Shaping our future

Rathbones Group Plc
Report and accounts 2021

Rathbones

About Rathbones

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

Profit before tax

£95.0m

(2020: £43.8m)

Basic earnings per share

133.5p

(2020: 49.6p)

Underlying profit before tax*[1]

£120.7m

(2020: £92.5m)

Underlying earnings per share*[1]

172.2p

(2020: 133.3p)

Dividends paid and proposed per share

81p

(2020: 72.0p)

Return on capital employed (ROCE)

13.0%

(2020: 5.3%)

Underlying return on capital employed (ROCE)*[2]

16.1%

(2020: 13.6%)

For a full five-year record, please see page 215

* This measure is considered an alternative performance measure (APM). Please refer to page 34 for more detail on APMs

1. A reconciliation between underlying profit before tax and profit before tax is shown on page 34
2. Underlying profit after tax as a percentage of underlying quarterly average equity at each quarter end

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Shaping our future

Rathbones' future success is founded on our commitment to deliver a personal service that brings an empathy and reassurance that builds trust with clients and advisers.

We are committed to a responsible business agenda that reflects our brand values and resonates strongly with stakeholders and the next generation holders of wealth.

Our approach aims to blend a human and digital experience, ensuring that it operates seamlessly across Rathbones, improving the quality of our services as well as our employees' experience.

Our ambition is to be recognised as the UK's most responsible wealth manager and we are committed to growing and preserving wealth for our clients.

Evolving our digital solutions 16

Enriching our proposition 22

Enabling our people 28

Committed

TO INVESTING FOR EVERYONE'S TOMORROW

It is our responsibility to invest and advise for everyone's tomorrow. This means keeping the future in mind when we make decisions today. Looking beyond the short term for the most sustainable outcome.

Our focus on the long term enables us to build enduring value for our clients, make a wider contribution to society and create a lasting legacy. We believe that our actions add up to what we stand for. Our responsible business framework enables us to deliver on our initiatives, including our responsible investment agenda, diversity, equality and inclusion, community investment and reducing our environmental impact.

More information can be found on pages 54-64

A responsible business

At Rathbones, we have a clear understanding of who we are as a business, supported by a strong ambition for our future. Our purpose represents our commitment as a business to all of our stakeholders and wider society, while our ambition provides our long-term goal for the future. Underpinning both of these is our strategy.

Our purpose

Our purpose is to think, act and invest responsibly.
We deliver on our purpose through our corporate values:

Responsible and entrepreneurial
in creating value

Courageous and resilient
in leading change

Collaborative and empathetic
in dealing with people

Professional and high-performing
in all our actions

Our ambition

Read more on page 1

Our ambition is to be recognised as the UK's most responsible wealth manager. We are committed to growing and preserving wealth for our clients.

High-quality investment & advice
access to whole of market

Relationship-led
tailored and flexible advice

Multi-generational
for clients of today and tomorrow

Partnership philosophy
working together to deliver the best client outcomes

Our strategy

Read more on pages 24-25

Our purpose and ambition are achieved through a clear strategy

- Enriching the client and adviser proposition and experience
- Supporting and delivering growth
- Inspiring our people
- Operating more efficiently

Operating responsibly

Read more on pages 54-64

Delivered through the four pillars of our responsible business programme

- Responsible investment
- Our people
- Society and communities
- Our environmental impact

Our stakeholders

Engaging with our stakeholders
Read more on pages 10-15

Our key performance indicators

How we measure progress
Read more on pages 26-27

Remuneration

Read more on pages 99-111

Chair's statement

Clive C R Bannister
Chair

Dear Shareholder

In my first year as chair of Rathbones, I have spent time getting to know the various teams that comprise this special business, as well as having the pleasure of speaking to some of our shareholders and other key stakeholders about Rathbones and the wider UK wealth market. This has been informative, and I look forward to continuing this dialogue during 2022 and beyond.

These discussions have confirmed that the work we do on behalf of our clients and advisers is of real importance. It is our responsibility to be good, long-term stewards of the £68.2 billion of wealth entrusted to Rathbones. Our commitment to be a leader in responsible business stems from our sense of purpose to society. It is woven throughout our business strategy, and embedded in our day-to-day decision-making. This focus on the long term is how we will not only create value for our clients, but also make a wider contribution to the society where we live.

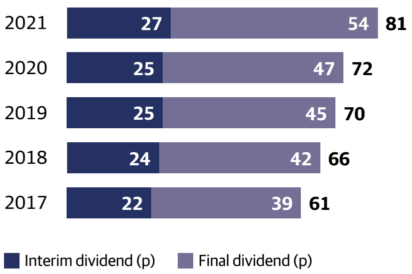
2021 was a year of good progress as we delivered against our strategic ambitions. We generated very strong financial results and took another major step forward in the expansion of our financial planning proposition with the acquisition of Saunderson House. The board reviewed the merits of the transaction and concluded that Saunderson House would accelerate group growth and enable us to reach new clients across the wealth sector. The acquisition brings £4.9 billion of FUMA (at 31 December 2021) and reinforces Rathbones' position as one of the largest independent UK wealth managers. Their 51 financial planners will strengthen our existing financial planning capabilities and enhance the wider wealth proposition we provide to our existing clients. The transaction is earnings accretive, underpinned by revenue and cost synergies, with a target return on invested capital of approximately 12% by the end of 2024.

Dividend

In line with a progressive dividend policy of over 25 years, positive financial results and a strong capital position, the board has recommended a final dividend of 54p per share. This brings the total dividend for the year to 81p per share, 12.5% ahead of 2020.

> "I would like to thank our colleagues for their remarkable resilience, supporting both Rathbones and each other throughout the pandemic. I am confident that together, we are building a stronger, better business."

Five-year dividend growth



Environmental, social and governance (ESG)

Rathbones has long been at the forefront of responsible investing through Rathbone Greenbank Investments who have created bespoke, ethical, and sustainable portfolios for our clients for over 20 years. Our approach to responsible investment was recognised by the FT & Investors' Chronicle Investment Awards 2021, where Rathbones was named ESG Champion of the Year, and ESG Champion for Governance. We intend to further integrate ESG into our investment processes across the Group, including the launch of four new Rathbone Greenbank Multi-Asset Funds announced earlier this year.

In keeping with our ESG responsibilities, I am delighted that Rathbones is committed to achieving net zero emissions by 2050 or earlier. More information on our commitment and our near-term targets is set out on page 59 of this report.

Outside of our own group, we have always recognised the importance of maintaining a dialogue with the companies in which we invest, and remain eager to help them towards better, more sustainable long-term performance. Our highly regarded stewardship team directly engaged with 705 companies in 2021 to discuss ESG issues. More information on our progress can be found in our responsible business review on pages 54-64.

The board is conscious that good governance is not simply a matter of regulatory compliance but encompasses the firm's culture, behaviours and how we serve our clients. We recognise the crucial link between culture, governance and leadership. As a result, the board closely monitors and analyses the firm's culture. This is supported by my own engagement with employees and our workforce engagement programme. It is gratifying to see the firm's strong and distinctive culture in action. This is evident by the way our employees work to provide positive outcomes for our clients and partners. Further information can be found in the full corporate governance report on pages 66-85.

During the year the board held strategy days with the group executive team to focus on strategic issues including emerging trends, client needs and their future expectations. Commitment to fulfilling client needs remains paramount, supported by a digital approach to enhance that interaction. Our new portal and app, MyRathbones, was launched in 2021 and during 2022, we will continue our digital investment through the roll out of a more seamless, personalised, and interactive experience resulting in reduced documentation for clients and advisers.

Board composition and succession

This has been a year of change for the board. I succeeded Mark Nicholls as chair at the AGM in May 2021. Mark's decade of commitment to Rathbones and his competence as chair were very clear and we wish him well in his retirement.

Jim Pettigrew also retired at the AGM in May 2021. As part of the board's succession plans, Colin Clark succeeded Jim as our senior independent director. I thank Jim for his tireless work over his four years at Rathbones and am delighted that Colin has taken on these important responsibilities.

James Dean has indicated that he will not seek re-election at the 2022 AGM as he has served nine years on the board. James has made a huge contribution to the board, both as a non-executive director and chair of the audit committee. As part of the board's succession plans, I am pleased that Iain Cummings will succeed James as chair of the audit committee.

As part of our nomination committee review of board effectiveness and succession planning, we monitor the diversity, depth of knowledge and industry experience within the board; to assess what new skills are necessary to continue constructive challenge and guidance to the executive team. As a result, in October, we appointed Iain Cummings and Dharmash Mistry as independent non-executive directors. Their experience in industry within and beyond the financial sector will be of great value to Rathbones in the years ahead.

Looking ahead

This has been a very strong financial year for Rathbones. In 2022 there is a continued commitment to increase the firm's organic growth, accelerate the digital transformation agenda, and successfully integrate Saunderson House.

Finally, on behalf of the board, I would like to thank our colleagues for their remarkable resilience. They have supported both Rathbones and each other throughout the pandemic.

I would also like to thank our clients, shareholders, and wider stakeholders for their continued commitment to our success. I am confident that together, we are building a stronger, better business.

Clive C R Bannister
Chair

23 February 2022

Rathbones at a glance

Our purpose, which is to think, act and invest responsibly, is delivered through our corporate values – responsible and entrepreneurial in creating value, collaborative and empathetic in dealing with people, courageous and resilient in leading change, professional and high-performing in all our actions.

15

UK locations[1] and Jersey

1,967

employees

£68.2bn

managed by us for our clients

FTSE250

company listed on the London Stock Exchange

Wealth Management

Investment Management

Rathbone Investment Management provides investment management solutions to a range of private clients, charities, trustees and professional partners. Clients of this discretionary service can expect a tailored investment strategy that meets individual objectives backed by an investment process that aims to provide risk-adjusted returns to meet clients' needs today and in the future.

Within Investment Management, we have several specialist capabilities including:

– Charities and not-for-profit organisations
– Rathbone Greenbank Investments
– Personal Injury and Court of Protection
– Rathbone Investment Management International

Advice

Through Rathbone Financial Planning, Saunderson House Limited and Vision Independent Financial Planning, we provide financial planning and advisory services. We also offer UK trust, tax and legal services through the Rathbone Trust Company.

Funds

Rathbone Unit Trust Management is a UK active fund manager, providing a range of single strategy funds that are designed to meet core investment needs in the retail client market. These funds are distributed primarily through financial advisers in the UK.

Our funds business also manages a range of multi-asset products that provide wealth solutions to the UK adviser market.

Our funds can also be accessed by international clients through our Rathbone Luxembourg Funds SICAV[2] (Société d'Investissement à Capital Variable) which allows access to a similar range of actively managed funds.

Complementary services[3]

As a bank, Rathbone Investment Management offers a loan service to existing clients.

1. Includes Vision Independent Financial Planning
2. Our Luxembourg-based feeder funds were converted to directly invested funds in preparation for the potential loss of Undertakings for the Collective Investment in Transferable Securities (UCITS) status post Brexit
3. All complementary services are reported as part of our Investment Management segment

Our investment case

A strong track record in a growing market

UK Wealth Management Market estimates (£trn)

Relevant investment solutions

Range of investment, financial planning and advisory solutions managing

£68.2bn

Growing ESG capability with over

20

years of experience through Rathbone Greenbank Investments

4th

largest charity fund manager in the UK

A single strategy and multi-asset Funds business managing

£13.0bn

Deep expertise

Access to over

500

investment managers and financial planners

Robust investment skills with a research team of over

30

individuals

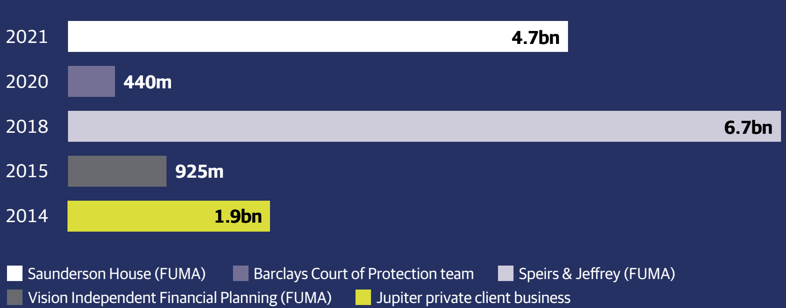
Annuity value

Client retention rate

93%

Long-term client and family relationships

Track record of delivering M&A and integration



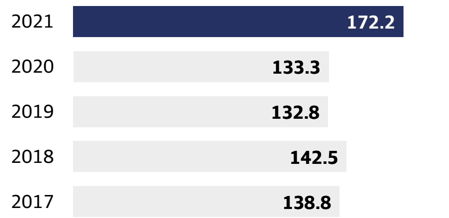
AUM at time of acquiring.

1. Sources: PAM Directory and Oliver Wyman estimates

Attractive financials leading to returns to shareholders

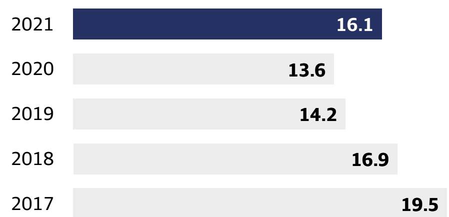
Underlying EPS

172.2p



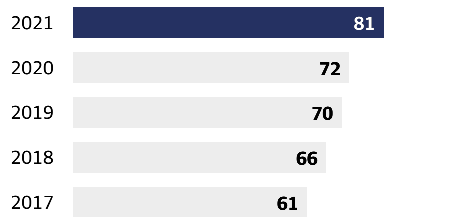
Underlying return on capital employed

16.1%



Dividend per share

81p



Creating long-term value

What we do

We are a leading provider of individual investment and wealth management services for private clients, charities, trustees and professional partners.

How Rathbones delivers wealth solutions today

A balanced business model that delivers...

- Wealth planning
- Point-in-time advice/planning
- Other advisory

By leveraging capability across the firm through...

Blended investment/advice solutions

Providing investment optionality, both directly to clients and indirectly to advisers with access to:

- Discretionary and managed portfolios
- Multi-asset funds
- Non-discretionary investment management
- Single-strategy funds
- Execution-only and banking

How we do it

Product and service optionality

An informed investment process

Supported by in-house operations

Individual relationships with clients and advisers

To create long-term value

- Clients have the option to join Rathbones either directly or through their own financial intermediary
- Our dedicated intermediary sales team provides Rathbones services and products to UK and International financial advisers, including from full bespoke discretionary services to fund-based solutions
- Direct client and adviser referrals remain the most important source of organic growth
- Our Vision Independent Financial Planning business operates independently but maintains a close relationship with Rathbone Investment Management
- Rathbone Financial Planning together with Saunderson House will provide whole-of-market advice to clients, working closely with investment managers to create bespoke financial plans

- We have a bespoke approach to portfolio construction supported by a central research team and a growing ESG capability
- Our firm-wide processes allow us to pool intellectual capital and provide strategic asset allocation methodologies
- We operate a range of specialist mandates, including specialist investment teams who provide services to charities, ethical investors and Court of Protection clients
- Our internal quality assurance and performance measurement capabilities provide a sound control framework

- We have dedicated in-house custody and settlement services
- Our operations team is highly experienced
- We outsource selected services, where this is cost-effective, to reliable and carefully chosen partners
- We are leveraging technology solutions to deliver a stronger digital service to clients and make Rathbones much easier to do business with

- Our service is delivered directly through investment managers who make portfolio decisions
- Our aim is to build lasting and trusted relationships
- We access investments across the whole market, with no bias towards in-house funds, but have a suite of fund solutions through Rathbone Unit Trust Management for clients who do not require a fully bespoke investment service
- Our Jersey office can cater for offshore investment needs
- Our upgraded client digital portal, MyRathbones, complements our face-to-face service

For investors

- Strong operating margin compared to industry peers
- Successful acquisition capability of people and firms that fit our culture
- Progressive dividend policy

Dividends per share in 2021

81p

For clients

- Active management of portfolios through changing market conditions
- A valued and quality service that builds trust
- Specialist mandate capabilities
- High-quality adviser services

Retention rate

93.3%

For employees

- Empowered to make individual investment decisions
- Performance-based remuneration
- Investment in training, support and development
- Share ownership
- Low staff turnover

Employee share ownership

8.6%

Stakeholder engagement

Section 172 statement

Our board promotes the success of the firm for the benefit of our members as well as a broad range of stakeholders that we recognise are material to the long-term future of our business.

We have a clear understanding of who we are as a business, supported by our culture and values. Our purpose represents our commitment as a business to all of our stakeholders and wider society, while our ambition provides our long-term goal for the future. Our board understands how important it is to maintain a reputation for high standards of business conduct. We consider the long-term consequences of our decisions, taking into account the impact on both the communities in which we operate and our environment.

Approach to stakeholder engagement

The firm's stakeholders are our clients, our people, our shareholders, our communities, regulators and partners with an interest or concern in our purpose and strategy. Our aim is to maintain an open and transparent approach to stakeholder engagement based on building constructive relationships with our key stakeholders and ensure there is a two-way dialogue.

Across the firm, there are many examples of stakeholder engagement influencing both day-to-day and strategics. The key strategic developments set out on page 70 illustrate some of our significant stakeholder considerations which informed the board's decision-making during the year and this approach is designed to be consistent with section 172 of the Companies Act and the overall expectations set by the board. Details of the framework through which this is governed are set out on page 68.

Our stakeholder relationships

The firm has identified the following key stakeholder groups and by considering their perspectives, insights and opinions, the board seeks to ensure outcomes of operational, investment or business decisions that are more robust and sustainable. In doing so our board has regard (amongst other matters) to the:

- likely consequences of any decisions in the long term
- interests of our people
- need to foster the company's business relationships with suppliers, customers and other key stakeholders
- impact of the company's operations on communities and the environment
- desirability of the company maintaining a reputation for high standards of business conduct
- need to act fairly as between members of the company.

Stakeholder framework

Input from engagement with stakeholders

Rathbones' outputs from engagement

People

Engagement helps us attract, retain and develop our sustainable pool of talent.

Input into the future employee model

Clients

Client engagement allows us to anticipate their needs and to evolve our proposition to meet their expectations.

Client insight and feedback on service, technology and products

Shareholders

Engagement is designed to ensure confidence in the long term success of the firm.

Provide insight into the firm's strategic and investment direction

Society and communities

We recognise our responsibility to wider society and communities we operate within.

Obtain specific environmental and social perspectives

Our partners and regulators

Engagement with regulators and our partners are fundamental to the running of the firm and servicing of clients.

Provide feedback to ensure ongoing collaboration and anticipate any regulatory changes

Clients

Link to enriching the client and adviser proposition

How the firm engaged

We engaged with our clients through a variety of channels including:

- client satisfaction survey focused on Charity and Greenbank clients
- regular meetings held with investment managers and financial planners
- continued use of video technology to enable virtual engagement with clients
- virtual and in-person conferences held for private clients, intermediaries and IFAs
- regular CEO letter and research notes issued to clients to update them on the firm and our investment proposition

How the firm responded

- financial awareness courses for all generations held in person and virtually
- development of new products and services to meet current and future client needs, for example the launch of the Rathbone Greenbank Multi-Asset Portfolios (RGMAPs) and the pilot of our Reliance on Adviser programme
- launched and continued development of MyRathbones featuring enhanced two-factor and biometric authentication and full availability on smart mobile devices and secure messaging. MyRathbones has achieved over 40% take up by clients since launch in the first half of 2021
- introduced digitised event management e.g. our financial awareness programme
- increased electronic delivery of client reporting and implemented encrypted email technology
- continued to develop our ability to deliver our proposition digitally (client servicing, thought leadership, events programmes, etc.) in order to serve clients remotely with careful consideration of the risk associated with digital (data protection, fraud, etc.)

Measuring our engagement

In 2021, we undertook a survey which focused on our Charity and Greenbank Charity clients. The results of this survey (shown on the right) indicated high levels of client satisfaction. Greenbank results were comparable:

- overall satisfaction score of 8.92/10
- overall satisfaction with their investment manager 8.97/10
- meeting the client's needs 76%

Feedback from these surveys and our broader client base helped to enhance our clients' digital experience through our Client Lifecycle Management programme including MyRathbones app, client portal and online reporting.

In 2022, we will undertake the Aon UK client experience survey

Further links to:

Stakeholder interests and engagement	page 70
Enriching our proposition	page 22

Measuring our engagement

Rathbones provides a service that meets our clients' needs

Strongly agree	81.1%
Slightly agree	14.3%
Other	4.6%

Satisfaction with their investment manager

10	44.9%
9	28.6%
8	17.9%
1-7	8.6%

On a scale of 1-10 where 10 is very satisfied and 1 is very dissatisfied

Overall satisfaction with Rathbones

10	34.1%
9	29.0%
8	22.7%
7	8.5%
1-6	5.7%

On a scale of 1-10 where 10 is very satisfied and 1 is very dissatisfied

People

Link to inspiring our people strategic priority

How the firm engaged

We engaged with our people through the following activities:

– regular colleague opinion surveys to measure engagement, wellbeing and opinions, e.g. our approach to hybrid working, change programme, etc
– ongoing and regular virtual management briefings
– webcast, internal magazine and management blogs
– virtual presentations by the executive team to discuss performance and the firm's progress on the strategic plan
– workforce engagement sessions held with the NEDs

How the firm responded

– working with the cross industry network Inclusive Companies to broaden our reach and appeal as part of our commitment to improve employee diversity, e.g. Rathbones featuring on the Inclusive Jobs portal and employee access to inclusive webinars
– shared our hybrid working principles see pages 28 and 58
– supported employee wellbeing through the provision of ongoing physical and mental health support. During the pandemic this was offered through virtual sessions
– continued to develop and expand Rathbones mentoring programme
– inclusive leadership training
– invested in virtual training and developing our employees

Measuring our engagement

2021 colleague engagement survey:

	2020	**2021**	Financial Services Benchmark
Employee response rate	82%	83%	
Overall engagement	91%	8.1/10*	7.7/10
Employee Net Promoter Score (eNPS)		44*	18

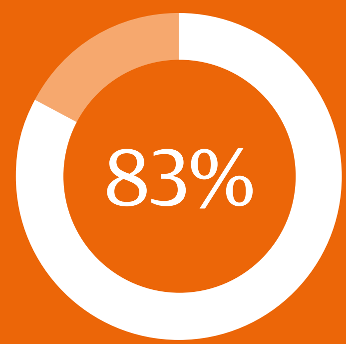
* In 2021 we used a new engagement system; this means direct comparisons to previous years was not possible.

Further links to:

Responsible business review	page 54
Workforce engagement	page 84
Enabling our people	page 28
Culture	page 83

Measuring our engagement

Employee response rate



Overall engagement

8.1/10

I am able to work effectively

8.4/10

I feel well communicated with

7.8/10

My manager cares about me as a person

8.4/10

Shareholders

Link to supporting and delivering growth strategic priority

How the firm engaged

We engaged with our shareholders through the following activities:

- executives held regular meetings with our investors throughout the year
- chair met with the firm's shareholders via his Induction programme during 2021 and provided feedback to the board
- in light of ongoing COVID-19 restrictions, the firm continued with a hybrid model AGM via a webinar and ensured effective shareholder engagement
- held numerous meetings with investors as part of the acquisition of Saunderson House
- continued to expand sell-side analyst research coverage of the company
- we commissioned an independent investor perception study and the results were presented to the board

How the firm responded

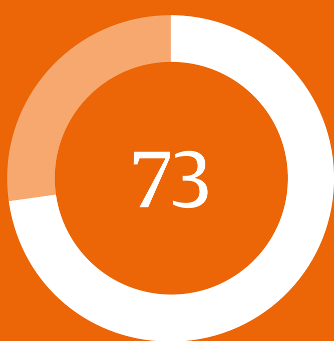
- provided regular updates on the company's financial and strategic performance
- the progressive dividend policy was maintained throughout the year
- an update on the firm's strategic plan and acquisition of Saunderson House was provided during the year
- took on board investor feedback for the firm's remuneration policy
- responded to several ESG related questionnaires during the year
- maintained a strong dialogue with the sell-side analyst community

Measuring our engagement

Number of investor meetings held in 2021

96

Number of new investors in 2021*



2021	73
2020	87

* Number of new investors includes both retail shareholders and institutional investors

Further links to:

Stakeholder interests and engagement	page 70
Group chief executive's review	page 18
Enriching our proposition	page 22

Society and communities

Link to enriching the client and adviser proposition and experience, and inspiring our people strategic priorities

How the firm engaged

We engaged with society and the communities in which we operate through the following activities:

– we encouraged high standards of governance as an investment manager and frequently engaged with companies on environmental, societal, and corporate governance concerns. We have been a signatory to the Principles for Responsible Investment (PRI) for over 10 years. Each year we produce a responsible investment report sharing our activity and progress
– we are proud to support the communities in which we operate and have a long history of contributing through the Rathbones Group Foundation, corporate donations and employee volunteering. In 2021 we gave over £418,000 (2020: £467,000)
– used our community investment network to support discussion around regional charity projects
– growing stakeholder expectation around management of climate risk and emission exposure

How the firm responded

– expanded our stewardship team to include greater ESG resource
– introduced our first group-wide exclusions, for thermal coal and cluster munition manufacturers
– increased the number of direct company engagements
– transitioned several of our local community investment programmes, supported by our Foundation, to longer-term strategic partnerships
– initiated a partnership with Social Shifters to support young entrepreneurs tackling environmental and social challenges
– reviewed our approach to managing climate risk and expanded the data included in our carbon reporting, to cover our supply chain and operational footprint and the impact of our investment portfolios. See our TCFD report for more information
– agreed to publish our first standalone responsible business report, where we share more detail on our responsible business programme and progress made, alongside existing reporting such as our CDP disclosure. Our CDP score decreased in 2021 as the submission was based on 2020 activities and therefore did not incorporate the targets we set in 2021

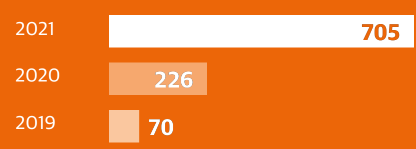
Further links to:

Responsible business review page 54
Chair's statement page 4

Measuring our engagement

Direct engagement with investee companies

705



Total amount donated

£418,000

CDP score

C	B	B-
2021	2020	2019

Our partners and regulators

Link to operating more efficiently strategic priority

How the firm engaged

We engaged with regulators and our partners through the following activities:

– we held regular meetings with our regulators during the year and continue to have a proactive and transparent relationship with them
– we ensured our payment terms with all suppliers were fair and in compliance with payment practices
– we engaged our suppliers to understand both their exposure to environmental, social and governance (ESG) risk (including modern slavery risk) and their management of these matters. Our modern slavery statement is updated annually and reviewed by our board
– we maintained ongoing relations with our key suppliers and partners during the year with regular board updates
– engaged with our existing lenders to refinance our debt facility

How the firm responded

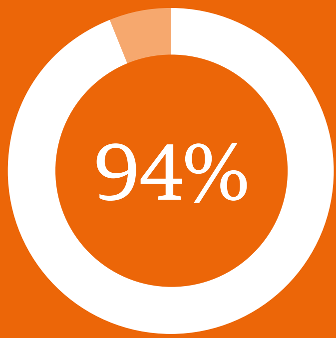
– worked in close collaboration with the firm's regulators and responded on a timely basis
– maintain a constructive relationship with HMRC to help ensure alignment with the relevant regulatory frameworks
– reviewed our preferred, strategic and critical suppliers for alignment to our ESG policies and processes. See page 57
– regularly interacted with the industry bodies and associations we are affiliated with to ensure we were engaged with issues impacting our industry
– refinanced and increased our debt facility with our existing lending partner, M&G

Further links to:

Stakeholder interests and engagement	page 70
Risk management and control	page 46
Responsible business review	page 54

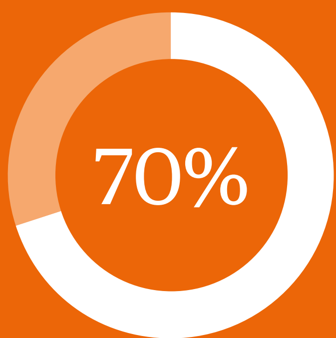
Measuring our engagement

% of suppliers paid within 30 days



2021	94%
2020	90%
2019	92%

% of payments to suppliers made in agreed timeframe



2021	70%
2020	63%
2019	65%

Response to regulators

All responses to regulators have been made in line with the agreed deadline

Evolving

OUR DIGITAL SOLUTIONS

A key focus over the next few years is to ensure that, as our offering evolves and grows, the Rathbones experience for our clients, advisers and people remains efficient and enriching. That is why at Rathbones, we are focussing on creating a blended human and digital experience by investing further in digital technology through our 'Client Lifecycle Management' or 'CLM' programme. Designed around the client and the adviser and based on feedback received from speaking directly with a number of our clients and advisers, we are aiming to introduce new digital capabilities across our services and solutions.

The first part of our digital ambitions, partnering with Objectway, was the launch of 'MyRathbones', our client-facing portal and app, which was launched in the first half of 2021. Today, c.43% of clients and advisers are actively using MyRathbones and this will continue to grow in 2022 as we implement further improvements and new features through regular upgrades based on client, adviser and colleague feedback. It is clear this has begun to enhance the efficiency and the experience we plan to achieve for our clients, with:

over

640,000

logins to the portal and app

over

72,000

documents downloaded

more than

8,500

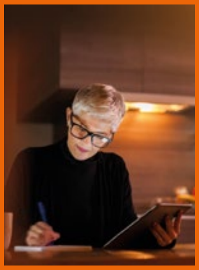
secure messages sent between clients and investment managers

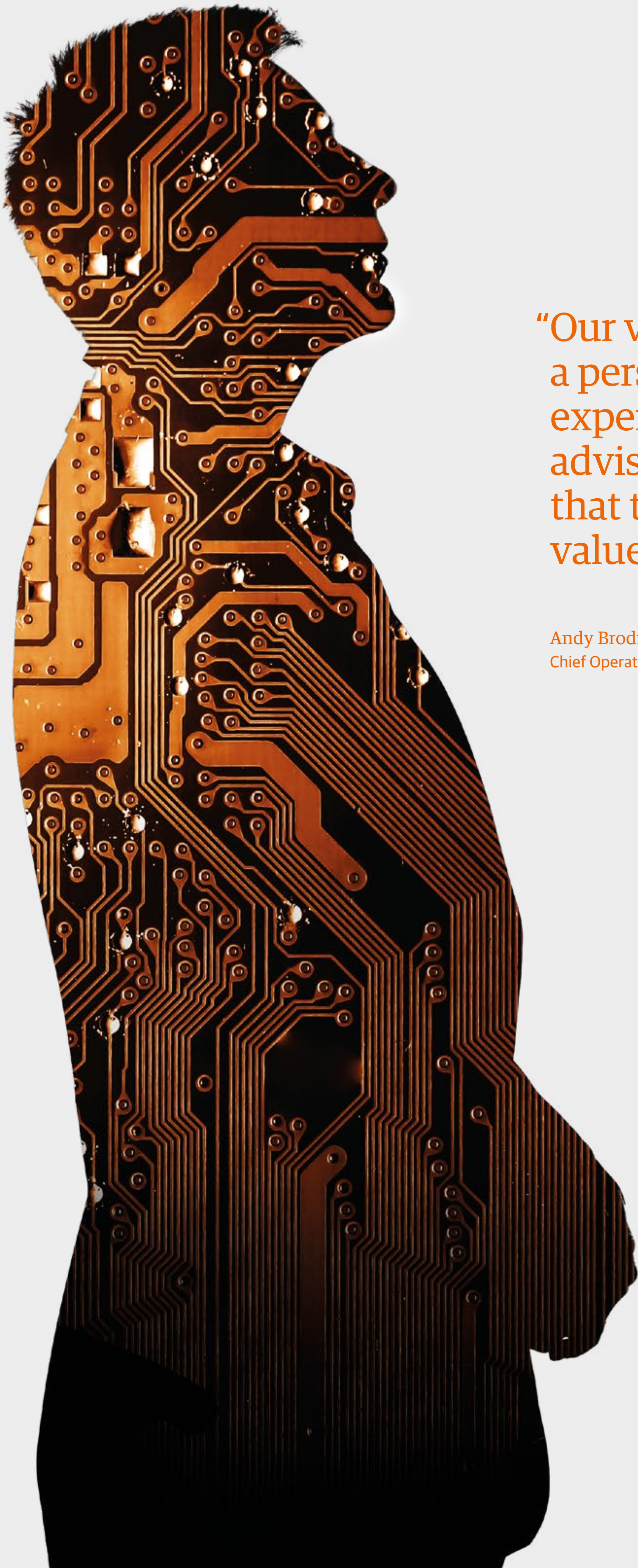
MyRathbones is just one of several solutions that will be rolled-out as part of the CLM programme. Over the next two years, we will digitally transform our client prospecting, onboarding and servicing capability as well as enhancing our client reporting and further improving our private client investment management tools. In addition, we will be providing a new investment management system to support our Funds business' equity, fixed income and multi-asset portfolio management. These improvements will make it easier to do business with us and delight clients along the way. To do this we will partnering with three key organisations: Objectway, InvestCloud and Charles River.

In addition, we have delivered improvements to our technology infrastructure across the firm by embracing a cloud-based hosting model for several of our systems and applications. We are also utilising video capabilities like Microsoft Teams to speak with clients and operate more efficiently across our many office locations, supporting hybrid working.

Finally, it is worth highlighting our focus on data management within the organisation. Over the last year we have hired a new team of people to focus on gaining greater insight into our data and leveraging best in class data capabilities.

Our vision is to build a personalised digital experience for clients, advisers and colleagues that truly enhances the value of our services. By embracing modern digital solutions we will be able to manage the full private client and adviser lifecycle experience for clients of Rathbones today, but also for the Rathbones clients of tomorrow.





"Our vision is to build a personalised digital experience for clients, advisers and colleagues that truly enhances the value of our services."

Andy Brodie
Chief Operating Officer

Group chief executive's review

Paul Stockton
Group Chief Executive Officer

Introduction

It is difficult to report on 2021 without mentioning the pandemic which has impacted so much. For Rathbones, it has presented both challenges and opportunities that have changed the way in which we have invested and improved the way in which we deliver services to clients. We end the year in a very strong position having taken advantage of opportunities to improve client service quality, deliver strong investment returns, and build a robust change management and delivery capability. Our approach to supporting our employees has focussed on well-being, thereby improving productivity and securing a high level of staff engagement throughout the year.

As a result, we have made considerable progress in delivering on a strategic change agenda that will not only improve our services, but also build greater affinity with a wider range of client groups and make us significantly easier to do business with. We have succeeded in balancing cost and revenue growth during this period, culminating in a very strong year financially. Total funds under management and administration (FUMA) grew 24.7% to reach £68.2 billion at 31 December 2021 (2020: £54.7 billion), while profit before tax grew 116.9% to £95.0 million (2020: £43.8 million. Underlying profit before tax totalled £120.7 million, 30.5% ahead of the

Total FUMA up

24.7%

Statutory profit before tax up

116.9%

Basic earnings per share up

169.2%

£92.5 million reported in 2020. This resulted in an underlying operating profit margin of 27.7% (2020: 25.3%). Further information on our financial performance can be found on pages 29-45.

After a decade of significant growth, the Rathbones of today is a business offering a holistic range of wealth management and advice services, complemented by a high-quality fund management business; our December 2021 announcement to rename the company to Rathbones Group Plc reflects this.

Growth and fund flows

By the end of the year and before the rotation to value we saw in early 2022, global investment markets largely looked to a future beyond the pandemic as key indices recovered well, comparing favourably to the considerable nervousness in the period leading up to the end of 2020. In the year, the FTSE 100 was up 14.3% and the WMA Balanced Index up 10.3%. This relatively strong performance combined with our own organic and acquired growth increased FUMA by 24.7% in the year (2020: 8.6%). Against relevant indices, our investment performance was also strong over one, three and five years.

In 2021 we enhanced our reporting capability, which is reflected in the improved disclosure found on pages 30-32. Discretionary service net inflows totalled £1.3 billion in the year, up 30% on £1.0 billion in 2020. External inflows of £0.5 billion into our risk targeted multi-asset fund range were up considerably from £0.2 billion in 2020. This fund range is a central part of our offering to the adviser market and also underpins our offering for those clients wishing to invest smaller values. Total discretionary and managed net inflows were £1.8 billion in 2021 representing an annualised growth rate of 4.1%. This compares to growth of 1.4% in 2019 (net inflow of £0.5 billion) and 2.9% in 2020 (net inflow of £1.2 billion) demonstrating a growing momentum in both direct to client business and the indirect financial adviser market.

"We made some considerable headway in delivering on a strategic change agenda that will continue over the next two years and will not only improve our services, but also build greater affinity with a wider range of client groups, and make us significantly easier to do business with."

Our growth plans continue to focus on improving services to existing clients and establishing relationships with new clients and advisers. Our dedicated client development team has provided a welcome point of focus in the direct market, encouraging a 'One Rathbones' approach to deliver a more holistic client service where we bring together the best of our skills and knowledge to support focused growth campaigns. Our specialist intermediary sales team is also well positioned to grow, and has seen momentum build in 2021 with indirect net flows from IFAs into our discretionary services at £0.7 billion in 2021 (2020: £0.2 billion) reflecting the investment we have made in the team.

Our Funds business had another very strong year with funds under management (FUM) reaching £13.0 billion at 31 December 2021 (2020: £9.8 billion). Net flows into our single strategy fund range grew by 20.0% year on year to £1.2 billion (2020: £1.0 billion). In total, Rathbone Funds generated net inflows of £2.1 billion (2020: £1.5 billion), a growth rate of 21.1% (2020: 20.1%). Rathbones was ranked in 5th position for total net retail sales in the UK in 2021 (source: Pridham Report), ahead of its 9th place position in 2020.

Our strategy in action

Rathbones' future success is founded on our commitment to deliver a personal service that brings empathy and reassurance and builds trust with clients and advisers. We are committed to a responsible business agenda that fits our brand values and resonates strongly with both stakeholders and the next generation holders of wealth. Our strategy aims to establish a blended human and digital experience that transitions seamlessly across Rathbones and continually improves the quality of our investment and advice processes that stand up to scrutiny and deliver value. To achieve this, our objective is driven by four main pillars: enriching the client and adviser proposition and experience, supporting and delivering growth, inspiring our people, and operating more efficiently. Our focus on delivering against this strategy has driven considerable and positive changes within the business that have helped deliver strong financial outcomes in 2021.

Building our financial advice capability

The completion of the Saunderson House Limited acquisition in October 2021 added the largest specialist professional services-focused financial planning business in the UK to Rathbones Group. With £4.9 billion (as at 31 December 2021) of FUMA and 51 certified advisers, Saunderson House presents a valuable opportunity to expand our proposition and accelerate the growth of our financial advice capability. Work since acquisition has reaffirmed the opportunities we anticipated: to be able to provide a deeper and more flexible investment service to Saunderson House clients and grow its presence in the sectors it operates in. Integration work is on track to deliver against expectations. The cultural fit with our existing Rathbones Financial Planning team is strong, with both management teams working well together.

Vision Independent Financial Planning (Vision) grew FUMA to £2.7 billion at 31 December 2021, up 22.7% from £2.2 billion in 2020, and now has 131 financial planners. The network is actively seeking to recruit further in 2022.

Looking across the group, Rathbones can now provide clients with access to over 200 financial planners and paraplanners and over 300 investment professionals that together can provide any combination of advice or investment services. Our strategy recognises that external advisers demand quality investment services directly, and we have continued to invest to enhance our direct to adviser proposition to deliver value and breadth of proposition to advisers and networks. As at 31 December 2021, the amount of adviser linked FUMA was £11.4 billion (31 December 2020: £9.7 billion).

Responsible investing

A critical part of the development of our proposition is to deliver a leading approach to responsible investing across the group. In our wealth business, we have over 20 years of experience in ethical investing and our specialist ethical, sustainable and impact team Rathbone Greenbank Investments had £2.3 billion of funds under management at 31 December 2021 (2020: £1.9 billion). We are leveraging the expertise and experience of Rathbone Greenbank Investments more widely across Rathbones as well as adding capability to develop its proposition in a rapidly changing environment to facilitate further growth. All of our investment managers and their support staff have now completed the CISI Professional Assessment on Sustainability and Responsible Investment or the CFA equivalent. In 2022 we will also integrate an expanded ESG research data set into the investment process across the group and improve ESG reporting to clients with support from research and our award-winning stewardship team who during 2021, completed 705 company engagements.

Our Funds business also supports the responsible investment approach by delivering fund-based solutions for clients and advisers. Our highly successful Ethical Bond Fund continues to deliver strong investment performance, growing to reach £2.8 billion at 31 December 2021 (2020: £2.1 billion) while the Rathbone Greenbank Global Sustainability Fund now manages £116 million (2020: £44 million). In March, we added to our sustainability fund offering by launching the Rathbone Greenbank Multi-Asset Portfolios (RGMAPs) fund range. The RGMAPs funds are managed by Rathbones' acclaimed multi-asset team and supported by Rathbone Greenbank Investments and though nascent, now manage £105 million. Total ethical and sustainable funds managed by Rathbones Group now equate to £5.3 billion and continue to grow.

We will continue to place responsible investing at our core, and enhance our capability through recruitment and skills development across investment and advice teams. Our charity proposition also continues to gain prominence with Rathbones ranked the 4th largest charity manager in the UK by Charity Finance with funds managed under a charitable mandate totalling £7.1 billion (2020: £6.5 billion). In a recent charity survey, respondents gave their Rathbones investment manager a mean satisfaction score of 9/10,. There were also a number of insights that we will use to improve our service.

We are committed to responding to our own fiduciary duty as a business to help build a better world for future generations as well as being stewards and allocators of capital. The establishment of a responsible business committee is critical to this ambition. Chaired by me, this committee oversees not only our responsible investment agenda, but also how we deliver on our responsibilities to our employees, our own environmental impact, and our social agenda. More information on our work in these areas will be published in our first standalone responsible business report in April 2022.

The success of Speirs & Jeffrey

The acquisition of Speirs & Jeffrey in 2018 added considerable skills and capabilities to Rathbones as well as creating a leading market presence in Scotland. The transaction has established us as one of the largest independent wealth managers in Scotland with FUMA of £11.0 billion at 31 December 2021 (2020: £10.3 billion).

At the time of the acquisition in 2018, we outlined the following financial targets for 2021: expected underlying EPS accretion from the acquisition of at least 8%, and an underlying return on investment of approximately 13%. As at 31 December 2021, we exceeded both of the targets we originally laid out despite an uncertain and challenging backdrop through much of 2020 and 2021. Importantly, we have now largely worked through the short-term impact from the acquisition on basic earnings per share (EPS), which is now up 169.2% to 133.5p (2020: 49.6p) and more closely reflecting underlying EPS. Further information on financials related to the acquisition can be found in the business review. My thanks go to the Glasgow and transition teams that have worked so hard to make the deal such a success.

Current and future digital plans

Our strategy sets out the need for a resolute focus on leveraging technology and people as part of a holistic digital experience that differentiates by quality, demonstrates value to clients, advisers and colleagues and harnesses efficiency opportunities. There is little doubt that the pandemic has greatly emphasised the importance of this direction of travel as well as being a significant facilitator of change as to how we work and interact with each other and our clients.

The first part of our digital strategy was the launch of our 'MyRathbones' web portal and app. Today, c.43% of clients are actively using the portal and app and this will continue to grow in 2022. It is also clear that the level of engagement with 'MyRathbones' has increased significantly versus our legacy platform. Alongside this development, we have also built in a continual improvement ('agile') capability that delivers regular upgrades that can keep the platform current and continue to respond to client-led improvements. MyRathbones will grow to be the digital doorway into Rathbones, providing clients and advisers with a straightforward, flexible, and safe experience for everyday tasks.

During 2021 we took our digital strategy further, in partnership with Objectway, by upgrading our custody and settlement system that provides the fundamental support for all aspects of the business. This significant work was completed on time and budget and has now established

> "Our strategy sets out the need for a resolute focus on delivering an integral digital service to clients and the leveraging of technology solutions to improve our own productivity."

an up-to-date platform for operating our day-to-day books and records. It is a solid foundation upon which to build more client-centric systems, supporting an interim redesign of client and adviser reporting.

In 2021 we also mobilised a significant change team to support the delivery of a Client Lifecycle Management capability that will transform how Rathbones engages with clients and advisers. Our ambition is that clients and advisers will see a seamless, personalised and interactive experience that significantly reduces unnecessary documentation and data processes that materially improves efficiency and client centricity across the business. When achieved, our investment managers and financial advisers will be equipped with leading data and client management tools that will promote rather than inhibit service delivery and make Rathbones much easier to do business with. It will also enable more time to focus on performance and growth within the client facing teams.

To make this important step change, we have partnered with InvestCloud, a global company which specialises in digital transformation in the financial industry. It brings leading expertise in digital design, innovative technology and data capabilities to enable us to deliver leading Client Lifecycle Management capabilities to deliver a holistic digital experience. This will also enable us to keep pace with the rapid changes in client preferences and industry standards we expect to see over the medium term.

In addition to our partnership with InvestCloud, we have signed a partnership agreement with Charles River. It is a leading provider of portfolio management solutions that will help to take our Funds business to the next level, adding more institutional fund management capability to support investment performance and the next phase of growth.

The programme of delivery for all our digital plans will be phased to enable prioritisation and re-investment of early benefits. The phase of investment is expected to be concentrated over the next two years at a total operating expenditure cost of £40 million. At market levels consistent with conditions at 31 December 2021, we plan to manage this investment within existing underlying operating margin guidance of mid-20s with a view to returning to upper-20s operating margins of 27-30% from 2024 onwards.

