intangibles, loan notes issued by former subsidiaries, the company's defined benefit pension schemes and ongoing legal proceedings. These are described in note 2 to the consolidated financial statements.

38 PROFIT FOR THE YEAR

As permitted by Section 408 of the Companies Act 2006 the company has elected not to present its own statement of comprehensive income for the year. Rathbone Brothers Plc reported a profit after tax for the financial year ended 31 December 2013 of £25,938,000 (2012: £30,688,000).

Auditor's remuneration for audit and other services to the company are set out in note 7 to the consolidated financial statements.

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

	2013	2012
Investment Management:		
– investment management services	493	469
– advisory services	70	67
Unit Trusts	30	30
Shared services	227	209
	820	775

39 DIVIDENDS

Details of the company's dividends paid and proposed for approval at the AGM are set out in note 11 to the consolidated financial statements.

40 INVESTMENT IN SUBSIDIARIES

	Equities £'000	Subordinated loans to group undertakings £'000	Total £'000
At 1 January 2012	22,725	15,250	37,975
Additions	24,050	1,500	25,550
Realised on liquidation	(917)	–	(917)
At 1 January 2013	45,858	16,750	62,608
Additions	15,000	–	15,000
Capitalisation of subordinated loan	15,000	(15,000)	–
At 31 December 2013	75,858	1,750	77,608

On 18 December 2013, the subordinated loan to Rathbone Investment Management was capitalised. The loan was extinguished in exchange for 200,000 new ordinary shares of £1 each. On 19 December 2013, a further 200,000 ordinary shares of £1 each in Rathbone Investment Management were issued to the company at a price of £75 per share for cash consideration.

Equities

A resolution was passed on 18 November 2011 to commence a members' voluntary liquidation of Neilson Cobbold Holdings Plc. This process was completed on 17 October 2012.

At 31 December 2013 the principal subsidiary undertakings were as follows:

Subsidiary undertaking	Country of incorporation	Activity and operation
Rathbone Investment Management Limited	England & Wales	Investment management and banking services
Rathbone Investment Management International Limited*	Jersey	Investment management
Rathbone Trust Company Limited	England & Wales	Trust and tax services
Rathbone Unit Trust Management Limited*	England & Wales	Unit trust management
Rathbone Pension & Advisory Services Limited	England & Wales	Pension advisory services
R.M. Walkden & Co. Limited*	England & Wales	Investment management

* Held by subsidiary undertaking

The company owns, directly or indirectly, 100% of the ordinary share capital of all subsidiaries. A full list of the company's subsidiaries will be included in the company's annual return to Companies House.

Subordinated loans to group undertakings

The amounts subject to subordinated loan agreements are shown below:

Counterparty	Repayment date	2013 £'000	2012 £'000
Rathbone Investment Management Limited	Not less than 5 years, written notice or subject to regulatory approval	–	15,000
Rathbone Pension & Advisory Services Limited	Not less than 2 years, written notice or subject to regulatory approval	250	250
Rathbone Investment Management International Limited	Not less than 2 years, written notice but subject to approval by the Jersey Financial Services Commission	1,500	1,500
		1,750	16,750

The fair value of the subordinated loans is not materially different to their carrying amount.

All subordinated loans accrue interest at the Bank of England base rate plus 2.5% to a maximum of 5.0%.

The group has not had any defaults of principal, interest or other breaches with respect to its subordinated loans during the year.

41 INVESTMENT IN ASSOCIATES AND RELATED DERIVATIVES

On 5 October 2012, the company purchased 19.9% of the ordinary share capital of Vision Independent Financial Planning Limited and Castle Investment Solutions Limited as well as certain options over the equity instruments of those companies for a total consideration of £2,000,000.

The movements in the company's investment in associates are as follows:

	2013 £'000	2012 £'000
At 1 January	1,216	–
Additions	–	1,216
At 31 December	1,216	1,216

As part of the transaction to acquire these holdings, the company has also entered into certain option contracts over the equity instruments of these companies, as described in note 20. The options are carried at fair value of £1,030,000 at 31 December 2013 (2012: £784,000) (note 43).

42 OTHER INVESTMENTS

Available for sale securities

	2013 £'000	2012 £'000
Equity securities – at fair value:		
– listed	5,642	3,584
– unlisted	691	614
Money market funds – at fair value:		
– unlisted	35,000	–
	41,333	4,198

43 TRADE AND OTHER RECEIVABLES

	2013 £'000	2012 £'000
Loan notes	2,835	2,821
Derivative financial instruments (note 41)	1,030	784
Prepayments and other receivables	3,533	4,563
Amounts owed by group undertakings	21,034	65,525
	28,432	73,693
Current	24,567	70,088
Non-current	3,865	3,605
	28,432	73,693

Loan notes were issued by the acquirer of the group's Jersey trust operations in 2008. The Notes are unsecured and have no fixed maturity, being repayable on the occurrence of certain events, principally the refinancing of the Jersey trust operations by its existing owner. The Notes are carried at amortised cost, less provision for impairment.

Based on a review of the performance of the business in 2013 and the prevailing economic conditions at 31 December 2013, the group has revised its estimates of the likely timing of repayment of the Notes. As a result, the estimated present value of the future cash flows from the Notes was reduced and the carrying value of the Notes at 31 December 2013 was written down to £2,835,000 (2012: £2,821,000), resulting in an impairment loss of £256,000 (2012: £760,000) in the year.

Allowance for losses on loan notes

	2013 £'000	2012 £'000
At 1 January	760	–
Charge to profit or loss	256	760
At 31 December	1,016	760

44 DEFERRED TAX

Deferred income taxes are calculated on all temporary differences under the liability method using an effective tax rate of 20.0% (2012: 23.0%).

The UK Government has proposed that the UK corporation tax rate be reduced to 20.0% over the next two years. At 31 December 2013 this reduction had been substantively enacted in full. Consequently, deferred tax assets and liabilities are calculated at 20.0%.

(restated – note 36)	Pensions £'000	Share-based payments £'000	Staff-related costs £'000	Available for sale securities £'000	Total £'000
At 1 January 2012	2,072	1,142	–	(726)	2,488
Recognised in profit or loss in respect of:					
– current year	(1,272)	372	–	–	(900)
– prior year	–	–	–	–	–
– change in rate	163	(99)	–	–	64
	(1,109)	273	–	–	(836)
Recognised in other comprehensive income in respect of:					
– current year	(237)	–	–	(226)	(463)
– prior year	–	–	–	–	–
– change in rate	(237)	–	–	72	(165)
	(474)	–	–	(154)	(628)
Recognised in equity in respect of:					
– current year	–	157	–	–	157
– prior year	–	(20)	–	–	(20)
– change in rate	–	(32)	–	–	(32)
	–	105	–	–	105
At 31 December 2012	489	1,520	–	(880)	1,129
	Pensions £'000	Share-based payments £'000	Staff-related costs £'000	Available for sale securities £'000	Total £'000
Deferred tax assets	489	1,520	–	–	2,009
Deferred tax liabilities	–	–	–	(880)	(880)
At 31 December 2012	489	1,520	–	(880)	1,129

	Pensions £'000	Share-based payments £'000	Staff-related costs £'000	Available for sale securities £'000	Total £'000
At 1 January 2013	489	1,520	–	(880)	1,129
Recognised in profit or loss in respect of:					
– current year	(362)	384	40	–	62
– prior year	–	2	44	–	46
– change in rate	336	(196)	(11)	–	129
	(26)	190	73	–	237
Recognised in other comprehensive income in respect of:					
– current year	(509)	–	–	(480)	(989)
– prior year	–	–	–	–	–
– change in rate	(279)	–	–	182	(97)
	(788)	–	–	(298)	(1,086)
Recognised in equity in respect of:					
– current year	–	80	11	–	91
– prior year	–	2	3	–	5
– change in rate	–	(61)	(2)	–	(63)
	–	21	12	–	33
At 31 December 2013	(325)	1,731	85	(1,178)	313
	Pensions £'000	Share-based payments £'000	Staff-related costs £'000	Available for sale securities £'000	Total £'000
Deferred tax assets	–	1,731	85	–	1,816
Deferred tax liabilities	(325)	–	–	(1,178)	(1,503)
At 31 December 2013	(325)	1,731	85	(1,178)	313

45 TRADE AND OTHER PAYABLES

	2013 £'000	2012 £'000
Accruals, deferred income and other creditors	35,437	31,931
Amounts owed to group undertakings	1,113	1,189
Other taxes and social security costs	4,290	3,413
	40,840	36,533

The fair value of trade and other payables is not materially different to their carrying amount. All amounts owed to group undertakings are repayable on demand and non-interest-bearing.