People

I have always maintained that, aside from our clients, our people are our most important asset and it has been truly heartening to witness the resilience and focus of our employees over the past two years. Like many businesses, having learnt from remote working, we will incorporate what we have learned into our future hybrid working approach. Employees will have greater autonomy in how they use their time and the ways in which they work. Rathbones will facilitate this activity to ensure that we can drive productivity, support flexibility, and compete for talent.

Rathbones recognises that capturing the full value and impact of our people at work can only be achieved by having an inclusive and diverse workforce who feel that they belong to the Rathbones Group. As a predominantly client-facing business this is critical to us being able to serve our clients and deliver on goals we have set. We took some important strides in 2021 to promote our Diversity, Equality & Inclusion (DE&I) agenda by adding resources, capturing helpful data for nearly 65% of our employees and taking part in several workforce programmes. More information on these important initiatives can be found on page 28 and in our responsible business review on pages 54-64.

An engaged workforce is essential to delivery of our purpose and strategy. Our 2021 employee survey received an 83% response rate and our overall engagement score is notably higher than our industry benchmark. We are committed to continually improving our employees' experience at work and will continue to run and respond to surveys throughout the year.

Risk management

Risk management practices are embedded across the firm and will continue to develop as we upgrade risk management systems and consider control self-assessment processes in 2022. We remain conscious of the impact of the changing risk landscape to our firm and industry, particularly as the world emerges from the pandemic. Risks associated with ESG, including climate change, anti-money laundering and the potential for further supply chain risks arising from Brexit are considered and assessed regularly. We will also remain diligent to mitigate risks in respect of potential cyber threats, business change, and greater investment in digital solutions.

Outlook

The business ends 2021 in good health and is showing strong momentum having posted strong financial returns and delivered on some important initiatives in the year. The post pandemic environment, together with inflationary and macro-economic pressures, as well as the current tensions in Ukraine will continue to be digested by investment markets, but Rathbones is in a strong position to implement critical client lifecycle and investment systems capabilities in 2022, secure the delivery of ambitions for Saunderson House, and explore further opportunities to drive growth.

Paul Stockton
Group Chief Executive

23 February 2022

Enriching

OUR PROPOSITION

Rathbones is client led: as our clients' needs evolve, so too does our proposition. This way we can continue to offer a holistic service. In enriching the client and adviser experience, our strategy has created targeted propositions to both the wealth management and asset management sectors. Rathbones remains a high-quality brand and we will continue to invest in our brand proposition to support the next generation.

In recent years, our proposition has advanced through:

- The acquisition of Saunderson House, the UK's largest professional services focused financial planner
- The launch of the Rathbone Greenbank Multi-Asset Portfolios (RGMAPs), a sustainable investment fund suite that leverages the expertise of our Rathbone Funds and Rathbone Greenbank businesses
- Leveraging of the funds capability of the group to offer considerable choice to direct clients and the intermediary market, allowing both have access to discretionary and fund-based solutions that provide optionality
- Deliberate investment in skills and systems to make our investment process stronger

Saunderson House adds FUMA of

£4.9bn

RGMAPs have over

£100m

invested in their first year

Rathbones Group now has over

300

investment managers, and over

200

financial planners, serving

66,500

clients

"Keeping our propositions relevant and of value to a wide range of client preferences has always been our goal."

Mike Webb
CEO of Rathbone Funds

Our market and opportunities

The UK wealth sector is attractive and long-term secular growth opportunities remain as the industry continues to evolve to deliver returns for a wide range of clients. Sector assets are estimated to be nearing £2.1 trillion by 2024. As we begin to emerge from the COVID-19 pandemic, many themes of the market have amplified, and our response will be critical.

Industry trends

Changing profiles and expectations of clients

What this means for the industry

There is growing demand for holistic advice, new products and services and digital propositions. Intergenerational wealth transfer and the changing gender and ethnic profile of wealth will continue to drive proposition changes.

How Rathbones is responding

- Provide a wide range of services that caters to differing investment and financial planning requirements
- Engage with different client groups as well as the younger generation in preparation for intergenerational wealth transfer
- Promote our Diversity, Equality & Inclusion agenda by adding resources and taking part in several workforce programmes

Increased focus on responsible investment

What this means for the industry

The role of the industry continues to expand, extending to broader issues. This wider role is expected to become even more important in future years as part of the focus on responsible and sustainable investment. Social and environmental issues will be more important than ever before.

How Rathbones is responding

- Broaden our existing ESG proposition and investment range, ensuring they remain relevant for the clients of tomorrow
- Maintain dialogue with companies we invest in to support more sustainable long-term performance
- Commit to achieving net zero emissions by 2050 or earlier

Demand for technology solutions

What this means for the industry

Clients are becoming more and more accustomed to using technology to communicate and manage their financial affairs, particularly following the COVID-19 pandemic.

Keeping pace with this change is fundamental to remaining competitive and sustaining a quality service, particularly as inter-generational wealth transfer accelerates and inheritors have different investment and digital service expectations than donors.

How Rathbones is responding

- Enhance the digital client experience and provide seamless multi-channel communication to clients
- Upgrade client relationship management tools and risk management processes
- Invest in systems that will reduce time spent on administrative tasks
- Enhance the use of data to reduce costs, improve productivity and enable continual reinvestment
- Build relationships with the next generation of clients using relevant technology to facilitate future retention of investment portfolios

Continued consolidation opportunities

What this means for the industry

The wealth management sector remains highly fragmented and benefits of scale remain strong both in terms of operating leverage and service diversification. There remains a long tail of sub-scale wealth managers who have felt greater operational strain through the pandemic while the majority of larger-scale peers are committed to growing.

How Rathbones is responding

- Continue to look for inorganic growth opportunities that fit our culture but maintain strict acquisition criteria
- Continue to selectively recruit individuals and teams to the business

Our strategy

We launched our medium-term strategy for the business in October 2019, to support our purpose of thinking, acting and investing responsibly. Our four strategic priorities are set out here.

Enriching the client and adviser proposition and experience

How we plan to achieve this

Enhancing valued services

Enhancing the experience for private clients and providing a dedicated service for financial advisers.

Deepening investment skills

Fostering our investment expertise, broadening capability and coverage, and investing responsibly.

We are developing content and tailoring the delivery of our services for both the direct-to-client and direct-to-financial-adviser markets to ensure we serve all client segments appropriately. We continue to develop our investment culture and are investing to broaden our capability and coverage to drive positive client outcomes. Our investment process is supported by our focus on environmental, social and governance issues.

Link to KPIs and risks

KPIs

- Number of investment managers and Investment Management clients
- Staff turnover

Risks

- Suitability
- Advice
- Sustainability
- Regulatory compliance and legal
- People

Supporting and delivering growth

How we plan to achieve this

Penetrating specialist markets

Focusing on specialisms, building on existing capabilities and leveraging Rathbone Greenbank Investments.

Driving organic growth

Managing client-facing capacity, structuring distribution, driving growth through financial planning and building our Funds business.

We are investing to improve our organic growth rate. To do this, we are building up skills and resources to access specialist markets including charities, Rathbone Greenbank Investments and Court of Protection. We are also freeing up capacity in our investment teams, adding structure to our business development activity and supporting the ongoing growth of our Rathbone Funds and Rathbone Financial Planning businesses.

Link to KPIs and risks

KPIs

- Total funds under management and administration
- Investment Management net organic growth rates
- Underlying operating margin
- Underlying earnings per share
- Return on capital employed

Risks

- Suitability
- Advice
- Sustainability
- Regulatory compliance and legal
- Change

Inspiring our people

How we plan to achieve this

Our culture and corporate values

Becoming a more diverse and inclusive organisation, continuing to listen to our people and improving our commitments to them.

We are a people business so it is imperative that our strategy sets a culture that drives performance and builds long, rewarding careers for our colleagues. Against a common set of corporate values and a commitment to diversity, equality and inclusion, we plan to leverage the talent in our business as we develop more career paths, build leadership skills and manage succession.

Link to KPIs and risks

KPIs

- Percentage of shares held by current employees
- Staff turnover
- Variable staff costs as a % of underlying profit before tax and before variable staff costs

Risks

- People
- Change

Operating more efficiently

How we plan to achieve this

Driving productivity

Providing a quality client experience and making us easy to do business with.

Leveraging the use of technology to streamline processes and manage change is a significant opportunity, and embedding a productivity culture is an important part of our future success. Productivity will support growth, boost employee morale and create the time and resources to invest in future growth initiatives. We will also embrace digital to work alongside our face-to-face service, offering a broader set of communication options for clients and advisers.

Link to KPIs and risks

KPIs

- Underlying operating margin
- Return on capital employed
- Common Equity Tier 1 ratio
- Headcount

Risks

- Information security and cyber
- Technology
- People
- Processing
- Change

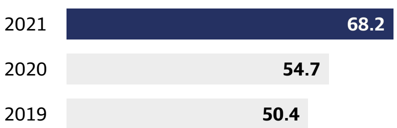
Read more on our KPIs and risks on pages 26-27 and 46-53

Key performance indicators

The group considers the following financial and non-financial measures as key performance indicators (KPIs) of its overall performance. Each KPI is linked to at least one of our four strategic pillars and is used to measure both the progress and success of our strategy implementation.

Total funds under management and administration

£68.2bn



Definition

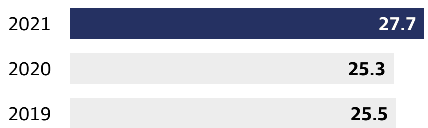
Total funds under management and administration at the end of the year.

Relevance

The amount of funds that we manage directly impacts the level of income we receive.

Underlying operating margin[1]

27.7%



Definition

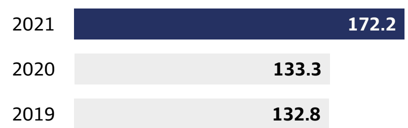
Underlying profit before tax as a percentage of operating income.

Relevance

This measure enables the group's operational and segmental performance to be understood, accurately reflecting key drivers of long-term profitability.

Underlying earnings per share[1]

172.2p



Definition

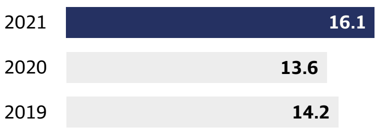
Underlying profit after tax divided by the weighted average number of ordinary shares.

Relevance

An important measure of performance as it shows profitability, reflecting the effects of any new share issuance.

Underlying return on capital employed[1]

16.1%



Definition

Underlying profit after tax as a percentage of the underlying quarterly average total of equity.

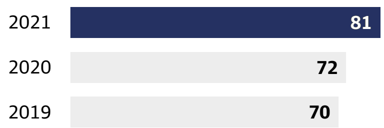
Relevance

A useful measure of financial efficiency as it indicates profitability after factoring in the amount of capital employed by the business.

1. This measure is considered an APM. Please refer to page 33 for more detail on APMs.

Dividend per share

81p



Definition

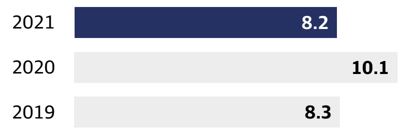
Total annual dividend per share (interim and final).

Relevance

Dividends represent an important part of the returns to shareholders.

Staff turnover

8.2%



Definition

Number of permanent employees who have left during the year, excluding retirements and redundancies, as a percentage of opening headcount.

Relevance

A measure of staff retention, which can be a reflection of the work environment and commitment to the organisation.

Enriching the client and adviser proposition and experience

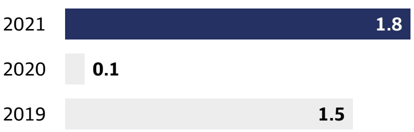
Supporting and delivering growth

Inspiring our people

Operating more efficiently

Investment Management net organic growth rate

1.8%



Definition

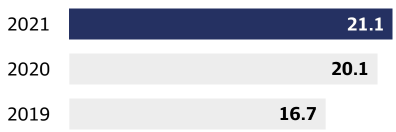
The value of annual net inflows from Investment Management as a percentage of opening funds under management and administration in that segment.

Relevance

Measures the ability of the Investment Management business to grow in the absence of acquisitions.

Rathbone Funds net organic growth rate

21.1%



Definition

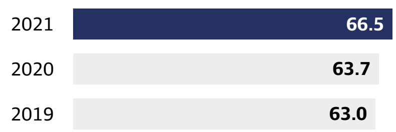
The value of annual net inflows from Rathbone Funds as a percentage of opening funds under management in that segment.

Relevance

Measures the ability of the Funds business to grow.

Number of Investment Management clients

66.5



Definition

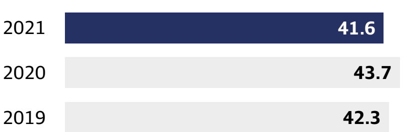
The number of clients who use our services.

Relevance

In an industry where scale is important, the size of our client base helps to determine market share.

Performance-related variable staff costs[1,2]

41.6%



Definition

Performance-related variable staff costs divided by underlying profit before tax and before performance-related variable staff costs.

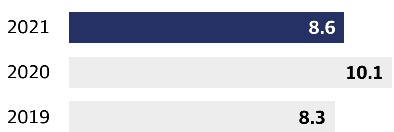
Relevance

Shows the extent to which profits are shared between employees and shareholders.

1. As a % of underlying profit before tax and before performance-related variable staff costs
2. This measure is considered an APM. Please refer to page 33 for more detail on APMs

Percentage of shares held by current employees[1]

8.6%



Definition

The percentage of outstanding shares held by current employees of the firm.

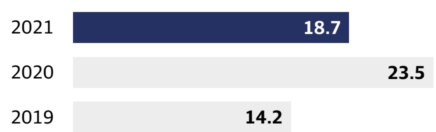
Relevance

A direct link for employees to the future financial success of the company as shareholders.

1. Includes some unvested employee share plans

Common Equity Tier 1 ratio

18.7%



Definition

Common Equity Tier 1 capital as a proportion of total risk exposure amount.

Relevance

As a bank, we must maintain certain levels of capital. A higher ratio is an indicator of financial resilience.

Refer to page 42 for further detail

Enabling

OUR PEOPLE

Rathbones strives to invest 'for everyone's tomorrow'. 'Everyone' includes our people. We are committed to investing in our most powerful asset, our people, as catalysts for growth. Investing in support, tools and a positive working environment enhances engagement, wellbeing and career development.

In 2021, COVID continued to impact our employees. Following the move to remote working in 2020, 2021 saw us design and pilot our approach to hybrid working. The response from our people demonstrates that digitisation and remote working can positively impact client service and group performance and so we will roll out our permanent hybrid-working model in 2022. While the CLM system will deliver a blended personal / digital client experience, the reconfiguration of office space to support hybrid-working will continue to enhance our employee proposition and provide a fit for the future working environment.

In addition to the Saunderson House acquisition, we continued to grow organically and, with the roll-out of our more targeted diversity, equality and inclusion initiatives, we are becoming a more diverse business as we grow.

Our People Plan, focused around the four areas of: asking, listening and doing, investing in our people, being an employer of choice and using data to support decisions.

To find out more about our people read p58

Our priority areas

- Asking and listening through regular and targets surveys and feedback workshops.
- Provide the tools and opportunity for everyone to own their own career pathway.
- Accelerate the pace in building a diverse equitable and inclusive workplace.
- To make our employees work more meaningful - sponsoring ambition and challenge and recognising success through contribution.

The changing employee environment

38.5%
of our senior managers are female. An increase of 13.5% on our 2020 position.

>64%
of our employees have submitted their diversity characteristics.

"We are at a very exciting stage of growth and change, we are dedicated to releasing the full potential of all our people and continuing to build on our strong Rathbones culture and values."

Gaynor Gillespie
Chief People Officer

Financial performance

Jennifer Mathias
Group Chief Financial Officer

Overview of financial performance

The group delivered a very strong set of results for the year to 31 December 2021, driven by growth in all areas of the business and the realisation of benefits of our acquisition strategy.

Underlying profit before tax grew 31% to £120.7 million (2020: £92.5 million) reflecting strong operating income growth, balanced with the continuation of investment in the strategic plans announced in October 2019. The underlying operating margin, which is calculated as the ratio of underlying profit before tax to operating income, was 27.7% (2020: 25.3%).

Statutory profit before tax for 2021 was £95.0 million (2020: £43.8 million). This included planned deferred acquisition and integration costs of £6.4 million relating to Speirs & Jeffrey (2020: £32.3 million). We also incurred costs of £3.7 million in 2021 relating to the acquisition of Saunderson House.

The board primarily considers underlying measures of income, expenditure and earnings when assessing the performance of the group. These are considered to be a better reflection of true business performance than reviewing results on a statutory basis only. These measures are also widely used by research analysts covering the group. A full reconciliation between underlying results and the closest IFRS equivalent is provided on page 34.

"The group delivered a very strong set of results for the year, driven by growth in our core service lines and the realisation of benefits of our acquisition strategy."

Funds under management and administration

In 2021 we enhanced our FUMA flow reporting capability to provide additional analysis of FUMA by service level.

Table 1 presents separately the FUMA, and associated movements, in those services and products which support our wealth management solutions from asset management products and other services. Wealth management FUMA incorporates our bespoke discretionary portfolio and managed portfolio services. It also includes direct sales into our range of risk-targeted multi-asset funds, which are designed to be used as wealth management solutions for clients of investment platforms and financial advisers. Asset management FUMA includes our focused range of specialist 'single strategy' funds, which are designed to act as individual holdings within investment portfolios.

Including the acquisition of Saunderson House, group FUMA increased 24.7% in the year to £68.2 billion. Saunderson House FUMA totalled £4.9 billion at 31 December 2021.

Net inflows of discretionary and managed FUMA in Investment Management totalled £1.3 billion in 2021, up 30% from £1.0 billion in 2020 (2019: £0.3 billion). Direct net flows into our multi-asset fund range totalled £0.5 billion in the year (2020 and 2019: £0.2 billion). Taken together, this represents a growth rate of 4.1% in discretionary and managed FUMA (2020: 2.9%; 2019: 1.4%).

In addition to the above, FUMA on Vision Financial Planning's discretionary wealth management platform that was not managed by the group totalled £0.8 billion at 31 December 2021 (2020: £0.7 billion).

In 2022 we will continue to enhance this disclosure to incorporate FUMA in our financial planning businesses.

Operating income

Operating income increased 19% in 2021 to £435.9 million, reflecting growth in all areas of the business and a full year of Speirs & Jeffrey operating on standard tariffs post transition in the fourth quarter of 2020. This also includes £6.1 million of post-acquisition income in Saunderson House.

Fee income of £349.4 million in 2021 increased 27.4% compared to £274.2 million in 2020. Fees represented 80.2% of operating income in 2021, up from 74.9% in 2020.

Net commission income decreased 14.0% to £53.6 million in 2021 (2020: £62.3 million). Commission income was elevated in 2020 as investment managers monitored and responded to the market impacts of the pandemic. The transition of Speirs & Jeffrey clients to fee-only tariffs in 2020 also impacted in 2021.

Net interest income decreased 53.6% to 3.9 million, reflecting a full year with the UK base rate at 0.1%, following the cut in March 2020.

Underlying operating expenses

Operating expenses increased from £322.3 million to £340.9 million during the year. Operating expenses are adjusted to exclude expenditure falling into the two categories explained on page 33.

Underlying operating expenses increased by £41.6 million (15.2%) to £315.2 million, reflecting ongoing investment in our strategic objectives, continued growth momentum across the business and the acquisition of Saunderson House.

Advancing the strategic plans to invest in our digital capability, ESG proposition and IT infrastructure added £9.2 million to our non-staff cost base in the year. Business growth and inflation added a further £6.0 million.

Excluding Saunderson House, planned additions to headcount in 2020 and 2021 and market-led salary increases increased fixed staff costs by £9.3 million to £126.8 million. Average headcount increased by 10% to 1,694 in 2021 (see note 10), driven largely by increases in client facing and change delivery teams. Variable staff costs increased by £12.0 million to £89.7 million, reflecting higher profitability and strong performance of client portfolios.

Post-acquisition costs in Saunderson House totalled £5.0 million, of which £3.4 million related to staff costs.

Table 1. Group FUMA and flows by service level

Year ended 31 December 2021	Opening FUMA £bn	Net flows £bn	Net service level transfers £bn	Market & investment performance £bn	Closing FUMA £bn	Net growth (flows) %
Discretionary service	43.4	1.3	–	4.6	49.3	3.0%
Bespoke portfolios	42.5	1.1	(0.1)	4.5	48.0	2.6%
Managed via in-house funds	0.9	0.2	0.1	0.1	1.3	19.9%
Multi-asset funds	1.3	0.5	–	0.2	2.0	40.3%
Total discretionary & managed	**44.7**	**1.8**	**–**	**4.8**	**51.3**	**4.1%**
Non-discretionary service	1.4	(0.1)	(0.3)	–	1.0	(11.4%)
Total wealth management	**46.1**	**1.7**	**(0.3)**	**4.8**	**52.3**	**3.6%**
Single-strategy funds	6.3	1.2	–	0.8	8.3	18.9%
Execution only & banking	2.3	(0.2)	0.3	0.3	2.7	(8.9%)
Total group (pre acquisitions)	**54.7**	**2.7**	**–**	**5.9**	**63.3**	**4.9%**
Saunderson House					4.9	
Total group					**68.2**	

Year ended 31 December 2020	Opening FUMA £bn	Net flows £bn	Net service level transfers £bn	Market & investment performance £bn	Closing FUMA £bn	Net growth (flows) %
Discretionary service	39.9	1.0	0.8	1.8	43.4	2.5%
Bespoke portfolios	39.3	0.9	0.7	1.7	42.5	2.2%
Managed via in-house funds	0.6	0.1	0.1	0.1	0.9	15.5%
Multi-asset funds	1.0	0.2	–	0.1	1.3	24.4%
Total discretionary & managed	**40.9**	**1.2**	**0.8**	**1.8**	**44.7**	**2.9%**
Non-discretionary service	2.6	(0.1)	(1.0)	(0.1)	1.4	(3.8%)
Total wealth management	**43.5**	**1.1**	**(0.2)**	**1.7**	**46.1**	**2.5%**
Single-strategy funds	4.7	1.0	–	0.7	6.3	20.4%
Execution only & banking	2.2	(0.2)	0.2	0.1	2.3	(10.4%)
Total group	**50.4**	**1.8**	**–**	**2.5**	**54.7**	**3.6%**

Year ended 31 December 2019	Opening FUMA £bn	Net flows £bn	Net service level transfers £bn	Market & investment performance £bn	Closing FUMA £bn	Net growth (flows) %
Discretionary service	34.2	0.3	0.2	5.2	39.9	0.9%
Bespoke portfolios	33.8	0.2	0.2	5.1	39.3	0.5%
Managed via in-house funds	0.4	0.1	–	0.1	0.6	20.0%
Multi-asset funds	0.7	0.2	–	–	1.0	31.3%
Total discretionary & managed	**35.0**	**0.5**	**0.3**	**5.2**	**40.9**	**1.4%**
Non-discretionary service	3.4	(0.1)	(0.4)	(0.3)	2.6	(2.1%)
Total wealth management	**38.3**	**0.4**	**(0.1)**	**4.9**	**43.5**	**1.1%**
Single-strategy funds	3.7	0.4	–	0.6	4.7	10.0%
Execution only & banking	2.1	(0.5)	0.1	0.5	2.2	(25.5%)
Total group	**44.1**	**0.3**	**–**	**6.1**	**50.4**	**0.6%**

Table 2. Reconciliation of service levels to segmental presentation

	Investment Management FUMA (including intra-group holdings) £bn	Intra-group holdings[1] £bn	Investment Management FUMA £bn	Funds FUMA £bn	Group FUMA £bn
Discretionary service	49.3	(2.7)	46.6	2.7	49.3
Bespoke portfolios	48.0	(1.5)	46.5	1.5	48.0
Managed via in-house funds	1.3	(1.2)	0.1	1.2	1.3
Multi-asset funds	–	–	–	2.0	2.0
Total discretionary & managed	**49.3**	**(2.7)**	**46.6**	**4.7**	**51.3**
Non-discretionary service	1.0	–	1.0	–	1.0
Total wealth management	**50.3**	**(2.7)**	**47.6**	**4.7**	**52.3**
Single-strategy funds	–	–	–	8.3	8.3
Execution only & banking	2.7	–	2.7	–	2.7
Total group (pre acquisitions)	**53.0**	**(2.7)**	**50.3**	**13.0**	**63.3**
Saunderson House	4.9	–	4.9	–	4.9
Total group	**57.9**	**(2.7)**	**55.2**	**13.0**	**68.2**

1. Intra-group holdings represent in-house funds held within an investment management portfolio.

Table 3. Group's overall performance

	2021 £m (unless stated)	2020 £m (unless stated)
Operating income	**435.9**	366.1
Underlying operating expenses[1]	**(315.2)**	(273.6)
Underlying profit before tax[1]	**120.7**	92.5
Underlying operating margin[1]	**27.7%**	25.3%
Profit before tax	**95.0**	43.8
Effective tax rate	**20.8%**	39.0%
Taxation	**(19.8)**	(17.1)
Profit after tax	**75.2**	26.7
Underlying earnings per share[1]	**172.2p**	133.3p
Earnings per share	**133.5p**	49.6p
Dividend per share[2]	**81.0p**	72.0p
Return on capital employed (ROCE)	**13.0%**	5.3%
Underlying return on capital employed[1]	**16.1%**	13.6%

1. A reconciliation between the underlying measure and its closest IFRS equivalent is shown in table 4
2. The total interim and final dividend proposed for the financial year

Alternative performance measures

Charges in relation to client relationships and goodwill (note 22)

As explained in notes 1.14 and 2.1, client relationship intangible assets are recognised when we acquire a business or hire a team of investment managers.

The charges associated with these assets represent the proportion of the cost of securing client contracts that is charged to profit or loss as amortisation each year over the estimated duration of the client relationships. The quantum of the accounting charge will vary depending on the terms of each individual acquisition or team hire and represents a significant non-cash profit and loss item. They have, therefore, been excluded from underlying profit, which represents largely cash-based earnings and more directly relates to the financial reporting period. Research analysts commonly exclude these costs when comparing the performance of firms in the wealth management industry.

Acquisition-related costs (note 9)

Acquisition-related costs are significant costs which arise from strategic investments to grow the business rather than its operating performance and are therefore excluded from underlying results.

They primarily represent deferred acquisition consideration and the costs of integrating acquired businesses.

Deferred acquisition costs are generally significant payments that are capital in nature reflecting the transfer of ownership of the business. However, in accordance with IFRS 3, any deferred consideration payments to former shareholders of the acquired business who are required to remain in employment with the group must be treated as remuneration. This distorts the view of operational performance given by the statutory measure of profit.

During 2021, £6.0 million of deferred consideration payments for Speirs & Jeffrey (2020: £32.3 million), and £1.4 million of costs for Saunderson House (2020: £nil) were charged to the income statement.

Taxation

The corporation tax charge for 2021 was £19.8 million (2020: £17.1 million) (see note 11). The effective tax rate was 20.8% (2020: 39.0%).

The prior year rate reflects the significant amount of disallowable costs of deferred consideration payments for the acquisition of Speirs & Jeffrey. The effective tax rate is now expected to remain closer to the statutory rate of tax, as the level of disallowable costs for deferred consideration payments for Saunderson House is expected to be much lower (see note 2.3). Thereafter, the group expects it to return to 2-4 percentage points above the statutory rate.

The UK Government legislated in the Finance Act 2021 to increase the UK corporation tax rate to 25.0% in 2023. We have reflected this rate in the deferred tax calculations.

Basic earnings per share

Basic earnings per share for the year ended 31 December 2021 was 133.5p compared to 49.6p in 2020. The increase in the year reflects the significantly lower amount of non-underlying charges in relation to the acquisition of Speirs & Jeffrey compared to the prior year. On an underlying basis, earnings per share were 172.2p in 2021, compared to 133.3p in 2020 (see note 13). The increase in the year relates to the much higher growth in underlying profit since 2020 than the number of ordinary shares in issue.

Dividends

We operate a generally progressive dividend policy, as set out in the directors' report on page 112.

In determining the level of any proposed dividend, the board has regard to current and forecast financial performance. Any proposal to pay a dividend is subject to compliance with:

- the Companies Act, which requires that the company must have sufficient distributable reserves to pay the dividend; and
- regulatory capital requirements, which require the group to maintain at least a minimum level of own funds (for further detail, see page 42).

The company's distributable reserves are primarily dependent on:

- the level of profits earned by the company, including distributions received from trading subsidiaries (some of which are subject to minimum regulatory capital requirements themselves); and
- actuarial changes in the value of the pension schemes that are recognised in the company's other comprehensive income, net of deferred tax.

At 31 December 2021 the company's distributable reserves were £106.8 million (2020: £93.7 million). See Note 44 for a reconciliation of net assets to distributable reserves.

In setting the proposed dividend for 2021, the board has considered the group's performance in 2021 and the strong balance sheet position, balanced with the need to continue our investment programme and the ongoing uncertainty in the economic outlook. As a result, the board is proposing a final dividend for 2021 of 54p; resulting in a full year dividend of 81p (an increase of 9p on 2020).

The proposed full year dividend is covered 1.6 times by basic earnings and 2.1 times by underlying earnings.

Table 4. Reconciliation of underlying performance measures to closest equivalent IFRS measures

	2021 £m (unless stated)	2020 £m (unless stated)
Operating income	**435.9**	366.1
Operating expenses	**(340.9)**	(322.3)
Charges in relation to client relationships and goodwill	**15.6**	14.3
Acquisition-related costs	**10.1**	34.4
Underlying operating expenses	**(315.2)**	(273.6)
Profit before tax	**95.0**	43.8
Underlying profit before tax[1]	**120.7**	92.5
Operating margin	**21.8%**	12.0%
Underlying operating margin[2]	**27.7%**	25.3%
Taxation	**(19.8)**	(17.1)
Tax on non-underlying expenses	**(3.9)**	(3.8)
Underlying taxation	**(23.7)**	(20.9)
Profit after tax	**75.2**	26.7
Underlying profit after tax[3]	**97.0**	71.6
Weighted average number of shares in issue	**56.3m**	53.7m
Earnings per share	**133.5**	49.6
Underlying earnings per share[4]	**172.2**	133.3
Underlying quarterly average total equity	**599.1**	520.5
ROCE	**13.0%**	5.3%
Underlying ROCE[5]	**16.1%**	13.6%

1. Operating income less underlying operating expenses
2. Underlying profit before tax as a percentage of operating income
3. Underlying profit before tax less underlying taxation
4. Underlying profit after tax divided by the weighted average number of shares in issue
5. Underlying profit after tax as a percentage of underlying quarterly average total equity

Capital expenditure

Overall, capital expenditure of £8.8 million in 2021 was £2.9 million below 2020. Spend on regulatory driven projects and property improvements reduced by a total of £1.2 million. Capitalised spend on technology and other change projects fell by £1.7 million as the focus on the development of cloud-based solutions has increased the proportion of strategic project spend that is charged to operating expenses.

Underlying return on capital employed

The board monitors the underlying return on capital employed (ROCE) as a key performance measure. For monitoring purposes, underlying ROCE is defined as underlying profit after tax expressed as a percentage of quarterly average total equity across the year.

Assessment of underlying return on capital is a key consideration for all investment decisions, particularly in relation to acquired growth.

In 2021, underlying ROCE was 16.1% (2020: 13.6%). Quarterly average total equity increased by £78.6 million in 2021 compared to 2020, reflecting growth in retained earnings.

> "We will continue to maintain our cost discipline, investing as market conditions allow to support our growth strategy. We expect the operating margin to remain in the mid-20s, in line with previous guidance, for the next two years and will then return to a high-20s level."

Outlook

The business enters 2022 in a robust financial position and with encouraging growth momentum.

External factors will continue to have a significant impact on the group's profitability in 2022. We expect global investment markets to remain volatile during the year, with both the domestic and global political environments adding considerable uncertainty. Inflationary pressures continue, but these are likely to lead to higher interest rates, which will benefit net interest income.

As noted in the Group Chief Executive's Review on page 21, investment in our medium-term strategy will continue in 2022 and 2023. In total, we expect to invest operating expenditure of £40 million in delivery of our digital plans over the next two years. The increasing use of modern cloud-based software solutions will have a lasting impact on the mix of capital and operating expenditure, with fewer projects generating material fixed assets and related depreciation costs consequently falling over time.

We anticipate that integration and deferred acquisition costs relating to the acquisition of Saunderson House will total approximately £10 million in 2022. Synergies from the integration are expected to start to bring material benefit in 2023.

Deferred acquisition costs for Speirs & Jeffrey are now substantially complete. Costs of some £2.5 million are expected to be incurred each year in 2022 and 2023, after which no further material costs relating to the acquisition will arise.

Staff costs in 2022 will reflect salary inflation of approximately 5% and national insurance increases, in addition to the full impact of hiring activity in 2021 and further joiners planned in 2022 in support of the strategic initiatives.

Alongside the investment in our strategic initiatives, we will continue to maintain our focus on cost discipline. Based on market conditions at 31 December 2021, we plan to manage this investment within existing underlying operating margin guidance of mid-20s for the next two years. The underlying operating margin is expected to return to a high-20s level from 2024 onwards.

Segmental review

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

Investment Management

The activities of the group are described in detail on pages 6 to 9. The Investment Management segment comprises those activities described under the headings 'Investment Management', 'Advice' and 'Complementary services' on page 6. The results of the Investment Management segment described below include the trading results of Rathbone Trust Company, Vision Independent Financial Planning and Saunderson House, post-acquisition.

Investment Management income is largely driven by revenue margins earned from funds under management and administration. 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 client loans.

Year-on-year changes in the key performance indicators for Investment Management are shown in table 5.

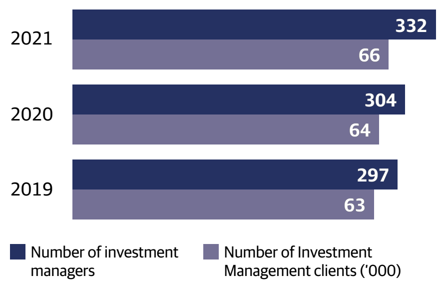
Funds under management and administration

Investment Management funds under management and administration increased by 22.9% to £55.2 billion at 31 December 2021, driven by strong growth, investment performance and markets.

Gross organic inflows of £4.5 billion represented 10.0% of opening funds under management and administration, up from 9.1% in 2020. Outflows of funds under management and administration were 8.0% of the opening balance (2020: 7.7%). Of this, approximately 38% related to accounts that were closed with the remainder being drawings from capital to supplement income or for inter-generational transfers.

Total Investment Management new business was £0.8 billion during 2021, representing 2.0% of opening funds under management and administration (2020: net total increase of 1.4%).

Chart 1. Investment Management – number of clients and investment managers



In addition to the above, the acquisition of Saunderson House added £4.9 billion to funds under management and advice in 2021.

Table 5. Investment Management – key performance indicators

	2021	2020
Funds under management and administration at 31 December	**£55.2bn**	£44.9bn
Rate of net organic growth in Investment Management funds under management and administration[1]	**1.8%**	0.1%
Rate of total net growth in Investment Management funds under management and administration[1]	**2.1%**	1.4%
Average net operating basis point return[2]	**71.4 bps**	72.7 bps
Number of Investment Management clients ('000)[3]	**66**	64
Number of investment managers	**332**	304

1. See table 6 (percentages calculated on unrounded figures)
2. See table 10
3. The comparative figure has been restated to align calculation of the number of Speirs & Jeffrey clients with Rathbones accounting policies, which reflects a lower level of aggregation of underlying funds.

Table 6. Investment Management – funds under management and administration

	Year ended 31 December 2021 £bn	Year ended 31 December 2020 £bn
As at 1 January	**44.9**	43.0
Inflows	**4.5**	3.9
– organic[1]	**4.4**	3.3
– acquired[2]	**0.1**	0.6
Outflows	**(3.6)**	(3.3)
Market adjustment[3]	**4.5**	1.3
Total (pre acquisitions)	**50.4**	44.9
Saunderson House	**4.9**	–
Total	**55.3**	44.9
Net organic new business[4]	**0.8**	–
Rate of net organic growth[5]	**1.8%**	0.1%
Rate of total net growth[6]	**2.1%**	1.4%

1. Value at the date of transfer in/(out)
2. Value at date of acquisition
3. Represents the impact of market movements and investment performance
4. Organic inflows less outflows
5. Net organic new business (excluding Saunderson House) as a percentage of opening funds under management and administration
6. Net organic new business and acquired inflows (excluding Saunderson House) as a percentage of opening funds under management and administration

Growth in discretionary and managed FUMA of £1.3 billion in 2021 has come equally from direct contact with clients and through financial adviser networks. Our specialist intermediary sales team continued to build momentum in the year, with indirect net flows from IFAs into our discretionary and managed services of £0.7 billion (2020: £0.2 billion).

The group saw net outflows from non-discretionary investment management, and execution-only and banking mandates totalling £0.4 billion in the year.

During the year, our clients continued to migrate into discretionary services from non-discretionary. Switches into execution only services largely reflect the transfer of funds into probate following death of a client.

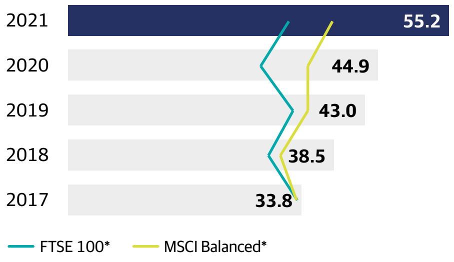
The global recovery from lockdown-ridden 2020 drove stock markets higher in 2021, however returns were more volatile than the headline indices suggest. Many investors switched from 'growth' stocks to 'value' and back again during the year as the impacts of COVID-19 ebbed and flowed, inflation rose, central banks shifted guidance and companies reported.

A significant concern for investors in 2021 was inflation, which hit multi-decade highs in many large nations. Initial belief that higher prices would be a passing phase gave way to longer term concerns later in the year, which drove steep rises in the yield on government bonds and the prices of value stocks whilst weighing on the value of growth stocks. These trends have accelerated into the early months of 2022.

The outperformance was largely driven by our tactical asset allocation decisions in worldwide equities, fixed income and alternatives. Company valuations, particularly in the developed nations, were supported by stronger earnings whilst being underweight fixed income also added positively with rising real yields. Lastly, overweight property and underweight gold related holdings were also helpful. Overall, the company performance against other competitors' indices, such as the Private Client indices publish by ARC was robust.

Chart 2. Investment Management – funds under management and administration five year growth (£bn)

55.2



* Index figures show how funds under management and administration would have changed between 2017 and 2021 if they had tracked each index

Table 7. Investment Management – new business by channel

	2021 Opening £bn	2021 Net flows £bn	2021 Service level transfers £bn	2021 Market and investment performance £bn	2021 Gross £bn	2021 Intra-group holdings[1] £bn	2021 Net £bn	2020 Net £bn
Bespoke portfolios	33.3	0.5	(0.1)	3.5	37.2			
Managed via in-house funds	0.4	0.1	0.1	0.1	0.7			
Total direct	33.7	0.6	–	3.6	37.9			
Bespoke portfolios	9.2	0.6	–	1.0	10.8			
Managed via in-house funds	0.5	0.1	–	–	0.6			
Total financial adviser linked	9.7	0.7	–	1.0	11.4			
Total discretionary & managed	43.4	1.3	–	4.6	49.3	(2.7)	46.6	41.2
Non-discretionary service	1.4	(0.2)	(0.3)	0.1	1.0	–	1.0	1.4
Total wealth management	44.8	1.1	(0.3)	4.7	50.3	(2.7)	47.6	42.6
Execution only & banking	2.3	(0.2)	0.3	0.3	2.7	–	2.7	2.3
Saunderson House					4.9		4.9	
Total Investment Management	47.1	0.9	–	5.0	57.9	(2.7)	55.2	44.9

1. Holdings of the group's in-house funds in Investment Management client portfolios and in-house funds for which the management of the assets is undertaken by Investment Management teams; the corresponding funds under management and administration is reported within Funds.

Overall, 2021 was a strong year for our specialist teams. Rathbone Greenbank Investments continued to grow strongly and reached funds under management and administration of £2.2 billion at 31 December 2021, up 20% on 2020. Charity funds under management and administration grew 9.2% to £7.1 billion at 31 December 2021. The Personal Injury and Court of Protection business ended 2021 with £1.0 billion of funds under management and administration.

As at 31 December 2021, Vision Independent Financial Planning advised on client assets of £2.7 billion, up 23% from 2020.

Financial performance

Underlying profit before tax in Investment Management grew 23.9% in the year to £98.4 million, reflecting an underlying operating margin of 26.4%. This was driven by strong growth in fee income and the post-acquisition impact of Saunderson House.

Higher average funds under management and administration levels on our principal charging dates during 2021 (see table 9) boosted net investment management fee income, which rose 25.1% to £288.1 million. This was driven by stronger markets and investment performance, as well as the adoption of fee-only tariffs in the fourth quarter of 2020 for clients of Speirs & Jeffrey.

Net commission income fell 14.0% to £53.6 million, as the elevated levels of transactional activity seen in 2020 reduced, along with market volatility, in 2021 and following the switch to fee-only tariffs for Speirs & Jeffrey clients.

The cut in the Bank of England base rate to 0.1% in March 2020 was maintained throughout 2021, reducing the margin available on our treasury book. Net interest income consequently decreased 53.6% to £3.9 million in the year.

As a result of the factors described above, the average net operating basis point return on funds under management and administration fell slightly by 1.3 bps to 71.4 bps in 2021.

Fees from advisory services and other income increased 39.3% to £27.3 million, reflecting growth in our advisory businesses and the post-acquisition results of Saunderson House, which contributed £6.1 million of additional revenue.

The issue of an additional £20 million of Tier 2 loan notes, bringing the total notes issued to £40 million in October 2021, is expected to increase the annual interest charge on these notes by approximately £1 million compared to 2021.

Underlying operating expenses in Investment Management for 2021 were £274.5 million, an increase of 13.8% compared to 2020. This is highlighted in table 11.

Table 8. Investment Management – financial performance

	2021 £m	2020 £m
Net investment management fee income[1]	**288.1**	230.3
Net commission income	**53.6**	62.3
Net interest income	**3.9**	8.4
Fees from advisory services[2] and other income	**27.3**	19.6
Operating income	**372.9**	320.6
Underlying operating expenses[3]	**(274.5)**	(241.2)
Underlying profit before tax	**98.4**	79.4
Underlying operating margin[4]	**26.4%**	24.8%

1. Net investment management fee income is stated after deducting fees and commission expenses paid to introducers
2. Fees from advisory services includes income from trust, tax and financial planning services (including Vision)
3. See table 11
4. Underlying profit before tax as a percentage of operating income

Table 9. Investment Management – average funds under management and administration (pre acquisitions)

	2021 £bn	2020 £bn
Valuation dates for billing		
– 5 April	**45.5**	35.9
– 30 June	**47.8**	41.3
– 30 September	**48.8**	41.8
– 31 December	**50.3**	44.9
Average	**48.1**	41.0
Average FTSE 100 level[1]	**7,066**	5,978

1. Based on the corresponding valuation dates for billing

Table 10. Investment Management – revenue margin

	2021 bps	2020 bps
Basis point return[1] from:		
– fee income	**59.9**	56.2
– commission	**11.1**	15.2
– interest	**0.4**	1.3
Basis point return on funds under management and administration	**71.4**	72.7

1. Operating income (see table 8), excluding interest on own reserves, interest payable on Tier 2 notes issued, interest payable on lease assets, fees from advisory services and other income, divided by the average funds under management and administration on the quarterly billing dates (see table 9)

Fixed staff costs of £89.3 million increased by 6.7% year-on-year, reflecting the growth in headcount Variable staff costs totalled £61.9 million in 2021, an increase of £5.5 million on 2020. This principally reflects growth in profit share awards, driven by segmental profitability.

Other operating expenses of £123.3 million include property, depreciation, settlement, IT, finance and other central support services costs.

Incremental spend on our strategic initiatives to develop systems and enhance the client experience totalled £8.7 million in 2021.

Savings arising from the impact of the pandemic on entertaining, travel, events and subsistence spend, as well as reduced use of the group's office space persisted for most of 2021.

Post-acquisition costs in Saunderson House totalled £5.0 million.

Funds

Funds' financial performance is principally driven by the value and growth of funds under management. Year-on-year changes in the key performance indicators for Funds are shown in table 12.

Funds under management

Net retail sales in the asset management industry totalled approximately £43.4 billion in 2021, as reported by the Investment Association (IA), up from around £30.8 billion in 2020. Industry-wide funds under management increased 10.4% to £1.6 trillion at the end of the year.

Equities was again the top seller in 2021 at £14.8 billion, up 42% compared to 2020. Consistent sales to responsible investment funds, where equities make up over 50% of sales, helped to maintain consistent inflows to equities, even during periods of market turbulence.

The IA Global sector (containing Rathbone Global Opportunities Fund and Rathbone Global Sustainability Fund) was the highest selling equity sector for the fourth year in a row with inflows of £12.0 billion. Over £4.8 billion also went to the IA Volatility Managed sector, which includes our six-fund multi-asset range and the four-fund ESG range launched in 2021 called Rathbone Greenbank Multi-Asset Portfolios.

The positive momentum in sales continued through 2021, with gross sales up 22% in the year to £4.4 billion. Redemptions increased more modestly, rising 9.5% to £2.3 billion for the year. As a result, net inflows of £2.1 billion for the year were up 40% on £1.5 billion in 2020. Rathbone Unit Trust Management consistently ranked in the top 10 for net UK sales throughout the year according to the quarterly Pridham Sales Reports.

Table 11. Investment Management – underlying operating expenses

	2021 £m	2020 £m
Staff costs[1]		
– fixed	**89.3**	83.7
– variable	**61.9**	56.4
Total staff costs	**151.2**	140.1
Other operating expenses	**123.3**	101.1
Underlying operating expenses	**274.5**	241.2
Underlying cost/income ratio[2]	**73.6%**	75.2%

1. Represents the costs of investment managers and teams directly involved in client-facing activities
2. Underlying operating expenses as a percentage of operating income (see table 8)

Table 12. Funds – key performance indicators

	2021	2020
Funds under management at 31 December[1]	**£13.0bn**	£9.8bn
Rate of net growth in Unit Trusts funds under management[1]	**21.1%**	20.1%
Underlying profit before tax[2]	**£22.4m**	£13.1m

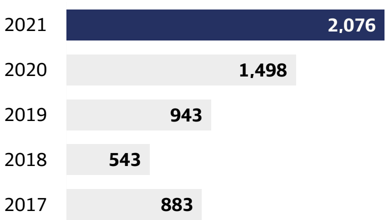
1. See table 14
2. See table 16

Table 13. Funds – funds under management by product

	2021 £m	2020 £m
Rathbone Global Opportunities Fund	**4,334**	3,202
Rathbone Ethical Bond Fund	**2,802**	2,088
Rathbone Multi-Asset Portfolios	**2,679**	1,714
Rathbone Income Fund	**825**	811
Offshore funds	**661**	578
Rathbone High Quality Bond Fund	**291**	283
Rathbone Active Income Fund for Charities	**245**	227
Rathbone Strategic Bond Fund	**200**	204
Rathbone Core Investment Fund for Charities	**156**	129
Rathbone UK Opportunities Fund	**76**	49
Rathbone Global Sustainability Fund	**116**	44
Other funds	**500**	491
Greenbank Multi-Asset Portfolios	**105**	–
	12,990	9,820

Chart 3. Funds – annual net flows (£m)

2,076



The strong net inflows for the year were principally into the Ethical Bond Fund (£0.8 billion), multi-asset funds (£0.8 billion), including £0.1 billion into the new Greenbank multi-asset offering, and Global Opportunities Fund (£0.5 billion). The Ethical Bond Fund, in particular, bucked the trend for other bond funds in the sector, which generally saw more muted inflows.

Total net inflows, combined with positive investment performance and market movements, raised total funds under management to £13.0 billion at the end of the year, an increase of 32% during the year (see table 14).

Long-term performance for our retail funds remains strong and the funds are performing in line with expectations and their benchmarks.

The Ethical Bond and Global Opportunities funds maintained their excellent long-term track records and both finished in the first quartile for performance, measured over three and five years. The UK Opportunities Fund maintained its top quartile performance during 2021, which has resulted in a much improved long-term track record.

The growth focused multi-asset funds, which have risk targeted mandates, beat their benchmarks over one, three and five years (or since launch) and remained within volatility targets over the same periods.

Performance of the UK Income fund was impacted by the large cuts in dividends by UK stocks in 2020. During 2021, the fund's longer-term performance recovered and it is now above median for one, three and five years.

The High Quality Bond Fund posted good returns over the year, performing well against its cash-plus based benchmark.

The Strategic Bond Fund remains more defensively positioned, which has continued to weigh on short-term performance.

As at 31 December 2021, 97% of holdings in Funds' retail funds were in institutional units (31 December 2020: 97%).

During the year, the total number of investment professionals in Funds increased to 21 at 31 December 2021 from 18 at the end of 2020.

Table 14. Funds – funds under management

	2021 £bn	2020 £bn
As at 1 January	**9.8**	7.4
Net inflows	**2.1**	1.5
– inflows[1]	**4.4**	3.6
– outflows[1]	**(2.3)**	(2.1)
Market adjustments[2]	**1.1**	0.9
As at 31 December	**13.0**	9.8
Rate of net growth[3]	**21.1%**	20.1%

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

Table 15. Funds – performance[1,2]

2021/(2020) Quartile ranking[1] over	1 year	3 years	5 years
Rathbone Ethical Bond Fund	1 (2)	1 (1)	1 (1)
Rathbone Global Opportunities Fund	2 (1)	1 (1)	1 (1)
Rathbone Income Fund	2 (2)	2 (2)	2 (3)
Rathbone Strategic Bond Fund	3 (2)	3 (2)	2 (2)
Rathbone UK Opportunities Fund	1 (1)	1 (2)	1 (2)

1. Quartile ranking data is sourced from FE Trustnet
2. Excludes multi-asset funds (for which quartile rankings are prohibited by the Investment Association (IA)), High Quality Bond Fund, which has no relevant peer group against which to measure quartile performance, non-publicly marketed funds and segregated mandates
3. Ranking of institutional share classes at 31 December 2021 and 2020 against other funds in the same IA sector, based on total return performance, net of fees (consistent with investment performance information reported in the funds' monthly factsheets)
4. Funds included in the above table account for 64% of the total FUM of the funds business

Financial performance

Funds' income is primarily derived from annual management charges, which are calculated on the daily value of funds under management, net of rebates payable to intermediaries.

Net annual management charges increased 40% to £61.3 million in 2021, driven principally by the rise in average funds under management. Net annual management charges as a percentage of average funds under management fell to 55.0 bps (2020: 55.5 bps) reflecting the continued growth in the fixed income mandate funds.

Operating income as a percentage of average funds under management fell slightly to 55.6 bps in 2021 from 55.9 bps in 2020 for the same reasons.

Fixed staff costs of £5.2 million for the year ended 31 December 2021 were 27% higher than 2020. This reflects salary inflation and growth in headcount in response to growth in the business.

Variable staff costs of £16.8 million were 40% higher than 2020 as a result of growth in profit and the higher value of gross sales, which drove increases in sales commissions.

Other operating expenses have increased by 15% to £18.7 million in 2021. Administration costs of £5.7 million were up £0.9 million on 2020, driven by higher levels of funds under management and sales. 2021 saw a full year's benefit of improved rate cards with third-party service providers which were negotiated and implemented in 2020. Incremental spend on development of systems totalled approximately £0.5 million in 2021. Regulatory costs also grew by £0.1 million, reflecting the growth in levies for the Financial Services Compensation Scheme.

Table 16. Funds – financial performance

	2021 £m	2020 £m
Net annual management charges	**61.3**	43.9
Net dealing profits	**0.0**	0.0
Interest and other income	**1.8**	1.5
Operating income	**63.1**	45.4
Underlying operating expenses[1]	**(40.7)**	(32.3)
Underlying profit before tax	**22.4**	13.1
Operating % margin[2]	**35.5%**	28.9%

1. See table 17
2. Underlying profit before tax divided by operating income

Table 17. Funds – underlying operating expenses

	2021 £m	2020 £m
Staff costs		
– Fixed	**5.2**	4.1
– Variable	**16.8**	12.0
Total staff costs	**22.0**	16.1
Other operating expenses	**18.7**	16.2
Underlying operating expenses	**40.7**	32.3
Underlying cost/income ratio[1]	**64.5%**	71.1%

1. Underlying operating expenses as a percentage of operating income (see table 16)

Financial position

Own funds

Rathbones is classified as a banking group for regulatory capital purposes and is required to operate within the restrictions on capital resources and banking exposures prescribed by the Capital Requirements Regulation, as applied in the UK by the Prudential Regulation Authority (PRA).

At 31 December 2021, the group's regulatory own funds (including verified profits for the year) were £305 million (2020: £304 million).

Common Equity Tier 1 (CET1) own funds decreased by £27.0 million during 2021 to £266.2 million. This was primarily due to the acquisition of Saunderson House, partly offset by an increase in Tier 1 capital following the placing of £50 million of fresh share capital during the year. The CET1 ratio was 18.7%, a decrease on the 23.5% reported at the previous year end.

The leverage ratio was 9.1% at 31 December 2021, down from 9.2% at 31 December 2020 The leverage ratio represents our Tier 1 capital as a percentage of our total assets, excluding intangible assets, plus certain off balance sheet exposures. The reduction is in line with the decrease in CET1 capital.

The business is primarily funded by equity, but also supported by £40 million of ten-year Tier 2 subordinated loan notes, which were issued in October 2021. The notes introduce a small amount of gearing into our balance sheet as a way of financing future growth in a cost-effective and capital-efficient manner. They are repayable in October 2031, with a call option for the issuer annually from 2026. Interest is payable at a fixed rate of 5.642% (note 28).

Total equity was £623 million at 31 December 2021, up 21.2% from £514 million at the end of 2020, reflecting the share placing in the year.

Own funds and liquidity requirements

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

We are required to hold capital to cover a range of own funds requirements.

Table 18. Group's financial position

	2021 £m (unless stated)	2020 £m (unless stated)
Own funds:		
– Common Equity Tier 1 ratio[1]	**18.7%**	23.5%
– Total own funds ratio[2]	**21.4%**	24.3%
– Total equity	**288.8**	513.8
– Tier 2 subordinated loan notes[3]	**39.9**	19.8
– Total risk exposure amount	**1,424.5**	1,247.8
– Leverage ratio[4]	**9.1%**	9.2%
Other resources:		
– Total assets	**3,271.8**	3,370.6
– Treasury assets[5]	**2,458.5**	2,721.1
– Investment Management loan book[6]	**168.0**	158.0
– Intangible assets from acquired growth[7]	**195.5**	218.0
– Tangible assets and software[8]	**28.0**	28.0
– Liabilities:		
– Due to customers[9]	**2,333.0**	2,561.8
– Net defined benefit pension asset/(liability)	**12.3**	(9.8)

1. Common Equity Tier 1 capital as a proportion of total risk exposure amount
2. Total own funds (see table 19) as a proportion of total risk exposure amount
3. Represents the carrying value of the Tier 2 loan notes (see note 28)
4. Tier 1 capital as a percentage of total assets, excluding intangible assets, plus certain off balance sheet exposures
5. Balances with central banks, loans and advances to banks and investment securities
6. See note 16 to the financial statements
7. Net book value of acquired client relationships and goodwill (note 22)
8. Net book value of property, plant and equipment and computer software (notes 19 and 22)
9. Total amounts of cash in client portfolios held by Rathbone Investment Management as a bank (note 24)

Table 19. Regulatory own funds

	2021 £m	2020 £m
Share capital and share premium	**294.1**	218.0
Reserves	**365.8**	342.6
Less:		
Own shares	**(36.6)**	(46.7)
Intangible assets[1]	**(344.8)**	(220.7)
Retirement benefit asset[2]	**(12.3)**	0.0
Common Equity Tier 1 own funds	**266.2**	293.2
Tier 2 own funds	**38.5**	10.7
Total own funds	**304.7**	303.9

1. Net book value of goodwill, client relationship intangibles and software is deducted directly from own funds, less any related deferred tax.
2. The retirement benefit asset is deducted directly from own funds.

Table 20. Group's own funds requirements[1]

	2021 £m	2020 £m
Credit risk requirement	**50.9**	46.9
Market risk requirement	**0.8**	0.6
Operational risk requirement	**62.3**	52.4
Pillar 1 own funds requirement	**114.0**	99.9
Pillar 2A own funds requirement	**40.1**	40.0
Total Capital Requirement ('TCR')	**154.1**	139.9
Combined buffer:		
– capital conservation buffer (CCB)	**35.6**	31.1
– countercyclical capital buffer (CCyB)	**–**	0.1
Total Capital Requirement ('TCR') and Combined buffer	**189.7**	171.1

1. Own funds requirements stated above include the impact of trading results and changes to requirements and buffers that were known as at 31 December and which became effective prior to the publication of the preliminary results

Pillar 1 – minimum requirement for capital

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

At 31 December 2021, the group's total risk exposure amount was £1,425 million (2020: £1,248 million).

Pillar 2 – supervisory review process

Pillar 2 supplements the Pillar 1 minimum requirement with firm-specific Pillar 2A requirements and a framework of regulatory capital buffers.

The Pillar 2A own funds requirement (which is set by the PRA and the calculation of which remains confidential with the PRA) reflects those risks, specific to the firm, which are not fully captured under the Pillar 1 own funds requirement.

Pension obligation risk

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

Interest rate risk in the banking book

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

Concentration risk

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

The group is also required to maintain a number of regulatory capital buffers, all of which must be met with CET1 capital.

Capital conservation buffer (CCB)

The CCB is a general buffer, designed to provide for losses in the event of a stress, and represents 2.5% of the group's total risk exposure amount as at 31 December 2021.

Countercyclical capital buffer (CCyB)

The CCyB is designed to act as an incentive for banks to constrain credit growth in times of heightened systemic risk. The amount of the buffer is determined by reference to rates set by the FPC (for UK exposures) and other jurisdictions for our exposures to their locations from time to time, depending on prevailing market conditions, for individual countries where the group has credit risk exposures.

The buffer rate is currently set at 0% for the UK. The group also has some small, relevant credit exposures in other jurisdictions, resulting in a weighted buffer rate of 0% of the group's total risk exposure amount as at 31 December 2021. An increased UK rate of 1% will come into effect from December 2022, which has been built into our forecasts.

The surplus of own funds (including verified profits for the full year) over Total Capital Requirement and Combined buffer was £115 million, down from £133 million at the end of 2020, owing to additional deductions in the year for the Saunderson House intangibles and retirement benefit asset.

Pillar 2B PRA buffer

The PRA also determines whether any incremental firm-specific buffer is required. The PRA requires any such buffer to remain confidential between the group and the PRA.

In managing the group's regulatory capital position over the next few years, we will continue to be mindful of:

- future volatility in pension scheme valuations which affect both the level of CET1 own funds and the value of the Pillar 2A requirement for pension risk; and
- regulatory developments;
- the demands of future acquisitions which generate intangible assets and, therefore, directly reduce CET1 resources; and
- expected additional increases in the UK countercyclical capital buffer rate.

We keep these issues under constant review to ensure that any necessary capital-raising activities are carried out in a planned and controlled manner.

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

Total assets

Total assets at 31 December 2021 were £3.3 billion (2020: £3.4 billion), of which £2.3 billion (2020: £2.6 billion) represents the investment in the money markets of the cash element of client portfolios that is held as a banking deposit.

Treasury assets

As a licensed deposit taker, Rathbone Investment Management holds our surplus liquidity on its balance sheet together with clients' cash. Cash in client portfolios as held on a banking basis of £2.3 billion (2020: £2.6 billion) represented 4.2% of total Investment Management funds under management and administration at 31 December 2021, compared to 5.7% at the end of 2020. Cash held in client money accounts was £13.9 million (2020: £5.5 million).

The treasury department of Rathbone Investment Management, reporting through the banking committee to the board, operates in accordance with procedures set out in a board-approved treasury manual and monitors exposure to market, credit and liquidity risk as described in note 33 to the financial statements. It invests in a range of securities issued by a relatively large number of counterparties. These counterparties must be single-'A'-rated or higher by Fitch at the time of investment and are regularly reviewed by the banking committee.

During the year, the share of treasury assets held with the Bank of England reduced to £1.5 billion from £1.8 billion at 31 December 2020. Client balances fell at the beginning of the year and started to recover from August as settlement activity reduced.

Loans to clients

Loans are provided as a service to Investment Management clients who have short- to medium-term cash requirements. Such loans are normally made on a fully secured basis against portfolios held in our nominee name, requiring two times cover, and are usually advanced for five years (see note 16 to the financial statements). In addition, charges may be taken on property held by the client to meet security cover requirements.

Our ability to provide such loans is a valuable additional service, for example, to clients who require bridging finance when buying and selling their homes.

Loans advanced to clients increased to £168 million at end of 2021 (2020: £158 million) as clients' demand for bridging finance increased in favour of drawing down from investment portfolios at a time of market volatility.

Intangible assets

Intangible assets arise principally from acquired growth in funds under management and administration and are categorised as goodwill and client relationships. Intangible assets reported on the balance sheet also include purchased and developed software.

At 31 December 2021, the total carrying value of intangible assets arising from acquired growth was £361.3 million (2020: £218.0 million). During the year, client relationship intangible assets of £88.0 million were capitalised (2020: £11.0 million), including £79.4 million in relation to Saunderson House (2020: £6.9 million in relation to the Personal Injury and Court of Protection business of Barclays). Goodwill of £70.8 million was acquired during the year in relation to the Saunderson House acquisition (2020: £6.5 million in relation to the Personal Injury and Court of Protection business of Barclays).

Client relationship intangibles are amortised over the estimated life of the client relationship, generally a period of 10 to 15 years. When client relationships are lost, any related intangible asset is derecognised in the year. The total amortisation charge for client relationships in 2021, including the impact of any lost relationships, was £13.9 million (2020: £12.4 million).

Goodwill, which arises from business combinations, is not amortised but is subject to a test for impairment at least annually. No goodwill was identified as impaired during the year. Further detail is provided in note 24 to the financial statements.

Capital expenditure

Capex spend of £8.8 million in 2021 is down £2.9 million on 2020. Capital expenditure on regulatory driven projects and our premises fell by £1.2 million in the year as certain projects came to an end.

Capex spend on the development of our systems fell by £1.7 million to £8.1 million in the year. The proportion of spend on the development of our systems that is capitalised has reduced in line with the increasing adoption of cloud-based, strategic technology solutions. The costs of cloud-based solutions are largely charged to profit or loss, with a consequent reduction in the level of depreciation cost in future years.

We expect property expenditure to increase in 2022 as we continue to develop our hybrid working capability and relocate our premises in Edinburgh following the conclusion of the current lease.

Defined benefit pension schemes

We operate two defined benefit pension schemes, both of which have been closed to new members for several years. With effect from 30 June 2017, we closed both schemes, ceasing all future benefit accrual and breaking the link to salary.

At 31 December 2021 the combined schemes' liabilities, measured on an accounting basis, had increased to £155.6 million, down 5.9% from £165.4 million at the end of 2020, primarily reflecting the increase in interest rates used to discount the liabilities during the year, and an increase in the assumed future rate of inflation. The reported position of the schemes as at 31 December 2021 was a surplus of £12.3 million (2020: deficit of £9.8 million).

Triennial funding valuations form the basis of the annual contributions that we make into the schemes. Funding valuations of the schemes as at 31 December 2019 were completed during the prior year. Having reviewed the long-term plan for the schemes, we agreed with the trustees a target to fund the schemes to a self-sufficient basis over the medium term. This targets a level of assets in the scheme sufficient to fund future cash flows from interest and maturities of the scheme assets, reducing the reliance on equity returns to meet the schemes' requirements. This will significantly reduce the volatility of the schemes and the future burden on the group. Reflecting this, we agreed a schedule of contributions totalling £25 million over the next six years. This schedule will be reviewed at the next triennial valuations, as at 31 December 2022.

Liquidity and cash flow

Fees and commissions are largely collected directly from client portfolios and a significant proportion of expenses are predictable. Consequently, we operate with a modest amount of working capital. Larger cash flows are principally generated from banking and treasury operations when investment managers make asset allocation decisions about the amount of cash to be held in client portfolios.

As a bank, we are subject to the PRA's ILAAP 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 £1.5 billion at 31 December 2021 (2020: £1.8 billion).

Cash and cash equivalents, as defined by accounting standards, includes cash, money market funds and banking deposits, which had an original maturity of less than three months (see note 33 to the financial statements). Consequently, cash flows, as reported in the financial statements, include the impact of capital flows in treasury assets.

Net cash flows from operating activities reflect a £227.4 million decrease in banking client deposits (2020: £106.0 million decrease), as a result of asset allocation decisions to reduce the proportion of funds under management and administration held as cash in clients' portfolios, reflecting market conditions at the year end.

Cash flows from investing activities also included a net outflow of £110.6 million from the purchase of certificates of deposit (2020: net outflow of £53.1 million), as we reduced the proportion of treasury assets held with the Bank of England.

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

— outflows relating to the payment of dividends of £44.0 million (2020: £37.8 million);
— payments made (net of cash acquired) in business combinations of £79.7 million (2020: £12.0 million);
— net proceeds from the repayment and issuance of subordinated loan notes of £19.8 million (2020: £nil);
— outflows relating to payments to acquire intangible assets (other than as part of a business combination) of £10.7 million (2020: £9.5 million); and
— £2.0 million of capital expenditure (other than as part of a business combination) on tangible property, plant and equipment (2020: £3.8 million).

Table 21. Extracts from the consolidated statement of cash flows

	2021 £m	2020 £m
Cash and cash equivalents at the end of the year	**1,653.6**	2,056.7
Net cash inflows from operating activities	**(214.2)**	32.0
Net change in cash and cash equivalents	**(403.1)**	(91.3)

Risk management and control

We have a well-established approach to risk management, which has continued to evolve in response to the firm's growth and external developments. Our risk governance, processes and infrastructure are designed to ensure that appropriate risk management is applied to existing and emerging challenges to the firm's day-to-day activities and strategic objectives. Our priority for 2022 is to continue managing risk effectively in accordance with our risk appetite, to support the long-term future of the firm.

Managing risk

The board is ultimately accountable for risk management across the group. It regularly assesses the most significant risks and emerging threats to the group's strategy. Oversight of risk management activities is also undertaken through the group risk and audit committees.

Our risk management approach and governance framework support the chief executive and executive committee members with their risk management responsibilities, underpinned by the executive risk and banking committees. Day-to-day responsibility for managing risk is delegated to the chief executive and executive committee members.

Risk culture

The risk culture embedded across the group continues to enhance the effectiveness of risk management and decision-making. The board sets a constructive tone in support of a strong risk culture and, supported by our executive and senior management team, encourages appropriate behaviours and collaboration on risk management across the group. Risk management is therefore an integral part of everyone's day-to-day responsibilities and activities; it is linked to performance and development, as well as to the group's remuneration and reward schemes. We aim to create an open and transparent working environment, encouraging employees to engage positively in risk management in support of the achievement of our strategic objectives.

Risk appetite

The board, group risk committee and executive committee regularly review and, at least annually, formally approve the group's risk appetite statement, ensuring it remains consistent with our strategy and objectives. We define risk appetite as the amount and type of risk the board is prepared to take or accept in pursuit of our long-term strategic objectives.

Our appetite framework is aligned with the group's overall prudential requirements for strategic, financial and non-financial (conduct and operational) risk. Specific appetite statements are set and measures established for each principal risk. The risk appetite framework is used to support strategic decision making, as well as providing a mechanism to monitor risk exposure.

The position against our risk appetite measures is assessed and reported on a regular basis to the executive committee, group risk committee and the board, so that risk mitigation can be reviewed and strengthened if needed.

In line with our strategy, the current economic outlook and the evolving regulatory landscape within the sector, the board remains committed to having a relatively low overall appetite for risk and ensuring that our internal controls mitigate risk to appropriate levels. The board recognises our performance is susceptible to fluctuations in investment markets and has the potential to bear losses from financial and non-financial risks from time to time, either as reductions in income or increases in operating costs.

Risk categories	Risk appetite statement	Example of measures
Business and strategic risk	The board expects business and strategic risks to be understood and managed to limit the impact on delivering sustainable growth and change initiatives required to meet longer term client, stakeholder, and societal expectations.	– Underlying dividend cover – Net zero and diversity targets
Financial risk	The board requires financial risks to be actively monitored and prudently managed to protect company assets, maintain liquidity and regulatory own funds, limit credit and market risk exposures, and respond to our pension obligations.	– Prudential ratios (e.g. CET Tier 1, Total Capital)
Non-financial risk (conduct and operational)	The board accepts that non-financial risks and losses can arise from failures in processes, people, systems or external events however expects appropriate conduct and behaviours to minimise the impact on clients, stakeholders and our reputation.	– Significant operational loss – Pass rate of assurance checks

Three lines of defence

We operate a three lines of defence model across the group to support governance and risk management:

First line

Senior management, business operations and support functions are responsible for managing risks, by developing and maintaining effective internal controls to mitigate risk in line with risk appetite.

Second line

Risk, compliance and anti-money laundering functions maintain a level of independence from the first line and are responsible for providing oversight of and challenge to the first line's day-to-day risk management, including monitoring and reporting of risks to both senior management and governing bodies.

Third line

Our internal audit function is responsible for providing independent assurance to senior management, the board and audit committee on the effectiveness of the group's governance, risk management and internal controls.

Throughout the group, everyone has responsibility for managing risk and adhering to our control framework in line with their roles and our conduct expectations.

Identification of risks

Our risks are classified hierarchically in a three-level register, to reflect our current and anticipated future risk profile. Our highest level of risk (Level 1) comprises business and strategic, financial, conduct and operational risks. We continue to separate conduct and operational risk, rather than combine them into a non-financial risk category, to ensure that both elements receive appropriate focus. Our next level (Level 2) contains 20 risk categories, which are each allocated to a Level 1 risk. Detailed risks (Level 3) are identified as sub-sets of Level 2 risks. There are 52 Level 3 risks in our register. We recognise that some Level 2 and Level 3 risks have features which need to be considered under more than one Level 1 risk, which is facilitated through a process of primary and secondary considerations.

The risks in the register are reviewed with risk owners, senior management, and business units leaders to identify the principal risks which have the potential to impact future performance and the delivery of our strategic objectives and business priorities. All risks in the register are monitored through top down and bottom up reviews which consider the potential impact, existing internal controls and management actions required to mitigate the impact and likelihood of emerging issues and potential future events.

Risk assessment process

The board, executive and senior management are actively involved in a continuous risk assessment process as part of our risk management framework, supported by the Internal Capital Adequacy Assessment Process (ICAAP) and Internal Liquidity Adequacy Assessment Process (ILAAP) work, which assesses the principal risks facing the group.

Our process considers both the impact and likelihood of risks materialising which could affect the delivery of strategic objectives and annual business plans and ensures that our assessment of Level 2 risk categories and detailed Level 3 risks is challenged and reviewed on a regular basis. The board, executive committee and executive risk committee receive regular reports and information from senior management, operational business units, risk oversight functions and other committees to support this assessment.

We have a consistent approach to identifying and assessing our Level 3 risks. We consider risk on both an inherent and residual basis over a three-year period against a number of different impact criteria, including financial, client, operations, reputation, strategy and regulation indicators. A residual risk exposure and overall risk profile rating of high, medium, low or very low is then derived for the three-year period, which includes consideration of the internal control environment and/or insurance mitigation. The assessment of our control environment includes contributions from first, second and third line colleagues, data, and monitoring and assurance activity.

We maintain a watch list as part of our approach to identify and evaluate any current, emerging or future issues, threats, business developments and regulatory or legislative changes, which could have the potential to impact the firm's current or longer term risk profile. Any material changes may require active risk management, usually through process changes or systems development.

Stress tests are also undertaken to include consideration of the impact of a number of severe but plausible events that could impact the business. This work takes account of the availability and likely effectiveness of mitigating actions that could be taken to avoid or reduce the impact or likelihood of the underlying risks materialising.

The group's risk profile, risk register, watch list and stress tests are regularly reviewed and challenged by the executive, senior management, group risk committee and the board.

Three lines of defence

Overview

External independent assurance

Third line: Internal independent assurance

Second line: Oversight and challenge functions

First line: Business operations and support

Executive risk committee

Executive committee

Audit and group risk committee

Profile and mitigation of principal risks

The group's underlying risk profile has improved over the last 12 months, despite another year of mostly remote working. Although the risk ratings for many Level 2 risks are unchanged , there have been improvements in the management of some principal risks as opportunities were taken to invest further in people, processes and technology to improve risk mitigation, including against cyber threats. We have remained focused on service to clients, the reliability of business operations and the wellbeing of our colleagues and we believe this approach has been effective.

Based upon our risk assessment processes, the board believes that the principal risks and uncertainties facing the group which could impact the delivery of our strategic objectives have been identified below. These risks reflect our strategic initiatives and change programme, changes to the group's business model following the acquisition of Saunderson House, environmental and societal challenges, the cyber threat landscape, operational resilience in relation to our suppliers, and the political environment. The board remains vigilant to potential risks that could arise from the longer-term impact of COVID-19 on our business and suppliers, society and the economy, and also to regulatory risks that, in turn, may arise from the continuing development of law, regulation and standards in our sector.

Further information about the principal risks is set out below. We include the potential impacts (I) the firm might face and our assessment of the likelihood (L) of each principal risk crystallising. These assessments take into account the controls in place to mitigate the risks. However, as is always the case, should a risk materialise, a range of outcomes (both in scale and type) might be experienced. This is particularly relevant for firms such as ours where the outcome of a risk event can be influenced by market conditions as well as internal control factors.

We use ratings of high, medium, low and very low in our risk assessment. We perceive as high-risk items those which have the potential to impact the delivery of strategic objectives, with medium-, low- and very low-rated items having proportionately less impact on the group. Likelihood is similarly based on a qualitative assessment.

Key principal risk profile trends

Risk	Description	Risk trend in 2021
Change	In 2021, we have remained agile and adapted to the continuing effects of COVID-19, while delivering growth opportunities through the Saunderson House acquisition and digital enhancements for clients.	→
Sustainability	We continue to monitor external market conditions, including environmental and social factors, which could adversely affect sustainable growth, market share or profitability. We broadened the risk appetite measures for this risk for 2021, which now include diversity and our climate risk indicators.	→
Suitability	We continue to refine our processes and improve investment risk oversight, focusing on both client suitability and portfolio construction. Further technology enhancements are expected in 2022.	→
Information security and cyber	We have continued to invest in improving our security posture, including staff awareness, preparedness and technology developments to ensure we progress and are prepared for the evolving threat landscape.	↘
People	People risk fluctuated during 2021 as a result of the pandemic, with turnover increasing against last year and labour market challenges impacting some areas. Management action has been taken to address the concerns raised by our colleagues. Our new employee survey tool is well established and employee engagement is positive.	→
Third-party supplier	This was a key area of focus in 2021, with framework improvements and increased supplier oversight introduced. Together with our suppliers, we have improved the management of risks associated with their activities, including potential service disruption and other client impacts. Work will continue in 2022, in line with our change agenda.	↘

Principal risks

The most significant risks which could impact the delivery of our strategy and annual business plans are detailed below. The potential impacts (I) the firm might face and our assessment of the likelihood (L) of each principal risk crystallising are included in the table. Some of these risks increased in 2021, although they have since stabilised.

Risk owner(s)	Level 2 risk	How the risk arises	Residual rating I	Residual rating L	Control environment
Group Chief Financial Officer	**Credit** The risk that one or more counterparties fail to fulfil contractual obligations, including stock settlement	This risk can arise from placing funds with other banks and holding interest-bearing securities. There is also a limited level of lending to clients			– Banking committee and senior management oversight – Counterparty limits and credit reviews – Treasury policy and procedures – Client lending policy and procedures – Active monitoring of exposures – Annual ICAAP
Group Chief Financial Officer	**Pension** The risk that the cost of funding our defined benefit pension schemes increases, or their valuation affects dividends, reserves and regulatory own funds	This risk can arise through a sustained deficit between the schemes' assets and liabilities. A number of factors impact a deficit, including increased life expectancy, falling interest rates and falling asset values			– Board, senior management and trustee oversight – Monthly valuation estimates – Triennial independent actuarial valuations – Investment policy – Senior management review and defined management actions – Annual ICAAP

Very High High Medium Low

			Residual rating		
Risk owner(s)	**Level 2 risk**	**How the risk arises**	**I**	**L**	**Control environment**
Chief Operating Officer	**Change** The risk that the change portfolio does not support delivery of the group's strategy	This risk can arise if the business is too aggressive and unstructured in its change programme to manage project risks, or fails to make available the capacity and capabilities to deliver business benefits			– Executive and board oversight of material change programmes – Transformation Office Programme Board oversight and delivery-focused operating model – Differentiated governance approach to strategic change programmes and business projects – Dedicated change delivery function and use of internal and, where required, external subject matter experts – Two-stage assessment, challenge and approval of project plans – Documented project and change procedures
Group Chief Executive Officer	**Sustainability** The risk that the business model does not respond in an optimal manner to changing market conditions, including environmental and social factors, such that sustainable growth, market share or profitability is adversely affected	This risk can arise from strategic decisions which fail to consider the current operating environment, our stakeholders' expectations, or can be influenced by external factors such as environmental and social factors			– Board, executive and responsible business committee oversight – A documented strategy, including responsible investment policy – Monitoring of strategic risks – Annual business targets, subject to regular review and challenge – Regular reviews of pricing structure – Continued investment in the investment process, service standards and marketing – Trade body participation – Regular competitor benchmarking and analysis – Monitoring of strategic risks – Commitment to diversity and inclusion themes
Group Chief Executive Officer and Chief Risk Officer	**Regulatory compliance and legal** The risk of failure by the group or a subsidiary to fulfil its regulatory or legal requirements and comply with the introduction of new or updated regulations and laws	This risk can arise from failures by the business to comply with existing regulation or failure to identify and react to regulatory change			– Board and executive oversight – Management oversight and active involvement with industry bodies – Compliance monitoring programme to examine the control of key regulatory risks – Separate anti-money laundering function with specific responsibility – Oversight of industry and regulatory developments – Documented policies and procedures – Staff training and development

Risk owner(s)	Level 2 risk	How the risk arises	Residual rating I	Residual rating L	Control environment
Managing Director Rathbone Investment Management	**Suitability** The risk of an unsuitable client outcome either through service, investment mandate, investment decisions taken, investment recommendations made or portfolio or fund construction	This risk can arise through failure to appropriately understand the wealth management needs of our clients, or failure to apply suitable advice or investment strategies	High	Medium	– Board, executive and general managers committee oversight – Investment governance and structured committee oversight – Management oversight and segregated quality assurance and performance teams – Performance measurement and attribution analysis – 'Know your client' (KYC) suitability processes – Weekly investment management meetings – Investment manager reviews through supervisor sampling – Compliance monitoring
Chief Operating Officer	**Information security and cyber** The risk of inappropriate access to, manipulation, or disclosure of, client or company-sensitive information	This risk can arise from the firm failing to maintain and keep secure sensitive and confidential data through its operating infrastructure, including the activities of employees, and through the management of cyber threats	High	Medium	– Board and executive oversight – Data governance committee oversight – Information security policy, data protection policy and associated procedures – System access controls and encryption – Penetration testing and multi-layer network security – Training and employee awareness programmes – Physical security
Chief People Officer	**People** The risk of loss of key staff, lack of skilled resources or inappropriate behaviour or actions. This could lead to lack of capacity or capability threatening the delivery of business objectives, or to behaviour leading to complaints, litigation or regulatory action	This risk can arise across all areas of the business as a result of resource management failures or from external factors such as increased competition or material changes in regulation	High	Medium	– Board and executive oversight – Succession and contingency planning – Transparent, consistent and competitive remuneration schemes – Contractual clauses with restrictive covenants – Continual investment in staff training and development – Employee engagement survey – Appropriate balanced performance measurement system – Culture monitoring and reporting
Chief Operating Officer and Chief Executive Officer, Rathbone Unit Trust Management	**Third-party supplier** The risk of one or more third party suppliers failing to provide or perform authorised and/or outsourced services to standards expected by the group, impacting the ability to deliver core services. This includes intra-group outsourcing activity	This risk can arise when the firm does not have appropriate governance and oversight of its supplier relationships, in particular those considered key and material to the operational resilience of business services provided to clients or investors	High	Medium	– Board and executive oversight – Senior dedicated relationship managers – Supplier contracts and defined service level agreements/KPIs – New supplier due diligence and approval process – Close liaison and regular service review meetings – Documented procedures

Further detailed discussion of the group's exposures to financial risks is included in note 33 to the financial statements.

Very High   High   Medium   Low

Emerging risks and threats

Emerging risks, including legislative and regulatory change, which have the potential to impact the group and delivery of our strategic objectives, are monitored through our watch list. During the year, the executive committee continued to recognise and respond to a number of emerging risks and threats to the financial services sector as a whole and to our business. In addition, throughout 2021 we have continued to develop and maintain our approach to monitoring strategic risks and horizon threats. Key emerging risks and threats are:

Near-term	Cyber threats and supply chain resilience	Climate change transition risk ESG acceleration	Post pandemic UK and global economic challenges
Medium-term	UK specific and global political tensions	Sector consolidation Changing regulatory expectations	Digital currencies Open finance
Longer-term	Generational wealth change	Social care financing	More extreme pandemics

Our view for 2022 is that we can reasonably expect current market conditions and uncertainties to remain, given the implications of COVID-19 variants and the wide range of global economic and political scenarios which could emerge.

Assessment of the company's prospects

The board reviews its strategic plan annually. This, alongside the ICAAP and ILAAP, forms the basis for capital planning which is discussed periodically with the Prudential Regulation Authority (PRA).

During the year, the board has considered a number of stress tests and scenarios which focus on material or severe but plausible events that could impact the business and the company's financial position. The board also considers the plans and procedures in place in the event that contingency funding is required to replenish regulatory capital. On a monthly basis, critical capital projections and sensitivities have been refreshed and reviewed, taking into account current or expected market movements and business developments.

The board's assessment considers all the principal risks identified by the group and assesses the sufficiency of our response to all Pillar 1 risks (defined as credit, market and operational risks, including conduct) to the required regulatory standards. In addition, the crystallisation of the following events were considered for enhanced stress testing: an equity market fall, a loss of business/competitive threat, business expansion, pension obligation and a combined market fall and reputational event. The economic and commercial impacts of the global pandemic on the prospects of the company were also factored into the assessment.

The group considers the possible impacts of serious business interruption as part of its operational risk assessment process and remains mindful of the importance of maintaining its reputation. Although the business is almost wholly UK-situated, it does not suffer from any other material client, geographical or counterparty concentrations.

While this stress test does not consider all of the risks that the group may face, the directors consider that this stress testing based assessment of the group's prospects is reasonable in the circumstances of the inherent uncertainty involved.

Viability statement

In accordance with the UK Corporate Governance Code, the board has assessed the prospects and viability of the group over a three-year period considering the risk assessments identified above. The directors have considered the firm's current position and the potential impact of the principal risks and uncertainties set out above. As part of the viability statement, the directors confirm that they have carried out a robust assessment of both the principal risks facing the group, and stress tests and scenarios that would threaten the sustainability of its business model, and its future performance, solvency or liquidity.

The board regularly reviews business performance and at least annually its current strategic plan through to 2024, alongside a strategic risk assessment. The board also considers five-year projections as part of its annual regulatory reporting cycle, including strategic and investment plans. However, the directors have determined and continue to believe that a three-year period to 31 December 2024 constitutes an appropriate and prudent period over which to provide its viability statement given the uncertainties associated with the global pandemic, as well as economic and political factors and their potential impact on investment markets over a longer period. This three-year view is also more aligned to the firm's detailed stress testing and capital planning activity. There is no reason to believe the five year view would be different but as always, there is more uncertainty over a longer time horizon particularly in relation to external factors.

Stress testing and scenario analysis shows that the group would remain profitable in excess of our risk appetite tolerances for capital and liquidity, and able to withstand the impact of such scenarios. An example of a mitigating action in such scenarios would be a reduction in costs, specifically around change initiatives, along with a reduction in dividend.

Scenarios modelled include:

- Market wide stress (capital & liquidity): a 30% fall in all market levels for a prolonged 18-month period and FX illiquidity.
- Idiosyncratic stress (capital & liquidity): a reputation-affecting cyber event causing outflow of 20% of FUMA with associated compensation and rectification costs.
- Combined stress (capital & liquidity): aggregation of the above stresses, together with negative interest rates and additional FUMA outflow to fund personal lifestyle changes.

Based on this assessment, the directors confirm that they have a reasonable expectation that the company will be able to continue in operation and meet its liabilities as they fall due over the period to 31 December 2024.

Being a responsible business

Our commitment to being a leader in responsible business stems from our purpose in society. Thinking, acting and investing responsibly not only shapes what we do but how we do it. It is woven throughout our business strategy and core to our day-to-day decision-making. Longer-term, this focus is how we will both create value for our clients and make a wider contribution to society.

Our 2021 highlights

- Introduced a group-wide exclusions policy for manufacturers of cluster munitions and anti-personnel landmines, and thermal coal
- Developed Rathbones' approach to hybrid working as part of our return to work programme
- Integrated ESG factors into our supplier management framework
- Set science-based emission reduction targets.

Responsible investment

PRI strategy and governance score

A+

(score carried over from 2020. PRI had not released 2021 scores at time of publication)

Number of companies directly engaged with

705

(2020: 226)

Our people

Number of employees participating in share schemes

1,624

SIP (2020: 1,316)

1,127

SAYE (2020: 1,040)

2021 employee engagement score

8.1 /10

(FS benchmark 7.7/10)

Society and communities

Community investment

£418,000

(2020: £467,000)

Number of charities supported

>55

Our environmental impact

Carbon intensity (tCO_2e/FUMA £bn)

18.51

(2020: 23.16 (tCO_2e/FUMA £bn))

Total emissions (tCO_2e)

1,170

(2020: 1,267 (tCO_2e))

Our approach to responsibility

We continue to manage our responsible business programme through the four pillars of responsible investment, people, society and communities, and our environmental impact. Understanding the issues that impact our stakeholders most allows us to focus our initiatives to respond to the most material risks and opportunities across the pillars. 2021 saw us build on the programmes we had in place and identify a few key initiatives that would support us in delivering value to our stakeholders which include the integration of further ESG data into our investment approach, working with the team at Included to support development of a diversity and inclusion approach, integrating ESG factors into our supplier management framework and the creation of a net zero working group to support calculation and delivery of our net zero emissions targets.

This year we have produced our first standalone responsible business report, in which we share more information on our 2021 activities, progress and our future plans.

Responsible business governance

The responsible business committee, co-chaired by Paul Stockton, our group chief executive officer, and Ivo Darnley, Rathbones Investment Management Managing Director, met four times in 2021 and reported to the board twice. At each meeting an update is given on our pillar plans, and in addition strategic discussions are held on specific themes e.g. climate risk or our diversity, equality and inclusion programmes.

To find more information on our responsible business activities please see:

- Responsible business report
- Responsible investment report
- Gender pay gap report
- Modern slavery statement
- Task Force on Climate-related Financial Disclosure
- Rathbones website

Responsible investment

Rathbones has been trusted for generations to manage and preserve our clients' wealth. Our tradition of investing and acting responsibly has been with us from the beginning and will continue to lead us forward. In 2021, we continued to deliver against the four pillars of our responsible investment (RI) policy.

ESG integration - we source ESG data from a number of vendors to support analysis, assessment and reporting. Our research team has created a bespoke approach to responsible investment data comprising vendor data, engagement and voting information, materiality information, financial analysis and other specialised analysis which allows us to form an in-depth view of a security.

Engagement - as stewards of our clients' wealth, we actively engage with the management teams and boards of the companies and securities we invest in. This gives us the opportunity to directly raise issues that are important to our clients or might impact portfolio performance. We participated in 705 direct engagements in 2021, with the aim of driving operational improvements by pressing companies to address their ESG risks.

Key themes considered at the committee meetings:

2021 meeting	Attendance	Discussion	Decision
March	10/10	– Net zero emissions strategy – Investment exclusions	– Agreement to set targets in alignment with limiting warming to 1.5°C – Approved the introduction of thermal coal and cluster munitions exclusions
June	10/10	– Community investment approach – Operational environmental initiatives	– Strategic community investment themes and initial partners identified – Investment in operational initiatives, including energy contracts and infrastructure selection agreed
September	9/10	– Near-term net zero emission targets	– 2025/2030 emission targets approved
December	8/10	– Risk and regulatory changes – Reporting and communication	– Approved project to propose our carbon removal strategy – Market review of RB policy approaches agreed.

Voting – we stand by our beliefs and vote against management where necessary. Our voting approach sees us vote on 95% of our votable equity assets in RIM and 100% in RUTM. Our voting policy can be found on our website.

Transparency – transparency about our responsible investing approach and activities provides assurance that these efforts are genuine and are deeply rooted. There are a number of ways we ensure our transparency including our responsible investment reports, our PRI submission, TCFD report and our vote disclosure website.

We are proud of the achievements we have made to date. By setting ourselves ambitious targets we recognise the work that needs to be done, not only within our organisation but across the industry and in the private client wealth management space in particular. We will work with our industry partners to promote responsible investment not only within financial services but across all the sectors and within all the asset classes within which we invest in our bespoke products, and will continue to integrate ESG factors throughout our research and investment decision-making to ensure the best outcomes for our clients.

To find out more about our RI activities see our standalone responsible business report and our responsible investment report.

Our people

Rathbones employees faced another challenging year and our priority continued to be ensuring their safety and wellbeing. Over the past 18 months our employees have shown great resilience and the ability to adapt. Like many businesses, having learnt from our remote working experience, we are now adopting a hybrid working approach as we return to our office spaces. Our management team and the board continued to engage through a variety of channels, ensuring open discussion across our workforce with additional details included in our s172 report and our responsible business report.

The business continued to focus on creating an equitable and inclusive work environment. With 64.7% of our employees sharing their diversity data we can tailor our programmes to impact the areas in which the most opportunities exist. A key highlight for the year was our employee engagement survey which was completed by 83% of our people; we achieved an engagement score of 8.1/10 which was above the financial services benchmark of 7.7.

To find out more about our people activities see page 58 and our standalone responsible business report.

Society and communities

Through our business we aim to add value not only to our clients but also to the societies and communities in which we operate. During the pandemic, many of our stakeholders, from small businesses to the charities we support, experienced challenges. Similar to 2020, our responsibility to these stakeholders has continued and we have achieved the following:

Partners and regulators – we see our role as an active participant and work alongside partners and regulators to ensure we and other businesses operate with integrity. Operating in compliance with the Prudential Regulation Authority (PRA) and the Financial Conduct Authority's (FCA) clients' best interests rule we maintain constructive relationships, regularly engaging to ensure our business understands and contributes to the evolving regulatory requirements. In 2021, we engaged on both climate risk requirements and diversity and inclusion matters.