46 PROVISIONS FOR LIABILITIES AND CHARGES

	Deferred, variable costs to acquire client relationship intangibles £'000	Property- related and other £'000	Total £'000
At 1 January 2012	6,478	1,196	7,674
Charged to profit or loss	–	774	774
Unused amount credited to profit or loss	–	(301)	(301)
Net charge to profit or loss	–	473	473
Other movements	6,877	–	6,877
Utilised/paid during the year	(5,117)	(895)	(6,012)
At 1 January 2013	8,238	774	9,012
Charged to profit or loss	–	158	158
Unused amount credited to profit or loss	–	–	–
Net charge to profit or loss	–	158	158
Other movements	3,884	–	3,884
Utilised/paid during the year	(7,700)	–	(7,700)
At 31 December 2013	4,422	932	5,354
Payable within 1 year	2,484	–	2,484
Payable after 1 year	1,938	932	2,870
	4,422	932	5,354

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

Property-related and other provisions include £932,000 in relation to dilapidation provisions expected to arise on leasehold premises held by the company (2012: £774,000). Dilapidation provisions are calculated using a discounted cash flow model; during the year, the impact of discounting has increased the provisions by £124,000 (2012: £50,000).

Provisions payable after one year are expected to be settled within two years of the balance sheet date (2012: two years), except for property-related provisions of £932,000 (2012: £774,000). These are expected to be settled within 23 years of the balance sheet date (2012: 24 years), which corresponds to the longest lease for which a dilapidations provision is being held.

47 EMPLOYEE BENEFITS

Details of the defined benefit pension schemes operated by the company are provided in note 26 to the consolidated financial statements.

48 SHARE CAPITAL, OWN SHARES AND SHARE-BASED PAYMENTS

Details of the share capital of the company and ordinary shares held by the company together with changes thereto are provided in notes 27 and 28 to the consolidated financial statements. Details of options on the company's shares and share-based payments are set out in note 29 to the consolidated financial statements.

49 FINANCIAL INSTRUMENTS

The company's risk management policies and procedures are integrated with the wider group's risk management process. The group has identified the risks arising from all of its activities, including those of the company, and has established policies and procedures to manage these items in accordance with its risk appetite. The company categorises its financial risks into the following primary areas:

- (i) credit risk;
- (ii) liquidity risk;
- (iii) market risk (which includes fair value interest rate risk, cash flow interest rate risk, foreign exchange risk and price risk); and
- (iv) pension risk.

The group's exposures to pension risk are set out in note 47.

The sections below outline the group risk appetite, as applicable to the company, and explain how the company defines and manages each category of financial risk.

The company's financial risk management policies are designed to identify and analyse the financial risks that the company faces, to set appropriate risk tolerances, limits and controls and to monitor the financial risks and adherence to limits by means of reliable and up-to-date information systems. The company regularly reviews its financial risk management policies and systems to reflect changes in the business and the wider industry.

The company's overall strategy and policies for monitoring and management of financial risk are set by the board. The board has embedded risk management within the business through the executive committee and senior management.

(i) Credit risk

The company takes on exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due, through its trading activities. The principal sources of credit risk arise from depositing funds with banks and through providing long term and working capital financing for subsidiaries. The company also took on credit exposure through the provision of loans as part of the disposal of its subsidiaries in Jersey in 2008.

The company's financial assets are categorised as follows:

Trade and other receivables

Trade and other receivables relate to amounts placed with subsidiaries, loans provided to subsidiaries and derivative financial instruments.

Derivative financial instruments relate to option contracts over shares in the company's associates (note 41). These options expose the company to credit risk from the potential for non-delivery by the associate companies' founders, who are private individuals.

The collection and ageing of trade and other receivables are reviewed on a periodic basis by management. Impairment provisions are made for any debts which are considered to be doubtful for collection.

The company places surplus funds with its banking subsidiary, which operates under the group's credit risk management policies. Group policy requires that funds are placed with a range of high-quality financial institutions. Investments are spread to avoid excessive exposure to any individual counterparty.

For the purposes of financial reporting the company categorises its exposures based on the long term ratings awarded to counterparties by Fitch Ratings Ltd ('Fitch') or Moody's Corporation ('Moody's').

Cash and cash equivalents (balances at banks)

The company has exposure to financial institutions through its bank deposits (reported within cash equivalents).

Impairment and provisioning policies

Impairment provisions are recognised for financial reporting purposes only for losses that have been incurred at the balance sheet date, based on objective evidence of impairment.

All credit exposures are reviewed individually, at least annually or more regularly when individual circumstances require. Impairment allowances on credit exposures are determined by an evaluation of the incurred loss at the balance sheet date on a case-by-case basis.

Impairment provisions for credit risk, which relate solely to loan notes, are set out in note 43. No other impairment losses arose during the year (2012: none).