Human rights – 2021 saw the business join the United Nations Global Compact to further support our commitment across the ten principles, including human rights. This sits alongside our support for the International Labour Organization's standards and the Universal Declaration of Human Rights. We will not tolerate child or forced labour and support the right to freedom of association and collective bargaining. Rathbones has a zero-tolerance policy to bribery and corruption, and we ensure all our employees are adequately trained. We reviewed our whistleblowing process in 2021 and saw 99% of employees complete our anti-bribery and corruption training The continued requirement to interact virtually means the risks of fraud and cyber exploitation remain increased. Our board took part in a cyber incident scenario simulation in March; more information on this can be found on page 80.

"We will work with our industry partners to promote responsible investment not only within financial services but across all the sectors and all the asset classes within which we invest in our bespoke products, and will continue to integrate ESG factors throughout our research and investment decision-making to ensure the best outcomes for our clients."

Supply chain – as a UK-based financial services business, Rathbones has a relatively low risk of human rights risk within its direct supply chain. Indirect suppliers further down our supply chain however present a potential elevated risk. In 2021, our supplier management framework was updated to include consideration of ESG factors as both part of the selection and onboarding of suppliers, as well as part of the regular supplier reviews that are undertaken. By year-end 66% of our critical, strategic and preferred suppliers had been reviewed. Read more in our modern slavery statement.

Community investment – the requirement for support continued to grow in 2021 as society began to return to normality. Rathbones recognises our role in the communities in which we operate and was pleased to invest £418,000 (2020: £467,000) in community projects. One initiative with Social Shifters supported young entrepreneurs who were creating businesses in response to environment and social challenges faced in their local communities.

To find out more about our society and communities activities see our standalone responsible business report.

Our environmental impact

At Rathbones, as stewards and allocators of capital, we recognise that we have a business responsibility to contribute to the transition to a net zero economy. At the heart of our approach is a target to align to the Paris Agreement goal to limit global warming to well below 2°C, and preferably 1.5°C. We seek to do this by becoming a net zero emissions business by 2050 or sooner.

In support of our environmental initiatives we became a signatory to both the Net Zero Asset Managers Initiative and the Business Ambition for 1.5°C and we report for the second year in alignment with the recommendations of the Task Force on Climate-related Financial Disclosures.

More information on our environmental activities and 2021 data disclosure can be found on pages 59-60 and in our standalone responsible business report.

Standards and frameworks

FTSE4Good

PRI Principles for Responsible Investment

CDP DRIVING SUSTAINABLE ECONOMIES

SUSTAINABLE DEVELOPMENT GOALS

UN GLOBAL COMPACT

Living Wage Employer

We recognise that we cannot achieve our aims alone. Through selected partnerships we will work to deliver action and continually challenge ourselves around the issues that we can materially impact. To find out about other standards, frameworks and ratings which we align to please see our website.

2022 focus

At Rathbones, we are committed to operating in a way that best serves our clients' interests and contributes towards building a better world for future generations. Requirements for disclosure and transparency are evolving as regulators seek to enhance the quality and quantity of information provided by companies to the public. We will continue to strengthen our reporting by being transparent and detailed about our approach to operating responsibly.

In 2021, we initiated several programmes, including the setting of our net zero emissions targets. In 2022, our work will focus on the operationalisation of these initiatives. You can find out more about how we will do this in our responsible business report.

We will continue to engage and report transparently, updating stakeholders on our progress in our standalone report, our annual report and accounts and supplementary thematic disclosures such as our PRI report, climate statement, CDP disclosure and gender pay gap report.

If you would like to talk to us about our responsible business programme, please contact us at responsiblebusiness@rathbones.com.

* The FTSE4Good Index – we are pleased to have been included in the FTSE4Good Index for over 10 years. As a business we will continually develop our approaches to maintain our listing. FTSE Russell (the trading name of FTSE International Limited and Frank Russell Company) confirms that Rathbone Brothers Plc has been independently assessed according to the FTSE4Good criteria, and has satisfied the requirements to become a constituent of the FTSE4Good Index Series. Created by the global index provider FTSE Russell, the FTSE4Good Index Series is designed to measure the performance of companies demonstrating strong environmental, social and governance (ESG) practices. The FTSE4Good indices are used by a wide variety of market participants to create and assess responsible investment funds and other products.

Our people

Our approach

People are a crucial element of our corporate strategy. Having faced a second unsettled year, our priority continues to be ensuring our employees' safety and wellbeing. The work undertaken in 2021 aligns to our strategy and furthering our growth, proposition and efficiency ambitions. To support this, we are developing our people plan incorporating the core elements of:

- asking, listening, doing - employee engagement
- investing in our people - mentoring, talent programmes and inclusive leadership training
- employer of choice - diverse candidate lists and supporting processes to support a diverse and inclusive workforce
- data-driven decisions - using our employee data to support informed decisions.

Underpinning this will be our HR information system, supporting efficient engagement and keeping us all connected.

Employee wellbeing

2021 like 2020 was an extraordinary year for our employees and ensuring the wellbeing of our people remained our utmost priority. Through the introduction of a new employee engagement platform we could capture snapshots of employee feedback at key points throughout the year. This allowed us to respond to any specific needs raised and fed into reviews of our physical and mental wellness offerings ensuring continued support to employees.

Return to the office

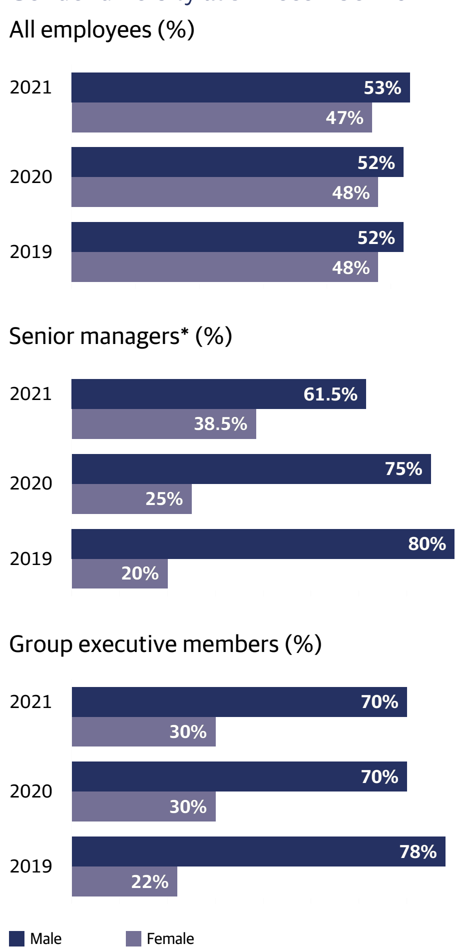
The impact of COVID-19 means the world of work is never going back to how it was. Over the past 18 months Rathbones employees have shown great resilience and the ability to adapt. Having learnt from remote working we are now incorporating it with making more use of our office spaces again. Employees will have greater autonomy in how they shape their time and the ways in which they deliver their work. Like many businesses the hybrid model is new for Rathbones so we will work together to support flexibility as we move to a world in which COVID is not the driver of more flexible working.

Diversity, equality and inclusion

At Rathbones, we recognise the value and impact that our people bring to our work. It is only by having a diverse workforce who feel included that we can serve our clients and deliver on the targets we have set.

In 2021, we have taken a tactical approach on how we can do this. We have been working to build a five-year strategy to lead us into 2022, supported by the 64.7% of employees who have shared their diversity data. This plan will help us expand and embed diversity and inclusion throughout the business, making everyone feel they belong. We will use this strategy to take an umbrella method of thinking and identify the different areas of diversity we need to tackle. Until now, we have primarily been focusing on gender and ethnicity, we are in the process of defining our focus areas for 2022 but plan to expand on our existing approach.

Gender diversity at 31 December 2021



* Senior managers includes senior individuals who report directly into the group executive committee

2022 focus

We are committed to continually improving our employee experience. Next year, in addition to our existing processes we will share our updated people plan which will be focused on the four areas of:

- asking, listening and doing
- investing in our people
- being an employer of choice
- using data to support decisions.

To read more on our people programme, visit our standalone responsible business report.

Our board has three female directors out of nine, which means we meet our commitment of 33% female board representation for FTSE 350 companies. We also have three on the group executive committee. We also meet the requirements of the Parker Review, which encourages the improvement of ethnic and cultural diversity on boards. We see this as a good foundation on which to build, but not an end point. We are signatories to the Women in Finance Charter and the firm is committed to achieving 25% female senior management representation by 2023. As of end 2021, we have reached 38.5% (2020: 24.6%).

Employee engagement

An engaged workforce is essential to delivery of our purpose and strategy. Our summer 2021 survey received an 83% response rate and our overall engagement score is higher than our industry benchmark. In 2021 we used a new engagement system; this means direct comparisons to previous years is not possible. We can see that in 2021, as in the previous two years, our overall levels of engagement have been above the financial services benchmark. The survey also identified areas in which we improved and others where we can build engagement.

Find out more:

- Enabling our people p28
- Culture p83
- Workforce engagement p84-85
- Responsible business report
- Gender pay gap report
- Rathbones website

Our environmental impact

Our approach

The world is at a critical point. Global temperatures continue to rise dramatically; taking decisive action to limit this is a global necessity. The Intergovernmental Panel on Climate Change (IPCC) has warned that to limit global warming to 1.5°C above pre-industrial levels, the world's carbon emissions need to halve by 2030 and reach net zero by 2050. This goal requires collective ambition and action across sectors. At Rathbones we believe it is our fiduciary duty and business responsibility to build a better world for future generations.

As stewards and allocators of capital, we recognise that we have a business responsibility to contribute to the transition to a net zero economy. At the heart of our approach is a target to align to the Paris Agreement goal to limit global warming to well below 2°C, and preferably 1.5°C. We seek to do this by becoming a net zero emissions business by 2050 or sooner.

To achieve this ambition, we have set science-based targets in line with a 1.5°C temperature pathway:

By 2030 reduce our operational footprint (Scope 1, Scope 2 and Scope 3 categories 1-8) by

42%

By 2030 we will reach

57%

portfolio coverage across our investment portfolios (Scope 3, category 15).

The above targets have been set at a group level, using the methodology of the Science Based Targets initiative (SBTi). In addition to the group targets, Rathbone Greenbank Investments has set investment targets in alignment with the Net Zero Investment Framework (NZIF).

Delivering on this will see the group build on its 81% reduction in operational carbon intensity per full-time employee since 2013 by completing the transition of our offices to renewable energy sources by the end of 2025. This will aid us in meeting the 2025 internal target of a 21% reduction across our overall Scope 1, Scope 2 and operational Scope 3 emissions.

We support the work of the TCFD and have produced our second response in alignment with its recommendations. A summary is included in this report pages 61-63 and to ensure we meet the new listing requirement, we have produced a standalone disclosure.

2021 progress

Our scope 1 emissions in 2021 saw an increase due to the increase in both natural gas usage, driven by the need for increased ventilation, and a top up in refrigerants at our London site. We continued to decrease our use of energy and ran a print consolidation project in 2021 the impact of which we should see more completely in our 2022 figures. With the announced move of our Edinburgh office into a BREEAM rated very good building, due to take place in the summer of 2022, this evidences our continued commitment to not only transitioning our energy contracts to green energy sources but also reviewing the impact of our infrastructure.

Carbon removal

We continue to purchase carbon removal credits or offsets to cover our operational footprint. This year we have purchased and retired credits to cover our expanded operational footprint, for more information see our responsible business report. Over the last ten years we have purchased just over 26,000 tonnes of carbon in projects supporting clean water, geothermal, wind, solar and cookstoves. Last year we began the transition of our offsets to nature based solutions and supported a forestry project in Chile.

In 2021, we expanded our data collection to include more of our scope 3 emissions categories. The table on the opposite page shows a year-on-year comparison complying with the SECR requirements. For more information on our expanded footprint including the impact of our supply chain exposure please see our responsible business report.

Looking forward

Following the outcomes of the climate talks in Glasgow, and the continued strengthening of commitments from governments and regulators supporting the transition to a net zero emissions economy, the need for business to understand and act with regard to our climate impact will continue to grow.

The focus of our environmental programme in 2022 will be the operationalisation of our net zero emissions plan, including the engagement of our suppliers. We will work to integrate Saunderson House in to our data processes and expand reporting on the financial implications of climate change to include a broader client population.

To read more on how we manage our environmental impact and our approach to net zero, visit our standalone responsible business report.

– TCFD report p61-63
– Risk management and control p46-53
– Financial statement p210
– Responsible business report

Compliance with regulations

We continue to meet the greenhouse gas (GHG) emissions reporting requirements of the Companies Act 2006 (Strategic and Directors' Reports) Regulations 2013 and our obligations under the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018. We have prepared this report in accordance with the requirements for quoted companies under these regulations by including our specific energy usage and energy-efficiency initiatives and have split out our global and UK emissions. Rathbones continues to report all material GHG emissions across our direct operations.

The methodology used to compile this disclosure is in accordance with Defra's Environmental reporting guidelines: Including Streamlined Energy and Carbon Reporting guidance (March 2019), and the World Resources Institute Greenhouse Gas (WRI GHG) Protocol Corporate Standard. Rathbones uses an operational control approach and has included GHG emissions arising from business activities in the reporting year 1 January 2021 to 31 December 2021.

It has not been practical to gather data on energy use at our Lymington office and we have used typical energy consumption benchmarks to calculate the energy use at this site based on floor area. We will work to integrate the impact of Saunderson House on our footprint throughout 2022.

To see the 2021 Avieco opinion statement see our standalone responsible business report.

Carbon footprint by scope (tCO_2e)

Rathbones' reporting period for greenhouse gas emissions is 1 January to 31 December 2021, aligned to our financial year.

Location-based emissions (tCO_2e)[1]	2013 (baseline)	2019	2020	2021[2]	% change
Scope 1	306	322	344	**411**	19.48%
UK-based[3] scope 1 emissions	306	322	344	**411**	19.48%
Global2 scope 1 emissions	–	–	–	**–**	–
Natural gas	276	322	344	**348**	1.16%
Refrigerants	30	–	–	**63**	100.00%
Scope 2	1,424	657	461	**368**	-20.17%
UK-based[3] scope 2 emissions	1,401	638	444	**356**	-19.82%
Global[3] scope 2 emissions	23	19	17	**12**	-29.41%
Purchased electricity	1,424	657	461	**368**	-20.17%
Scope 3	902	1,112	462	**391**	-15.37%
Business travel	496	827	259	**194**	-25.10%
Data centres[4]	150	135	108	**99**	-8.33%
Paper	117	87	51	**61**	19.61%
Waste	9	7	4	**4**	0.00%
Electricity transmission and distribution[5]	130	56	40	**33**	-17.50%
Total location-based[6]	2,632	2,091	1,267	**1,170**	-7.66%
UK emissions	2,609	2,072	1,249	**1,157**	-7.37%
Global emissions (excl. UK)	23	19	18	**13**	-27.78%
Total energy consumption (kWh)[7]	4,748,931	4,320,690	4,387,481	**4,083,324**	-6.93%
UK consumption (kWh)	4,678,559	4,247,556	4,316,661	**4,028,768**	-6.67%
Global consumption (excl. UK) (kWh)	70,372	73,134	70,820	**54,556**	-22.97%
Intensity ratio					
FUMA (£bn)	22.0	50.4	54.7	**63.2**	15.54%
Emissions intensity (tCO_2e/FUMA £bn)	120	41.5	23.16	**18.51**	-0.20%
Emissions intensity (tCO_2e/FTE)	3.5	1.38	0.80	**0.65**	-0.18%

1. In accordance with best practice introduced in 2015, we report two numbers to reflect emissions from electricity. Location-based emissions are based on average emissions intensity of the UK grid and market-based emissions to reflect emissions from our specific suppliers and tariffs. Scope 2 market-based emissions for 2021 are 34 tCO_2e (2020: 46 tCO_2e)
2. Our 2021 figures do not include Saunderson House data. We will work through 2022 to integrate their data into our footprint going forward
3. Under SECR regulation we are required to split our global and UK emissions. Our global emissions (excl. UK) and global consumption (excl. UK) reflect electricity emissions and consumption (respectively) from our Jersey office. It is not possible to split out travel and allocate to our Jersey office at this stage
4. Data centre emissions are reported as Scope 3, as per the WRI GHG Protocol
5. Electricity transmission and distribution (T&D) reflects emissions from line losses associated with electricity transmission and distribution
6. Total emissions reported in 2020 have been restated from 1,123 to 1,267tCO_2e due to increased availability of actual data for the reporting year. This has increased our accuracy of reporting. In most cases the change is small, but for natural gas it is substantial. This is related to natural gas usage at our London office where the ventilation system was used continually throughout 2020 with heating used to compensate. As a result the figures are significantly higher than estimates used. This figure also impacts kWh consumption figures at the bottom of the table
7. Total energy consumption (kWh) of our Scope 1 and Scope 2 emissions (electricity), and scope 3 (employee cars)

Task Force on Climate-related Financial Disclosures

Our approach

As wealth managers, we have a fiduciary duty on behalf of our clients to consider all long-term risks that may impact their investments. We are committed to helping our clients safeguard their portfolios against physical and transitional risk as the world moves to a low-carbon economy. At Rathbones,we recognise that this is a collaborative exercise that spans industries and as such we are continuously engaging with our stakeholders, including our clients, investors, regulators, and industry organisations', to improve our collective climate reporting and help smooth the transition to a net zero economy.

We are committed to improving our climate-related reporting. During the financial year ended 31 December 2021, the board has complied with the requirements of LR 9.8.6. This page shares a summary of our how we applied the 11 principles of the TCFD recommendations. We have chosen to publish our 2021 TCFD disclosure as a standalone statement, allowing us to report in more detail and link from that report to applicable content across our reporting suite. Our standalone report will be available as a PDF on the reports and disclosures page of our website.

Governance

1. Board oversight
2. Management oversight

We believe that everyone in our company has a role to play in reducing risks, from our board and executive team, down to each of our employees. If an entire workforce can operate with accountability, this in turn enhances the effectiveness of risk management and decision-making across the group. Our approach to risk governance, processes and infrastructure ensures that we are constantly considering both existing and emerging risks to our purpose, values and strategic objectives. Ultimate responsibility for climate risk, like all risks identified and managed by Rathbones, sits with our board. The board is supported by several committees and maintains responsibility for the consideration and integration of climate risk. Our audit committee has oversight of our reporting of climate risk including our TCFD report and our group risk committee is responsible for the management of climate risk and its associated consequences. These board level committees are supported by our group executive committee and our responsible business committee and responsible investment (RI) committees.

Our group chief executive officer has responsibility for bringing climate matters to the board and is supported in this by our responsible business committee which he co-chairs. Our chief risk officer is our senior management function responsible for climate-related financial risk.

For more information on the governance around climate-related risks and opportunities see our standalone TCFD report, available on our website

Strategy

3. Identification of climate risks and opportunities
4. Impact of climate risks and opportunities
5. Scenario analysis

At Rathbones, we believe that we have a fiduciary duty to act on climate change. That means doing the right things for our client's – and for others too. Alongside the management of our operational impact, our responsible investment approach is based on four core principles that are at the heart of the way we do business: ESG integration, engagement with consequences, voting with purpose and transparency.

Rathbones recognises the potential impacts for our business, including those associated with the transition to a greener economy (transitional risks) and the physical effects of climate change. As wealth managers, we have the unique ability alongside other financial services actors to provide capital to organisations that are positioned to provide solutions to the problems caused by climate change.

Transitioning to a low-carbon economy requires large funding support from the private sector as well as the public sector. We believe that our ability to identify and allocate to these types of investments is in the best interest not only in terms of outcomes for our clients, but for broader society. Our focus on responsible investment, coupled with the close relationships we foster with our clients, means we believe we can support clients in their own decarbonisation journeys and plan for their long-term future.

"Rathbones recognises the potential impacts for our business, including those associated with the transition to a greener economy (transitional risks) and the physical effects of climate change. As wealth managers we have the unique ability alongside other financial service sector participants to provide capital to organisations that are positioned to provide solutions to the problems caused by climate change."

Our attention to date has been ensuring the full identification of climate-related risks and ensuring we have climate risk formally integrated into our risk management framework. In addition to the financial stress testing (pages 52-53) we undertake as a business we have explored the use of scenario analysis, to aid our decision-making process. This year we have considered a few scenarios including a 2ºc or lower scenario. More information about our approach, the scenarios we use and what they show us, can be found in our standalone disclosure.

Looking forward, we will be turning our attention to focus on the identification and actioning of climate opportunities. At this time, we have identified a variety of opportunities that fall across the short, medium, and long term, which we reference in more detail in our full TCFD disclosure.

For more information on the climate-related risks and opportunities that impact our business see our standalone TCFD report, available on our website

Risk management

6. Identifying and assessing climate risks
7. Managing climate related risks
8. Integration into our risk management processes

Along with robust management of our own risks (see pages 45-53), we also believe it is in our clients' best interests for the companies in which we invest to adopt best practice in managing and reporting on ESG risks. We see this as part of our duty as a good, long-term steward of the investments we manage on our clients' behalf. This is expressed in full in our responsible investment policy, which outlines our responsible investment principles and how they are being integrated into our stewardship process. Our approach provides a framework for each company we engage with to be managed according to the long-term interests of its shareholders.

Given the significant impact that climate change represents, we are committed to playing a positive role in the transition to a net zero economy. This will involve increasing our exposure to businesses aiding or benefiting from the transition, while also decreasing our exposure to high-carbon businesses that are unable to demonstrate transition plans in alignment with the Paris Agreement.

Our overarching approach comprises the following pillars:

ESG integration

- We will consider environmental, social and governance (ESG) factors in the evaluation of investments to help identify ESG opportunities and risks
- Our research team and investment committees are actively working to integrate ESG factors into the investment process across all asset classes
- Material ESG risks, where identified, are incorporated into the process on a case-by-case basis
- We review data from a range of sources to inform our analysis

Engagement with consequences

- We prioritise engagement where we can make a difference in addressing the systemic environmental and social challenges. We are prepared to reduce our holdings in companies who continue to present an ESG risk over time.
- Topics included climate change, employment practices, inequality, the composition of board of directors, remuneration
- In 2021, we held conversations with 705 of our the companies in which we invest. We continue to invest to challenge and support change that delivers real change
- For example, we acted as lead investor for the Climate Action 100+ engagement with SSE

Voting with purpose

- We actively vote across over 95% of the value of our votable equity holdings in line with our RI commitments. This may involve voting against management to help drive positive change.
- In 2021, we voted on over 15,000 resolutions across RIM and RUTM
- Voting is undertaken on our most widely held holdings and on any company if requested by a client who is a shareholder of that company
- We are increasingly integrating ESG factors in our voting process

Transparency

- As a prominent participant in the financial markets, we are committed to being transparent about our approach to RI. We will actively report on the progress of our RI activities to our clients, shareholders and other stakeholders.
- In 2020 we achieved an A+ rating for strategy and governance. UN PRI, 2021 scores have not been announced at time of release due to PRI undertaking a review of their approach
- Our annual report and accounts and specific responsible investment report reflects our efforts made in this area
- We regularly publish thought leadership and host events about RI themes.

For more information on how we identify, assess and manage climate-related risk please see our standalone TCFD report, available on our website.

Metrics and targets

9. Alignment with our strategy and risk management
10. Our footprint
11. Our targets

We are using several metrics to measure the progress of our net zero journey, including our carbon emissions and GHG intensity indicators. We continue to assess our environmental impact, focusing not only on our operations but also on our investments. In 2021, we expand our footprint to include more scope 3 categories and this can be found in our responsible business report. We recognise that we have a business responsibility to contribute to the transition to a low-carbon economy and align our strategy to the Paris Agreement goal. In October 2021, Rathbone Greenbank Investments (Greenbank) and Rathbones Group Plc (group) announced our commitment to reach net zero emissions by 2040 and by 2050 or sooner respectively (see page 59) and our standalone responsible business report) for more information on our targets. In addition to our SECR disclosure which can be found on page 60, the business also calculates several investment metrics and other business indicators to help us assess, track and manage our impact, see below and our responsible business report for a selection.

For more information on the metrics and targets used to assess and manage relevant climate-related risks and opportunities, see our standalone TCFD report, available on our website.

Looking forward

Having taken robust steps in 2021 to address our impact through the setting of targets and integration of increased ESG factors into our investment decision-making approach, we see 2022 as a year to update our processes to ensure they will support us in delivery of our net zero commitment. To read more about the steps we will take please see our standalone responsible business report, TCFD document and our responsible investment report.

– Risk management and control p46-53
– Our environmental impact p59-60
– TCFD report
– Responsible business report
– Responsible investment report
– Climate statement

Alternative investment metrics

	2021	2020	2019
Climate resilient FUM[1]	**£2.3bn**	£1.9bn	£1.6bn
Number of investment managers and investment directors who have completed the CISI Sustainable and Responsible Investment Professional Assessment	**221**	–	–
Investment stewardship team size	**4**	3	2
Total investment stewardship engagements	**705**	201	83
Climate-related voting action taken	**14**	5	0

Other business indicators[1]

	2021	2020	2019
CDP score [2]	**C[1]**	B	B-
PRI strategy and governance score[3]	**A+[2]**	A+	A=

1. Climate resilient investments: includes the FUMA from Rathbone Greenbank Investments where we can be most confident climate risk is fully integrated
2. Our CDP score is based on 2020 activity; it therefore does not reflect the setting of our net zero emissions aligned targets
3. PRI are reviewing their process and scoring and have therefore not releasing their 2021 scores at this time. We have therefore, reported our 2020 score and will share our final 2021 score when released

Non-financial information statement

Reporting requirement	Some of our relevant policies and standards	Where to read more in the report about our impact	Page
Environmental matters	Responsible investment policy	Risk management and control	45-53
	Group Climate Statement	Our approach to responsibility	55-57
	Net zero emissions commitment	Responsible investment	55-56
		Our environmental impact	59-60
		Our TCFD disclosure	61-63
Employees	Code of conduct	Risk management and control	45-53
	Equal opportunities policy	Enabling our people	28
	Health and safety policy	Our approach to responsibility	55-57
	Compliance framework policy	Our people	58
	Anti-bribery policy	Workforce engagement with the board	84-85
Human rights	Code of conduct	Human rights	56
	Modern slavery statement	Modern slavery	57
Social matters	Code of conduct	Our approach to responsibility	55-57
		Community investment	57
Anti-corruption and anti-bribery	Anti-bribery policy	Risk management and control	45-53
	Conflicts of interest policy	Human rights	56
	Whistleblowing policy	Whistleblowing	93
Business model		Our business model	8-9
		Our market and opportunities	23
Non-financial key performance indicators		Our approach to responsibility	54-64
		Our people	58
		Our environmental impact	59-60
		Our TCFD disclosure	61-63

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 Rathbones Group Plc to provide information to its shareholders and should not be relied upon for any other purpose.

Pages 1 to 64 constitute the strategic report, which was approved by the board and signed on its behalf by:

Paul Stockton
Group Chief Executive Officer

Jennifer Mathias
Group Chief Financial Officer

23 February 2022

Governance

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Corporate governance report

On behalf of the board, it is my pleasure to present the first corporate governance report as chair for the year ended 31 December 2021. It summarises the role of the board in providing effective leadership to promote the long-term success of the firm.

The board plays a critical role in ensuring that the firm operates in a manner which is consistent with the highest standards of corporate governance. We take our legal and regulatory requirements seriously and seek to demonstrate this through consistent compliance with those requirements, and through evolving our processes to reflect the latest best practice. We are very conscious that good governance is not simply a matter of regulatory compliance, but must encompass multiple issues including: transparency in reporting and accounting, and fair remuneration. These enable better decision-making through inclusion and diversity, operating with integrity and honesty, and working closely with our suppliers and partners. We take the view that, together with our responsible business agenda which includes our commitment to net zero, we will contribute to the communities in which we operate. Maintaining our focus on sustainability and other ESG issues is not only entirely consistent with our values, but will enhance our ability to recruit the best talent, retain the confidence of our clients and the communities in which we operate. To achieve this, it is important to the board that we build and reinforce trust consistently amongst all our stakeholders; conscious of and giving consideration to their specific needs. Rathbones has a strong and long-established purpose, culture and set of values which collectively anchor our priorities, decision-making and actions. These were evident in the very challenging circumstances, experienced during the outbreak of the COVID-19 pandemic. Our robust and efficient governance processes, at board level and throughout the firm, made a critical contribution to the firm's ability to protect our people, serve our clients and create long-term value for shareholders.

The board has long championed the benefits of diversity across the firm as well as in the composition of the board. I am pleased that as at the date of this report, female directors comprise over 30% of our board membership and we are in line with the recommendations of the Parker Review. As discussed in the responsible business review, the firm is taking steps to continue improving diversity across the organisation through a variety of initiatives.

Purpose and culture

The board plays a critical role in setting the firm's strategy, purpose, business model and culture. The board spent time on each of these areas throughout the year. Each director recognises the role we have to play in setting the "tone from the top" and in monitoring how the firm's culture and values are communicated and embedded. We acknowledge the crucial link between culture, governance and leadership, and how decision-making is a key driver of culture. To be successful, the board has developed a culture dashboard which is used to monitor and analyse the firm's culture. This dashboard contains eight core drivers that help to shape the firm's culture and address a variety of areas including leadership, clients, employees and other stakeholders, as well as the firm's attitude to change. The dashboard contains both quantitative and qualitative data and each core driver has specific KPIs with a red-amber-green (RAG)-based trend rating. The culture dashboard is updated every six months and presented to the board for review and monitoring. In addition, through my own engagement with employees and through our workforce engagement programme, I have been pleased to see the firm's strong and distinctive culture in action, as shown by the continuing commitment on the part of our employees to support our clients and the community.

Board succession

As mentioned in last year's report, Mark Nicholls retired as chair in March 2021 and Jim Pettigrew retired at the AGM in May. I would like to thank Mark and Jim for their service to the firm and for ensuring that there was a smooth leadership transition during the COVID-19 pandemic.

The board takes a proactive approach to succession planning and is mindful of potential changes that will naturally occur as directors reach the end of their term. Therefore, James Dean will not be seeking re-election as a director at the 2022 AGM as he will have served nine years on the board. Following a comprehensive search process, the nomination committee recommended the appointments of Iain Cummings, who will be appointed chair of the audit committee, and Dharmash Mistry as new non-executive directors. Rathbones will benefit from their breadth and depth of experience in industry and the financial sector. Iain has over 35 years of experience working in the financial sector and Dharmash is an experienced technology venture capitalist, entrepreneur and non-executive director. We thank James for his significant contribution to the board and as chair of audit committee during his tenure.

Board evaluation

This year, in line with the UK Corporate Governance Code, the board appointed an external evaluator to review its effectiveness and performance. The review concluded that the board remains strong and effective, and that it has responded well to the challenges arising from the pandemic. The board welcomed the findings and will work to consider opportunities for incremental improvements during the year ahead. Further detail on the evaluation can be found on page 80.

Executive remuneration

Executive remuneration is an important area of focus and debate. As reported in last year's report, we introduced changes to our directors' remuneration policy following the introduction of the new CRD V directive. Our revised remuneration policy was approved at the 2021 Annual General Meeting (AGM) and I was pleased that it received such strong support from our shareholders. The directors' remuneration report, which includes further detail on the application of the new policy, can be found later in this section. During the year, we have continued to engage with our shareholders on executive remuneration.

Stakeholder engagement

Stakeholder engagement remains a priority for the board. During the year, the board has used formal meetings and other opportunities to discuss the firm's performance. These discussions included consideration of their interests, as well as risks arising from the wider regulatory, economic and political environment. As part of the board's regular meetings and in sessions specifically focusing on strategy, the directors have spent considerable time assessing and having regard to the impact of individual decisions and the firm's operations on different stakeholder groups. This has included extensive discussion of points arising from engagement with shareholders, customers, employees, regulators and other groups. You can find our formal statement in relation to section 172 of the Companies Act 2006, together with further detail about how the directors have engaged with, and had regard to the interests of, stakeholders in the strategic report on page 10.

The board gains a direct understanding of employees' views through employee survey results, townhalls and branch visits. As a result, the board has had good insight into the impact of home working and also the state of mental health of our people during the pandemic. This feedback was used to target measures to improve the safety and wellbeing of our colleagues. Separately, the board's workforce engagement programme, led by Colin Clark and Sarah Gentleman, continued during the year with ongoing engagement with our employees. Details of this initiative can be found on page 84. In addition, both my non-executive director colleagues and I used formal and informal opportunities to talk to employees across all offices through virtual events during the year.

Our shareholders are key. We managed a comprehensive engagement programme with them throughout the year. We undertook a number of investor meetings, either in person or virtually. The group finance director continues to report to the board regularly on shareholders' views regarding the firm, and the firm's corporate brokers present regularly to the board on market developments and shareholder perceptions. This helps to ensure that the board is fully briefed on the views and aspirations of shareholders. Also, as part of my induction programme, I met and spoke with a number of our shareholders during the year and I found these meetings to be most constructive.

Unfortunately, because of the COVID-19 pandemic, the firm's 2020 and 2021 AGM had to be held remotely due to compulsory government measures restricting public gatherings and non-essential travel. This meant that shareholders could not attend the meetings in person. We are very aware that the AGM provides an important forum for shareholders to meet the board and raise questions and we look forward to meeting you in person at our 2022 AGM.

This report, in its entirety, has been approved by the board of directors and signed on its behalf by:

Clive C R Bannister
Chair

23 February 2022

Governance at a glance

Corporate governance framework and division of responsibilities

Oversight and challenge

Board of Directors

Chair
- Leads the board and sets the agenda for board discussions
- Ensures the board's effectiveness
- Agrees and sets the firm's business strategy and management objectives
- Encourages the presentation of accurate, clear and timely information
- Promotes effective and constructive discussion
- Chairs the nomination committee, which considers the composition of the board and its succession plans
- Evaluates the performance of the board, its committees and individual directors on an annual basis

Senior Independent Director
- Acts as a sounding board for the chairman and serves as an intermediary for the other directors if required
- Holds meetings with the non-executive directors (without the chairman present)
- Is available to meet with a range of major shareholders
- To develop a balanced understanding of their issues and concerns and reports the outcome of such meetings to the board
- Leads the board in the ongoing monitoring and annual performance evaluation of the chairman

Non-executive Directors
- Provide constructive challenge to management performance and strategy
- Contribute to the firm's strategy
- Provide independent judgement to the board
- Review group financial information and ensure the system of internal control and risk management framework are appropriate and effective
- Engage with key stakeholders
- Review succession plans for the board and key senior management

Nomination committee
See page 95

Group risk committee
See page 86

Audit committee
See page 90

Remuneration committee
See page 99

Leadership

Group Chief Executive Officer
- Provides executive leadership and management to the business
- Responsible for the effectiveness of the executive committee
- Delivers on strategic objectives set by the board in line with the group's risk appetite
- Maintains strong relationships with the chairman, the board and key shareholders and stakeholders

Group Chief Financial Officer
- Oversees the financial position of the group
- Together with the chief executive, leads discussions with investors
- Responsible for the management of the capital structure of the company
- Contributes to the management of the group's operation

Group Executive Committee
- Implements the agreed strategy and the day-to-day management of the firm
- Reviews and discusses the annual business plan and budget
- Implements investment process and client proposition
- Approves the expenditure and other financial commitments within its authority levels and discussing, formulating and approving proposals to be considered by the board

Board activities in 2021

Details of the main areas of focus of the board and its committees during the year are summarised below:

Stakeholder consideration and impact

- Clients
- Shareholders
- Society
- Employees
- Regulators & Partners

Link to strategic pillars

- Enriching the client and adviser proposition and experience
- Inspiring our people
- Supporting and delivering growth
- Operating more efficiently

For further information on our stakeholder engagement, please see page 10

Strategy and Performance

- Held two strategy days with group executive team focus on strategic matters including emerging trends, client expectations and future expectations
- Monitored the firm's strategic performance
- Focused on delivery of organic growth initiatives through new products
- Reviewed and approved the acquisition of Saunderson House as well as the associated share placing
- Oversaw financial performance against the plan and market expectations
- Reviewed and approved capital requirements of the firm
- Approved interim and full-year financial statements, interim dividend and recommended final dividend
- Assessed and approved the firm's 2022 budget and regulatory returns
- Assessed the firm's change management processes and project delivery
- Reviewed and approved the firm's new digital strategy
- Appointed InvestCloud and Charles River as the firm's key technology providers to deliver the firm's digital strategy

People

- Oversight and approval of remuneration arrangements for executive directors and the wider workforce
- Approved a "return to office" plan and endorsed a new hybrid working model
- Continually monitored morale across the firm with oversight of employee survey results and associated management actions
- Monitored the firm's D,E&I programme and approved new initiatives

Governance

- Oversight and review of the firm's whistleblowing report
- Discussed the various workforce engagement mechanisms
- Assessed and oversaw the firm's culture and implementation of its culture dashboard
- Conducted an external board evaluation
- Approved the appointment of two new non-executive directors
- Reviewed and approved the firm's responsible business agenda including responsible investing and our net zero commitment

Risk management

- Approved the firm's risk framework and appetite
- Monitored the firm's principal risks and compliance programme
- Received detailed reports on significant regulatory risks and management's mitigating actions
- Discussed the firm's suitability programme

Stakeholder interests and engagement

Link to stakeholders considered

- Clients
- Society
- Regulators & Partners
- Shareholders
- People

The board acknowledges that the above areas of focus take into account the firm's various stakeholder interests which are aligned with the section 172 duties that are set out on page 10. By considering the company's purpose and values together with its strategic priorities, the board ensures that its approach to decisions and consideration of stakeholder interests is consistently applied. The examples provided illustrate how the board did this in practice during the year:

Board decisions

Continuation of a progressive dividend policy

During the year, the board took the decision to recommend to shareholders an increase in dividends in respect of the 2021 financial year, following the group's resilient performance. This reflected the board's confidence in the business model and strong financial position.

The board had many factors to consider when making this decision, balancing the views of all stakeholders alongside their assessment of the group's financial performance for the year and their confidence in the company's business model in an uncertain external environment. Ensuring that the company had sufficient resources to continue to support clients, employees and partners, whilst maximising opportunities; was of paramount concern.

In line with the requirements of section 172(1), the board had regard to the different interests of stakeholders, but with an overarching focus on acting in the way that would be most likely to promote the long term success of the company for the benefit of its members as a whole.

Acquisition of Saunderson House

The board believes that, in line with strategy, investing for growth is in the best interest of all stakeholders and has continued to examine potential acquisitions as one method to achieve this goal.

As a result, the board considered the acquisition of Saunderson House as part of the strategy to increase its financial planning capability. It was agreed that this acquisition would address a strategic gap and allow the firm to provide financial advice to existing and new clients which would help its organic growth in years to come.

Approval of new digital engagement and data strategy

As part of the firm's strategy, a new digital strategy was developed and presented to the board in 2021 which will result in a fundamental change in our technological solutions, affecting all of our stakeholders.

This solution will, over time, deliver a simplified operating model and a blended human as well as digital experience for clients and advisers. Together this will reduce the firm's overall risk profile. In addition, the firm will see financial benefits which will include cost avoidance, cost reduction and potential increase in revenues.

How the board considered, and had regard to, the interests of key stakeholders and the requirements of section 172(1)

The board engaged in extensive discussions with management ahead of making its decision and considered the long-term viability of the group's position. On a regular basis, the board was updated on the company's performance and its capital, funding and liquidity position, as well as expectations for the group's financial resources in the following financial year, to understand the financial resources it had available and the impact a dividend payment would have in a range of scenarios.

The board was regularly made aware of the position of clients and considered the broader market environment and the perception of increasing its dividend payments, including the views of regulators. The board considered the position of the regulator and the group discussed its proposal with the PRA ahead of making any decision and recognised the regulator's interest in ensuring we could continue to support our clients. The expectation of shareholders was taken into account, with recognition given to the company's progressive dividend policy and strong track record of dividend payments.

The overall sentiment of employees was considered given the signal any decision would send and the impact a dividend payment may have on overall remuneration. The board acknowledges that a significant number of the group's employees are shareholders, whether through the SAYE or SIP through general share ownership, and recognises the impact for them (and all shareholders) on whether a dividend is paid.

The board's recommendation of an final dividend of 47p in respect of the 2020 financial year was submitted to shareholders for approval at the company's AGM in May 2021 and received approval from 100% of voting shareholders. An interim dividend of 27p per share was declared at the half year 2021 results, reflecting the group's strong performance in the first half of the financial year and continued confidence in the business model and financial position. The board has recommended a final dividend of 54p per share in respect of the 2021 financial year, resulting in a full-year dividend of 81p.

When deciding to proceed with the acquisition, the board considered the interests of a number of key stakeholders. In addition, senior management held engagement meetings with key stakeholders.

The subsequent review of that engagement by the board confirmed that there was both a good cultural fit for employees and that the acquisition would promote the firm's growth and proposition strategy. The impact of the transaction on Saunderson House clients was considered, including the firm's ability to design future products to meet their requirements. Saunderson House clients will also benefit from the integration of the business into the firm's operational platform and wider range of investment capabilities. The interests of Saunderson House employees were also of key importance upon completion and will be key to driving the integration, future growth and success of the business. The acquisition was subject to approval by the FCA, therefore management ensured ongoing engagement with them and approval for the transaction was granted in October 2021.

As part of the board's decision-making process, consideration was given to feedback received from various stakeholders on whether to proceed with the proposed digital solution and the respective vendors to deliver this strategy.

From a client perspective, the firm engaged a third party to understand the needs of the client of the future and this insight provided us with excellent internal and external feedback. This report found that the digital expectation of existing and future clients had increased. Clients want seamless, personalised and interactive experiences with reduced documentation as well as improved efficiency of working. From an employee view point, IMs and advisers will be equipped with automated data and tools which will ensure improved client delivery as well as ensuring the end-to-end employee career journey will allow everyone to understand and feel inspired by how their work contributes to our purpose of 'think, act and invest responsibly'. Also, this tool will enable our future working model by allowing employees to service clients through a variety of technological means. From an investor view point, this proposal will enable growth and drive performance by creating more efficiency across the business using modern digital technology, supporting desired client and IM behaviours, will aid the ability to provide greater client value-add and new win assets. Partnering with leading vendors will enable us to blend institutional and private client capabilities and enhance our growth opportunities. Also, this enhanced platform will be attractive to external investment teams and help support other inorganic opportunities.

Financially, this proposal will involve a significant investment by the firm and the board reviewed various scenarios as well as the payback period and impact on margin for the next three years. From a regulatory view point, the firm's risk profile should improve, accepting that change and operational risk will increase during the implementation phase of the project which will be monitored by our second and third lines of defence.

Board of directors

Chair

Clive Bannister
Chair

N

Appointed: 06/04/2021

Experience, skills, and contributions
Clive was appointed to the board on 6 April 2021.

He started his career as a banker at First National Bank of Boston in 1981 in Boston and London. In 1984, he joined Booz Allen & Hamilton and became a partner in their financial consulting practice in 1990.

In 1994, Clive joined HSBC Investment Bank as Director and Head of Planning and Strategy in London. He moved to New York in 1996 to be the deputy CEO of HSBC Inc and Head of Investment Banking in the US. In 1999, he was appointed Chief Executive of HSBC Group Private Banking, became a Group General Manager in July 2001, and Group Managing Director in 2006 responsible for Group Insurance and Asset Management at HSBC Holdings Plc. In 2011, Clive was appointed as group CEO of the Phoenix Group, the UK's largest life and pensions consolidator.

Current external appointments
Clive is currently the chair of the Museum of London.

Executive Directors

Paul Stockton
Group Chief Executive Officer

G

Appointed: 09/05/2019

Experience, skills, and contributions
Paul was appointed group chief executive in May 2019, having served as managing director of Rathbone Investment Management from May 2018. He was previously group finance director from 2008 to April 2019.

Paul qualified as a chartered accountant with PriceWaterhouse in 1992, subsequently taking up a position in New York before returning to London in 1996. In 1999 he joined Old Mutual Plc as group financial controller, becoming director of finance of Gerrard Limited in 2001. In 2005, two years after the sale of Gerrard, he left to work initially for Euroclear and, subsequently, as a divisional finance director of the Phoenix Group. He was formerly a non-executive director of the Financial Services Compensation Scheme.

Paul is a member of the PIMFA Strategic Advisory Group.

Current external appointments
None

Jennifer Mathias
Group Chief Financial Officer

G

Appointed: 01/04/2019

Experience, skills, and contributions
Jennifer began her career on the Lloyds TSB Finance graduate scheme following her graduation in 1995 and qualified as a chartered management accountant in 1999. At Lloyds, Jennifer held a number of senior management roles and worked closely with the board-level team of the Lloyds TSB Group, and was a member of the Corporate Banking and Wholesale Finance Executive Committees. In addition to her position as a finance director of Corporate Banking, Jennifer spent three years as head of Credit Risk & Compliance for the Commercial Banking division of Lloyds TSB. In 2012, she joined Coutts as the global chief finance officer, and in 2015, she moved to EFG Private Bank (UK), where she was chief finance officer and deputy chief executive officer.

Current external appointments
None

A Audit committee
N Nomination committee
Re Remuneration committee
Ri Group risk committee
G Group executive committee
Committee chair

Senior Independent Director

Colin Clark

Senior Independent Director (Independent)

A N Re Ri

Appointed: 24/10/2018

Experience, skills, and contributions
Colin was appointed as a non-executive director in October 2018 and was appointed as senior independent director at our 2021 AGM. In addition, he was appointed as a designated non-executive director for our workforce engagement programme in 2019.

He is currently chairman of Merchants Trust Plc, AXA Investment Managers UK and a non-executive director of AXA Investment Management SA. Previously, Colin worked at Mercury Asset Management and Merrill Lynch Investment Managers for over 20 years. In 2004, he was appointed a non-executive director at Standard Life Investments, and in 2010, he was appointed as an executive director of Standard Life Investments. He was appointed to the Standard Life Plc board as an executive director with responsibility for the Global Client Group and retired from this position in 2017. He was previously a non-executive director of Alpha Strategic Plc, and the Royal Marsden NHS Foundation Trust.

Current external appointments
Chairman of Merchants Trust Plc, AXA Investment Managers UK and non-executive director of AXA Investment Managers SA.

Non-executive Directors

James Dean

Non-executive Director (Independent)

A N Re Ri

Appointed: 01/11/2013

Experience, skills, and contributions
James was appointed as a non-executive director in 2013 and is chair of our audit committee.

He is a chartered accountant with over 30 years' experience working in financial services. He has 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.

Since 2012, James has gained significant non-executive director experience serving on the boards of a large UK retail insurer, LV= and a small building society. He was previously a chairman of The Stafford Railway Building Society and Reigate Grammar School.

More recently he has joined the board of a start up, PE backed London market insurance and reinsurance company, Inigo Ltd.

Current external appointments
Non-executive director at Inigo Ltd.

Sarah Gentleman

Non-executive Director (Independent)

A N Re Ri

Appointed: 21/01/2015

Experience, skills, and contributions
Sarah is chair of our remuneration committee. She was appointed as a designated non-executive director for our workforce engagement in 2019 along with Colin Clark.

She started her career as a consultant at McKinsey & Company and then worked for several years in the telecoms and digital sectors, latterly as chief financial officer of the LCR Telecom Group. In 1999, she joined the internet bank Egg, the internet banking subsidiary of Prudential, where she was responsible for business development and strategy. In 2005, she joined Sanford C. Bernstein & Co, the institutional research and trading arm of Alliance Bernstein, as a banking analyst covering the European banking sector. Sarah is also an adviser to early-stage technology companies.

Current external appointments
Non-executive director of Engine B Ltd and Molten Ventures Plc (previously Draper Esprit Plc).

Non-executive Directors

Terri Duhon
Non-executive Director (Independent)

A N Re Ri

Appointed: 02/07/2018

Experience, skills, and contributions
Terri was appointed as a non-executive director in July 2018 and is chair of the risk committee.

Terri graduated with a Maths degree from Massachusetts Institute of Technology (MIT). She is currently a non-executive director on the board of Morgan Stanley International where she chairs the risk committee, is chair of Morgan Stanley Investment Management Limited and was recently appointed non-executive director of Wise Plc. She is an Associate Fellow at The Saïd Business School at Oxford University. Previously, Terri sat on the boards of CHAPS Co and Operation Smile UK and was a founding member of the Women's Leadership Group for the Prince's Trust. As an executive, Terri held a number of senior roles at JP Morgan and ABN AMRO before setting up her own consultancy firm.

Current external appointments
Chair of Morgan Stanley Investment Management Ltd, non-executive director of Morgan Stanley International Ltd, Hanover Investors Ltd and Wise Plc.

Iain Cummings
Non-executive Director (Independent)

A N Re Ri

Appointed: 05/10/2021

Experience, skills, and contributions
Iain was appointed as non-executive director on 5 October 2021.

Iain is a Fellow of the Institute of Chartered Accountants in England and Wales with over 35 years of experience working in the financial sector.

He was a partner at KPMG for over 24 years working with banks and other major financial services firms in both audit and advisory roles including three years leading KPMG's banking audit practice. His audit roles included large firms in the investment banking sector and listed firms in the wealth, asset management and insurance sectors while his advisory engagements focused on aspects of risk, regulation and internal audit.

Iain also served for a number of years as Chairman of the ICAEW Financial Services Faculty's Risk and Regulation Committee and as a member of the ICAEW's Technical Strategy Board.

Current external appointments
None

Dharmash Mistry
Non-executive Director (Independent)

A N Re Ri

Appointed: 05/10/2021

Experience, skills, and contributions
Dharmash was appointed as non-executive director on 5 October 2021.

Dharmash started his career with Procter & Gamble on their graduate programme and then went on to become a brand manager, followed by a period with Boston Consulting Group. He spent eight years in the media as Group Managing Director of EMAP Consumer Media and EMAP Performance.

Dharmash is an experienced technology venture capitalist, entrepreneur and non-executive director. He was formerly a Partner at Balderton & Lakestar, leading investments including Revolut, Glovo, Infarm, Blockchain.com and Lovefilm amongst others. Prior to this he was Group MD of Emap Consumer Media, where he co-led the delisting of Emap Plc from the FTSE 100. His prior board NED positions include: BBC Executive Board, Hargreaves Lansdown Plc, Dixons Retail Plc, BBC Commercial Holdings and Blow Ltd.

Current external appointments
A board member of The British Business Bank, Halma plc and The Premier League.

A Audit committee
N Nomination committee
Re Remuneration committee
Ri Group risk committee
G Group executive committee
Committee chair

Group executive committee

The group executive committee (GEC) is chaired by Paul Stockton, Group Chief Executive, and he is supported by the senior management team. The key role of the GEC is day-to-day management of Rathbones. The committee actively reviews and assesses business performance supported by a range of committees that operate across the group.

Full biographies of the group executive committee are available at rathbones.com/investor-relations/corporate-governance/group-executive-committee

Paul Stockton
Group Chief Executive Officer and Chair of GEC

Jennifer Mathias
Group Chief Financial Officer

Rupert Baron
Managing Director of Investment Management

Ivo Darnley
Managing Director of Investment Management

Andrew Brodie
Chief Operating Officer

Gaynor Gillespie
Chief People Officer

Andrew Morris
General Manager of Investment Management

Sarah Owen-Jones
Chief Risk Officer

Richard Smeeton
General Manager of Special Projects

Mike Webb
Chief Executive of Funds

Board meetings and attendance in 2021

	Board	Nomination committee	Remuneration committee	Audit committee	Group risk committee
Number of meetings held	**10**	**3**	**4**	**7**	**5**
Clive Bannister (chair)[1]	6(7)	2(2)	2(2)		
Paul Stockton (group chief executive officer)	10(10)				
Jennifer Mathias (group chief financial officer)	10(10)				
Colin Clark (senior independent director)	10(10)	3(3)	4(4)	7(7)	5(5)
Iain Cummings (non-executive director)[2]	2(2)	1(1)	1(1)	1(2)	1(1)
James Dean (non-executive director)	10(10)	3(3)	4(4)	7(7)	5(5)
Terri Duhon (non-executive director)	10(10)	3(3)	4(4)	7(7)	5(5)
Sarah Gentleman (non-executive director)	10(10)	3(3)	4(4)	7(7)	5(5)
Dharmash Mistry (non-executive director)[2]	1(2)	1(1)	1(1)	2(2)	1(1)
Former directors					
Mark Nicholls[3]	2(3)	1(1)	2(2)		
Jim Pettigrew[4]	4(4)	1(2)	2(2)	4(4)	2(2)

1. Clive Bannister joined the board, remuneration and nomination committee on 6 April 2021
2. Iain Cummings and Dharmash Mistry both joined the board and the committees on 5 October 2021
3. Mark Nicholls retired from the company on 5 March 2021
4. Jim Pettigrew retired from the committee on 6 May 2021

Compliance with the 2018 UK Corporate Governance Code

During the financial year ended 31 December 2021, the board has applied the Principles and complied with the Provisions of the UK Corporate Governance Code 2018 (the Code). Below are some examples of our compliance with certain areas of the Code, together with cross-references to other sections of this annual report where further information can be found.

- Workforce engagement (Provision 5): Colin Clark and Sarah Gentleman are the designated NEDs responsible for workforce engagement. A thorough programme of engagement initiatives is arranged and an update is provided to the board twice a year on key themes and outcomes which contributes to the decision-making process.
- Whistle-blowing mechanisms (Provision 6): The audit committee receives and reviews regular reports on allegations, including trends information and investigations. Since all non-executive directors attend the audit committee, they all receive the same reports directly from internal audit. The board approves the firm's whistleblowing policy on an annual basis and further information is set out on page 93.
- Independence (Provisions 9, 10, 11 and 12): The chairman was considered independent on his appointment, as assessed against the criteria set out in Provision 10 of the Code. The roles of chairman and chief executive are not exercised by the same person. Over half of the directors are independent non-executives and none have served for longer than nine years. Colin Clark is our senior independent director and meets with other non-executive directors, without the chairman attending, yearly to appraise the performance of the chairman. Further information about the structure of the board is set out on page 68.
- Board effectiveness evaluation (Provisions 21 and 22): A formal rigorous assessment and evaluation of the performance of the board, its committees, its processes and procedures, and of individual directors including the chairman is undertaken each year. During the year, the evaluation was facilitated by an external professional reviewer, Independent Audit. Further details about this external board evaluation exercise, its methodology, recommendations and actions are set out on page 80.

The role of the board and its committees

The board's primary role is to provide effective leadership and direction for the firm as a whole, and to ensure that the firm is appropriately managed, delivers long-term shareholder value and contributes to wider society. It establishes the firm's purpose and strategic objectives, and on an ongoing basis monitors management's performance against those objectives. The board also supervises the firm's operations, with the aim of ensuring that it maintains a framework of prudent and effective controls which enables risks to be properly assessed and appropriately managed. The board acknowledges its role in assessing the basis upon which the firm generates and preserves value over the long term. It spends time during the year, in scheduled board meetings, during its annual strategy discussions and in other sessions with senior management and stakeholders, considering how opportunities and risks to the future success of the firm's business should be addressed, alongside discussions on the sustainability of the firm's model. Further information on these considerations can be found in the strategic report of this annual report.

Another key function of the board is to define, promote and monitor the company's culture and values. It also ensures effective engagement with shareholders and other stakeholders. When making decisions, the board has regard to the interests of a range of stakeholders, including employees, customers, clients and shareholders, as well as its broader duties under section 172 of the Companies Act 2006.

Code principles

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Board meetings

Most scheduled board meetings are preceded by a board dinner which allows for broader discussions on particular topics The board dinners also provide an opportunity for the board to meet members of the management team or to receive training. In the months where no formal board meeting is scheduled, an informal meeting of the non-executive directors, the chair and the chief executive is generally held. The non-executive directors also have informal meetings in the absence of the chair or chief executive. The roles of the chairman, the chief executive, the senior independent director and the non-executive directors have been clearly defined and agreed by the board to ensure a separation of power and authority. During the pandemic, it was important that the board continued to meet informally outside of board meetings and virtual board sessions were introduced.

At every board meeting, the chief executive updates the board on the implementation of strategy and recent developments. The group finance director reviews the financial performance and forecasts against plan and market expectations. The chief risk officer updates the board on key risk areas and any emerging regulatory issues which impact the business. The board is updated on shareholder sentiment and significant changes in the share register. In addition, members of the executive committee attend meetings as required to present and discuss progress in their individual businesses and functions.

Operations of the board

The board has a rolling agenda, which ensures that key matters are addressed. The board held seven scheduled meetings during the year, a strategy day and a number of additional formal and informal meetings. The chair and the company secretary manage board and committee meetings and ensure that the board (and particularly the non-executive directors) receive appropriate and balanced information. The company secretary manages the timely circulation of information to the board. All board papers are prepared by executives and clearly indicate any action required. As part of the annual board evaluation process, board members provided input on the level and quality of the information that is provided. In addition, the company secretary ensures board procedures are complied with and applicable rules are followed.

The company secretary facilitates the induction process for new directors, assists with their professional development and 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.

Independence

The board, on the recommendation of the nomination committee, considers that all of the non-executive directors are independent, including the chair. All board members are required to disclose any external positions or interests which might conflict with their directorship of Rathbones prior to their appointment so that any potential conflict can be properly assessed. The board has regard to the fact that experienced non-executive directors in financial firms are a valuable resource and may sit on several boards. Potential conflicts of interest of non-executive directors can generally be managed by due process and common sense.

Q&A with our new chair

What attracted you to the role of chair at Rathbones?

Rathbones is a well-established firm with a long and distinguished history. Its strong position in the markets it serves will allow us to take advantage of future growth opportunities. The role required a chair that has overseen considerable of change across the industry and one willing to assist in the direction of the overall business in a very competitive environment.

What skills and experience will you bring to the board?

I have worked in very complex organisations, both as an executive and non-executive; delivering change. I have managed significant stakeholders, possess strong negotiation skills and a broad range of strategic and management skills. As a chair, it is important to be independent, a team player and supportive but at the same time have the ability to ask difficult questions, probe, be persistent, and scrutinise decisions taken on behalf of all of our stakeholders.

As always, the board members participate in the annual board evaluation in line with the Code to assess the effectiveness of the board and consider where improvements can be made. This year, Independent Audit undertook our externally facilitated board evaluation. It recognised that the board comprised a highly experienced group of non-executive directors with a strong skillset, a diverse range of viewpoints, capable of healthy challenges, and an appreciation for our stakeholders. For further details, please see page 80.

What are the key challenges and opportunities for Rathbones in the year ahead?

Looking ahead, key challenges and opportunities are:

Delivering on our proposition

We provide a personal service that brings empathy, reassurance and builds trust with clients and advisers through a quality investment and advice process that stands up to scrutiny and, most importantly, delivers value. We are able to provide strong propositions across different client groups and we will look to further strengthen these propositions.

Delivery of the change programme

The change programme continues to move forward. Rathbones has the opportunity to enhance productivity across the organisation through process enhancement and infrastructure improvement. Our strong organisation and management team will serve us well to manage change over the next few years.

Maintaining organic growth

We are now in a position to leverage from a more stable base and drive growth throughout the group. Through our specialist teams, operational efficiency and investment in faster growth areas, I am confident that Rathbones will continue to deliver sustainable organic growth.

What are your initial impressions of Rathbones following your induction programme?

Having already spent a year at Rathbones and having met a number of individuals during my six-month induction programme; my first impressions of the firm is that it provides valuable services within a culture that is client centric and entrepreneurial. It operates with a conservative orientation that respects rules, is collaborative, supportive and resilient. It is a firm that continues to evolve, building its propositions to find new ways to interact with existing clients, new clients and to broaden its network of advisers.

I had a very comprehensive and tailored induction programme which was arranged by the chief executive officer and the company secretary. The induction focused on:

- The firm's strategic direction and priorities whilst operating within risk appetite
- Understanding the financial performance of the firm and its market positioning
- The regulatory environment
- People, culture and values

In addition, induction meetings were held with the following:

- Executive directors and members of the executive team
- Key heads of functions including risk and compliance
- Investors
- Investment managers and financial planners
- Company brokers and advisers.

What is your view on the company's ESG (environmental, social and governance) responsibilities?

Rathbones has a strong foundation of operating responsibly, but there are further opportunities for us to improve as we build out our responsible business programme. Whilst we have always operated with our stakeholders in mind, the continued shift in expectations requires us to respond in a responsible way that will add value not just to Rathbones business and our clients, but society as a whole.

At Rathbones, as stewards and allocators of capital, we recognise that we have a business responsibility to contribute to delivering a sustainable society. As such we are committed to playing our role in the transition to a net zero economy. At the heart of our approach is a target to align to the Paris Agreement goal to limit global warming to well below 2°C, and preferably 1.5°C. We seek to do this by becoming a net zero emissions business by 2050 or sooner.

Board induction

Our executive and non-executive directors are offered a comprehensive and tailored induction programme to introduce them to the business, industry and regulatory context. An overview of the programme is provided above which addresses the following areas:

- Business review
- Performance and market positioning
- Regulatory environment
- People, culture, and values

Board development

The firm is committed to the training and development of all employees to ensure professional standards are maintained and enhanced. All directors are encouraged to update their skills and any training needs are assessed as part of the board evaluation process. The knowledge and familiarity of non-executive directors with the firm are enhanced by full access to senior management and virtual visits to teams in London and offices across the country.

The company secretary assists with the professional development requirements of the board. In addition, the board receives mandatory annual training on the following areas:

- Client Assets and Money (CASS)
- Securities and Exchange Commission (SEC) obligations
- Internal Capital Adequacy Assessment Process (ICAAP) and Internal Liquidity Adequacy Assessment Process (ILAAP)

During the year, the board participated in a live cyber exercise that was facilitated by EY and an overview of the exercise is provided on page 80.

Board diversity

The board acknowledges the benefits that diversity and inclusion can bring to the board and to all levels of the firm's operations. As such, the board is committed to the promotion of diversity and inclusion across the firm and to ensuring that all employees are treated fairly.

The board has adopted a board diversity policy to ensure transparency and diversity in making appointments to the board on the recommendation of the nomination committee. The policy recognises the importance of having directors with a range of skills, knowledge and experience, and embraces the benefits to be derived from having directors who come from a diversity of backgrounds, bringing different perspectives and the challenge needed to ensure effective decision-making.

The gender and ethnicity balance of the board are also taken into consideration when recruiting a new non-executive director and this is reflected in the current composition of our board. To achieve this goal, we engage with only external search firms which are signatories to the Voluntary Code of Conduct for Executive Search Firms for board-level appointments. During the year, the board was supported by Spencer Stuart for the recruitment of two non-executive directors who are signatories of this voluntary code.

The nomination committee regularly reviews and evaluates the structure, size and composition of the board and is responsible for identifying and recommending new directors for appointment. Board appointments are made following rigorous consideration by the nomination committee of the balance of skills, experience, knowledge and diversity required for the board to operate effectively as a whole. When considering board composition and appointments, the board and the nomination committee continue to have regard to relevant best practice and the findings of the Hampton-Alexander Review and the Parker Review. In line with the Code, the nomination committee has oversight of the firm's diversity and inclusion programme for all levels across the firm and a regular update is provided by management. For further information on the firm's diversity initiatives, please refer to the responsible business review on page 58.

Cyber training for the board

The board has a duty to oversee the firm's management of cyber security, including oversight of appropriate risk mitigation strategies, systems, processes, and controls. The board's objective is to provide a cyber-safe environment for our clients and for our people. The board regularly evaluates the cyber security risk exposure against appetite to determine whether the existing controls framework is robust enough.

In November 2020, a board session was held on business resilience and cyber security which provided an overview of the business continuity management framework and discussions around how cyber incidents may unfold and the role of the board.

In March 2021, the board took part in a cyber incident scenario simulation exercise to help it understand and prepare its response to a potential cyber incident. The exercise supported the practice, evaluate and improve our cyber incident response plans. The simulation exercise was carried out with involvement from the Rathbones crisis management team and the group executive committee.

- The exercise was facilitated by EY, and took place via a virtual platform, MS Teams
- The exercise moved through a targeted cyber attack on the Rathbones' network and travel through the major incident and crisis response team structure to crisis level, with a ransomware scenario being presented to the board for a decision
- As the simulation exercise escalated, sequential but separate MS Teams meetings were facilitated by EY to allow discussions between IT/Cyber, to the major incident management team, to the crisis management team, and ultimately to the board, supported by the CMT leader, selected subject matter experts and AIG
- AIG, as the company's insurers, attended the simulation to support board level discussions by providing advice on remediation, forensic analysis, legal services and bringing in extortion advisers
- The board played an integral part in the exercise by understanding and rehearsing their role in the decision-making framework for a salient cyber security attack. Following the conclusion of the simulation exercise, a debrief session was arranged and facilitated by EY for all participants.

Outputs from the session will be reviewed and key learnings have been incorporated into our ongoing cyber security training.

Board and board committee evaluation

The board's effectiveness is reviewed and assessed on an annual basis. In accordance with the Code, an externally facilitated evaluation needs to be completed every three years. During the year, Independent Audit were selected to complete this exercise. Independent Audit have no connection with the firm or to our directors.

The purpose of the evaluation was to conduct a comprehensive review and evaluate how the board and its committees operate as compared to current best practice corporate governance principles and in accordance with the UK Corporate Governance Code guidance. The evaluation also compared the board with sector and market cap peers. A comprehensive brief was given to Independent Audit by the senior independent director and company secretary. All board members were requested to complete a questionnaire focused on board dynamics, strategy, ESG, culture and stakeholders. It also covered the three main committees of the board. Independent Audit observed the main board and committee meetings and completed a thorough review of the meeting materials.

Subsequently, a report was prepared and was discussed with the senior independent director and chair and subsequently discussed by the board. Feedback was also provided to committee chairs on the performance of each committee.

Overall, the review found the Board had a number of important strengths which included the following:

- Board dynamics are characterised by inclusive discussions based on collaborative relationships. The NEDs provide firm challenge but also support to the executive team.
- Executives respond constructively to questions and they provide the NEDs with good insight into the business
- The board's succession plans have been considered and implemented smoothly
- The board engages well with the workforce and it gains accurate and improving insight from the culture dashboard
- The risk debate is of a good quality with strong input from the second line of defence
- The audit, group risk and remuneration committees are all functioning well and benefit from being led by strong chairs.

Suggestions for areas for the board to develop included:

- Competitor analysis: bringing this analysis more clearly to bear in strategic debates
- developing ESG requirements into the strategy and operation of the firm
- Agendas and papers: continuous focus on improvement
- Diversity and inclusion: gender diversity is good at the board level, but more can be done on diversity in its broader sense across the firm.
- Hybrid meetings: Improvements can be made in technology and meeting protocols to help the smooth running of meetings.

In addition to the board evaluation process, the senior independent director led a separate performance review in respect of the chair which involved a discussion with the non-executive directors, excluding the chair, and separate consultation with the chief executive. The senior independent director subsequently provided feedback to the chair on his appraisal which confirmed his effectiveness. The chair regularly meets with the non-executive directors and provides feedback on their performance.

The board also considers that improvements had been made in the areas identified in the previous internal and external evaluations. These improvements focused on streamlining of board and committee papers, improved strategic monitoring, developed a comprehensive culture dashboard and focus on talent and succession management across the firm.

Directors' fitness and propriety

In line with its regulatory obligations, the firm undertakes annual reviews of the fitness and propriety of all those in senior manager functions, including all of the company's directors and a number of other senior executives. This process comprises assessments of individuals' honesty, integrity and reputation; financial soundness; competence and capability; and continuing professional development. This year's reviews have confirmed the fitness and propriety of all of the company's directors and other senior executives who perform senior manager functions. Consideration of matters relating to fitness and propriety also form an important part of the board's recruitment process for non-executive directors.

Succession planning

The nomination committee is responsible for both executive and non-executive director succession planning and recommends new appointments to the board. When making board appointments, the board seeks to ensure that there is a diverse range of skills, backgrounds and experience, including relevant industry experience. Further information is included in the nomination committee report.

Board committees

Details of the work of the principal board committees are set out in the separate reports for each committee, which follow this report.

Accountability

The statement of directors' responsibility for preparing the report and accounts is set out at the end of this governance section. Within this, the directors have included a statement that the report and accounts present a fair, balanced and understandable assessment of the group's position and prospects. To help the board discharge its responsibilities in this area, the board consulted the audit committee, which advised on the key considerations to comply with best practice and the Code's requirements. Following the committee's advice, the board considered and concluded that:

- the business model and strategy were clearly described
- the assessment of performance was balanced
- the language used was concise, with clear linkages to different parts of the document
- an appropriate forward-looking orientation had been adopted

The directors' report on viability and the going concern basis of accounting, which the directors have determined to be appropriate, can be found in the strategic report, which also describes the group's performance during the year.

Risk management

In accordance with the Code, the board is required to monitor the firm's risk management and internal control systems on an ongoing basis and carry out a review of their effectiveness and report on this review to shareholders. Details of the company's ongoing process for identifying, assessing and managing the principal risks, including any emerging risks, faced by the firm are contained in the risk management section on page 46, together with details of those principal risks and their related mitigating factors. Whilst the board retains overall responsibility for the firm's risk management and internal control systems, it has delegated oversight to the audit and group risk committees.

The group's financial controls framework is designed to provide assurance that proper accounting records are adequately maintained and that financial information used within the business and for external publication is reliable and free from material misstatement, thereby safeguarding the company's assets.

The board receives regular reports from the chair of the group risk committee and chief risk officer on the key risks facing the firm that impact on operational and financial objectives. This assessment is completed together with assurance that the level of risk retained is consistent with and is being managed in accordance with the board's risk appetite. These reports include current and forward-looking assessments of capital and liquidity adequacy and a summary 'risk dashboard' is presented. Also, during the year the board reviewed and approved the operational risk assessment process for the 2021 ICAAP document, which includes a capital assessment of financial, conduct and operational risks.

The board assesses the effectiveness of the firm's internal controls on an annual basis and a report is provided for consideration. The report is considered one element of the overall assurance processes, and the board also considers other sources, which include reports emanating from first line of defence and second line of defence assurance teams, including group compliance, anti-money laundering (AML), as well as investment risk and information security.

A risk-based approach drives internal audit coverage, and, over the course of the year, review work by the function covers all material controls across the firm including compliance, operations and finance. The observations arising from this work form the basis for the annual internal audit opinion.

Engagement with shareholders

The firm has a comprehensive investor relations ('IR') programme to ensure that current and potential shareholders, as well as financial analysts, are kept informed of the firm's performance and have appropriate access to management to understand the company's business and strategy. The firm arranges a programme of meetings, calls and presentations around the financial reporting calendar, as well as throughout the year. The firm also regularly seeks investor feedback, both directly and via the group's corporate brokers, which is communicated to the board and management.

The board is regularly updated on the IR programme through an IR report, which is produced for each board meeting and summarises share price performance, share register composition and feedback from any investor meetings. The board believes it is important to maintain open and constructive relationships with shareholders and for them to have opportunities to share their views with the board. The chief executive and group finance director engage with the group's major institutional shareholders on a regular basis. In addition, the chair meets with major institutional shareholders to discuss matters such as strategy, corporate governance and succession planning. Feedback on these meetings is provided to the board during the course of the year. Our committee chairs engage with shareholders on material matters. There were no such matters for discussion during 2021.

The chair of the remuneration committee takes part in consultations with major institutional shareholders on remuneration issues from time to time, including an extensive consultation on the review of the directors' remuneration policy that was submitted to shareholders at the 2021 AGM. We have continued to engage on executive remuneration matters with investors and members of staff during the year.

Investor relations activity in 2021 included the following:

- 2021 year-end results
- UK investor roadshow and analyst presentation
- Q3 trading update
- analyst call
- AGM
- 2021 interim results
- UK investor roadshow and analyst presentation

Shareholder meetings

We welcome shareholders to our AGM in May each year. At every AGM our shareholders are given an overview of the progress of the business and outlook for the year. This is followed by the opportunity for shareholders to ask questions about the resolutions before the meeting and about the business more generally.

The board hopes that the firm will be able to return to a more typical AGM this year. The AGM is scheduled to take place in May 2022 and we currently intend to hold a 'hybrid' meeting that enables shareholders to attend and participate in the business of the meeting either in person or online. Further details will be set out in the Notice of AGM sent to shareholders in due course but the company believes that this new form of meeting will allow more shareholders to join the meeting and discuss the performance of the group with the board. The board acknowledges the importance of shareholders receiving presentations from the board at the meeting and being able to ask questions on the business of the AGM and the performance of the group. The company will provide a means for them to ask questions of the directors. All voting at general meetings of the company is conducted by way of a poll. All shareholders have the opportunity to cast their votes in respect of proposed resolutions by proxy, either electronically or by post. Following the AGM, the voting results for each resolution are published and made available on the company's website.

Monitoring the firm's culture

The board recognises the critical importance that culture and values play in the long-term success of the firm, and therefore the role of the board in monitoring and assessing culture.

The board acknowledges the importance of individual directors, and the board as a whole, acting with integrity, leading by example and promoting the desired culture. The board spends time monitoring, and satisfying itself as to, the alignment of the group's purpose, values and strategy with its culture. During the year, the board monitored, assessed and promoted the group's culture, including in the following ways:

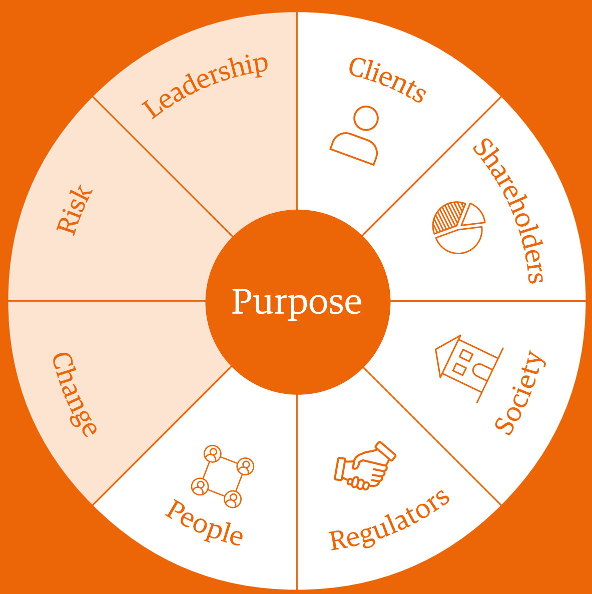
- half yearly reviews and discussion of the culture dashboard, which included setting out an assessment of culture, and conduct metrics across the firm focused on the key drivers
- regular updates to the board on external guidance and insight on culture, including from regulators and industry bodies, which are used by the board to benchmark the group's approach and plans
- feedback received from employees across the group in regular employee opinion surveys
- updates on activities across the group in relation to culture and values, including employee training programmes
- consideration of culture, behaviour and conduct issues by the remuneration committee on assessing the ESPP award to executives
- review of the group's whistleblowing arrangements
- regular direct engagement with employees as part of the board's workforce engagement programme, including site visits and participation in employee meetings
- encouraging and enabling eligible employees to participate in schemes to promote share ownership. Eligible employees are able to participate in the group's Save As You Earn ('SAYE') and Share Incentive Plan ('SIP') schemes, which provide cost-effective opportunities for employees to acquire shares in the company.

The activities described above have allowed the board to effectively monitor the group's culture during the year and to ensure that culture continues to be aligned with the group's purpose, values and strategy. Strengthening the board's cultural dashboard has continued during the year, with work undertaken to enhance a number of KPIs. The main themes arising from the dashboard, align with the feedback received from the employee engagement survey and workforce engagement initiatives.

Key drivers of corporate culture

S172 elements

The ongoing assessment of the contribution of culture and values to the group's long-term success remains a key focus for the board. Our culture dashboard reports on key drivers of our culture which include leadership, clients, people, attitude to change and interaction with various stakeholders.



Workforce engagement with the board

Colin Clark and Sarah Gentleman are the two designated non-executive directors responsible for gathering employee feedback. A workforce engagement framework was developed using existing employee engagement activities already in place to provide a range of opportunities to engage directly with employees and receive feedback. The framework takes account of guidance and suggestions published by the FRC in this area and is illustrated below:

Our workforce engagement structure

Workforce engagement structure

Board

- listen to the views and feedback of employees
- analyse the information and take into consideration inputs during its decision-making process
- communicate key messages and actions across the firm

Workforce

- contribute to engagement initiatives and provide feedback to the board
- collaborate with the board and NEDs on implementing initiatives
- able to influence new working practices and processes across the firm

Designated non-executive directors (NEDs)

- be identified and accessible to the workforce
- engage with segments of the workforce on a quarterly basis
- communicate the workforce's feedback and messages to the board
- ongoing and regular dialogue with group executive committee/chief executive on workforce themes arising from these initiatives

Management of workforce programme

- review and analyse workforce feedback from various initiatives
- prepare and discuss findings with designated NEDs and agree recommendations for the board
- support in delivery of the annual engagement programme

Our activities

The size and format of discussions is determined by the stated objective of the board's engagement. A summary of our activities is provided below:

Annual employee survey

Virtual board branch visits

CEO team visits

Virtual employee townhalls

Numerous NED drop-in sessions with employees across the country

The two-way dialogue between the board and employees is facilitated by a combination of engagement methods, which in normal circumstances would include face-to-face contacts through meetings, site visits and attendance at employee events. These tools complement the established annual all-employee survey process and the board's review of findings. The adoption of a diverse range of listening channels has been based on the principle that everyone in the firm should have a voice, and is consistent with employee feedback of the benefit of multiple platforms to raise areas for discussion. In turn, it supports the board in gathering a fair and representative view of the issues which are important to employees and builds an appreciation of how these may differ by role and geography. Engagements can be classed as formal and informal, with both required to identify ongoing themes. Typically, the formal approach is used to gather a structured and holistic view across a large population of individuals at a point in time. The board's informal methods provide a greater depth of feedback, truer understanding of underlying sentiment and support the development of constructive relationships with employees.

An overview of the themes and feedback from our workforce engagement programme is detailed below:

Our people

Communication

- communication from the very top is clear and concise
- there is clarity over our approach to the pandemic and hybrid working
- there is a lot of communication across the firm and this makes me feel included and respected and part of the Rathbones family
- continue with the communication as it helps employee engagement, there could be more updates on our strategy
- don't go quiet on the responsible and diversity agenda, there's so much more to do and it's here to stay

Change

- I am grateful to be able to speak openly to my line manager about current and upcoming changes at work
- senior management provide great reassurance in the way they communicate change and delivery
- the transition/change agenda at Rathbones is being managed smoothly and effectively
- Rathbones are listening to feedback and things are changing
- the change programme needs to deliver tangibles in order to improve the client journey, efficiency of working and service delivery

Hybrid working

- Great that they want to implement a 'hybrid' style of working. Very forward thinking
- I feel that Rathbones has reacted quickly to concerns about new virus variants and adapted its approach
- Rathbones have got it right with returning to work, very sensible approach focused on the safety of their people
- A number of advantages with hybrid approach; improved productivity and flatter organisation as a result of home working
- Challenge for management will be to maintain the firm's excellent culture and ensuring a smooth return to the office model

Strategic direction

- everyone in Rathbones counts and senior management is leading by example
- I'm impressed with the amount of briefings that are available and in my view helps everyone understand the strategies of senior leadership
- management recognise that tech is not just the best way to grow but also essential to survive
- acquisition of Saunderson House will offer new services to clients
- relative to a year ago there are a lot of improvements: more of a collegiate feel to the business, winning more business, improved confidence, technology is much better

Details of how the board responded to these themes can be found in the board activities section on page 69.

Group risk committee report

Terri Duhon
Chair of the group risk committee

Roles and responsibilities

The key activities of the committee are to provide oversight on the firm's risk appetite and framework. To do this we:

- review and discuss reports from the risk team on risk appetite issues and advise the board accordingly
- discuss significant loss events, complaints and near misses, the lessons learned and management action taken
- review end-to-end process risk assessments undertaken and any resulting internal control enhancements
- advise the board on the risk aspects of proposed major strategic change
- review (prior to board approval) key regulatory submissions including the Group Internal Capital Adequacy Assessment Process (ICAAP) and the Internal Liquidity Adequacy Assessment Process (ILAAP) documents
- receive reports from first line risk owners on risk management and improvements to controls and processes.

Full terms of reference for the committee are reviewed annually and are available on the company's website.

Group risk committee chair's annual statement

On behalf of the board, I am happy to present the group risk committee report as its chair.

Over the last 12 months, I have been pleased with the way in which the firm has managed its key risks effectively as we continue to operate in a new and unique COVID-19 environment. Notwithstanding the challenges associated with the pandemic, the committee and the firm have continued to progress against the broader risk agenda whilst taking all our key stakeholders into account.

During 2021, the committee considered the firm's operational resilience program, a new risk and control self-assessments framework, the evolution of the conduct risk framework in addition to the ICAAP, ILAAP, resolution pack and various operational stress scenarios which had been updated to take into account the impact of COVID-19. The committee also continued to focus on monitoring the firm's investment portfolios outcomes, investment process, suitability and people risk.

The committee also regularly considers emerging and thematic risks that may have a material impact on the group. In 2021, the committee reviewed the firm's digital transformational plans and cyber program. Acquisition and integration risk was also reviewed to support the acquisition of Saunderson House. Further information can be found in the key risks and mitigations section of the strategic report set out on page 46.

The following sections set out the committee's membership, its key responsibilities and the principal areas of risk upon which we have focused during the year.

Committee meetings

Following the 2021 AGM, Jim Pettigrew retired from the board and, in October 2021, the firm welcomed two new non-executive directors to the board and to the committee, Iain Cummings and Dharmash Mistry.

Our current members are the independent non-executive directors, who met formally on five occasions during the year and informally three times to review key regulatory reports. In addition to the members of the committee, standing invitations are extended to the chair, the executive directors, the chief risk officer, the chief operating officer, the managing directors and the head of internal audit. All attend committee meetings as a matter of course and inform the committee's discussions. Other executive committee members and risk team members are invited to attend the committee from time to time as required to present and advise on reports commissioned.

Committee activity in 2021

In addition to reviewing the risk register, emerging risks, investment risk programme progress, suitability programme progress, operating risk overview and financial risks at each meeting, the list below summarises the key issues that the committee considered at each of its meetings during the year in addition to any other standing reports.

February 2021

- Review of the suitability 2021 plan
- Oversight and approval of the ICAAP 2021 operational risk scenarios
- Approval of the compliance and operational risk 2021 plans
- Review of the firm's group policy framework
- Review of the firm's reputational risk policy
- Review the firm's cyber security 2021 plan

April 2021

- Review of the firm's strategic risk profile
- Review of the ICAAP operational risk capital
- Review of the firm's conduct risk framework
- Review and approval of the Pillar 3 public disclosure document
- Approval of the resolution pack
- Risk review of business units
- Review of the firm's conduct risk framework

July 2021

- Discussion and approval of the ICAAP operational risk capital
- Discuss firm's people risk profile
- Discuss outcomes from vulnerable clients' assessment
- Discuss and review the annual report from the money laundering reporting officer
- Discuss firm's operational resilience report
- Discuss and review the ICAAP capital stress testing model
- Risk review of business units

September 2021

- Discuss the firm's people risk profile
- Spotlight on conduct risk framework
- Approval of the ICAAP and reverse stress testing
- Approval of the ILAAP, liquidity reverse stress testing, and liquidity contingency plan
- Review of the firm's operational resilience plans

November 2021

- Review and approve the 2021 recovery plan and resolution pack
- Approval of risk management policy statement
- Annual approval of the firm's risk appetite statement and risk taxonomy
- Discuss the strategic risk profile of the group
- Risk review of business units
- Spotlight on the data and digital change program

I frequently meet with the chief risk officer in a combination of formal and informal sessions throughout the year. I also meet with senior management across all divisions of the group including the risk and compliance division discuss the business environment and to gather their views of emerging risks.

The committee has an agreed annual standing agenda to cover key risk items in the year, which are required to be addressed in accordance with the terms of reference. The committee always starts with the chief risk officer's report which covers the second line risk view, followed by reports from management which give the first line risk view. We then hear about financial risks, and finally internal audit gives any thoughts at the end of the meeting to cover the third line risk view. Prior to each meeting, I agree the agenda with the chief risk officer and the company secretary to identify key issues impacting on the firm that may require the committee's attention, which either become ad hoc agenda items or standing agenda items depending on the issue.

The committee undertakes a robust assessment of both the principal and emerging risks facing the group over the course of the year, and reviews reports from the risk and compliance function on the processes that support the management and mitigation of those risks. As part of the ongoing review process, a specific assessment of the principal risks and emerging risks and uncertainties facing the group is also carried out by the committee, including those that would threaten its business model, future performance, solvency or liquidity. A summary of the group's principal risks and emerging risks and uncertainties is provided on page 49.

The committee is also responsible for the inputs, outputs and the process followed to produce the following key regulatory reports:

- Internal Liquidity Adequacy Assessment Process (ILAAP)
- Internal Capital Adequacy Assessment Process (ICAAP)
- Pillar 3
- Resolution and Recovery.

Committee effectiveness

An evaluation of the committee's effectiveness was undertaken during the year as part of the external board effectiveness review. The review found that the committee operated well and ensured that the firm's risks were sufficiently analysed during the year.

In addition, the committee is satisfied that it has access to sufficient resource to enable it to carry out its duties and continue to perform effectively.

Committee activity in 2021

The risk function continues to evolve with the three lines of defence model now well established and a mature and effective risk management framework in place. The risk design has been strengthened further with both the recruitment and development of additional skills and resource in 2021, particularly in the areas of conduct, data protection and financial risk.

The committee has delivered on all of its planned objectives for the year. There has been particular focus on the firm's risk appetite framework particularly given the programme of change ahead. Also, the committee continued to focus on conduct risk, controls and processes, and the increased risk of fraud. Following the appointment of our chief people officer, the committee initiated a review on people risk as it is a key driver to deliver the firm's strategy to its various stakeholders.

Focus on cyber crime has continued to increase as we remain alert to the risk, with the committee receiving regular updates over the course of the year with the support of external parties. In order to continue to mitigate this risk, we continue to upgrade our detection and monitoring capabilities and provide training to all employees. During the year, the board conducted a cyber simulation exercise and details of this event can be found on page 80.

We have also discussed the risks presented by climate change and I have received various updates throughout the year on the group's progress in developing a regulatory-compliant climate risk framework. This remains an area of increasing focus, both within the group and across the industry more broadly.

Ensuring that we are fully compliant with the numerous and ever-changing regulatory requirements for financial services firms remains challenging. We engage actively with regulators and industry bodies to ensure that our compliance framework remains appropriate and relevant for all of our businesses. Also, our compliance team works closely with first and second line colleagues, providing regulatory advice in support of our business strategies, as well as shaping policies, delivering training and conducting assurance reviews.

A number of areas of operational and financial risks were stressed again this year as part of the annual ICAAP and ILAAP. These conversations were particularly robust given not only the market moves that occurred at the beginning of the pandemic but the changing competitive landscape in the wealth management space globally. Following extensive debate and challenge, the committee and board were satisfied that the group's business model and allocated risk appetite remained appropriate. This is an important outcome given the number of change management programmes underway across the group.

The committee also continued its focus on investment risk throughout the year, looking at improved management information, processes and governance enhancements.

Regarding Brexit, while it was a large focus of the committee over the past several years, the work and planning of the group prior to the event, means that we have been able to reduce our focus on this topic.

Finally, the links between culture, risk and remuneration are fundamental. The risk committee chair and chief risk officer have provided input to the remuneration committee to ensure behaviours and the management of risk during the year were considered in remuneration committee decisions. In 2022, we have also decided to formally review the remuneration programs from a risk perspective in the committee as part of one of our regular people risk updates.

Looking ahead to 2022

In reviewing the committee's priorities for the coming year, consideration will be given to the following areas:

- Continued focus on the firm's investment and suitability processes
- Continued focus on operational resilience
- Oversight of the firm's digital change programme
- Oversight of the information and cyber security
- Continued focus on climate change risk
- Continued focus on investment and suitability risk
- Saunderson House integration

Terri Duhon
Chair of the group risk committee

23 February 2022

Audit committee report

James Dean
Chair of the audit committee

Roles and responsibilities

The key activities of the committee are:

- provide oversight of the firm's financial performance and reporting, announcement of results and significant judgement areas
- review the firm's whistleblowing arrangements and ensure appropriate and independent investigations on matters
- review the effectiveness of the firm's internal controls and of the internal audit function
- oversee the appointment, performance and remuneration of the external auditor, including the provision of non-audit services to the firm

Full terms of reference for the committee are reviewed annually and are available on the company's website.

Audit committee chair's annual statement

The audit committee's key role is to ensure there is confidence in the integrity of our processes and procedures as they relate to internal financial controls and corporate reporting. The board relies on the committee to review financial reporting and to appoint and oversee the work of the internal and external auditors.

The committee has again had a full agenda and continued to focus on the key matters across its principal roles and responsibilities, including overseeing the additional and ongoing impacts of the COVID-19 pandemic. Focus has been given to challenging the key accounting judgements across the group, assessing the integrity and fair presentation of the group's external financial reporting and reviewing the maintenance and effectiveness of the group's internal control framework. The committee has also monitored the activities and performance of internal and external audit, along with oversight of non-audit services. Also, the committee is grateful for the support of management and Deloitte, as external auditor, in promoting the integrity of the firm's financial results. We welcome the BEIS consultation on proposed changes to audit and corporate governance and will continue to monitor these proposals as the conversation evolves.

The committee has considered a wide range of topics with a focus on the following areas:

- Analysis of the firm's financial reporting with particular consideration of accounting judgements made during the preparation of the financial statements
- Review of the firm's client assets sourcebook (CASS) audit and submissions
- Review of the BEIS consultation on audit and corporate governance
- Review of Speirs & Jeffrey earn-out consideration
- Review of the accounting implications following the acquisition of Saunderson House
- Approval of the firm's whistleblowing policy

Committee activity in 2021

Below is a summary of the key issues that the committee considered at each of its meetings during the year.

January 2021

- Review of the report and accounts
- Review of the year-end areas of key judgements for the annual report
- Review of Speirs & Jeffrey earn-out consideration
- Review of 2020 internal audit plan and 2021 internal audit cycle

February 2021

- Approval of the report and accounts
- Assessment of going concern and the viability statement
- Assessment of the report and accounts being fair, balanced and understandable
- Review of the firm's distributable reserves and dividend policy for 2021
- Year-end external audit report and audit opinion
- Review of accounting judgements and fraud controls
- Review and approval of representation letter
- Review of external auditor's letter of independence

April 2021

- Review and approval of the firm's CASS submission
- Review and approval of the Q1 interim management statement
- Review and approval of the external auditor's letter of engagement and audit fee
- Review of internal audit plan for 2021 and completed assessments across the firm
- Review of the BEIS consultation on audit and corporate governance
- Review and approval of the internal audit charter

July 2021

- Approval of half-year report for 2021
- Assessment of the firm's statement of going concern
- External auditor's half-year review
- Proposed external audit plan for the year end
- Annual review of audit and non-audit fee policy
- Annual review of the whistleblowing policy and report

October 2021

- Review and approval of the Q3 interim management statement
- Review of internal audit plan for 2021 and completed assessments across the firm
- Review of and input to the development of the internal audit plan for 2022
- Review of the FRC external audit quality inspection report
- Approval of committee's terms of reference

November 2021

- Review of key judgements and provisioning for the year end
- Review of audit and non-audit fees for the year
- Review of internal audit plan for 2021 and approval of the 2022 internal audit plan
- Review of corporate governance changes for the year

February 2022

- Review and approval of the report and accounts
- Review of the TCFD summary included in the annual report
- Review of key judgements for the annual report
- Assessment of going concern and the viability statement
- Assessment of the report and accounts being fair, balanced and understandable
- Review of the firm's distributable reserves and dividend policy for 2022
- Review of Speirs & Jeffrey earn-out consideration
- Review of the accounting treatment of the Saunderson House acquisition
- Review and approval of the firm's ISAE3402 report
- Review of Alternative Performance Measures ('APMs')
- Review of results of 2021 internal audit plan and annual opinion on controls
- Consider a report on risks and controls prepared by a the risk function
- Consideration of year-end external audit report and audit opinion
- Review and approval of representation letter
- Review of external auditor's letter of independence

Committee meetings

The committee is comprised solely of independent non-executive directors, who met on seven occasions in 2021 (2020: seven).