Maximum exposure to credit risk

	2013 £'000	2012 £'000
Other investments:		
– money market funds	35,000	–
Trade and other receivables:		
– loan notes	5,000	5,000
– amounts owed by group undertakings	22,784	82,275
– derivative financial instruments	1,030	784
– other financial assets	856	972
Balances at banks	5,231	1,430
	69,901	90,461

The above table represents the gross credit risk exposure of the company at 31 December 2013 and 2012, without taking account of any collateral held or other credit enhancements attached.

Loan notes and derivative financial instruments are not subject to standard lending criteria. All other trade and other receivables are within normal terms and conditions of lending at the balance sheet date (2012: all within normal terms and conditions of lending).

The terms attached to loan notes are set out in note 43. Amounts owed to group undertakings do not have specific repayment dates and are paid down periodically as trading requires.

Trade and other receivables

Trade and other receivables are summarised as follows:

	2013 £'000	2012 £'000
Neither past due nor impaired	24,650	83,993
Impaired	3,851	3,581
Gross carrying value	28,501	87,574
Less: allowance for impairment (note 43)	(1,016)	(760)
Net carrying value	27,485	86,814

Balances at banks

All balances at banks were neither past due nor impaired. The credit quality of these balances is analysed below by reference to the long term credit rating awarded by Fitch, or equivalent rating by Moody's, as at the balance sheet date.

	2013 £'000	2012 £'000
A+ to A	4,392	1,028
Other*	839	402
	5,231	1,430

* Cash held within the Employee Benefit Trust

Debt securities

The table below presents an analysis of debt securities by rating agency designation, as at 31 December 2013, based on Fitch or Moody's long term rating designation.

	2013 Money market funds £'000	2013 Total £'000	2012 Money market funds £'000	2012 Total £'000
AAA	35,000	35,000	–	–

Concentration of credit risk

The company has counterparty credit risk within its balances at banks in that the principal exposure is to its banking subsidiary. The board sets and monitors the group policy for the management of group funds, which include the placement of funds with a range of high-quality financial institutions.

(a) Geographical sectors

The following table analyses the company's credit exposures, at their carrying amounts, by geographical region as at the balance sheet date. In this analysis, exposures are categorised based on the country of domicile of the counterparty.

	United Kingdom £'000	Rest of the world £'000	Total £'000
At 31 December 2013			
Other investments:			
– money market funds	35,000	–	35,000
Trade and other receivables:			
– loan notes	–	2,835	2,835
– amounts owed by group undertakings	22,681	103	22,784
– derivative financial instruments	1,030	–	1,030
– other financial assets	487	349	836
Balances at banks	5,231	–	5,231
	64,429	3,287	67,716
At 31 December 2012			
Trade and other receivables:			
– loan notes	–	2,821	2,821
– amounts owed by group undertakings	82,275	–	82,275
– derivative financial instruments	784	–	784
– other financial assets	564	370	934
Balances at banks	1,430	–	1,430
	85,053	3,191	88,244

At 31 December 2013, all rest of the world exposures were to counterparties based in Jersey and the United States of America (2012: Jersey and the United States of America). At 31 December 2013, the company has no exposure to sovereign debt (2012: none).

(b) Industry sectors

The company's credit exposures at the balance sheet date, analysed by the primary industry sectors in which our counterparties operate, were:

	Financial institutions £'000	Other corporates £'000	Total £'000
At 31 December 2013			
Other investments:			
– money market funds	35,000	–	35,000
Trade and other receivables:			
– loan notes	–	2,835	2,835
– amounts owed by group undertakings	5,593	17,191	22,784
– derivative financial instruments	–	1,030	1,030
– other financial assets	11	825	836
Balances at banks	5,231	–	5,231
	45,835	21,881	67,716
At 31 December 2012			
Trade and other receivables:			
– loan notes	–	2,821	2,821
– amounts owed by group undertakings	62,291	19,984	82,275
– derivative financial instruments	–	784	784
– other financial assets	–	934	934
Balances at banks	1,430	–	1,430
	63,721	24,523	88,244

(ii) Liquidity risk

Liquidity risk is the risk that the company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The company places its funds in short term or demand facilities with financial institutions to ensure liquidity. The company has no bank loans (2012: £nil) and does not rely on external funding for its activities.

Non-derivative cash flows

The table below presents the undiscounted cash flows receivable and payable by the company on its non-derivative financial assets and liabilities by remaining contractual maturities at the balance sheet date.