During the year, at the AGM in May, Jim Pettigrew did not seek re-election as a director and stepped down from the committee. I would like to extend my thanks to Jim for his extensive contribution to the committee over the last four years. Following their appointments to the board in October, both Iain Cummings and Dharmash Mistry were appointed members of the committee. The qualifications of each of the members of the committee are outlined in the biographies on pages 72. The committee brings a diverse range of experience in finance, risk, control and business, with particular experience in the financial services sector. The composition of the committee satisfies the relevant requirements of the UK Corporate Governance Code. The board has confirmed that the members of the committee have the necessary expertise required to provide effective challenge to management. The board also considers that I have the appropriate recent and relevant experience.

In addition to the members of the committee, standing invitations are extended to the chairman, executive directors, chief risk officer, head of internal audit, group financial controller, and the external audit partner and manager. Other executives and external advisers are invited to attend the committee from time to time as required to present and advise on reports commissioned. During 2021, the audit committee met with the external auditor and head of internal audit without management present. These meetings provided an opportunity for any matters to be raised confidentially.

During the year, I have regular meetings with the group finance director, company secretary, head of internal audit and the external audit partner to discuss key audit-related topics ahead of each meeting and discuss the agreed standing agenda.

Committee effectiveness

As described in more detail on page 80, an external evaluation of the board and its committees was undertaken during the year in line with the requirements of the UK Corporate Governance Code. Overall, the results confirm that the committee is operating effectively. The committee considers that it continued to have access to sufficient resources to enable it to carry out its duties during the year.

Risk Management and Control Effectiveness Review

The Audit Committee reviewed Risk Management and Control Effectiveness based on evidence from a number of sources. Both the Risk Function and Internal Audit provided the Committee with an annual report on risks and controls, based on their independent reviews during the year. Additionally, external audit firms provided ISAE3402 reports on their testing of controls over the core operating systems supporting the Investment Management and Funds businesses. Finally, external audits were performed covering controls over Client Assets held by regulated entities in the Group. The Committee was satisfied that no material weaknesses were identified and that adequate steps were being taken to remedy control deficiencies identified.

During 2022, work will continue to develop a control self assessment programme, further enhancing control awareness in the first line of defence and providing additional evidence for the Committee to consider.

Financial reporting

Accounting judgements

The committee spent considerable time reviewing the interim report and annual report. The committee discussed and challenged the key areas of accounting judgement taken by management in preparing the financial statements and the external auditor's work. This also included consideration of the internal controls over financial reporting. The committee noted that there were no new material standards, or amendments to standards, relevant to the group that had become effective for the reporting period. The key judgement areas were largely unchanged from the prior year, reflecting the firm's adherence to its business model and consistency of its approach to financial reporting. COVID-19 has required the committee to discuss at length with management the continued appropriateness of the conclusions reached during the 2020 financial year, and the implications on reporting in 2021. The main areas of focus are outlined below. Each of these matters were discussed with the external auditor and, where appropriate, have been addressed in the external auditor's report.

Impact of COVID-19

The committee considered the impact of COVID-19 on the financial sustainability and operational resilience of the business, taking into account the additional stress testing completed as part of the going concern and viability assessments. As a result we reviewed our approach for the interim and year-end results and considered the following key areas of focus for COVID-19 impact:

- Impairment of goodwill and client intangibles
- Market volatility and its impact on business performance
- Increased risk of fraud
- Going concern and viability
- Impact on operation of key controls over financial reporting
- Adequate disclosures in the interim and annual report

Fair, balanced and understandable statement

On behalf of the board, we reviewed the financial statements as a whole in order to assess whether they were fair, balanced and understandable. We discussed and challenged the balance and fairness of the overall report with the executive directors and also considered the views of the external auditor. We considered the overall presentation of the financial statements, including the use and prominence of alternative performance measures, s172 reporting and corporate governance disclosures, and were satisfied that the annual report could be regarded as fair, balanced and understandable and proposed that the board approve the annual report in that respect.

Viability and going concern

The committee assisted the board in determining the appropriateness of adopting the going concern basis of accounting and in performing the assessment of the viability of the firm. The committee reviewed a paper from management in support of the going concern basis and the longer-term viability of the firm. The committee also assessed the proven stability of the firm's business model which is supported by the results of internal stress testing, and that the firm is strongly capitalised, soundly funded and has adequate access to liquidity. The committee considered whether a period of three years remained appropriate for the viability statement, particularly when taking into account changes in the economic, technological and regulatory environment. Overall the committee concluded that it remained appropriate to prepare the accounts on a going concern basis, advised the board that three years was a suitable period of review for the viability statement, and recommended the viability statement to the board for approval.

The carrying value of assets

We reviewed the methodology for valuing assets where a significant amount of judgement is required, including intangible assets, particularly goodwill and the period of amortisation applied to client relationships.

Impairment of goodwill and client relationship intangibles

The committee was presented with the annual goodwill impairment review and was satisfied that there were no impairment indicators. A detailed presentation on the impairment indicators, methodology and underlying assumptions used to determine the full impairment of goodwill and intangible assets acquired on acquisition in respect of Saunderson House was reviewed. The committee also discussed the appropriateness of the 15 year useful life applied to the majority of the group's client relationship intangibles. The committee challenged the appropriateness of the assessments, including discussing the outcome with the firm's auditor, and concluded the approach was reasonable.

The valuation of defined benefit pension obligations

The committee reviewed the key assumptions supporting the valuation of defined benefit pension obligations, particularly salary increases, investment returns, inflation and the discount rate, which are disclosed in note 29 to the financial statements. We reviewed the professional advice taken by the company and discussed the assumptions used by us and by other companies with the external auditors. We satisfied ourselves that the assumptions used were reasonable and consistent with the requirements of IAS 19.

Speirs & Jeffrey consideration

Following the second trigger date of the earn out payment, the committee reviewed the relevant calculations and challenged the level of qualifying funds under management transferred to the firm. The committee noted that the vendors had agreed this final payment.

Acquisition of the Saunderson House group

In October 2021, the firm completed its acquisition of the Saunderson House group. We considered the judgement and estimates made by management in accounting for the acquisition of the Saunderson House group. In particular, we reviewed the estimated valuation and accounting treatment of the deferred elements of consideration payable for the business, the identification and valuation of the client relationships and other intangibles acquired and the valuation of goodwill arising from the acquisition.

Provisions and contingent liabilities

The committee discussed provisions totalling £15.3 million, which have been summarised in note 26 to the financial statements. The main areas of provisions relate to property dilapidations and deferred payments to acquire client relationship intangibles.

Whistleblowing champion

The committee reviews and recommends the firm's whistleblowing policy to the board for approval on an annual basis and I act as the whistleblowing policy champion. The firm continues to place a high priority on employees' understanding of the process to enable them to speak out with confidence when appropriate. The Committee received and considered the annual Whistleblowing Report.

TCFD climate risk reporting

The committee reviewed the firm's TCFD climate risk disclosure responsibilities as part of the Annual Report process for 2021. This exercise ensured that the summary in the Annual Report met key statutory and regulatory obligations with clear cross referencing to the full TCFD report on the firm's website.

Restoring trust in audit and corporate governance

The Committee has, and will continue to, evaluate the impact of the Department for Business, Energy and Industry Strategy ('BEIS') consultation and resulting proposals for restoring trust in audit and corporate governance on the firm.

Internal audit

Internal audit function

The internal audit function is an independent and objective team designed to add value and improve the firm's operations by providing assurance that for all areas of the group the risk management, governance and internal control processes are operating effectively. The internal audit function is the third line of defence within the controls framework, providing independent and objective assurance to both senior management and the audit committee.

The committee reviewed, challenged and approved the annual internal audit plan, and amendments made to it during the course of the year. It received regular reports on internal audit activities across the firm, detailing areas identified during audits for strengthening across the group's risk management and internal control framework. All audits were summarised at meetings of the committee together with an update on the progress of remediating issues identified during audits.

Reporting and performance review of internal audit

The committee has authority to appoint or remove the chief internal auditor, who reports directly to me. As reported in last year's report, a new chief internal auditor was recruited during the year. I set the objectives of the chief internal auditor, appraising his performance against those objectives and recommending his remuneration to the remuneration committee, with advice from the chief executive.

Internal audit effectiveness

The committee reviews annually the effectiveness of the internal audit function and its level of independence. The evaluation for the year under review was completed internally and supported by feedback from stakeholders across the group. The internal audit function operates in line with the Chartered Institute of Internal Auditors' professional standard and the Internal Audit Financial Services Code of Practice. In addition, the committee routinely ensures the internal audit function has appropriate resources.

As well as meetings with management, I have regular meetings on a one-to-one basis with the chief internal auditor before audit committee meetings to ensure that any concerns can be raised in confidence.

2022 Internal audit plan

The committee reviewed, challenged and approved the 2022 internal audit plan for the year, and supported the introduction of a more agile and thematic audit planning approach. This methodology has facilitated flexibility to provide assurance over emerging risks; controls impacted by COVID-19; transformation and change activity and to coordinate assurance activity with other teams across the first and second line.

In reviewing the audit plan, the committee continued to assess the appropriateness of the skills and experience of the internal audit function to deliver that plan. The internal audit team has access to resources from professional services firms where additional skills and knowledge are required. Ongoing feedback on the performance of these co-source providers was presented to the committee throughout the year.

External audit

Audit work 2021

The committee has spent significant time with Deloitte during the year. In particular, the committee reviewed and challenged reports from Deloitte, which outlined their risk assessments and audit plans for 2021 (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 judgement areas and possible audit adjustments. We can confirm that there are no such material items remaining unadjusted in the financial statements.

Following a tender process in 2018, Deloitte have been auditor to the firm since our AGM in May 2019. Manbhinder Rana has been the firm's lead partner from this date and attends all meetings of the committee. The committee confirms that the group has complied with the Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014, which requires FTSE 350 companies to put their statutory audit services out to tender no less frequently than every 10 years.

External audit effectiveness and appointment

We place great importance on the quality, effectiveness and independence of the external audit process. In order to review the external audit process, including the performance of the external auditors, feedback is gathered from both committee members and management. This process was undertaken by internal audit. We also reviewed the annual FRC Audit Quality Inspection report prepared on our external auditor and discussed this report with the audit partner.

Auditor independence and non-audit services

The committee assesses the independence and objectivity, qualifications and effectiveness of the external auditor on an annual basis as well as making a recommendation on the reappointment of the auditor to the board. We discussed the independence of the external auditor, the nature of non-audit services supplied by it and non-audit fee levels relative to the audit fee. The policy includes prohibited services and sets a fee guide that aims to achieve a cap of 70% of the statutory audit fee in any year by 2022 following the appointment of a new auditor. The committee's prior approval is only required where the fee for an individual non-audit service is expected to exceed £50,000 and it is on the list of pre-approved services.

Non-audit fees, excluding services required by national legislation, payable to the auditor in 2021 were £209,000. This represents 29.6% of the three-year average statutory audit fee of £704,000.

Prior to undertaking any non-audit service, Deloitte also completes its own independence confirmation processes, which are approved by the engagement partner. To provide the committee with oversight in this area, it submits six-monthly reports on the non-audit services it has provided. During the year, the committee also considered the findings of the FRC's Audit Quality Inspection and Supervision on Deloitte and, in particular, how Deloitte were addressing the points raised.

Following a formal assessment of the external auditor's independence and objectivity, and taking into account the views of other key internal stakeholders, the committee concluded that Deloitte continued to be independent and objective.

We agreed the external auditor's fees (which are shown in note 7 to the 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.

Focus for 2022

As well as considering the standing items of business, the committee will also focus on the following areas during 2022:

- Review the recommendations from BEIS on changes to audit and corporate governance
- Oversee the scope and quality of the company's TCFD and ESG reports and disclosures
- Progress development of a control self assessment programme
- Develop a Audit and assurance policy

James Dean
Chair of the audit committee

23 February 2022

Nomination committee report

Clive Bannister
Chair of the nomination committee

Roles and responsibilities

The responsibilities of the committee include reviewing the composition (including the skills, knowledge, experience and diversity) of the board and making recommendations to the board for the appointment of directors. The board as a whole then decides on any such appointment.

The committee also has wider responsibilities for succession planning and the leadership needs of the organisation, both executive and non-executive, to ensure the continued ability of the firm to implement its strategy and compete effectively in the marketplace.

Full terms of reference for the committee are reviewed annually and are available on the company's website.

Nomination committee chair's annual statement

On behalf of the board, I am pleased to present my first report of the nomination committee for 2021. This report sets out an overview of the committee's roles, responsibilities and its key activities during the year.

In the 2021, non-executive succession and recruitment has been important for the committee, following the retirement of Mark Nicholls as chair in March 2021 and Jim Pettigrew at the AGM in May. I thank them both for their significant contribution to the board and the firm.

The committee adopts a proactive and structured approach to succession planning. In the appointments made in the year, the committee has remained mindful of board changes that will naturally occur in the years ahead as directors reach the end of their terms, and the need to ensure continuity of knowledge and experience across the board as a whole. As result of James Dean reaching nine years of service on the board, he will not be seeking re-election as a director at the AGM in 2022 and the committee took this into account during recruitment process during the year.

The committee plays an increasingly broad role in ensuring the effective operation and development of the executive team and the wider workforce. These factors are critical to the delivery of our strategy.

During the year, the committee oversaw the processes for the appointment of two new independent non-executive directors: Iain Cummings and Dharmash Mistry, who both joined the board on 5 October 2021. For all searches undertaken by the committee, arrangements are in place to ensure that changes to the board are well managed, with consideration given to candidates from diverse backgrounds. Further information on the background and experience of each of the non-executive directors can be found in their biographies on page 72.

The committee also spend time considering succession planning and talent management for roles below board level. Once again this year, we have monitored activities and initiatives to develop the firm's talent pipeline and improve diversity amongst senior management.

Board succession

During the year, the committee oversaw the formal and robust search processes that culminated in the decisions by the board to appoint Iain Cummings and Dharmash Mistry as non-executive directors. The resulting appointments will ensure that the board continues to be of an appropriate size and composition as other directors reach nine years' service in the years ahead.

In each case, the committee appointed a sub-committee to review and approve a detailed description for the role, having considered the particular skills, capabilities, experience and background required for each role. In all board searches, the committee assesses the balance of knowledge and expertise needed to ensure continued effective leadership of the firm, and the development and oversight of its strategy, purpose and culture. In identifying and recommending candidates for appointment to the board, the committee considers candidates from a wide range of backgrounds, assessing them on merit against objective criteria and with due regard for the benefits of diversity on the board.

As part of the search process, the sub-committee decided to engage an external search firm and approved the appointment of Spencer Stuart ('Spencer'). Spencer are not connected to the firm or to our directors in any way and are a signatory to the Voluntary Code of Conduct for Executive Search Firms. To facilitate this process, Spencer undertook detailed discussions with each member of the board in order to ascertain their views on the desired attributes, experience and qualities required for the two non-executive director positions as well as considering board dynamics and the firm's culture.

A detailed search was conducted by Spencer, as a result of which a longlist and then a shortlist of candidates was prepared. As part of the process, the committee considered the other commitments of candidates to ensure that they would have sufficient time to devote to their duties to the firm. Shortlisted candidates were discussed in detail and interviews were undertaken by Spencer, members of the sub-committee and the board. The committee was updated on the search process and discussions were held on the shortlist of candidates.

Following this rigorous search process, the nomination committee recommended to the board the appointment of Iain Cummings and Dharmash Mistry. They were appointed to the board in October 2021.

Talent and succession planning

The committee spent time during the year reviewing our talent pipeline and considering the firm's succession planning at board and senior management level. This included a formal review by the committee of senior management succession planning, looking at the capability and potential of incumbents in key roles and the succession pipeline, emergency cover arrangements and the external market for those roles. The committee has monitored activities and the initiatives to develop the firm's talent pipeline and reflected on the importance of building stronger diversity of experience, gender and ethnicity among senior management.

Diversity

In relation to board diversity, we aim to have a well-balanced board that represents a wide range of skills, knowledge and experience. We value diversity of outlook, approach and style. A balanced board is better equipped to understand the views of all our stakeholders as well as our shareholders, and therefore make decisions that take into consideration the wide range of challenges faced by the firm. A board needs a range of skills and business experience including knowledge of industry, understanding of the firm's culture, challenges of change, and the regulatory environment in which we operate. It needs some members with a long corporate memory and others who bring fresh insights from different fields and backgrounds. There needs to be both support and challenge on the board as well as a balance of gender and commercial experience.

Throughout 2021, over 33% of our board was female which ensures that we have exceeded the minimum requirements of the Hampton-Alexander Review. The board supports the recommendations set out in the Parker Review, and aims at all times to have at least one director from an ethnic minority background. Due to the relatively small size of the board, the committee also recognises the impact that the retirement of an individual director can have on the overall composition of the board from a diversity perspective. As a result, diversity and inclusion at board level will continue to be an area of focus for the committee.

The committee continued to focus on overseeing the development of a diverse pipeline for senior management positions and the link between diversity and inclusion and delivery of the company's purpose and strategic aims. To that end, it considered updates during the year in relation to diversity and inclusion initiatives across the firm. Among other things, the committee discussed the firm's approach to recruitment, training and development programmes for employees. .

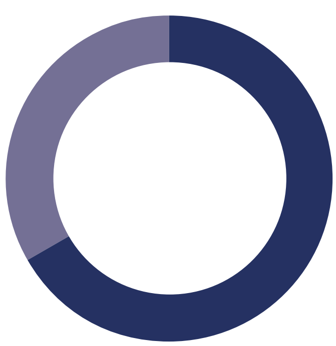
In line with the UK Corporate Governance Code, the committee discloses that the gender balance of those in senior management (being the members of the executive committee and the company secretary) and their direct reports at 31 December 2021 was 38% (2020: 25%) female and 62% (2020: 75%) male. More detail on the firm's approach to diversity and inclusion can be found in the responsible business review on page 58.

Our board

Board composition

Chairman	12%
Executive	22%
Independent non-executive	67%

Board diversity



Male	6
Female	3

Tenure of non-executive directors

0-2 years	43%
3-5 years	29%
6-8 years	29%
9+ years	0%

Non-executive directors' skills

As mentioned above, a key responsibility of the committee is to ensure that the board maintains a balance of skills, independence, knowledge and experience appropriate to the operation of the business and as required to deliver the strategy. The committee considered and was satisfied by the skillset and experience of the firm's independent non-executive directors, including their extensive experience in financial services.

Independence and conflicts of interest

It is of the utmost importance that the board of a financial services firm has high-quality, experienced non-executive directors with the skills and integrity to undertake senior positions. At Rathbones, we are fortunate to have such non-executives. I maintain a dialogue with each of my board colleagues on potential conflicts of interest and time commitments. I am quite satisfied that incidents of conflicts of interest are rare and have been handled appropriately by the individual concerned.

Reappointment of directors

Prior to the company's AGM each year, the committee considers, and makes recommendations to the board concerning, the reappointment of directors, having regard to their performance, suitability, time commitment and ability to continue to contribute to the board. Following this year's review in advance of the 2022 AGM, the committee has recommended to the board that all serving directors, except James Dean, be reappointed at the AGM. Sarah Gentleman has served as a director for more than six years. The extension of her term of office has been considered and the committee has noted her significant contribution including as committee chair. The committee values the knowledge, experience and continuity of her appointment.

Board effectiveness review

A formal and rigorous evaluation of the committee's effectiveness was undertaken during the year as part of the external board effectiveness review. The review found that the committee operated well during the year. Please see page 80 for more detail.

The committee considers that during the year it continued to have access to sufficient resources to enable it to carry out its duties and has continued to perform effectively. During the year, the committee reviewed its terms of reference to ensure that they remain appropriate.

Focus for 2022

During 2022, the committee will continue to keep under review a succession timetable for both executives and non-executives. We will continue to monitor the development of management talent below group executive committee level, encourage greater diversity, and challenge management to develop the talent that exists in the firm.

Clive C R Bannister
Chair of the nomination committee

23 February 2022

Remuneration committee report

Sarah Gentleman
Chair of the remuneration committee

Roles and responsibilities

The committee's responsibilities are to:

- determine and set the firm's remuneration philosophy, ensuring that it is aligned with the business plans and risk appetite
- approve the remuneration policy for executive directors for final approval by shareholders and make remuneration decisions within the policy
- approve total annual remuneration for executive directors based on achievements against objectives set by the committee
- review total annual remuneration for executive committee members and material risk takers

Full terms of reference for the committee are reviewed annually and are available on the company's website.

Remuneration committee chair's annual statement

On behalf of the board, I present the directors' remuneration report for the year ended 31 December 2021.

2021 has been a busy year for the remuneration committee, which mainly focused on implementing the new directors' remuneration policy. We also welcomed two new non-executive directors to the committee, Iain Cummings and Dharmash Mistry. At the AGM in May 2021, shareholders provided strong support for the new directors' remuneration policy, which was developed to ensure that remuneration structures and performance measures:

- supported the future strategy of our business, reflecting the need for investment at different times in the market cycle and the opportunities for inorganic growth that may arise
- aligned the reward received by our executive directors and the experience and interests of our shareholders
- continued to comply with regulations and industry best practice

2021 performance and remuneration outcomes

Our remuneration framework is closely aligned with the financial performance of the group, which has performed strongly with FUM increasing by 24.7%, reaching £68.2 billion, and profit before tax increasing by 116.9% to £95.0 million with an underlying operating margin of 27.7% at 31 December 2021. Following the group's strong performance in the year, the board is proposing a final dividend of 54p per share, resulting in a full-year dividend per share of 81p, an increase of 12.5%.

Annual bonus outcomes

The remuneration committee assessed the following factors when determining remuneration outcomes for the executive directors: how to maintain a fair balance between the interests of different stakeholders, including shareholders, employees and management; how to encourage and reward the behaviours that reflect our purpose and culture; and how to judge performance against objectives, including considering where the remuneration committee should apply discretion to adjust any formulaic outcomes.

As detailed in last year's report, variable remuneration is made up of two components: annual bonus with a maximum opportunity of 135% of fixed pay and a Restricted Stock Plan ('RSP') with a maximum of 65% of fixed pay with a three-year vesting period and two-year deferral. Following the 2021 AGM, the first RSP grant will vest in 2024, subject to the assessment of underpins at that time.

The annual bonus was assessed against two financial measures, underlying profit before tax and total net organic growth in FUM as these are the key indicators of performance used by the firm and investors, as well as strategic measures. These specific targets are reviewed annually to ensure the nature and weightings are appropriate to achieve alignment between the interests of our executive directors, our strategy and the interests of our stakeholders. Also, the committee set these targets to encourage stretching levels of performance and to ensure alignment with the firm's annual budget. The board considered a number of factors when setting and approving the final budget for 2021. This resulted in the remuneration committee approving higher year on year targets for profit and organic growth whilst balancing the impact of planned investments which were critical to the execution of strategy. In addition, the strategic objectives that were set include delivery of the firm's critical projects as well as taking into account the firm's stakeholder measures and client experience.

As stated above, 2021 was a strong year for the group in terms its financial results and delivery of our key strategic objectives. These results were directly reflected in the annual bonus award of 85%. We have set out in more detail the outcomes against targets for 2021 on page 105.

After consideration, the remuneration committee decided that these outcomes were appropriate and consistent for the year and no discretionary adjustment was required.

Group-wide employee remuneration

The responsibility for determining the reward practices on a firm-wide basis lies with the remuneration committee. As in previous years, the remuneration committee continues to spend time in having oversight of overall remuneration for employees across the firm. The average salary increase for 2022 across the firm will be 4.7%. The group is committed to paying all staff at or above the national living wage, which is in excess of the national minimum wage.

2022 incentives

The committee has agreed that the current performance measures on the annual bonus and underpins on the RSP are fit for purpose, and remain aligned with the current strategy. As such no changes are being made to the measures or weightings. An overview of how incentives will be implemented in 2022 can be found on page 106.

Fees and salaries

The committee will continue to keep fixed pay levels under review, taking into account workforce pay and policies as per the UK Corporate Governance Code, the firm's performance and the views of shareholders. In conducting any review of fixed pay levels the committee will take into account the continued development of both executives since their appointment. The remuneration arrangements of other firms of similar size and complexity are also reviewed for guidance.

In relation to Jennifer Mathias, as we disclosed at the time of her appointment in 2019, the group finance director fixed pay was set below the level of the previous incumbent. This package reflected Jennifer's first-time appointment as a finance director of a listed business and her experience. In recognition of her progression in role since appointment, the committee proposes to make a modest increase to her fixed pay which will be in line with workforce pay for 2022. The committee does not propose to increase Paul Stockton's fixed pay but a review will be completed for him during 2022.

Full details of remuneration arrangements are provided on page 103.

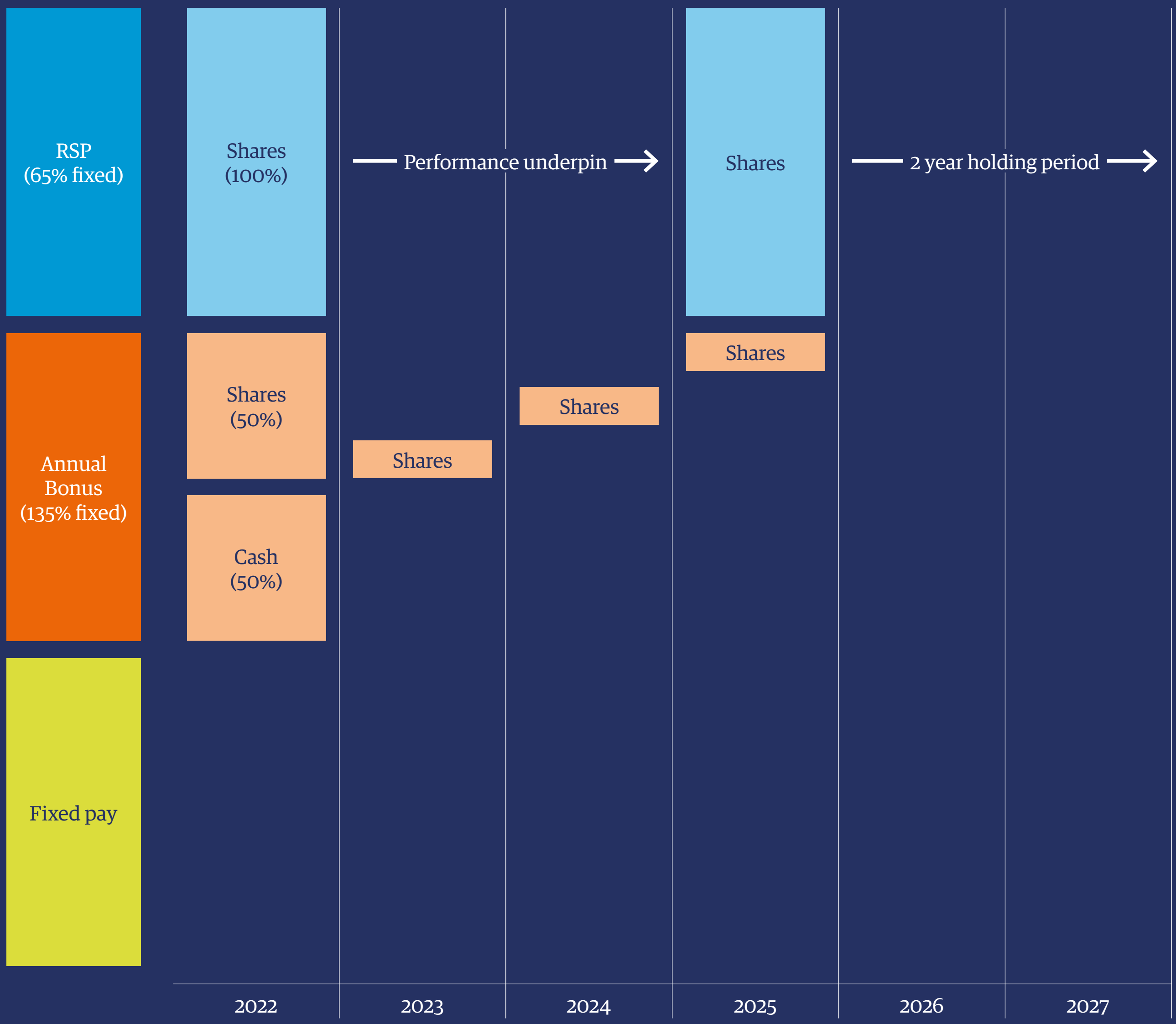
Conclusion

I hope that you find the information in my annual statement and the directors' remuneration report clear and useful. The remuneration landscape continues to be the subject of many political and regulatory policy changes and, as these evolve, the committee will ensure that our policy and practices remain compliant, balancing the need to remain performance-driven and competitive. I welcome any feedback you may have during the year and hope to receive your support for the approval of the remuneration report.

Sarah Gentleman
Chair of the remuneration committee

23 February 2022

Illustration of the remuneration policy



Summary of the policy:

- Annual bonus - with one year performance conditions
- Restricted Stock award with minimum performance underpin

1) Annual Bonus Award

- 135% of fixed pay at maximum
- 50% in cash, 50% deferred into shares with three-year pro-rata vesting
- Assessed against financial metrics (minimum 60%) and non-financial metrics (maximum 40%)

2) Restricted Share Award

- 65% of fixed pay annual grant
- Three-year vesting period with a two-year holding period
- Vesting based on continued employment and underpin conditions designed to avoid payment for failure

Annual report on remuneration

Remuneration policy

The remuneration policy ('Policy') was approved at the AGM in May 2021 and can be found on our website. No further changes have been made to the remuneration policy since it was approved in 2021.

This part of the directors' remuneration report explains how we have implemented our remuneration policy during the year. This annual report on remuneration is subject to an advisory vote at the 2022 AGM, and the financial information in this part of the remuneration report has been audited where indicated.

Role of remuneration committee

The role of the committee is to set the overarching principles of the remuneration policy and provide oversight on remuneration across the firm. Details of the committee's responsibilities and composition are noted above. At the invitation of the committee chair, the group chief executive officer and group chief financial officer attend some or all of each meeting. The chief risk officer also advises the committee on matters relating to remuneration, and attends meetings as required. The company secretary acts as secretary and, with the chairman, agrees the agenda for each meeting.

At the end of each meeting, there is an opportunity for private discussion between committee members without the presence of management. No committee member or attendee is present when matters relating to his or her own remuneration are discussed.

Committee activity in 2021/22

Below is a summary of the key issues that the committee considered at each of its meetings during the year.

February 2021

- Review information on wider workforce pay including salary budgets and forecast incentive outcomes
- Review and approve executive director, GEC members' and company secretary's salaries for 2021
- Review of annual risk report on variable pay targets to ensure alignment with the firm's risk appetite
- Assess and approve the 2020 EIP award for executive directors and members of the executive committee
- Approve annual bonus performance targets for 2021
- Review and approve the directors' remuneration report for shareholder approval
- Annual review of remuneration for material risk takers across the firm

September 2021

- Review progress against financial and non-financial annual bonus targets for the current year
- Annual review of the general principles of the regulatory remuneration policy
- Review and discuss remuneration benchmarking survey

November 2021

- Review progress against financial and non-financial aspects of the annual bonus
- Review of firm wide remuneration in light of CRD V and IFPR
- Re-appointment of the advisers to the committee
- Review and approve the committee's terms of reference

February 2022

- Review information on wider workforce pay including salaries, budgets and forecasted incentive outcomes
- Review and approve executive director, member of the executive committee, head of internal audit and company secretary's salaries for 2022
- Review of annual risk report on variable pay targets to ensure alignment with the firm's risk appetite
- Assess and approve the 2021 annual bonus for executive directors and members of the executive committee
- Approve annual bonus performance targets and RSP award for 2022
- Review and approve the directors' remuneration report for shareholder approval
- Annual review of remuneration for material risk takers across the firm

Single total figure of remuneration for each executive director (audited)

The table below sets out a single figure for the total remuneration received by each executive director for the year ended 31 December 2021 and the prior year:

	Fixed pay[1] £'000	Taxable benefits and allowances £'000	Annual bonus[2] £'000	EIP[3] £'000	Pensions £'000	SIP £'000	SAYE £'000	Total £'000	Total fixed pay £'000	Total variable pay £'000
R P Stockton										
2021	**534**	**3**	**614**	**–**	**0**	**4**	**–**	**1,155**	**537**	**618**
2020	477	3	–	814	57	4	5	1,358	537	821
J E Mathias										
2021	**358**	**2**	**412**	**–**	**0**	**1**	**–**	**773**	**360**	**413**
2020	320	4	–	545	38	–	5	912	362	550

1. From 1 January 2021 the previous pension allowance was consolidated into fixed pay. The figures for 2020 include the previous base salary only. Fixed pay (previously salary + pension allowance) was unchanged between 2020 and 2021
2. 2021 figure is the annual bonus as described below
3. 2020 figure is the legacy EIP award, under the previous remuneration policy, as disclosed in last year's report

Taxable benefits

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

Annual bonus

Performance is assessed using a combination of measures that are detailed below:

	Weight %	% of Fixed pay
Financial	**60**	**81**
Non-financial strategic	**40**	**54**
Total	**100**	**135**

Financial

The one-year financial performance measures are two key performance indicators actively used by the business, which are closely aligned to strategy. The one-year financial measures and achievement levels are provided below:

	% of Fixed pay	Threshold (25% of maximum)	On target (60% of maximum)	Maximum of	**Actual**	**Weighted payout (% of Fixed pay)**
Financial						
Underlying profit before tax (£m)	40.5	81.3	92.9	104.5	**120.7**	**40.5**
Total net organic growth in funds under management and administration (%)	40.5	3.0	4.6	6.0	**5.3**	**32.3**

The organic growth in funds under management and administration covers both our Investment Management and Funds businesses.

2) Non-financial strategic

The non-financial strategic measures are designed to drive strategic goals. Details of the performance measures, assessment and outcomes are detailed below:

Strategic objective	Objective	Performance in 2021	Extent to which objective has been met
Client and proposition	Roll out MyRathbones and achieve client take up of 50%	– Positive client engagement on MyRathbones with over 43% of clients now actively using the system. Client feedback has been good and reflected in a series of upgrades also completed in the year	Largely achieved
	Leverage the firm's ESG proposition including GMAPs product	– A new "responsible core" proposition was piloted supported by the implementation of external data feeds and improvements in investment process. Four Greenbank multi asset funds were launched during the year attracting £100m of inflows	
	Increase client take up of Rathbones Select	– Client mailings that offered the Rathbone Select product were marginally behind target but adoption rates post offer were more favourable than expected	
	Launch the firm's re-brand	– The brand architecture and design were launched during the year to be implemented in 2022 as planned	
Growth	Develop the firm's advisor to advisor proposition	– Proposition pathways, supporting documentation and a pilot were completed during the year to clarify suitability responsibility and pricing. De facto surveys completed by advisors were positive, and indirect gross inflows of £1,112m exceeded target by 65% compared to 2020,	Largely achieved
	Improve the firm's organic and inorganic growth opportunities	– Discretionary and managed net inflows were £1.8bn in the year representing 4.1% of opening FUMA – The number of investment managers grew to 332 from 304 and financial planners to 208 from 154 – Strong growth continued in the funds business with gross inflows of over £2bn. GreenBank FUM growth of 21% for the year – Completed the acquisition of Saunderson House and delivered on planned synergies from the Speirs & Jeffrey transaction	
People	Develop a return to office plan and hybrid working model	– Return to office planning was dynamic as the pandemic developed. Strong collaboration and communication with employees on return to office policy was completed with a focus on wellbeing. Positive feedback received from employee surveys and board workforce engagement programme	Largely achieved
	Complete succession planning and talent assessment below the GEC	– Succession plan to support operational resilience completed. Talent assessed using "9 box grid" criteria	
	Ensure ongoing employee engagement and implement diversity equality and inclusion initiatives	– Positive employee feedback from surveys and dashboard data, and workforce engagement initiative (see page 84). Engagement scores well above FS benchmark scores (see page 12). Our Woman In Finance target remains on track and the firm's D,E &I programme was launched supported by recruitment of dedicated resource	
Operating efficiently	Complete vendor selection process for the firm's data and digital strategy	– Board approved vendor selection completed	Achieved
	Improved access and data quality	– Enhancements to suitability and investment risk data and the completion of extensive firmwide data studies were completed during the year	
	Improved IT stability	– Low IT incident count with all resolutions within agreed timelines	
	Consolidate supplier base	– Supplier & Contract Management project rationalised total supplier count by 23%	
Risk management	New suitability process	– Material improvements to suitability and investment risk tools to help support alignment to client portfolio mandate implemented during the year	Achieved
	Mitigate the firm's cyber risks	– Cyber defence simulation completed during the year. Planned cyber risk management improvements completed during the year	
	Launch an automated portfolio monitoring software	– Software launched during the year as planned	

Total 2021 annual bonus award

In addition to the above specific measures, the committee also considered direct client feedback, investment performance and other feedback from the risk and audit committees. After taking this into account, the committee concluded that an overall score for this element of the annual bonus of 31.2% out of 40% was appropriate, which corresponds to 42.1% of fixed pay.

Target	Weighting	Award achieved
Financial	60	53.9
Non-financial strategic	40	31.2
Total award	**100%**	**85.1**

Director	Total award (£)	Delivered in cash (£)	Deferred in shares (£)
R P Stockton	613,834	306,917	306,917
J E Mathias	411,796	205,898	205,898

Pensions

Since 1 January 2021, Paul Stockton and Jennifer Mathias no longer receive a separate pension allowance, neither is in receipt of a defined benefit pension.

All executive directors are eligible for death in service benefits.

Share Incentive Plan (SIP)

This benefit is the value of the SIP matching and free share awards made in the year. All employees may contribute up to £150 per month to buy partnership shares with contributions matched on a one-for-one basis by the company. Free share awards are linked to EPS growth.

Save As You Earn (SAYE)

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

Payments for loss of office (audited)

There were no payments made to directors for loss of office during the year except as disclosed in last year's annual report.

Payments to past directors (audited)

There were no payments made to past directors during the year.

Service contracts and letter of appointment

Executive directors

It is company policy that service 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.

	Date of service contract	Notice Period
R P Stockton	01 May 2019	12 months
J E Mathias	27 September 2018	6 months

Non-executive directors

Non-executive directors have a letter of appointment rather than a contract of employment and these are available for inspection at the AGM. As with all other directors, they are required to stand for re-election annually in accordance with the UK Corporate Governance Code. Any term beyond six years is subject to particularly rigorous review and takes into account the need for progressive refreshing of the board.

	Date of appointment	Notice Period	Length of service at 31 December 2021
C C R Bannister	06 April 2021	1 month	9 months
C M Clark	24 October 2018	1 month	3 years, 2 months
I A Cummings	05 October 2021	1 month	3 months
J W Dean	01 November 2013	1 month	8 years, 2 months
T L Duhon	02 July 2018	1 month	3 years, 6 months
S F Gentleman	21 January 2015	1 month	6 years, 11 months
D P Mistry	05 October 2021	1 month	3 months

Implementation of the remuneration policy in 2022

Fixed pay

The fixed pay levels effective 1 January 2022 are £534,000 for Paul Stockton (0% increase) and £375,250 for Jennifer Mathias (4.7% increase).

Annual bonus

Annual bonus for 2022 will have maximum value of 135% of fixed pay with measures and weightings as follows:

	Weight
Financial	
– Underlying profit before tax	30%
– Total net organic growth in FUM	30%
Strategic measures aligned to our core strategic pillars	40%
– Enriching the client, adviser proposition and experience	
– Supporting and delivering growth	
– Inspiring our people	
– Operating more efficiently	
– Risk management	
	100%

The targets under the financial metrics are deemed to be commercially sensitive and will be disclosed following the end of the performance period in next year's DRR.

RSP

The RSP will be granted at 65% of fixed pay. The RSP will vest after three years, subject to the assessment of a performance underpin at the end of 2024. The committee will take into account the following factors when determining whether to exercise its discretion to adjust the number of shares vesting:

– Total dividends paid over the three-year period relative to our generally progressive dividend policy;
– Return on Capital Employed (ROCE) achieved relative to Weighted Average Cost of Capital (WACC) over the three-year period;
– Maintenance of satisfactory operational performance and risk compliance; and
– Internal control environments over the performance period.

Directors' interests in shares (audited)

The table below sets out details of the directors' shareholdings and outstanding share awards that are subject to vesting conditions:

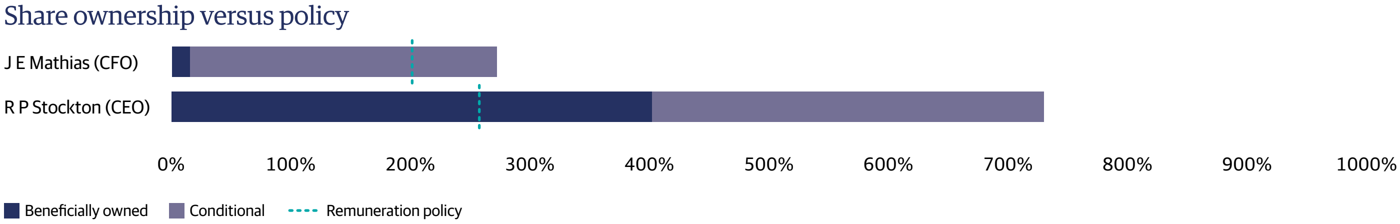
	Beneficially owned shares			Subject to relevant holding period				
Executive directors	Private shares	SIP[1]	Total	EIP	RSP	SIP (not yet beneficially owned)[1]	SAYE	Total
R P Stockton	104,506	3,663	108,169	63,878	21,881	780	1,658	88,197
J E Mathias	2,649	–	2,649	30,058	14,679	41	1,658	46,436
Total	**107,155**	**3,663**	**110,818**	**93,936**	**36,560**	**821**	**3,316**	**134,633**

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

Shareholding guidelines

In order to align the interests of executive directors and shareholders, the chief executive and chief financial officer are required to acquire and retain a holding in shares or rights to shares equivalent to the value of 250% and 200% of fixed pay within five years of the date of appointment respectively. Shares that count towards these guidelines include shares that are owned outright, vested and not exercised EIP, Deferred Bonus, RSP and SIP awards.