	On demand £'000	Not more than 3 months £'000	After 3 months but not more than 1 year £'000	After 1 year but not more than 5 years £'000	After 5 years £'000	No fixed maturity date £'000	Total £'000
At 31 December 2013							
Cash flows arising from financial assets							
Other investments:							
– money market funds	35,011	–	–	–	–	–	35,011
Trade and other receivables:							
– loan notes	–	–	–	–	–	5,255	5,255
– amounts owed by group undertakings	21,034	13	40	1,803	–	–	22,890
– other financial assets	–	299	320	219	6	–	844
Balances at banks	5,075	–	156	–	–	–	5,231
Cash flows arising from financial assets	61,120	312	516	2,022	6	5,255	69,231
Cash flows arising from financial liabilities							
Trade and other payables:							
– amounts owed to group undertakings	1,113	–	–	–	–	–	1,113
– other financial liabilities	156	17,070	1,833	17,955	1,994	–	39,008
Cash flows arising from financial liabilities	1,269	17,070	1,833	17,955	1,994	–	40,121
Net liquidity gap	59,851	(16,758)	(1,317)	(15,933)	(1,988)	5,255	29,110
Cumulative net liquidity gap	59,851	43,093	41,776	25,843	23,855	29,110	
At 31 December 2012							
Cash flows arising from financial assets							
Trade and other receivables:							
– loan notes	–	–	–	–	–	5,255	5,255
– amounts owed by group undertakings	65,525	123	377	17,595	–	–	83,620
– other financial assets	–	428	300	237	7	–	972
Balances at banks	887	182	143	219	–	–	1,431
Cash flows arising from financial assets	66,412	733	820	18,051	7	5,255	91,278
Cash flows arising from financial liabilities							
Trade and other payables:							
– amounts owed to group undertakings	1,189	–	–	–	–	–	1,189
– other financial liabilities	143	16,827	3,769	14,382	1,870	–	36,991
Cash flows arising from financial liabilities	1,332	16,827	3,769	14,382	1,870	–	38,180
Net liquidity gap	65,080	(16,094)	(2,949)	3,669	(1,863)	5,255	53,098
Cumulative net liquidity gap	65,080	48,986	46,037	49,706	47,843	53,098	

Included within trade and other payables disclosed above are balances that are repayable on demand or that do not have a contractual maturity date, which historical experience shows are unlikely to be called in the short term.

The company holds £6,333,000 of equity investments (2012: £4,198,000) which are subject to liquidity risk but are not included in the table above. These assets are held as available for sale securities and have no fixed maturity date; cash flows arise from receipt of dividends or through sale of the assets.

Derivative cash flows

The company's exposure to derivative financial instruments is limited to option contracts over the equity instruments of its associates. These contracts do not create an obligation for the company to deliver cash or a financial asset and therefore they are not included in the liquidity tables.

Off-balance sheet items

Cash flows arising from the company's off-balance sheet financial liabilities arise solely from operating leases (note 51) and are summarised in the table below. Future minimum lease payments under non-cancellable operating leases are reported by their contractual payment dates.

Operating lease commitments	Not more than 3 months £'000	After 3 months but not more than 1 year £'000	After 1 year but not more than 5 years £'000	After 5 years £'000	Total £'000
At 31 December 2013	1,400	4,272	21,644	24,606	51,922
At 31 December 2012	1,352	4,136	21,362	28,853	55,703

Total liquidity requirement

	On demand £'000	Not more than 3 months £'000	After 3 months but not more than 1 year £'000	After 1 year but not more than 5 years £'000	After 5 years £'000	Total £'000
At 31 December 2013						
Cash flows arising from financial liabilities	1,269	17,070	1,833	17,955	1,994	40,121
Total off-balance sheet items	–	1,400	4,272	21,644	24,606	51,922
Total liquidity requirement	1,269	18,470	6,105	39,599	26,600	92,043
At 31 December 2012						
Cash flows arising from financial liabilities	1,332	16,827	3,769	14,382	1,870	38,180
Total off-balance sheet items	–	1,352	4,136	21,362	28,853	55,703
Total liquidity requirement	1,332	18,179	7,905	35,744	30,723	93,883

(iii) Market risk**Interest rate risk**

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates.

The company's principal exposure to cash flow interest rate risk arises from the mismatch between the repricing of its financial assets and liabilities.