Share ownership versus policy



Restricted Stock Plan

Executive directors/ Grant date	Type of security	At 1 January 2021 Face value of award at grant[1] (£)	Number of securities originally granted	Number of unvested securities	During 2021 Securities granted[2]	Vested but unexercised (subject to sales restriction period)	At 31 December 2021 Unvested securities	Vested but unexercised (subject to sales restriction period)	Normal exercise date (end of sales restriction period)[3]
R P Stockton									
14/05/2021	Restricted Share Award	392,764	–	–	21,881	–	**21,881**	**–**	**14/05/2026**
J E Mathias									
14/05/2021	Restricted Share Award	263,488	–	–	14,679	–	**14,679**	**–**	**14/05/2026**

1. Awards equivalent to 65% of fixed pay were granted. As regulations prohibit the payment of dividend on such awards, the number of shares awarded has been determined by applying a share price over five days preceding the grant date, discounted to reflect the value of estimated future dividends foregone over the vesting period (£15.87). The face value has been calculated using a share price of £17.95 which was the average price over five days preceding the grant
2. The award will vest on the third anniversary of the grant date, with associated values to be included in the single figure table, and a further two-year holding period will apply. The awards are subject to malus and clawback provisions
3. RSP awards vest after three years and are subject to an additional two-year holding period so must be held until the fifth anniversary of the grant

Executive Incentive Plan

Executive directors/ Grant date	Type of security	At 1 January 2021 Face value of award at grant[1] (£)	Number of securities originally granted	Number of unvested securities	During 2021 Securities granted[2]	Vested but unexercised (subject to sales restriction period)	At 31 December 2021 Unvested securities	Vested but unexercised (subject to sales restriction period)	Normal exercise date (end of sales restriction period)[3]
R P Stockton									
22/03/2016	Nil paid options	272,722	12,229	2,449	–	2,449	**–**	**–**	**22/03/2021**
22/03/2017	Conditional shares	232,105	10,103	4,040	–	2,021	**2,019**	**8,084**	**21/03/2022**
23/03/2018	Conditional shares	226,485	8,864	5,318	–	1,773	**3,545**	**5,319**	**23/03/2023**
22/03/2019	Conditional shares	376,157	16,376	13,100	–	3,275	**9,825**	**6,551**	**22/03/2024**
23/03/2020	Conditional shares	372,435	24,326	24,326	–	4,866	**19,460**	**4,866**	**23/03/2025**
06/04/2021	Conditional shares	486,862	–	–	29,029	–	**29,029**	**–**	**06/04/2026**
J E Mathias									
23/03/2020	Conditional shares	202,608	13,233	13,233	–	2,649	**10,584**	**2,649**	**23/03/2025**
06/04/2021	Conditional shares	326,592	–	–	19,474	–	**19,474**	**–**	**06/04/2026**

1. Exercise price is nil
2. The number of shares awarded is calculated based on the 20-day average share price on the day prior to grant. Share price on award was £16.77
3. EIP awards vest in five equal tranches (1, 2, 3, 4 and 5 years from grant). All shares must be held until the fifth anniversary of the grant (the normal exercise date). There are no further performance conditions on these shares

Share Incentive Plan

	At 1 January 2021 Total number of SIP shares[1]	During 2021 Partnership shares acquired	Matching shares acquired	Dividend shares acquired	Free shares received	At 31 December 2021 Total number of SIP shares[1]
R P Stockton	4,036	100	100	166	41	**4,443**
J E Mathias	–	–	–	–	41	**41**
Total	4,036	100	100	166	82	**4,484**

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

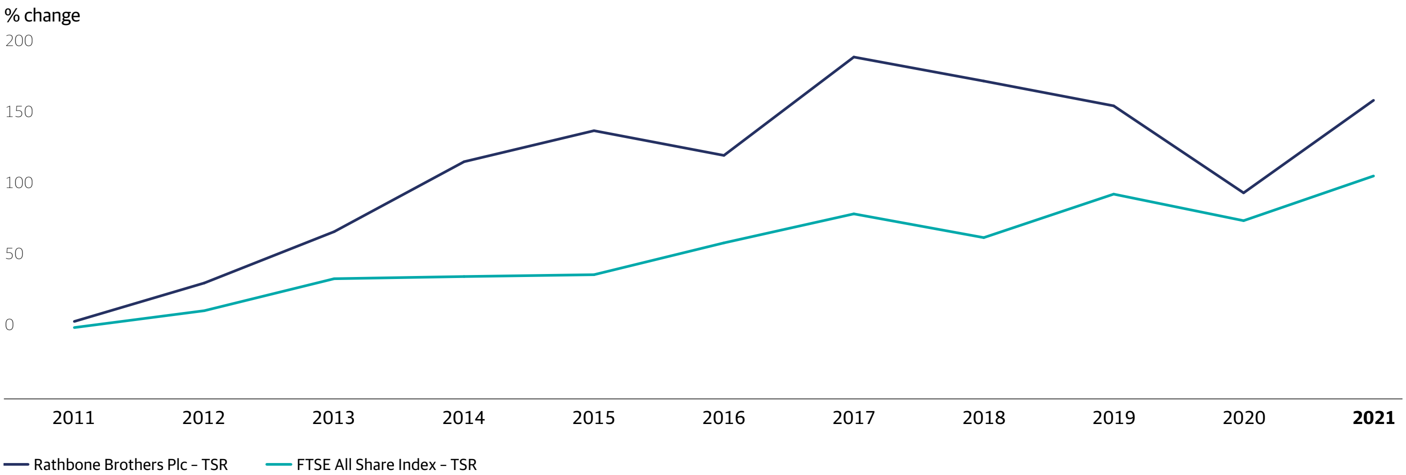
Save As You Earn outstanding options

		Number of shares								
Executive directors	Grant date	At 1 January 2021	Granted in 2021	Exercised in 2021	Lapsed in 2021	At 31 December 2021	Earliest exercise date	Latest exercise date	Market price on grant (p)	Exercise price (p)
R P Stockton	21/04/20	**1,658**	**–**	**–**	**–**	**1,658**	01/06/23	01/12/23	1,356	1,085
J E Mathias	21/04/20	**1,658**	**–**	**–**	**–**	**1,658**	01/06/23	01/12/23	1,356	1,085
Total		**3,316**	**–**	**–**	**–**	**3,316**				

Performance graph

The chart below shows the company's total shareholder return (TSR) against the FTSE All Share Index for the 10 years to 31 December 2021. TSR is calculated assuming that dividends are reinvested.

Performance graph (unaudited)



Chief executive officer single figure

During the 10 years to 31 December 2021, Andy Pomfret was chief executive until 28 February 2014. Philip Howell was chief executive until 9 May 2019 when he was succeeded by Paul Stockton.

Year	Chief executive	Chief executive single figure of total remuneration £'000	EIP award or short-term bonus as % of maximum opportunity	Long-term incentive vesting as % of maximum opportunity
2021	**Paul Stockton**	**1,155**	**85**	**–**
2020	Paul Stockton	1,358	57	–
2019	Paul Stockton	1,125	47	–
2019	Philip Howell	467	52	–
2018	Philip Howell	1,389	59	–
2017	Philip Howell	1,104	64	–
2016	Philip Howell	1,398	66	67
2015	Philip Howell	1,608	78	100
2014	Philip Howell	999	89	n/a
2014	Andy Pomfret	342	n/a	96
2013	Andy Pomfret	1,204	59	100
2012	Andy Pomfret	1,046	38	100

Annual percentage change in the remuneration of the directors and employees

The table below shows the percentage year-on-year change in salary, benefits and bonus in 2021 for the directors compared with the average Rathbones employee.

	2021			2020		
	Salary	Benefits	Annual bonus	Salary	Benefits	Annual bonus
Executive directors[1]						
R P Stockton	**0%**	**1.2%**	**-22.1%**	0%	7.1%	27%
J E Mathias	**0%**	**1.2%**	**-21.1%**	0%	5.5%	17.5%
Non-executive directors						
C C R Bannister[2]	**n/a**	**n/a**	**n/a**	n/a	n/a	n/a
C M Clark[3]	**16.3%**	**0%**	**0%**	9.1%	0%	0%
I A Cummings[4]	**n/a**	**n/a**	**n/a**	n/a	n/a	n/a
J W Dean	**0%**	**0%**	**0%**	7.1%	0%	0%
S F Gentleman	**0%**	**0%**	**0%**	7.1%	0%	0%
T L Duhon	**0%**	**0%**	**0%**	7.1%	0%	0%
D P Mistry[4]	**n/a**	**n/a**	**n/a**	n/a	n/a	n/a
Former directors						
M P Nicholls[5]	**0%**	**0%**	**0%**	0%	0%	0%
J N Pettigrew[5]	**0%**	**0%**	**0%**	7.1%	0%	0%
Average pay based on all Rathbones employees	**1.9%**	**2.1%**	**-6.4%**	3.6%	12.3%	11.9%

1. For both executive directors, in 2020 the bonus figures reflect the cash and the deferred elements of the EIP executive award scheme. In 2021, EIP scheme was replaced with the ESPP scheme. The 2021 annual bonus figure includes both ESPP cash and year 1,2 and 3 deferred share ESPP bonus awards, but do not reflect the ESPP restricted stock plan (RSP) element which is dependent upon performance in future financial years
2. Clive Bannister joined as the new chair in April 2021 and received pro-rata fee for that year
3. Colin Clark's salary reflects the additional fee received following his appointment as a senior independent director
4. Iain Cummings and Dharmash Mistry joined the board in October 2021 and received pro-rata fee for that year
5. Mark Nicholls retired from the company in March 2021 and Jim Pettigrew retired in May 2021, both received pro-rata fee for that year

Chief executive and employee pay ratio

Year	Method	25th percentile pay ratio	Median (50th percentile) pay ratio	75th percentile pay ratio
1 January to 31 December 2021	B	43:1	15:1	6:1
1 January to 31 December 2020	B	43:1	23:1	11:1
1 January to 31 December 2019	B	42:1	23:1	13:1

The chief executive pay ratio provides a comparison of total remuneration paid to the chief executive in the year ended 31 December 2021 with total remuneration paid to the three employees whose pay is at the 25th, 50th and 75th percentile of the group's UK workforce (P25, P50 and P75 respectively). Where multiple employees are at these percentiles we have selected the most representative job role from across the group.

The pay data for the chief executive is taken from the total single figure of remuneration on page 103 of this report for Paul Stockton for the year ended 31 December 2021. The three employees have been identified from our 2021 gender pay gap data under 'Option B' of the three methodologies provided under the regulations, as the equivalent figures to the single figure table for each of the group's UK employees ('Option A') are not available at the time of producing this report.

Total pay for P25, P50 and P75 has been based on actual earnings for the financial year. Variable remuneration has been calculated using the group's forecast financial performance. Total pay and benefits for the three employees includes the following: base salary, employer pension contributions, taxable benefits, bonuses, share-based payment awards and profit share. The total pay and benefits for these individuals is as follows:

- P25 43:1 (£26,604)
- P50 15:1 (£79,250)
- P75 6:1 (£188,879)

The reduction in the pay ratio is primarily driven by the introduction of a new remuneration policy for the CEO and senior management. This has a lower maximum opportunity, and these changes only applied to the senior management not the wider employees. In addition this new policy moved from a backward looking incentive to a forward looking RSP, which leads to a further reduction in the CEO's pay during this transition period until the first RSP vests. The group believes the median pay ratio for the year to be consistent with the group's pay, reward and progression policies for its UK workforce.

The committee will review these ratios on an annual basis.

Chair and non-executive directors' fees (audited)

	2021 £'000	2020 £'000
Chair		
C C R Bannister[1]	**148**	0
Non-executive directors		
C M Clark[2]	**70**	60
I A Cummings[3]	**14**	0
J W Dean	**75**	75
T L Duhon	**75**	75
S F Gentleman	**75**	75
D P Mistry[3]	**14**	0
Former directors		
M P Nicholls[4]	**33**	180
J N Pettigrew[4]	**49**	75
Total	**553**	540

1. Clive Bannister joined as the new chair in April 2021 and received pro-rata fee for that year
2. Colin Clark's fee reflects the additional fee received following his appointment as senior independent director
3. Iain Cummings and Dharmash Mistry joined the board in October 2021 and received a pro-rata fee for the year
4. Mark Nicholls retired from the company in March 2021 and Jim Pettigrew retired in May 2021, both received pro-rata fee for that year

Non-executive directors' share interests

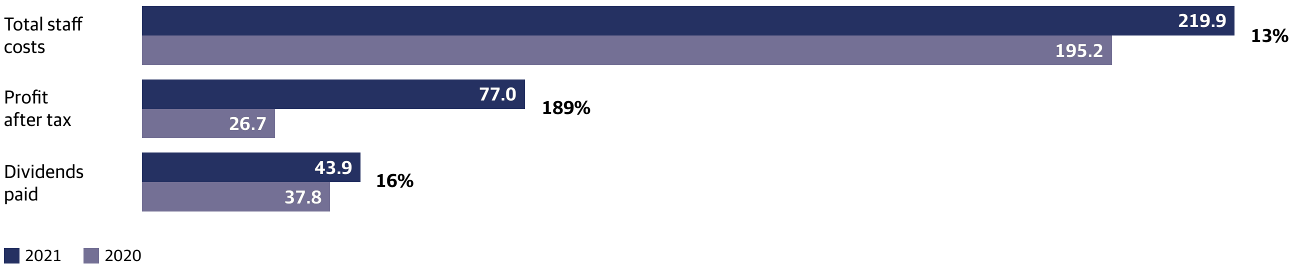
The interest of the directors in the ordinary shares of the company are set out below:

	Private shares	Total
Chair		
C C R Bannister	**15,300**	**15,300**
Non-executive directors		
C M Clark	**–**	**–**
I A Cummings	**1,250**	**1,250**
J W Dean	**1,000**	**1,000**
T L Duhon	**–**	**–**
S F Gentleman	**100**	**100**
D P Mistry	**2,500**	**2,500**
Total	**20,150**	**20,150**

Relative importance of spend on pay

The chart below shows the relationship between total employee remuneration, profit after tax and dividend distributions for 2021 and 2020. The reported profit after tax has been selected by the directors as a useful indicator when assessing the relative importance of spend on pay.

Relative importance of spend on pay (£m)



Statement of shareholder voting

At the 2021 AGM, shareholders approved the remuneration policy, to apply for three years from the date of the AGM. At the 2021 AGM, shareholders also approved the remuneration report that was published in the 2020 report and accounts and the results are detailed below.

	Annual report on remuneration (2021 AGM)	Remuneration policy (2021 AGM)
Votes cast in favour	**99.96%**	89.68%
Votes cast against	**0.04%**	10.32%
Total votes cast	**75.86%**	75.86%
Votes withheld	**323,701**	325,955

Advisers to the committee and their fees

PwC were appointed as advisers to the committee in August 2017. They are members of the Remuneration Consultants Group and advise the committee on a range of matters including remuneration package assessments, scheme design and reporting best practice. PwC also provide professional services in the ordinary course of business, including advisory work to the group. The committee is of the opinion that the advice received is objective and independent. PwC's fees are charged on a time cost basis and fees for services to the remuneration committee were £105,550 in 2021. The appointment of advisers is reviewed annually.

Evaluating the performance of the committee

The annual evaluation of the committee's effectiveness was undertaken as part of the board's internal evaluation process during the year. The committee and senior management attendees were invited to respond to questions on the content, management, and quality and focus of discussion during meetings. Responses indicated that the committee is performing well with no particular concerns.

Approval

The remuneration committee report, incorporating both the remuneration policy and annual report on remuneration, has been approved by the board.

Signed on behalf of the board

Sarah Gentleman
Chair of the remuneration committee

23 February 2022

Directors' report

The directors present their annual report and audited financial statements for the year ended 31 December 2021.

The directors' report includes the following sections of the annual report and accounts which form part of the directors' report:

Section	DTR Rule	Page
Strategic report	DTR 4.1.5R	2
Corporate governance report including committee reports from nomination, audit, risk, and remuneration	DTR 7.2.1R	65
Statement of directors' responsibilities	DTR 4.1.5R	115

Statement by the directors under section 172 Companies Act 2006 in performance of their statutory duties

Directors consider that they have acted in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so having regard to the stakeholders and matters set out in section 172(1)(a-f) of the Act in the decisions taken during the year ended 31 December 2021. This is demonstrated in the strategic report on page 10.

Annual General Meeting (AGM)

The 2022 AGM will be held on Thursday 5 May 2022 at 8 Finsbury Circus, London EC2M 7AZ. Full details of all resolutions and notes are set out in the separate notice of AGM.

Group results and company dividends

The Rathbones Group Plc group profit after taxation for the year ended 31 December 2021 was £75,229,000 (2020: £26,652,000).

The directors recommend the payment of a final dividend of 54p per share, if approved by shareholders at the 2022 AGM, be paid on 10 May 2022 to shareholders on the register on 22 April 2022.

	2021		2020	
	Pence	£m	Pence	£m
Interim dividend	**27.0**	**15.9**	25.0	13.5
Final dividend	**54.0***	**31.5***	47.0	25.2
Total	**81.0***	**47.4***	72.0	38.7

* Subject to shareholder approval at the AGM on 5 May 2022

See note 12 to the financial statements.

The company operates a generally progressive dividend policy subject to market conditions. The aim is to increase the dividend in line with the growth of the business over each economic cycle. This means that there may be periods where the dividend is maintained but not increased and periods where profits are retained rather than distributed to maintain retained reserves and regulatory capital at prudent levels through troughs and peaks in the cycle.

Substantial shareholdings

As at 31 December 2021, the company had received notifications in accordance with the Financial Conduct Authority's Disclosure and Transparency Rule 5 of the following interests:

Shareholder	Holding at 23 February 2022	% held at 23 February 2022
Lindsell Train Ltd.	6,812,000	10.98
Heronbridge Investment Management	3,677,393	5.93
Aviva Investors	3,222,552	5.20
Aberforth Partners	2,662,039	4.29
BlackRock	2,638,184	4.25
Vanguard Group	2,549,514	4.11
Baillie Gifford & Co	2,112,104	3.41

Share capital

The company's share capital comprises one class of ordinary shares of 5p each. At 31 December 2021, 62,003,341 shares were in issue (2020: 57,486,413). No shares were held in treasury. Details of the movements during the year are set out in note 30 to the financial statements. 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.

New issues of share capital

Under section 551 of the Companies Act 2006, the board currently has the authority to allot 19,473,624 shares (approximately one third of the issued share capital at 31 March 2021). The existing authorities given to the company at the last AGM to allot shares will expire at the conclusion of the forthcoming AGM. Details of the resolutions renewing these authorities are set out in the notice of AGM.

Awards under the company's employee share plans are satisfied from a combination of shares held either in treasury or in the employee benefit trust and by newly issued shares. During the year, the company issued 304,329 shares to satisfy share awards and issued 217,000 shares to the company's employee benefit trust, to satisfy future awards under the group's share-based payment schemes.

Purchase of own shares

Following the 2021 AGM resolution to purchase own shares, the board currently has the authority to buy back up to 5,840,000 shares under certain stringent conditions. During the year, the company did not utilise this authority but the board considers it would be appropriate to renew it. We intend to seek shareholder approval for the continued authority to purchase own shares at the forthcoming AGM in line with current investor sentiment.

Details of the resolution renewing the authority are included in the notice of AGM.

Employee share trust

On 4 April 2017, Equiniti Trust (Jersey) Limited was appointed as trustee of the second employee benefit trust. The trust is independent and holds shares for the benefit of employees and former employees of the group. The trustee has agreed to satisfy awards under the Executive Incentive Plan, Share Incentive Plan and the Savings Related Share Option Plan. As part of these arrangements, the company issued shares to the trust to enable the trustee to satisfy these awards. Further details are set out in note 32 to the financial statements. During the year, the number of shares issued by the trust totalled 115,062 ordinary shares.

In addition, under the rules of the Rathbone Share Incentive Plan, shares are held in trust for participants by Equiniti Share Plan Trustees Limited ('the Trustee'). Voting rights are exercised by the Trustee on receipt of the participant's instructions. If no such instruction is received by the Trustee then no vote is registered. No person has any special rights of control over the company's share capital and all issued shares are either fully or nil paid.

Appointment and removal of directors

Regarding the appointment and replacement of directors, the company is governed by the company's Articles of Association, the UK Corporate Governance Code, the Companies Act 2006 and related legislation.

Directors

All those who served as directors at any time during the year are listed on page 76. The directors' interests in the share capital of the company at 31 December 2021 are set out on page 106 of the remuneration committee report.

Insurance and 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 2021 and remain in force at the date of this report.

Employees

Details of the company's employment practices, including diversity, employment of disabled persons and employee involvement practices, can be found in our people report on page 64.

Responsible business

Information about greenhouse gas emissions and our approach to operating as a responsible business are set out in the responsible business review on page 54.

Financial instruments and risk management

The risk management objectives and policies of the group are set out in note 33 to the financial statements.

Auditor

The audit committee reviews the appointment of the external auditor and its relationship with the group, including monitoring the group's use of the auditor for non-audit services. Note 7 to the financial statements sets out details of the auditor's remuneration. Deloitte LLP was appointed as external auditor at the 2021 AGM. Having reviewed the independence and effectiveness of the external auditor, the audit committee has recommended to the board that the existing auditor, Deloitte LLP, be reappointed and a resolution appointing them as auditor and authorising the directors to set their remuneration will be proposed at the 2022 AGM.

The directors in office at the date of signing this report confirm that, so far as they are aware, there is no relevant audit information of which the auditor is unaware and that each director has taken all steps that he or she ought to have taken 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 chair's statement, chief executive's review, financial performance and segmental review. In addition, note 1.5 to the financial statements provides further details.

The group companies are regulated by the Prudential Regulation Authority (PRA) and/or the Financial Conduct Authority (FCA) and perform annual capital adequacy and liquidity assessments, which include the modelling of certain extreme stress scenarios. The company publishes Pillar 3 disclosures annually on its website, which provide detail about its regulatory capital resources and requirements. In July 2015, Rathbone Investment Management issued £20 million of 10-year subordinated loan notes to finance future growth which were repaid in August 2021. In October 2021, Rathbones Group Plc issued £40 million of 10-year subordinated loan notes to finance future growth. The group has no other external borrowings.

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.

Charitable donations

As at 31 December 2021, the group made total charitable donations of £418,000 representing 0.4% of group pre-tax profits (2020: £467,000, representing 1.1% of group pre-tax profits). It also included the matching of employee donations made through the tax efficient Give As You Earn (GAYE) payroll giving scheme. In 2021, Rathbones employees made payments totalling £214,400 (2020: £201,700) through this scheme, which is administered by the Charities Aid Foundation. The company matched employee donations of up to £200 per month made through GAYE and, in 2021, donated £178,000 (2020: £166,000) to causes chosen by employees through this method.

Political donations

No political donations were made during the year (2020: nil).

Post-balance sheet events

Details of post-balance sheet events are set out in note 39 to the financial statements.

Approved and authorised for issue by the board of directors

Ali Johnson
Company Secretary

23 February 2022

Registered office: 8 Finsbury Circus, London EC2M 7AZ

Statement of directors' responsibilities in respect of the report and accounts

The directors are responsible for preparing the report and accounts 2021, and the group and parent company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare group and parent company financial statements for each financial year. Under that law they are required to prepare the group financial statements in accordance with International Financial Reporting Standards ('IFRS') as adopted by the UK 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 group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently
- make judgements and estimates that are reasonable, relevant and reliable
- state whether they have been prepared in accordance with IFRS as adopted by the UK
- assess the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern
- use the going concern basis of accounting unless they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so

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 are responsible for such internal controls as they determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and 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 statement that comply with that law and those regulations.

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

Responsibility statement of the directors in respect of the report and accounts

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 or loss of the company and the undertakings included in the consolidation taken as a whole
- the strategic report and directors' report include a fair review 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.

We consider the report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the group's position and performance, business model and strategy.

By order of the board

Paul Stockton
Group Chief Executive Officer

23 February 2022

Financial statements

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Report on the audit of the financial statements

1 Opinion

In our opinion:

— the financial statements of Rathbones Group plc (the "parent company") and its subsidiaries (the "group") give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2021 and of the group's profit for the year then ended;
— the group financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards;
— the parent company financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards and 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.

We have audited the financial statements which comprise:

— the consolidated statement of comprehensive income;
— the consolidated and parent company statements of changes in equity;
— the consolidated and parent company balance sheets;
— the consolidated and parent company cash flow statements; and
— the related notes 1 to 61.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom adopted international accounting standards and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

2 Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the "FRC's") Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services provided to the group and parent company for the year are disclosed in note 7 to the financial statements. We confirm that we have not provided any non-audit services prohibited by the FRC's Ethical Standard to the group or the parent company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3 Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: – Valuation of the Saunderson House Limited ("SHL") client relationship intangible asset and associated useful economic life ("UEL"); – Impairment of client relationship intangibles and goodwill; – Defined benefit pension scheme assumptions; and – Investment management fee revenue relating to bespoke fees. Within this report, key audit matters are identified as follows: ! Newly identified → Similar level of risk ↑ Increased level of risk ↓ Decreased level of risk
Materiality	The materiality that we used for the group financial statements was £5.1m which was determined on the basis of 5% of normalised profit before tax.
Scoping	The scope of our audit covered substantially the entire group, with both the investment management and unit trust business segments being subject to a full scope audit.
Significant changes in our approach	We have identified one additional key audit matter in relation to the valuation of the SHL client relationship intangible asset and associated UEL. With regards to Speirs & Jeffrey ("S&J") deferred consideration, given the level of management judgement involved is now limited, we have not identified a key audit matter in relation to this area. Aside from the above there were no significant changes in our audit approach.

4 Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the directors' assessment of the group's and parent company's ability to continue to adopt the going concern basis of accounting included:

- Evaluating management's judgement paper, identifying the assumptions applied in the going concern assessment and testing the mechanical accuracy of the underlying forecast;
- Performing sensitivity analysis on the key assumptions applied to understand those that could give rise to a material uncertainty on the use of the going concern basis;
- Stress testing for the amount by which the FTSE would need to fall to cause a material uncertainty in the use of the going concern basis and comparing this to historical falls in the FTSE to assess the likelihood of such an event occurring and causing a material uncertainty for the group;
- Performing an analysis of the impact of negative interest rates over a long period of time to the financial forecasts for the group to assess the likelihood of such an event occurring and causing a material uncertainty for the group;
- Assessing the regulatory capital and liquidity position of the group and performing a reverse stress test to determine the point at which a material uncertainty on the use of the going concern basis may arise and assessing the likelihood of such an event occurring; and
- Checking consistency with the forecast assumptions applied in the going concern assessment across other forecasts within the group.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In relation to the reporting on how the group has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

5 Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

5.1. Valuation of SHL client relationship intangible asset and associated UEL !

Key audit matter description	On 20 October 2021, the group acquired a 100% equity interest in SHL. In respect of this the group has recognised a client relationship intangible of £79.4 million, which is being amortised over 15 years, and goodwill of £70.8 million. As detailed in the summary of principal accounting policies in note 1 and note 2, and as disclosed in note 8, acquisition accounting requires management to make a number of judgements to determine the fair value of acquired identifiable assets. We have identified the valuation of the SHL client relationship intangible and associated UEL as a fraud risk, given the inherent judgement, complexity and level of estimation involved. These judgements have also been considered by the Audit Committee as set out on page 93. The significant assumptions that underpin the client relationship intangible asset valuation include: the growth rate for assets under management ("AuM"); the revenue margins; the non-staff costs to income ratio; and the applied discount rate. The UEL has been derived based on the minimum life indicated from the group's existing advisory book as well as future expectations for the SHL client proposition.
How the scope of our audit responded to the key audit matter	In order to evaluate the appropriateness of the assumptions used by management, we obtained an understanding of relevant controls over the appropriate determination of key assumptions and the calculation of the client relationship intangible to be recognised in the financial statements. In order to challenge the appropriateness of the assumptions used in the valuation model to derive the valuation of the client relationship intangible asset and the assumptions that underpin the associated UEL we have involved our in-house valuation specialists in reviewing the model methodology and the key assumptions; independently recalculating the valuation; and benchmarking the assumptions to determine their reasonableness. We have also evaluated the accuracy of the data inputs and calculations performed by management. To challenge the assumptions for growth rate in AUM, revenue margin and non-staff costs to income ratio we scrutinised management's business plans which underpinned the acquisition, assessed whether the assumptions were consistent with data from previous acquisitions and evaluated management's ability to forecast with reasonable accuracy by validating actual outturns to historic forecasts. We have performed a review of the disclosures included within the financial statements to determine whether all required information has been included for a business combination under IFRS 3.
Key observations	We concluded that the valuation of the client relationship intangible asset and associated UEL have been appropriately determined.

5.2. Impairment of client relationship intangibles and goodwill

Key audit matter description	The group holds client relationship intangibles of £193.6 million (2020: £121.1 million) and goodwill of £167.7 million (2020: £96.9 million) comprising both relationships acquired through business combinations and through acquisition of individual investment managers and their client portfolios. We have identified this matter as a fraud risk, given the inherent judgement and level of estimation in the annual impairment review. As detailed in the summary of principal accounting policies in note 1 and note 2, client relationships are reviewed for indicators of impairment at each balance sheet date and, if an indicator of impairment exists, an impairment test is performed. Goodwill is tested for impairment at least annually, whether or not indicators of impairment exist. These judgements have also been considered by the Audit Committee as set out on page 93. For client relationship intangibles, in determining the appropriate impairment triggers for each portfolio, there is a degree of significant management judgement. This assessment is based on movements in the value of funds under management and the loss of client relationships in advance of the amortisation period. For goodwill, the impairment assessment is performed by comparing the carrying amount of each cash generating unit ("CGU") to its recoverable amount from its value-in-use, calculated using a discounted cash flow method. In determining the value-in-use for the CGUs, management is required to make assumptions in relation to an appropriate income growth rate, expenditure growth rate and the discount rate. The discount rate, annual revenue growth rate and terminal growth rate used were 12.0%, 4.2%, and 1.0% respectively as disclosed in note 22.
How the scope of our audit responded to the key audit matter	We obtained an understanding of relevant controls in relation to the impairment review process for client relationship intangibles for both acquired portfolios and individual relationships and for goodwill. We tested controls in place over Funds Under Management ("FUM") values which form the basis of the impairment assessment. For client relationship intangibles, we specifically tested the calculations prepared by management as part of the impairment review exercise to assess whether they meet the requirements of IAS 36 "Impairment of Assets". Where the review indicated that an impairment trigger had occurred, we assessed the relevant assumptions and judgements made by management in determining whether an impairment needed to be recognised. We have challenged the key assumptions around the impairment triggers identified for each portfolio, which we have assessed for reasonableness and evaluated the accuracy of the inputs used by management. For goodwill, in order to challenge the appropriateness of the income and expenditure growth assumptions used in the value-in-use calculation, we have back-tested the assumptions used by management against historical performance and checked for consistency with forecasts used elsewhere in the business. We challenged the determination of the discount rate applied by benchmarking to appropriate market rates of interest and recalculation. We have also independently re-performed management's value-in-use calculation. Focusing on those assumptions where the impairment test was most sensitive, we also performed sensitivity analysis to assess the risk that reasonably possible changes in assumptions used by management could give rise to an impairment. We have performed a review of the disclosures included within the financial statements to determine whether all required information has been included for client relationship intangibles and goodwill.
Key observations	Through our testing for client relationship intangibles and goodwill, we concluded that management's approach and conclusion was appropriate.

5.3. Defined benefit scheme assumptions

Key audit matter description	The group has recognised a defined benefit pension scheme asset of £12.3 million (2020: liability of £9.8 million). The net asset comprises scheme assets of £167.9 million (2020: £155.6 million) and a defined benefit obligation of £155.6 million (2020: £165.4 million). The calculation of the defined benefit obligation is sensitive to changes in underlying assumptions and is considered to be a key source of estimation uncertainty for the group as detailed in note 2, disclosed in note 29 to the financial statements, and as considered by the Audit Committee on page 93. The key assumptions are in respect of the discount rate, inflation rate and mortality rate where small changes to these assumptions could result in a material change to the valuation of the defined benefit obligation.
How the scope of our audit responded to the key audit matter	In order to evaluate the appropriateness of the assumptions used by management, we obtained an understanding of relevant controls over the appropriate determination of assumptions and the calculation of the obligation to be recognised in the financial statements. With the involvement of our in-house actuarial specialists, we made direct enquiries of the group's actuary to review and challenge each of the key assumptions used in the IAS 19 ("Employee Benefits") pension valuation. In particular, we compared each assumption used by management against independently determined benchmarks derived using market and other data. We have performed a review of the disclosures included within the financial statements to determine whether all required information has been included for a defined benefit pension scheme.
Key observations	We concluded that each of the key assumptions used by management to estimate the defined benefit obligation are consistent with the requirements of IAS 19 and that the valuation of the defined pension scheme asset has been appropriately determined.

5.4. Investment management fee revenue relating to bespoke fees

Key audit matter description	As detailed in the summary of principal accounting policies in note 1 and in note 3, revenue comprises net investment management fee income of £349.4 million (2020: £274.2 million), net commission income of £53.6 million (2020: £62.3 million), net interest income of £3.9 million (2020: £8.4 million) and fees from advisory services and other income of £29.1 million (2020: £21.1 million). Investment management ("IM") fees from the IM segment account for approximately 80% of total revenue and are based on a percentage of an individual client's funds under management ("FUM"). Due to its many long standing client relationships and history of acquisitions, the number of fee schedules managed by the group is high. This means that a number of clients are on bespoke rates rather than the current standard rates or legacy rates that were standard previously or at the time of acquisition. As a result, we identified a key audit matter relating to the risk that, whether due to error or fraud, incorrect bespoke fee rates could be used to calculate investment management fees.
How the scope of our audit responded to the key audit matter	We tested controls over the calculation of investment management fees. This included controls relating to the set-up of client fee rates, rate card amendments, the valuation of FUM and the system generated investment management fees, including associated IT controls. We used data analytics to recalculate the system generated amount for the total fee population. We agreed a sample of bespoke client fee rates through to client contracts and the value of FUM to third party sources. Where manual fee rate amendments were made to system generated fees we inspected evidence of authority and rationale. We have performed a review of the disclosures included within the financial statements to determine whether all required information has been included for revenue.
Key observations	We concluded that the investment management fee revenue is appropriately recognised for the year ended 31 December 2021.

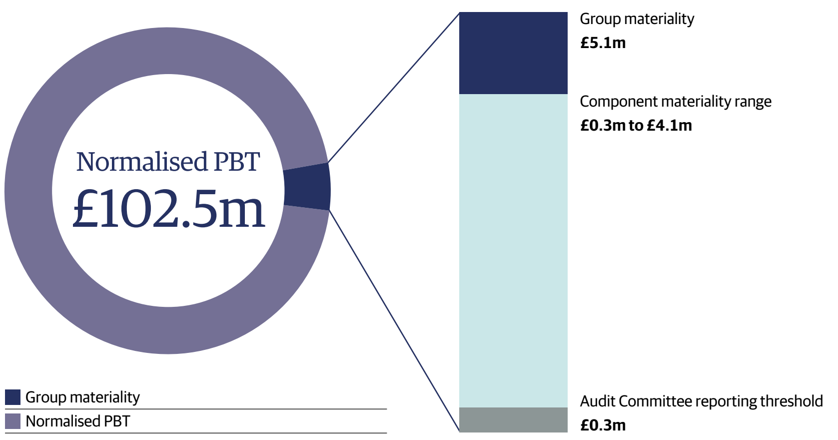
6 Our application of materiality

6.1. Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Parent company financial statements
Materiality	£5,123,500 (2020: £3,915,500)	£4,098,800 (2020: £1,918,000)
Basis for determining materiality	5% of normalised profit before tax. Profit before tax has been normalised to exclude the non-recurring acquisition related staff costs incurred in the year of £5.6m.	Parent company materiality equates to 1% of net assets, which is capped at 80% of group materiality.
Rationale for the benchmark applied	Normalised profit before tax has been used as the basis for determining materiality as this is the key metric used by members of the parent company and other relevant stakeholders in assessing financial performance. In determining normalised profit before tax, we have removed from statutory profit before tax, the business acquisition and integration costs on the basis that they are non-recurring and that this provides a consistent basis for determining materiality year on year.	The parent company primarily holds the investments in group entities and, therefore, net assets is considered to be the key focus for users of the financial statements.



6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole.

	Group financial statements	Parent company financial statements
Performance materiality	70% (2020: 70%) of group materiality	70% (2020: 70%) of parent company materiality
Basis and rationale for determining performance materiality	In determining performance materiality, we considered the following factors: — Our risk assessment, including our assessment of the group's overall control environment and that we consider it appropriate to rely on controls over a number of business processes; — The performance of the group during 2021; and — Our past experience of the audit, which has indicated a low number of corrected and uncorrected misstatements identified in prior periods.	

6.3. Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £256,200 (2020: £195,700), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7 An overview of the scope of our audit

7.1. Identification and scoping of components

Our group audit was scoped by obtaining an understanding of the group and its environment, including group-wide controls, and assessing the risks of material misstatement at the group level.

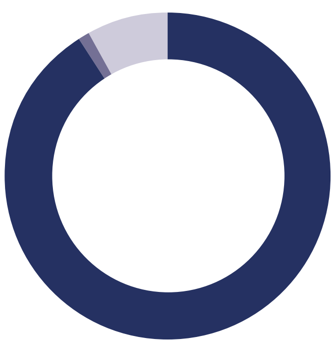
The group consists of the main trading subsidiary Rathbone Investment Management Limited along with the following entities that we have identified to be significant for the group audit: Rathbone Group plc; Rathbone Unit Trust Management Limited; and Rathbone Investment Management International Limited. All such entities were subject to a full scope audit and audited to an individual materiality level determined on their individual financial statements which range from £0.3m to £4.1m.

Our full scope audits of the entities we deemed to be significant for the group audit covered 91% of the group's revenue; 97% of the group's normalised profit before tax, and 93% of the group's net assets.

Saunderson House Limited was acquired in the year, as such in the current year our component auditor is performing specified audit procedures to a materiality set by the group audit team of £2.6m.

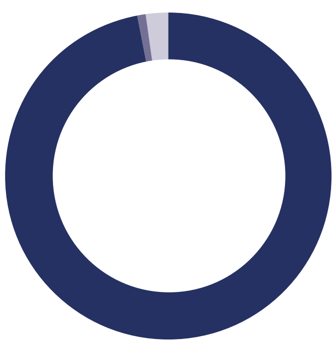
We performed analytical procedures on all other entities included in the group consolidation for group audit purposes.

Revenue



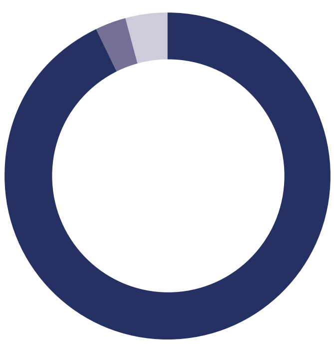
Full audit scope	91%
Specified audit procedures	1%
Review at group level	8%

Normalised PBT



Full audit scope	97%
Specified audit procedures	1%
Review at group level	2%

Net assets



Full audit scope	93%
Specified audit procedures	3%
Review at group level	4%

7.2. Our consideration of the control environment

Based on our understanding of the group's control environment, we elected to test controls, including the involvement of IT specialists to assess the associated IT controls, in the following areas:

— Investment management fee income;

— Investment management commission income;

— Other operating income;

— Other operating costs; and

— Trade debtors and creditors.

The key IT systems relevant to the audit were the financial accounting system, the back office database and core IM business engine and the front office application, with the former being applicable to all components within the group. The latter two are pivotal systems for the provision of the investment management service and directly feed into the investment management fee and commission income recognised. Therefore, they are particularly relevant for Rathbone Investment Management Limited and Rathbone Investment Management International Limited.

Our IT specialists tested the controls on the above systems, as well as supplementary systems and processes within the group. We have taken a controls reliance approach to the back office database and front office application systems and therefore, have taken a controls reliance approach to investment management fee and commission income.

We have not taken a controls reliance approach over the financial accounting system, as its operation involves a high degree of manual intervention.

7.3. Our consideration of climate-related risks

In planning our audit, we have considered the potential impact of climate change on the Group's business and its financial statements.

The Group continues to develop its assessment of the potential impacts and opportunities of ESG and climate change as explained in the Strategic Report on pages 54 to 63.

As a part of our audit, we have obtained management's climate-related risk assessment and held discussions with management to understand the process of identifying climate-related risks, the determination of mitigating actions and the impact on the Group's financial statements.

We read the disclosures included in the annual report to consider whether they are materially consistent with the financial statements and our knowledge obtained in the audit.

7.4. Working with other auditors

The consolidation, and all entities within it subject to a statutory audit, were audited by the group audit team, with the exception of Saunderson House Limited. The group audit team sent instructions and held regular calls with the Deloitte LLP component audit team, attended key audit related meetings and also reviewed the audit work performed at various stages throughout the audit process.

8 Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

9 Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

10 Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

11 Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

11.1. Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, the group's control environment and business performance including the design of the group's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- the group's own assessment of the risks that irregularities may occur either as a result of fraud or error that was approved by the Audit Committee on 8 February 2022;
- results of our enquiries of management, internal audit, and the Audit Committee about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the group's documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team including significant component audit teams and relevant internal specialists, including tax, valuations, pensions, IT, and industry specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following areas: the valuation of the SHL client relationship intangible asset and associated UEL; the impairment of client relationship intangibles and goodwill; and the investment management fee revenue relating to bespoke fees. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory frameworks that the group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the Prudential Regulatory Authority's and Financial Conduct Authority's regulations; the UK Companies Act, Listing Rules, pensions legislation and tax legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the group's ability to operate or to avoid a material penalty. These included the group's regulatory solvency requirements.

11.2. Audit response to risks identified

As a result of performing the above, we identified the valuation of the SHL client relationship intangible asset and associated UEL; the impairment of client relationship intangibles and goodwill; and the investment management fee revenue relating to bespoke fees as key audit matters related to the potential risk of fraud. The key audit matters section of our report explains the matters in more detail and also describes the specific procedures we performed in response to those key audit matters.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the Audit Committee and in-house and external legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with HMRC, the Prudential Regulatory Authority and the Financial Conduct Authority; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and significant component audit teams, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

12 Opinions on other matters prescribed by the Companies Act 2006

In our opinion the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

13 Corporate Governance Statement

The Listing Rules require us to review the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the group's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- the directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 114;
- the directors' explanation as to its assessment of the group's prospects, the period this assessment covers and why the period is appropriate set out on pages 52-53;
- the directors' statement on fair, balanced and understandable set out on page 92;
- the board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 48;
- the section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 81; and
- the section describing the work of the Audit Committee set out on pages 90-94.

14 Opinion on other matter prescribed by the Capital Requirements (Country-by-Country Reporting) Regulations 2013

In our opinion the information given in note 40 to the financial statements for the financial year ended 31 December 2021 has been properly prepared, in all material respects, in accordance with the Capital Requirements (Country-by Country Reporting) Regulations 2013.

15 Matters on which we are required to report by exception

15.1 Adequacy of explanations received and accounting records

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

- we have not received all the information and explanations we require for our audit; or
- 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 are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

15.2 Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made or the part of the directors' remuneration report to be audited is not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

16 Other matters which we are required to address

16.1 Auditor tenure

Following the recommendation of the Audit Committee, we were appointed by Shareholders on 9 May 2019 to audit the financial statements for the year ended 31 December 2019 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 3 years, covering the years ended 31 December 2019 to 31 December 2021.

16.2 Consistency of the audit report with the additional report to the Audit Committee

Our audit opinion is consistent with the additional report to the Audit Committee we are required to provide in accordance with ISAs (UK).

17 Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

As required by the Financial Conduct Authority (FCA) Disclosure Guidance and Transparency Rule (DTR) 4.1.14R, these financial statements form part of the European Single Electronic Format (ESEF) prepared Annual Financial Report filed on the National Storage Mechanism of the UK FCA in accordance with the ESEF Regulatory Technical Standard (('ESEF RTS'). This auditor's report provides no assurance over whether the annual financial report has been prepared using the single electronic format specified in the ESEF RTS.