The table below shows the repricing profile of the company's financial assets and liabilities, stated at their carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

	Not more than 3 months £'000	After 3 months but not more than 6 months £'000	After 6 months but not more than 1 year £'000	After 1 year but not more than 5 years £'000	After 5 years £'000	Non-interest-bearing £'000	Total £'000
At 31 December 2013							
Assets							
Other investments:							
– equity securities	–	–	–	–	–	6,333	6,333
– money market funds	35,000	–	–	–	–	–	35,000
Trade and other receivables:							
– loan notes	2,835	–	–	–	–	–	2,835
– amounts owed by group undertakings	1,750	–	–	–	–	21,034	22,784
– derivative financial instruments	–	–	–	–	–	1,030	1,030
– other financial assets	–	–	–	–	–	836	836
Balances at banks	5,069	–	–	–	–	162	5,231
Total financial assets	44,654	–	–	–	–	29,395	74,049
Liabilities							
Trade and other payables:							
– amounts owed to group undertakings	–	–	–	–	–	1,113	1,113
– other financial liabilities	–	–	–	–	–	30,547	30,547
Total financial liabilities	–	–	–	–	–	31,660	31,660
Interest rate repricing gap	44,654	–	–	–	–	(2,265)	42,389
At 31 December 2012							
Assets							
Other investments:							
– equity securities	–	–	–	–	–	4,198	4,198
Trade and other receivables:							
– loan notes	2,821	–	–	–	–	–	2,821
– amounts owed by group undertakings	16,750	–	–	–	–	65,525	82,275
– derivative financial instruments	–	–	–	–	–	784	784
– other financial assets	–	–	–	–	–	934	934
Balances at banks	1,282	–	–	–	–	148	1,430
Total financial assets	20,853	–	–	–	–	71,589	92,442
Liabilities							
Trade and other payables:							
– amounts owed to group undertakings	–	–	–	–	–	1,189	1,189
– other financial liabilities	–	–	–	–	–	30,164	30,164
Total financial liabilities	–	–	–	–	–	31,353	31,353
Interest rate repricing gap	20,853	–	–	–	–	40,236	61,089

A 1% parallel increase/decrease in the sterling yield curve would result in an increase/decrease in profit after tax and equity of £467,000 (2012: £353,000).

Foreign exchange risk

The company does not have any material exposure to transactional foreign exchange risk. The table below summarises the company's exposure to foreign currency translation risk at 31 December 2013. Included in the table are the company's financial assets and liabilities, at carrying amounts, categorised by currency.

At 31 December 2013	Sterling £'000	US dollar £'000	Euro £'000	Total £'000
Assets				
Other investments:				
– equity securities	5,647	–	686	6,333
– money market funds	35,000	–	–	35,000
Trade and other receivables:				
– loan notes	2,835	–	–	2,835
– amounts owed by group undertakings	22,784	–	–	22,784
– derivative financial instruments	1,030	–	–	1,030
– other financial assets	664	172	–	836
Balances at banks	5,231	–	–	5,231
Total financial assets	73,191	172	686	74,049
Liabilities				
Trade and other payables:				
– amounts owed to group undertakings	1,113	–	–	1,113
– other financial liabilities	30,547	–	–	30,547
Total financial liabilities	31,660	–	–	31,660
Net on-balance sheet position	41,531	172	686	42,389
At 31 December 2012	Sterling £'000	US dollar £'000	Euro £'000	Total £'000
Assets				
Other investments:				
– equity securities	3,589	–	609	4,198
Trade and other receivables:				
– loan notes	2,821	–	–	2,821
– amounts owed by group undertakings	82,275	–	–	82,275
– derivative financial instruments	784	–	–	784
– other financial assets	741	193	–	934
Balances at banks	1,430	–	–	1,430
Total financial assets	91,640	193	609	92,442
Liabilities				
Trade and other payables:				
– amounts owed to group undertakings	1,189	–	–	1,189
– other financial liabilities	30,164	–	–	30,164
Total financial liabilities	31,353	–	–	31,353
Net on-balance sheet position	60,287	193	609	61,089

A 10% weakening of the US dollar or euro against sterling, occurring on 31 December 2013, would have reduced equity and profit after tax by £13,000 or £53,000 respectively (2012: £15,000 or £46,000 respectively). A 10% strengthening of the US dollar or euro would have had an equal and opposite effect. This analysis assumes that all other variables, in particular other exchange rates, remain constant.

Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or foreign exchange risk). The company is exposed to price risk through its holdings of equity investment securities, which are reported at their fair value (note 42).

At 31 December 2013, the fair value of equity securities recognised on the balance sheet was £6,333,000 (2012: £4,198,000). A 10% fall in global equity markets would, in isolation, result in a pre-tax impact on net assets of £617,000 (2012: £420,000); there would be no impact on profit after tax. A 10% rise in global markets would have had an equal and opposite effect.

Fair values

The fair values of the company's financial assets and liabilities are not materially different from their carrying values, with the exception of equity investments in subsidiaries which are carried at historical cost (note 40).

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

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

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
At 31 December 2013				
Available for sale equity securities	5,642	–	691	6,333
Money market funds	–	35,000	–	35,000
Derivative financial instruments	–	–	1,030	1,030
Total financial assets	5,642	35,000	1,721	42,363
At 31 December 2012				
Available for sale equity securities	3,584	–	614	4,198
Derivative financial instruments	–	–	784	784
Total financial assets	3,584	–	1,398	4,982

The group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred. There have been no transfers between levels during the year (2012: none).

Details of the methods and assumptions used to determine the fair values of the financial assets in the above table, along with how reasonably possible changes to the assumptions affect these fair values, are provided in note 30 to the consolidated financial statements.

Level 3 financial instruments

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

	2013 Available for sale equity securities £'000	2013 Derivative financial instruments £'000	2013 Total £'000	2012 Available for sale equity securities £'000	2012 Derivative financial instruments £'000	2012 Total £'000
At 1 January	614	784	1,398	569	–	569
Total unrealised gains and losses recognised in:						
– profit or loss	–	246	246	–	–	–
– other comprehensive income	77	–	77	45	–	45
Acquired during the year	–	–	–	–	784	784
At 31 December	691	1,030	1,721	614	784	1,398

50 CAPITAL MANAGEMENT

The company's objectives when managing capital are to:

- safeguard the company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- maintain a strong capital base to support the development of its business.

For monitoring purposes, the company defines capital as equity shareholders' funds. The group monitor the level of distributable reserves on a monthly basis and compare this to forecast dividends. Capital is distributed to the company from operating subsidiaries on a timely basis to ensure sufficient capital is maintained. The board of directors considers the level of capital held in relation to forecast performance, dividend payments and wider plans for the business, although formal quantitative targets are not set. The company's total capital at 31 December 2013, together with movements during the year then ended, is set out in the company statement of changes in equity.

There were no changes in the company's approach to capital management during the year.

51 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.

As reported in the 2012 report and accounts, a claim relating to the management of a Jersey trust has been filed against a former employee (and director) of Rathbone Trust Company Jersey Limited (RTCJ) and others. Hawksford Trust Company Jersey Limited (as RTCJ is now known) has also recently been joined in as a defendant. RTCJ was a subsidiary of the company from March 2000 until October 2008. Although the board believes that this claim will be unsuccessful, a possible material obligation may arise. Due to the complexity of the claim, the number of parties involved and the impact of the insurance cover available, it is not practicable to estimate reliably the value of any possible obligation for the company.

Professional indemnity cover of £50 million under the relevant year of the company's civil liability insurance policy is made up of a first layer of £5 million and an excess layer of a maximum of £45 million. The limit of the indemnity given jointly by RTCJ and the company to the employee in question is £40 million per event.

The group has sought to confirm the position of the company's civil liability (professional indemnity) insurers in relation to the claim and issued proceedings to confirm insurance cover against the excess insurers. The trial of those proceedings took place in October 2013 and judgment was handed down on 8 November 2013. In the judgment, the judge ruled in favour of the company and the employee on all the substantive coverage points on the insurance policy, confirming that the employee was covered by the policy in respect of liability for the wrongful acts alleged in the Jersey proceedings. However, he also ruled that the insurers should have a right of subrogation whereby they could, upon payment of any sums to the employee, take over any rights of action which the employee might have against the company pursuant to an indemnity granted to him jointly by RTCJ and the company.

The company and the former employee in question have filed notices to appeal subrogation aspects of the judgment, and insurers have filed notices to cross-appeal coverage aspects of the judgment. The hearing of these appeals before the Court of Appeal is expected to take place in the second half of 2014. There is therefore a risk that the group's insurance cover for the year in question will not be effective in relation to the Jersey claim or will prove insufficient to cover losses, in which case any obligation could be material.

The board believes that it is more likely than not that any final judgment in relation to the above claims will result in no liability to the company, and accordingly no provision has been made.

- (b) The company leases various offices and other assets under non-cancellable operating lease agreements. The leases have varying terms and renewal rights. The group's agreement to lease space at 1 Curzon Street, London under which total payments over the lease term at 31 December 2013 were £31,428,000, provides for an upward only reset to market rents in 2018.

	2013 £'000	2012 £'000
Payments under non-cancellable operating leases		
No later than 1 year	5,672	5,488
Later than 1 year and no later than 5 years	21,644	21,362
Later than 5 years	24,606	28,853
	51,922	55,703

52 RELATED PARTY TRANSACTIONS

(i) Transactions with key management personnel

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

Key management personnel compensation	2013 £'000	2012 £'000
Short term employee benefits	1,262	1,626
Post-employment benefits	97	114
Other long term benefits	15	17
Share-based payments	1,364	859
	2,738	2,616

Dividends totalling £84,000 were paid in the year (2012: £418,000) in respect of ordinary shares held by key management personnel and their close family members.

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

(ii) Other related party transactions

During the year, the company entered into the following transactions with fellow subsidiaries:

	2013 Receivable £'000	2013 Payable £'000	2012 Receivable £'000	2012 Payable £'000
Interest	486	–	460	–
Charges for management services	95,374	250	78,332	230
Dividends received	27,000	–	30,000	–
	122,860	250	108,792	230

The company's balances with fellow group companies at 31 December 2013 are set out in notes 40, 43 and 45.

The company's transactions with the pension funds are described in note 47. At 31 December 2013 no amounts were due from the pension schemes (2012: £nil).

All transactions and outstanding balances with fellow group companies are priced on an arm's length basis and are to be settled in cash. None of the balances are secured and no provisions have been made for doubtful debts for any amounts due from fellow group companies.

53 CASH AND CASH EQUIVALENTS

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

	2013 £'000	2012 £'000
Cash at bank	5,070	886

54 EVENTS AFTER THE BALANCE SHEET DATE

There have been no material events occurring between the balance sheet date and the date of signing this report.

FURTHER INFORMATION

152 Five year record and corporate information
Our offices



FIVE YEAR RECORD AND CORPORATE INFORMATION

FIVE YEAR RECORD

	2013 £'000	2012 ¹ £'000	2011 £'000	2010 £'000	2009 £'000
Operating income	176,409	155,581	144,452	127,184	116,757
Underlying profit before tax	50,510	44,829	46,219	38,503	32,446
Profit before tax	44,204	38,504	39,152	30,083	29,468
Tax	(9,453)	(9,521)	(10,446)	(8,531)	(9,271)
Profit after tax	34,751	28,983	28,706	21,552	20,197
Equity dividends paid and proposed	22,645	21,220	20,001	19,067	18,159
Basic earnings per share	76.1p	66.5p	66.7p	49.8p	46.9p
Diluted earnings per share	75.6p	65.9p	65.9p	49.4p	46.9p
Dividends per ordinary share	49.0p	47.0p	46.0p	44.0p	42.0p
Equity shareholders' funds	251,000	229,493	190,653	185,374	182,489
Total funds under management	£22.0bn	£18.0bn	£15.9bn	£15.6bn	£13.1bn

1 Restated for the effect of changes to accounting standards (see note 1.1)

CORPORATE INFORMATION

	Investment Management	Unit Trusts
Principal trading names	Rathbone Investment Management Rathbone Investment Management International Rathbone Greenbank Investments Rathbone Pension & Advisory Services Rathbone Trust Company	Rathbone Unit Trust Management
Direct employees	576	30
Offices	14	1
Business head	Paul Chavasse (investment management businesses) Ian Buckley (other businesses)	Mike Webb
Websites	www.rathbones.com www.rathboneimi.com www.rathbonegreenbank.com	www.rathbones.com www.rutm.com

COMPANY SECRETARY AND REGISTERED OFFICE

R E Loader FCA
Rathbone Brothers Plc
1 Curzon Street
London
W1J 5FB

Company No. 01000403
www.rathbones.com
richard.loader@rathbones.com

REGISTRARS AND TRANSFER OFFICE

Equiniti
Aspect House
Spencer Road
Lancing
West Sussex
BN99 6DA

www.equiniti.com

OUR OFFICES

Head office

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

Investment Management offices

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

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

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

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

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

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

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

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

Unit Trusts office

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

26 Esplanade
St Helier
Jersey
JE1 2RB
Channel Islands
Tel +44 (0)1534 740 500

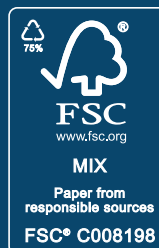
The Stables
Levens Hall
Kendal
Cumbria
LA8 0PB
Tel +44 (0)1539 561 457

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

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

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

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



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Rathbone Brothers Plc

1 Curzon Street
London
W1J 5FB

Tel +44 (0)20 7399 0000

www.rathbones.com