Manbhinder Rana, FCA (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Statutory Auditor

London, United Kingdom

23 February 2022

Consolidated statement of comprehensive income

for the year ended 31 December 2021

	Note	2021 £'000	2020 £'000
Interest and similar income		**7,710**	14,976
Interest expense and similar charges		**(3,834)**	(6,554)
Net interest income	4	**3,876**	8,422
Fee and commission income		**457,696**	378,240
Fee and commission expense		**(29,062)**	(24,491)
Net fee and commission income	5	**428,634**	353,749
Net trading income	6	**–**	(12)
Other operating income	6	**3,417**	3,929
Operating income		**435,927**	366,088
Charges in relation to client relationships and goodwill	7	**(15,595)**	(14,302)
Acquisition-related costs	9	**(10,089)**	(34,449)
Other operating expenses		**(315,208)**	(273,558)
Operating expenses	7	**(340,892)**	(322,309)
Profit before tax		**95,035**	43,779
Taxation	11	**(19,806)**	(17,127)
Profit after tax		**75,229**	26,652
Profit for the year attributable to equity holders of the company		**75,229**	26,652
Other comprehensive income:			
Items that will not be reclassified to profit or loss			
Net remeasurement of defined benefit liability	29	**17,091**	(4,682)
Deferred tax relating to net remeasurement of defined benefit liability	21	**(3,247)**	1,668
Other comprehensive income net of tax		**13,844**	(3,014)
Total comprehensive income for the year net of tax attributable to equity holders of the company		**89,073**	23,638
Dividends paid and proposed for the year per ordinary share	12	**81.0p**	72.0p
Dividends paid and proposed for the year		**49,501**	38,728
Earnings per share for the year attributable to equity holders of the company:	13		
– basic		**133.5p**	49.6p
– diluted		**129.3p**	47.6p

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

Consolidated statement of changes in equity

for the year ended 31 December 2021

	Note	Share capital £'000	Share premium £'000	Merger reserve £'000	Own shares £'000	Retained earnings £'000	Total equity £'000
At 1 January 2020		2,818	210,939	71,756	(41,971)	241,851	485,393
Profit for the year						26,652	26,652
Net remeasurement of defined benefit liability	29					(4,682)	(4,682)
Deferred tax relating to components of other comprehensive income	21					1,668	1,668
Other comprehensive income net of tax		–	–	–	–	(3,014)	(3,014)
Dividends paid	12					(37,831)	(37,831)
Issue of share capital	30	56	4,153	–			4,209
Share-based payments:							
– value of employee services						43,635	43,635
– cost of own shares acquired	31				(5,077)		(5,077)
– cost of own shares vesting	31				304	(304)	–
– tax on share-based payments						(140)	(140)
At 31 December 2020		**2,874**	**215,092**	**71,756**	**(46,744)**	**270,849**	**513,827**
Profit for the year						**75,229**	**75,229**
Net remeasurement of defined benefit asset	29					**17,091**	**17,091**
Deferred tax relating to components of other comprehensive income	21					**(3,247)**	**(3,247)**
Other comprehensive income net of tax		**–**	**–**	**–**	**–**	**13,844**	**13,844**
Dividends paid	12					**(43,960)**	**(43,960)**
Issue of share capital	30	**226**	**75,934**	**5,209**			**81,369**
Share-based payments:							
– value of employee services						**(3,247)**	**(3,247)**
– cost of own shares acquired	31				**(15,130)**		**(15,130)**
– cost of own shares vesting	31				**25,248**	**(25,248)**	**–**
– tax on share-based payments						**1,350**	**1,350**
At 31 December 2021		**3,100**	**291,026**	**76,965**	**(36,626)**	**288,817**	**623,282**

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

Consolidated balance sheet

as at 31 December 2021

	Note	2021 £'000	2020 £'000
Assets			
Cash and balances with central banks	14	**1,463,294**	1,802,706
Settlement balances		**69,750**	90,373
Loans and advances to banks	15	**203,589**	159,430
Loans and advances to customers	16	**179,840**	166,221
Investment securities:			
– fair value through profit or loss	17	**29,934**	107,559
– amortised cost	17	**761,654**	651,427
Prepayments, accrued income and other assets	18	**115,992**	98,714
Property, plant and equipment	19	**13,059**	14,846
Right-of-use assets	20	**43,895**	44,856
Current tax asset		**2,272**	–
Net deferred tax asset	21	**–**	3,342
Intangible assets	22	**376,187**	231,144
Retirement benefit asset	29	**12,287**	–
Total assets		**3,271,753**	3,370,618
Liabilities			
Deposits by banks	23	**2,212**	893
Settlement balances		**60,075**	95,412
Due to customers	24	**2,333,011**	2,561,767
Accruals, provisions and other liabilities	25	**144,498**	112,071
Lease liabilities	27	**54,971**	56,124
Current tax liabilities		**–**	971
Net deferred tax liability	21	**13,811**	–
Subordinated loan notes	28	**39,893**	19,768
Retirement benefit obligation	29	**–**	9,785
Total liabilities		**2,648,471**	2,856,791
Equity			
Share capital	30	**3,100**	2,874
Share premium	30	**291,026**	215,092
Merger reserve	30	**76,965**	71,756
Own shares	31	**(36,626)**	(46,744)
Retained earnings		**288,817**	270,849
Total equity		**623,282**	513,827
Total liabilities and equity		**3,271,753**	3,370,618

The financial statements were approved by the board of directors and authorised for issue on 23 February 2022 and were signed on its behalf by:

Paul Stockton
Group Chief Executive Officer

Jennifer Mathias
Group Chief Financial Officer

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 2021

	Note	2021 £'000	2020 £'000
Cash flows from operating activities			
Profit before tax		**95,035**	43,779
Change in fair value through profit or loss		**(670)**	(1,881)
Net interest income		**(3,876)**	(8,422)
(Recoveries)/Impairment losses on financial instruments	33	**(712)**	582
Net charge for provisions	26	**3,118**	143
Profit on disposal of property, plant and equipment		**–**	–
Depreciation, amortisation and impairment		**31,279**	31,229
Foreign exchange movements	17	**(519)**	1,245
Defined benefit pension scheme charges	29	**105**	200
Defined benefit pension contributions paid	29	**(5,086)**	(3,111)
Share-based payment charges		**20,132**	39,986
Interest paid		**(4,994)**	(5,300)
Interest received		**11,225**	12,376
		145,037	110,826
Changes in operating assets and liabilities:			
– net (increase)/decrease in loans and advances to banks and customers		**(41,409)**	29,852
– net decrease/(increase) in settlement balance debtors		**20,624**	(37,852)
– net increase in prepayments, accrued income and other assets		**(9,113)**	(722)
– net decrease in amounts due to customers and deposits by banks		**(227,435)**	(106,013)
– net (decrease)/increase in settlement balance creditors		**(35,336)**	37,718
– net (decrease)/increase in accruals, deferred income, provisions and other liabilities		**(39,381)**	19,616
Cash (used in)/generated from operations		**(187,013)**	53,425
Tax paid		**(27,207)**	(21,410)
Net cash (outflow)/inflow from operating activities		**(214,220)**	32,015
Cash flows from investing activities			
Acquisition of subsidiaries, net of cash acquired		**(79,736)**	(12,048)
Purchase of property, plant, equipment and intangible assets		**(12,632)**	(13,294)
Purchase of right-of-use assets		**(70)**	(238)
Purchase of investment securities	17	**(932,386)**	(886,847)
Proceeds from sale and redemption of investment securities	17	**821,790**	833,712
Net cash used in investing activities		**(203,034)**	(78,715)
Cash flows from financing activities			
Net (repurchase)/issue of ordinary shares	38	**44,335**	(868)
Repayment of subordinated loan notes		**(20,114)**	–
Net proceeds from the issue of subordinated loan notes		**39,893**	–
Dividends paid	12	**(43,960)**	(37,831)
Payment of lease liabilities		**(5,109)**	(4,880)
Interest paid		**(895)**	(1,060)
Net cash generated from/(used in) financing activities		**14,150**	(44,639)
Net decrease in cash and cash equivalents		**(403,104)**	(91,339)
Cash and cash equivalents at the beginning of the year		**2,056,694**	2,148,033
Cash and cash equivalents at the end of the year	38	**1,653,590**	2,056,694

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

Notes to the consolidated financial statements

1 Principal accounting policies

Rathbones Group Plc ('the company') is a public company limited by shares incorporated and domiciled in England and Wales under the Companies Act 2006.

1.1 Basis of preparation

The consolidated and company financial statements have been prepared in accordance with UK-adopted International Accounting Standards. The company financial statements are presented on pages 193 to 212.

The financial statements have been prepared on the historical cost basis, except for certain financial instruments that are measured at fair value (notes 1.12 and 1.16). The principal accounting policies adopted are set out in this note and, unless otherwise stated, have been applied consistently to all periods presented in the consolidated financial statements.

1.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the company and entities controlled by the company (its subsidiaries), 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 are fully consolidated from the date on which control is obtained, and no longer consolidated from the date that control ceases; their results are included in the consolidated financial statements up to the date that control ceases. Inter-company transactions and balances between group companies are eliminated on consolidation.

1.3 Developments in reporting standards and interpretations

Standards and interpretations affecting the reported results or the financial position

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

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

— Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

Future new standards and interpretations

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

Standards available for early adoption	Effective date
COVID-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16)	01 April 2021
Onerous Contracts - Cost of Fulfilling a Contract (Amendments to IAS 37)	01 January 2022
Annual Improvements to IFRS Standards 2018-2020	01 January 2022
Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)	01 January 2022
Reference to the Conceptual Framework (Amendments to IFRS 3)	01 January 2022
IFRS 17 Insurance Contracts	01 January 2023
Classification of liabilities as current or non-current (Amendments to IAS 1)	01 January 2023
Amendments to IFRS 17	01 January 2023
Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)	01 January 2023
Definition of Accounting Estimate (Amendments to IAS 8)	01 January 2023
Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction - Amendments to IAS 12 Income Taxes	01 January 2023
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)	Optional

None of these standards are expected to have a material impact on the group's financial statements.

1.4 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 acquired, liabilities 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 may arise as a result of additional information obtained after this date about facts and circumstances that existed at the acquisition date. Provided they arise within 12 months of the acquisition date, these changes are measurement period adjustments and are reflected against the cost of acquisition. Changes in the fair value of contingent consideration resulting from events occurring after the acquisition date are charged to profit or loss or other comprehensive income, except for obligations that are classified as equity, which are not remeasured. Such changes are irrespective of the 12-month period from acquisition.

1.5 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. In forming this view, the directors have considered the company's and the group's prospects for a period of at least 12 months. As a result, the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

1.6 Foreign currencies

The functional and presentational currency of the company and its subsidiaries 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 year.

1.7 Income

Net interest income

Interest income or expense is recognised within net interest income using the effective interest method.

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 gross carrying amount of the financial asset; or
— the amortised cost of the financial liability.

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 the impact of future credit losses.

Dividends received from money market funds are included in net interest income when received.

Net fee and commission income

Portfolio or investment management fees, 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.

The group has made an assessment as to whether the work performed to earn such fees constitutes the transfer of services and, therefore, fulfils any performance obligation(s). If so, then these fees can be recognised when the relevant performance obligation has been satisfied; if not, then the fees can only be recognised in the period in which the services are provided.

A breakdown of the timing of revenue recognition can be found in note 3.

Net trading income

Net trading income comprises net dealing profits on the sale and redemption of units in the Funds business and is recognised when received.

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 Principal accounting policies continued

1.8 Leases

At inception of a contract, the group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the group uses the definition of a lease in IFRS 16.

The group recognises a right-of-use asset and a lease liability at the inception date of the lease. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

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

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the group's incremental borrowing rate. The group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable under a residual value guarantee
- the exercise price under a purchase option that the group is reasonably certain to exercise, lease payments in an optional renewal period if the group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the group is reasonably certain not to terminate early.

The group's incremental borrowing rate is derived with reference to the group's subordinated loan notes (note 28), which is the only external financing on the consolidated balance sheet.

The lease liability is subsequently measured by adjusting the carrying amount to reflect the interest charge, the lease payments made and any reassessment or lease modifications. The lease liability is remeasured if the group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Where the group is an intermediate lessor in a sub-lease, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset.

1.9 Share-based payments

The group engages in equity-settled and cash-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.

1.10 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 under 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.

Current and deferred tax are recognised, in the same or a different period:

— in other comprehensive income if they relate to items recognised in other comprehensive income
— directly in retained earnings if they relate to items recognised directly in retained earnings.

1.11 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 Principal accounting policies continued

1.12 Financial assets

Initial recognition and measurement

Financial assets, excluding trade debtors, are initially recognised when the group becomes party to the contractual provisions of the asset. Trade debtors are recognised when cash is advanced to the borrowers.

Financial assets are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition (except those assets classified at fair value through profit or loss). Trade debtors without a significant financing component are initially measured at the transaction price.

Financial assets are not reclassified subsequent to their initial recognition unless the group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

Classification and subsequent measurement

Financial assets are classified and measured in the following categories:

- amortised cost

  Financial assets are measured at amortised cost if their contractual terms give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding and they are held within a business model whose objective is to hold assets to collect contractual cash flows.

  Assets are measured at amortised cost using the effective interest rate method (note 1.7), less any impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

- at fair value through other comprehensive income (FVOCI)

  Debt instruments are measured at FVOCI if their contractual terms give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding and they are held within a business model whose objective is both to hold assets to collect contractual cash flows and to sell the assets.

  For debt instruments, interest income is calculated using the effective interest method. For equity instruments, dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. All other gains and losses on assets at FVOCI are recognised in OCI.

- at fair value through profit or loss (FVTPL)

  All equity instruments are measured at FVTPL unless, provided the instrument is not held for trading, the group irrevocably elects to measure the instrument at FVOCI. This election is made on an investment-by-investment basis.

  All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or FVOCI at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

  Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

Business model assessment

The group assesses the objective of the business model in which a financial asset is held at a portfolio level. The information considered includes:

- the objectives for the portfolio and how those tie in to the current and future strategy of the group
- how the performance of the portfolio is evaluated and reported to the group's management
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed
- how group employees are compensated, e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Payments of principal and interest criterion

In assessing whether the contractual cash flows are solely payments of principal and interest, the group considers:

— the contractual terms of the instrument, checking consistency with basic lending criteria
— the impact of the time value of money
— features that would change the amount or timing of contractual cash flows
— other factors, such as prepayment or extension features.

Derecognition

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

Impairment of financial assets

The group recognises loss allowances for expected credit losses (ECLs) on financial assets measured at amortised cost and FVOCI and loan commitments held off balance sheet.

A financial asset will attract a loss allowance equal to either:

— 12-month ECLs (losses resulting from possible defaults within the next 12 months); or
— lifetime ECLs (losses resulting from possible defaults over the remaining life of the financial asset).

The latter applies if there has been a significant deterioration in the credit quality of the asset; albeit lifetime ECLs will always be recognised for assets without a significant financing component.

The maximum period considered when estimating ECLs is the maximum contractual period over which the group is exposed to credit risk.

The group measures loss allowances at an amount equal to lifetime ECLs, except for treasury book and investment management loan book exposures for which credit risk has not increased significantly since initial recognition, which are measured at 12-month ECLs.

Loss allowances for trust and financial planning debtors are always measured at an amount equal to lifetime ECLs.

When assessing whether the credit risk of a financial asset has increased significantly between the reporting date and initial recognition, quantitative and qualitative indicators are used. More detail can be found at note 33.

Measurement of ECLs

Treasury book and investment management loan book

The group has developed a model for calculating ECLs on its treasury book and investment management loan book (which includes loan commitments held off balance sheet). The group has developed three different economic scenarios: a base case, an upside and a downside.

The base case is assigned a 60% probability of occurring with the upside and downside each assigned a 20% probability of occurring.

The economic scenarios are based on the projections of GDP, inflation, unemployment rates, house price indices, financial markets and interest rates as set out in the banking system stress testing scenario published annually by the PRA.

Management adjust the projections for the economic variables in arriving at the upside and downside scenarios.

Under each resultant scenario, an ECL is forecast for each exposure in the treasury book and investment management loan book. The ECL is calculated based on management's estimate of the probability of default, the loss given default and the exposure at default of each exposure taking into account industry credit loss data, the group's own credit loss experience, the expected repayment profiles of the exposures and the level of collateral held. Industry credit loss information is drawn from data on credit defaults for different categories of exposure published by the Council of Mortgage Lenders and Standard & Poor's.

The model adopts a staging allocation methodology, primarily based on changes in the internal and/or external credit rating of exposures to identify significant increases in credit risk since inception of the exposure.

The group has not rebutted the presumption that if an exposure is more than 30 days past due, the associated credit risk has significantly increased.

More detail on the group's staging criteria is provided in note 33.

ECLs are discounted back to the balance sheet date at the effective interest rate of the asset.

1 Principal accounting policies continued

Trust and financial planning debtors

The group's trust and financial planning debtors are generally short term and do not contain significant financing components. Therefore, the group has applied a practical expedient by using a provision matrix to calculate lifetime ECLs based on actual credit loss experience over the past four years.

Credit-impaired financial assets

At each reporting date, the group assesses whether financial assets carried at amortised cost and FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. The group's definition of default is given in note 33.

Presentation of impairment

Loss allowances for financial assets measured at amortised cost and FVOCI are deducted from the gross carrying amount of the assets.

Impairment losses related to the group's treasury book and investment management loan book are presented in 'interest expense and similar charges' and those related to all other financial assets (including trust and financial planning debtors) are presented under 'other operating expenses'. No losses are presented separately on the statement of the comprehensive income and there have been no reclassifications of amounts previously recognised under IAS 39.

1.13 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.

1.14 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 measured at cost less accumulated impairment losses. It is allocated to groups of cash-generating units, which represent the lowest level at which goodwill is monitored for internal management purposes. 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, and are no larger than the group's operating segments, as set out in note 3.

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

Client relationships acquired as part of a business combination are initially recognised at fair value (note 1.4). Determining whether a transaction that involves the purchase of client relationships is treated as a business combination or a separate purchase of intangible assets requires judgement. The factors that the group takes into consideration in making this judgement are set out in note 2.1.

Individually purchased client relationships are initially recognised at cost. Where a transaction to acquire client relationship intangibles includes an element of variable deferred consideration, an estimate is made of the value of consideration that will ultimately be paid. The client relationship intangible recognised on the balance sheet is adjusted for any subsequent change in the value of deferred consideration. Note 2.1 sets out the approach taken by the group where judgement is required to determine whether payments made for the introduction of client relationships should be capitalised as intangible assets or charged to profit or loss.

Client relationships are subsequently carried at the amount initially recognised 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).

1.15 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 groups of cash-generating units. The carrying amount of each group of cash-generating units is compared to its value in use, calculated using a discounted cash flow method. If the recoverable amount of the group of cash-generating units is less than the carrying amount of the group of units, the impairment loss is allocated first to reduce the carrying amount of the goodwill allocated to that group of units and then to the other assets of the group of units pro rata on the basis of the carrying amount of each asset in the group of units.

Client relationship intangibles are tested for impairment by comparing the fair value of funds under management and administration for each individually acquired client relationship (or, for client relationships acquired with a business combination, 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 goodwill or client relationships 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.

1.16 Financial liabilities

Initial recognition and measurement

Financial liabilities are initially recognised at fair value plus transaction costs that are directly attributable to their issue.

1.17 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.

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.

Classification and subsequent measurement

Financial liabilities are classified as measured at amortised cost or at fair value through profit or loss.

The group has not designated any liabilities as fair value through profit or loss and holds no liabilities as held for trading. Financial liabilities are measured at amortised cost using the effective interest method (note 1.7). Amortised cost is calculated by taking into account any issue costs and any discounts or premiums on settlement. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

Derecognition

The group derecognises financial liabilities when its contractual obligations are discharged or cancelled, or expire.

1 Principal accounting policies continued

1.18 Retirement benefit obligations on retirement benefit schemes

The group's net 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 years; that benefit is discounted to determine its present value, and the fair value of any plan assets (at bid price) is 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 liability are recognised in full in the period in which they occur in other comprehensive income.

Past service costs or gains are recognised in profit or loss immediately in the period of a plan amendment. Interest income on defined benefit assets and interest expense on the defined benefit obligations are also recognised in profit or loss in the period.

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.

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

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

1.19 Segmental reporting

The group determines and presents operating segments based on the information that is provided internally to the group 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 note 3. 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.

1.20 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, the Jersey Financial Services Commission and the Solicitors' Accounts Rules issued by the Solicitors Regulation Authority, 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.

1.21 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.

1.22 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.

The group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

2 Critical accounting judgements and key sources of estimation uncertainty

The group makes judgements and estimates that affect the application of the group's accounting policies and reported amounts of assets, liabilities, income and expenses within the next financial year. Estimates and assumptions 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.

The following key accounting policies involve critical judgements made in applying the accounting policy and involve estimations.

2.1 Client relationship intangibles (note 22)

Critical judgements

Client relationship intangibles purchased through corporate transactions

When the group purchases client relationships through transactions with other corporate entities, a judgement is made as to whether the transaction should be accounted for as a business combination or as a separate purchase of intangible assets. In making this judgement, the group assesses the assets, liabilities, operations and processes that were the subject of the transaction against the definition of a business combination in IFRS 3. In particular, consideration is given to the scale of the operations subject to the transaction and whether ownership of a corporate entity has been acquired, among other factors.

Payments to newly recruited investment managers

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. If these payments are incremental costs of acquiring investment management contracts and are deemed to be recoverable (i.e. through future revenues earned from the funds that transfer), they are capitalised as client relationship intangibles (note 22). Otherwise, they are judged to be in relation to the provision of ongoing services and are expensed in the period in which they are incurred. Upfront payments made to investment managers upon joining are expensed as they are not judged to be incremental costs for acquiring the client relationships.

Estimation uncertainty

Amortisation of client relationship intangibles

The group makes estimates as to the expected duration of client relationships to determine the period over which related intangible assets are amortised. The amortisation period is estimated with reference to historical data on account closure rates and expectations that these will continue in the future. During the year, client relationship intangible assets were amortised over a 10-to-15-year period.

Amortisation of £15.6 million (2020: £14.3 million) was charged during the year. At 31 December 2021, the carrying value of client relationship intangibles was £193.6 million (2020: £121.1 million).

A reduction of three years in the amortisation period of those client relationship intangible assets currently amortised over 15 years would increase the annual amortisation charge by £6.3 million.

2.2 Retirement benefit obligations (note 29)

Estimation uncertainty

The principal assumptions underlying the reported surplus of £12,287,000 (2020: £9,785,000 deficit) are set out in note 29.

In setting these assumptions, 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 subjective 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 sensitivities of the retirement benefit obligations to changes in all of the underlying estimates are set out in note 29. Of these, the most sensitive assumption is the discount rate used to measure the defined benefit obligation. Increasing the discount rate by 0.5% would decrease the schemes' liabilities by £14,966,000 (2020: £15,689,000). A 0.5% decrease would have an equal and opposite effect.

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

2.3 Business combinations (note 8)

Critical judgement

Treatment and fair value of consideration transferred

During the year, the group acquired the entire share capital of Saunderson House Limited. The group has accounted for the transaction as a business combination, as set out in note 8.

The purchase price payable in respect of the acquisition is split into a number of different components. The payment of certain elements has been deferred; the timing and value of these are contingent on certain employment conditions and operational and financial targets being met.

The proportion of the deferred payments that are contingent on the recipients remaining employees of the group for a specific period are accounted for as remuneration for ongoing services in employment. The group's estimate of the amounts ultimately payable will be expensed over the deferral period.

Estimation uncertainty

Treatment and fair value of consideration transferred

The deferred payments subject to the achievement of certain operational and performance targets at 31 December 2024 were assessed, and a provision for the expected consideration to be paid has been made.

Under the terms of the agreements, the award ranges from a payment of £nil to a maximum possible payment of £7.2 million.

Management's best estimate of this award at the year end was £4.75 million, based on expected qualifying funds under management at 31 December 2024 of £5.0 billion. The maximum award of £7.2 million would result in an additional charge to profit or loss in 2021 of £0.1 million.

Amortisation of client relationship intangibles

Client relationships of £79.4 million were recognised in the period in relation to the acquisition of Saunderson House. These are being amortised over a 15 year useful life. A reduction of three years in the amortisation period of the client relationship intangible asset would increase the annual amortisation charge by £1.3 million.

3 Segmental information

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

31 December 2021	Investment Management £'000	Funds £'000	Indirect expenses £'000	Total £'000
Net investment management fee income	288,089	61,289	–	349,378
Net commission income	53,596	–	–	53,596
Net interest income	3,874	2	–	3,876
Fees from advisory services and other income	27,265	1,812	–	29,077
Operating income	**372,824**	**63,103**	**–**	**435,927**
Staff costs – fixed	(89,343)	(5,210)	(35,260)	(129,813)
Staff costs – variable	(61,872)	(16,833)	(11,426)	(90,131)
Total staff costs	**(151,215)**	**(22,043)**	**(46,686)**	**(219,944)**
Other direct expenses	(37,488)	(10,084)	(47,692)	(95,264)
Allocation of indirect expenses	(85,767)	(8,611)	94,378	–
Underlying operating expenses	**(274,470)**	**(40,738)**	**–**	**(315,208)**
Underlying profit before tax	**98,354**	**22,365**	**–**	**120,719**
Charges in relation to client relationships and goodwill (note 22)	(15,595)	–	–	(15,595)
Acquisition-related costs (note 9)	(9,635)	–	(454)	(10,089)
Segment profit before tax	**73,124**	**22,365**	**(454)**	**95,035**
Profit before tax attributable to equity holders of the company				**95,035**
Taxation (note 11)				(19,806)
Profit for the year attributable to equity holders of the company				**75,229**

	Investment Management £'000	Funds £'000	Total £'000
Segment total assets	3,132,898	126,568	3,259,466
Unallocated assets			12,287
Total assets			**3,271,753**

3 Segmental information continued

31 December 2020	Investment Management £'000	Funds £'000	Indirect expenses £'000	Total £'000
Net investment management fee income	230,309	43,929	–	274,238
Net commission income	62,297	–	–	62,297
Net interest income	8,422	–	–	8,422
Fees from advisory services and other income	19,629	1,502	–	21,131
Operating income	320,657	45,431	–	366,088
Staff costs – fixed	(83,673)	(4,118)	(29,697)	(117,488)
Staff costs – variable	(56,414)	(12,015)	(9,299)	(77,728)
Total staff costs	(140,087)	(16,133)	(38,996)	(195,216)
Other direct expenses	(33,371)	(8,693)	(36,278)	(78,342)
Allocation of indirect expenses	(67,753)	(7,521)	75,274	–
Underlying operating expenses	(241,211)	(32,347)	–	(273,558)
Underlying profit before tax	79,446	13,084	–	92,530
Charges in relation to client relationships and goodwill (note 22)	(14,302)	–	–	(14,302)
Acquisition-related costs (note 9)	(32,433)	–	(2,016)	(34,449)
Segment profit before tax	32,711	13,084	(2,016)	43,779
Profit before tax attributable to equity holders of the company				43,779
Taxation (note 11)				(17,127)
Profit for the year attributable to equity holders of the company				26,652

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

The following table reconciles underlying operating expenses to operating expenses:

	2021 £'000	2020 £'000
Underlying operating expenses	**315,208**	273,558
Charges in relation to client relationships and goodwill (note 22)	**15,595**	14,302
Acquisition-related costs (note 9)	**10,089**	34,449
Operating expenses	**340,892**	322,309

Geographic analysis

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

	2021 £'000	2020 £'000
United Kingdom	**421,386**	353,712
Jersey	**14,541**	12,376
Operating income	**435,927**	366,088

The following is an analysis of the carrying amount of non-current assets analysed by the geographical location of the assets:

	2021 £'000	2020 £'000
United Kingdom	**429,345**	286,409
Jersey	**3,796**	4,437
Non-current assets	**433,141**	290,846

Timing of revenue recognition

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

	2021		2020	
	Investment Management £'000	Funds £'000	Investment Management £'000	Funds £'000
Products and services transferred at a point in time	**44,190**	**–**	56,300	(12)
Products and services transferred over time	**327,486**	**64,251**	264,851	44,949
Underlying operating income	**371,676**	**64,251**	321,151	44,937

Major clients

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

4 Net interest income

	2021 £'000	2020 £'000
Interest income		
Cash and balances with central banks	**1,694**	4,640
Fair value through profit or loss investment securities	**(7)**	471
Amortised cost investment securities	**1,732**	5,093
Loans and advances to banks	**284**	1,401
Loans and advances to customers	**4,007**	3,371
	7,710	14,976
Interest expense		
Banks and customers	**(186)**	(1,686)
Lease liabilities	**(3,134)**	(3,388)
Subordinated loan notes (note 28)	**(1,241)**	(902)
Credit impairment charges	**727**	(578)
	(3,834)	(6,554)
Net interest income	**3,876**	8,422

With the exception of credit impairment charges, which are calculated as described in note 33, all net interest income is calculated using the effective interest method (note 1.7).

5 Net fee and commission income

	2021 £'000	2020 £'000
Fee and commission income		
Investment Management	**389,252**	327,699
Funds	**68,444**	50,541
	457,696	378,240
Fee and commission expense		
Investment Management	**(24,171)**	(19,774)
Funds	**(4,891)**	(4,717)
	(29,062)	(24,491)
Net fee and commission income	**428,634**	353,749

6 Net trading and other operating income

Net trading income

Net trading income was £nil during the year. The net trading expense of £12,000 recognised in 2020 comprised Fund's net dealing losses.

Other operating income

Other operating income of £3,417,000 (2020: £3,929,000) comprised gains and losses from fair value through profit or loss equity securities, rental income of £646,000 from sub-leases on certain properties leased by group companies (2020: £646,000) and sundry income.

7 Operating expenses

	2021 £'000	2020 £'000
Staff costs (note 10)	**219,944**	195,216
Depreciation of property, plant and equipment (note 19)	**4,263**	4,382
Depreciation of right-of-use assets (note 20)	**4,985**	4,860
Amortisation of internally generated intangible assets (note 22)	**1,383**	1,197
Amortisation and impairment of purchased software (note 22)	**5,053**	6,488
Auditor's remuneration (see below)	**1,241**	1,007
Impairment charges on loans and advances to customers (note 33)	**14**	5
Rental charge	**1,944**	1,815
Other	**76,381**	58,588
Other operating expenses	**315,208**	273,558
Charges in relation to client relationships and goodwill (note 22)	**15,595**	14,302
Acquisition-related costs (note 9)	**10,089**	34,449
Total operating expenses	**340,892**	322,309

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

	2021 £'000	2020 £'000
Fees payable to the company's auditor for the audit of the company's annual financial statements	**152**	106
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	**669**	418
– audit-related assurance services	**420**	483
– other services	**–**	–
	1,241	1,007

Of the above, audit-related services for the year incurred by the prevailing statutory auditor totalled £1,241,000 (2020: £1,007,000).

Audit-related assurance services includes costs relating to the group's CASS audits and ISAE 3402.

8 Business combinations

Speirs & Jeffrey

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

Other deferred payments

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

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

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

— initial share consideration was payable on completion. However, although the shares were issued on the date of acquisition, they vested during the year at the third anniversary of the acquisition date.
— earn-out consideration and related incentivisation awards were subject to the delivery of certain operational and financial performance targets. The awards were payable in two parts in the third and fourth years following the acquisition date. The second earn-out vested during the year.

Further details of each of these elements are as follows:

	Gross amount £'000	Grant date	Grant date fair value £'000	Vesting date
Initial share consideration	25,000	31 August 2018	23,462	31 August 2021
Earn-out consideration and incentivisation awards	40,500	31 August 2018	41,111	31 December 2020/21

The gross amount in respect of the earn-out consideration and incentivisation awards represents the extent to which the performance targets were achieved at the respective vesting dates (note 2.3).

The charge recognised in profit or loss for the year ended 31 December 2021 for the above elements is as follows:

	2021 £'000	2020 £'000
Initial share consideration	**4,533**	9,215
Earn-out consideration and incentivisation awards	**1,430**	23,042
	5,963	32,257

A net credit of £2,600,000 was charged to profit or loss in the year for the second earn-out consideration. This related in part to a release of a portion of the accumulated charge recognised since the acquisition date, which was based on a higher estimate of the expected award at the time than the final qualifying amount.

These costs are being reported as staff costs within acquisition-related costs (see note 9).

Barclays Wealth's Personal Injury and Court of Protection business

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

Cash consideration of £12,048,000 was transferred on the date of acquisition. The sale and purchase agreement also comprised an employee incentive plan that was payable in two tranches. The last tranche of the award vested on 31 December 2020 and was paid during the year.

The awards under this plan are considered to be directly attributable costs of acquiring new client relationships, hence these costs have been capitalised in line with IFRS 15 and amortised over a 15 year useful life (note 22).

Saunderson House

On 20 October 2021, the group acquired 100% of the ordinary share capital of the Saunderson House group.

Saunderson House is a UK-based advice-led wealth management business with a focus on professional services clients. It has a long-standing heritage in serving London and South East-based professional services clients, who tend to hold market-leading positions in accountancy and law firms.

8 Business combinations continued

Consideration transferred

The following table summarises the acquisition date fair value of each class of consideration transferred:

	Fair value £'000
Initial cash consideration	**87,981**
Deferred cash consideration	**10,873**
Total consideration	**98,854**

Total consideration comprises an initial cash payment of £87,981,000, which was paid on 20 October 2021. A further £45,208,000 was paid to the vendors on completion to settle debt of the acquired group. This debt, now payable to Rathbone Brothers Plc, has been included in the value of net assets acquired.

Deferred cash consideration is payable on the first anniversary of the acquisition date to vendors who are not required to remain in employment with the group. As the payment is due within one year, the consideration has not been discounted.

Other deferred payments

The sale and purchase agreement details other deferred and contingent payments to be made to the vendors for the sale of the shares of Saunderson House. However, these payments require the recipients to remain in employment with the group for the duration of the respective deferral periods. Hence, they are being treated as remuneration for post-combination services, and the cost charged to profit and loss over the respective vesting periods. Details of each of these elements is as follows:

	Gross amount £'000	Grant date	Grant date fair value £'000	Expected vesting date
Initial share consideration	5,223	20 October 2021	5,454	20 October 2024
Deferred share consideration	4,052	20 October 2021	4,066	20 October 2022
Management incentive scheme	4,750	20 December 2021	4,093	31 December 2024

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

- Initial share consideration of £5,223,000 was issued on the date of acquisition, however does not vest until the third anniversary of the acquisition date, subject to the vendors remaining employed until this date. As the share issuance is in pursuance of the arrangement to acquire the shares of the Saunderson House group, the premium of £5,209,000 on the issuance of these shares has been recognised within the merger reserve.
- Deferred share consideration of £4,052,000 is payable on the first anniversary of the acquisition date subject to the vendors remaining in employment with the group.
- An incentive plan is in place for the Saunderson House senior management team, which is subject to certain operational and financial performance targets. The consideration vests in the fourth year following the acquisition date. The gross amount represents management's best estimate as to the extent to which these targets will be achieved. The award ranges from a minimum payment of £nil to a cap of £7.2 million.

These costs are being reported as staff costs within acquisition-related costs (see note 9).

Identifiable assets acquired and liabilities assumed

The identifiable net assets of the acquired business at the acquisition date were as follows:

20 October 2021	Carrying amounts £'000	Fair value £'000	Recognised amounts £'000
Property, plant and equipment	**519**	**–**	**519**
Trade and other receivables	**10,063**	**–**	**10,063**
Software assets	**1,425**	**–**	**1,425**
Client relationship intangibles (note 22)	**–**	**79,415**	**79,415**
Cash held at bank	**8,245**	**–**	**8,245**
Right-of-use assets	**451**	**–**	**451**
Trade creditors	**(86)**	**–**	**(86)**
Accruals and other liabilities	**(4,485)**	**–**	**(4,485)**
Due to group companies	**(47,655)**	**–**	**(47,655)**
Deferred tax liabilities (note 21)	**(6)**	**(19,386)**	**(19,392)**
Lease liabilities	**(451)**	**–**	**(451)**
Contingent liabilities	**–**	**–**	**–**
Total net assets acquired	**(31,980)**	**60,029**	**28,049**

The fair value of the client relationship intangible assets has been measured using a multi-period earnings method (note 22). The model uses estimates of client longevity and investment performance to derive a series of cash flows, which are discounted to a present value to determine the fair value of the client relationships acquired. The deferred tax liability arises on recognition of the client relationship intangible assets, and is equal to its carrying value.

The fair value of all other net assets acquired were equal to their carrying value.

Goodwill

Goodwill arising from the acquisition has been recognised as follows:

	£'000
Total consideration (see above)	**98,854**
Fair value of identifiable net assets acquired (see above)	**28,049**
	70,805

Goodwill of £70,805,000 arises as a result of the acquired workforce, expected future growth as well as operational and revenue synergies arising post integration. Any impairment of goodwill in future periods is not expected to be deductible for tax purposes.

During the period to 31 December 2021, Saunderson House contributed £6,142,000 to the group's operating income, and £1,122,000 to the group's profit before tax. This excludes the acquisition-related costs of £3,669,000 (see note 9), which were paid by Rathbone Brothers Plc.

If the group had made the acquisition on 1 January 2021, Saunderson House would have contributed £32,481,000 to group operating income and £2,067,000 to profit before tax, as based on the company's full year results.

9 Acquisition-related costs

	2021 £'000	2020 £'000
Acquisition of Speirs & Jeffrey	**6,418**	34,273
Acquisition of Barclay's Wealth Personal Injury and Court of Protection business	**2**	176
Acquisition of Saunderson House	**3,669**	–
Acquisition-related costs	**10,089**	34,449

Costs relating to the acquisition of Speirs & Jeffrey

The group has incurred the following costs in relation to the 2018 acquisition of Speirs & Jeffrey, summarised by the following classification within the income statement:

	2021 £'000	2020 £'000
Acquisition costs:		
– Staff costs (note 10)	**5,964**	32,257
– Legal and advisory fees	**5**	20
Integration costs	**449**	1,996
	6,418	34,273

Non-staff acquisition costs of £5,000 (2020: £20,000) and integration costs of £449,000 (2020: £1,996,000) have not been allocated to a specific operating segment (note 3).

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

On 3 April 2020, the group acquired the trade and assets of Barclays Wealth's Personal Injury and Court of Protection business. The group incurred professional services costs of £2,000 (2020: £176,000) in relation to the acquisition during the year.

Costs relating to the acquisition of Saunderson House

The group has incurred the following costs in relation to the acquisition of Saunderson House, summarised by the following classification within the income statement:

	2021 £'000	2020 £'000
Acquisition costs:		
– Staff costs (note 10)	**1,406**	–
– Legal and advisory fees	**2,263**	–
Integration costs	**–**	–
	3,669	–

10 Staff costs

	2021 £'000	2020 £'000
Wages and salaries	**172,921**	153,332
Social security costs	**23,231**	19,930
Equity-settled share-based payments	**11,599**	11,276
Acquisition-related staff costs (note 9)	**7,370**	32,257
Pension costs (note 29):		
– Defined benefit schemes	**105**	200
– Defined contribution schemes	**12,088**	10,478
	12,193	10,678
Total staff costs	**227,314**	227,473
Acquisition-related staff costs	**(7,370)**	(32,257)
Underlying staff costs (note 3)	**219,944**	195,216

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

	2021	2020
Investment Management:		
– investment management services	**1,096**	996
– advisory services	**137**	123
Funds	**43**	37
Shared services	**463**	379
	1,739	1,535

11 Income tax expense

	2021 £'000	2020 £'000
Current tax:		
– charge for the year	**23,796**	18,247
– adjustments in respect of prior years	**86**	(727)
Deferred tax (note 21):		
– credit for the year	**(3,793)**	(1,495)
– adjustments in respect of prior years	**(283)**	1,102
	19,806	17,127

The tax charge is calculated based on our best estimate of the amount payable as at the balance sheet date. Any subsequent differences between these estimates and the actual amounts paid are recorded as adjustments in respect of prior years.

The tax charge on profit for the year is higher (2020: higher) than the standard rate of corporation tax in the UK of 19.0% (2020: 19.0%).

The differences are explained below:

	2021 £'000	2020 £'000
Tax on profit from ordinary activities at the standard rate of 19.0% (2020: 19.0%) effects of:	**18,057**	8,318
– disallowable expenses	**984**	454
– share-based payments	**87**	2,228
– tax on overseas earnings	**(56)**	(225)
– adjustments in respect of prior year	**(197)**	375
– deferred payments to previous owners of acquired companies (note 9)	**927**	5,455
– other	**8**	(49)
– Effect of change in corporation tax rate on deferred tax	**(4)**	571
	19,806	17,127

12 Dividends

	2021 £'000	2020 £'000
Amounts recognised as distributions to equity holders in the year:		
– final dividend for the year ended 31 December 2020 of 47.0p (2019: 45.0p) per share	**25,938**	24,316
– interim dividend for the year ended 31 December 2021 of 27.0p (2020: 25.0p) per share	**18,022**	13,515
Dividends paid in the year of 74.0p (2020: 70.0p) per share	**43,960**	37,831
Proposed final dividend for the year ended 31 December 2021 of 54.0p (2020: 47.0p) per share	**31,479**	25,213

An interim dividend of 27.0p per share was paid on 5 October 2021 to shareholders on the register at the close of business on 3 September 2021 (2020: 25.0p).

A final dividend declared of 54p per share (2020: 47.0p) is payable on 10 May 2022 to shareholders on the register at the close of business on 22 April 2022. The final dividend is subject to approval by shareholders at the Annual General Meeting on 5 May 2022 and has not been included as a liability in these financial statements.

13 Earnings per share

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

	2021 Pre-tax £'000	2021 Taxation £'000	2021 Post-tax £'000	2020 Pre-tax £'000	2020 Taxation £'000	2020 Post-tax £'000
Underlying profit attributable to shareholders	**120,719**	**(23,732)**	**96,987**	92,530	(20,928)	71,602
Charges in relation to client relationships and goodwill (note 22)	**(15,595)**	**2,963**	**(12,632)**	(14,302)	2,717	(11,585)
Acquisition-related costs (note 9)	**(10,089)**	**963**	**(9,126)**	(34,449)	1,084	(33,365)
Profit attributable to shareholders	**95,035**	**(19,806)**	**75,229**	43,779	(17,127)	26,652

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 on shares, of 56,334,784 (2020: 53,720,680).

Diluted earnings per share is the basic earnings per share, adjusted for the effect of contingently issuable shares under the Saunderson House initial share consideration and Executive Incentive Plan, employee share options remaining capable of exercise, and any dilutive shares to be issued under the Share Incentive Plan, all weighted for the relevant period. The Speirs and Jeffrey initial share consideration vested during the year.

	2021	2020
Weighted average number of ordinary shares in issue during the year – basic	**56,334,784**	53,720,680
Effect of ordinary share options/Save As You Earn	**521,955**	231,259
Effect of dilutive shares issuable under the Share Incentive Plan	**237,776**	73,990
Effect of contingently issuable shares under the Executive Incentive Plan	**811,508**	929,457
Effect of contingently issuable shares under Speirs & Jeffrey initial share consideration (note 8)	**–**	1,006,522
Effect of contingently issuable shares under Saunderson House initial share consideration (note 8)	**272,952**	–
Diluted ordinary shares	**58,178,975**	55,961,908

	2021	2020
Earnings per share for the year attributable to equity holders of the company:		
– basic	**133.5p**	49.6p
– diluted	**129.3p**	47.6p
Underlying earnings per share for the year attributable to equity holders of the company:		
– basic	**172.2p**	133.3p
– diluted	**166.7p**	127.9p

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

14 Cash and balances with central banks

	2021 £'000	2020 £'000
Cash in hand	**–**	–
Balances with central banks	**1,463,377**	1,803,434
Less impairment loss allowance	**(83)**	(728)
	1,463,294	1,802,706

The fair value of balances with central banks is not materially different from their carrying amount.

	2021 £'000	2020 £'000
Repayable:		
– on demand	**1,460,001**	1,798,000
– within 1 year but over 3 months	**3,376**	5,434
Less impairment loss allowance	**(83)**	(728)
	1,463,294	1,802,706
Amounts include balances:		
– with variable interest rates	**1,460,000**	1,798,000
– which are non-interest-bearing	**3,377**	5,434
Less impairment loss allowance	**(83)**	(728)
	1,463,294	1,802,706

The group's exposure to credit risk arising from cash and balances with central banks is described in note 33.

15 Loans and advances to banks

	2021 £'000	2020 £'000
Current accounts	**173,589**	149,432
Fixed term deposits	**30,000**	10,000
Less impairment loss allowance	**–**	(2)
	203,589	159,430

	2021 £'000	2020 £'000
Repayable:		
– on demand	**173,589**	149,432
– within 3 months or less excluding on demand	**–**	10,000
– within 1 year but over 3 months	**30,000**	–
Less impairment loss allowance	**–**	(2)
	203,589	159,430
Amounts include loans and advances:		
– with variable interest rates	**203,417**	149,182
– with fixed interest rates	**–**	10,000
– which are non-interest-bearing	**172**	250
Less impairment loss allowance	**–**	(2)
	203,589	159,430

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 2021 were £173,589,000 (note 38) (2020: £159,432,000).

The group's exposure to credit risk arising from loans and advances to banks is described in note 33.

16 Loans and advances to customers

	2021 £'000	2020 £'000
Overdrafts	**7,022**	6,384
Investment management loan book	**167,981**	157,957
Trust and financial planning debtors	**4,208**	1,425
Other debtors	**864**	557
Less impairment loss allowance	**(235)**	(102)
	179,840	166,221

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 financial planning businesses are non-interest-bearing.

	2021 £'000	2020 £'000
Repayable:		
– on demand	**8,199**	7,185
– within 3 months or less excluding on demand	**4,565**	3,545
– within 1 year but over 3 months	**2,621**	107
– within 5 years but over 1 year	**164,690**	155,486
Less impairment loss allowance	**(235)**	(102)
	179,840	166,221
Amounts include loans and advances:		
– with variable interest rates	**174,401**	164,229
– which are non-interest-bearing	**5,674**	2,094
Less impairment loss allowance	**(235)**	(102)
	179,840	166,221

The group's exposure to credit risk arising from loans and advances to customers is described in note 33.

17 Investment securities

Fair value through profit or loss

	2021 £'000	2020 £'000
Equity securities:		
– listed	**7,376**	5,728
– unlisted	**2,558**	2,569
Money market funds:		
– unlisted	**20,000**	99,262
	29,934	107,559

Amortised cost

	2021 £'000	2020 £'000
Debt securities:		
– unlisted	**761,682**	651,533
Less impairment loss allowance	**(28)**	(106)
	761,654	651,427

Debt securities comprise certificates of deposit and are all due to mature within one year (2020: all).

Fair value through profit or loss securities include money market funds and direct holdings in equity securities. Equity securities comprises units in Rathbone Unit Trust Management managed funds and Euroclear shares. 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 38).

The fair value of debt securities is disclosed in note 33.

The change in the group's holdings of investment securities in the year is summarised below.

	Fair value through profit or loss £'000	Amortised cost £'000	Total £'000
At 1 January 2020	105,967	600,261	706,228
Additions	1,063	885,783	886,846
Disposals (sales and redemptions)	(417)	(833,295)	(833,712)
Foreign exchange movements	(386)	(1,245)	(1,631)
Gain from changes in fair value	1,332	–	1,332
Increase in impairment loss allowance	–	(77)	(77)
At 1 January 2021	**107,559**	**651,427**	**758,986**
Additions	**56,658**	**930,728**	**987,386**
Disposals (sales and redemptions)	**(134,924)**	**(821,100)**	**(956,024)**
Foreign exchange movements	**(188)**	**519**	**331**
Gain from changes in fair value	**829**	**–**	**829**
Decrease in impairment loss allowance	**–**	**80**	**80**
At 31 December 2021	**29,934**	**761,654**	**791,588**

Included within amortised cost are additions of £1,658,000 (2020: £1,063,000) and £690,000 (2020: £417,000) of disposals of financial instruments that are not classified as cash and cash equivalents.

18 Prepayments, accrued income and other assets

	2021 £'000	2020 £'000
Work in progress	**9,943**	3,526
Prepayments and other assets	**19,507**	16,191
Accrued income	**86,542**	78,997
	115,992	98,714

19 Property, plant and equipment

	Short term leasehold improvements £'000	Plant and equipment £'000	Total £'000
Cost			
At 1 January 2020	21,709	21,612	43,321
Additions	900	2,896	3,796
Disposals	–	(819)	(819)
At 1 January 2021	**22,609**	**23,689**	**46,298**
Additions	**261**	**1,738**	**1,999**
Acquisitions through business combinations (note 8)	**578**	**3,765**	**4,343**
Disposals	**–**	**(1,987)**	**(1,987)**
At 31 December 2021	**23,448**	**27,205**	**50,653**
Depreciation			
At 1 January 2020	9,831	18,058	27,889
Charge for the year	1,950	2,432	4,382
Disposals	–	(819)	(819)
At 1 January 2021	**11,781**	**19,671**	**31,452**
Charge for the year	**2,004**	**2,259**	**4,263**
Acquisitions through business combinations (note 8)	**507**	**3,318**	**3,825**
Disposals	**–**	**(1,946)**	**(1,946)**
At 31 December 2021	**14,292**	**23,302**	**37,594**
Carrying amount at 31 December 2021	**9,156**	**3,903**	**13,059**
Carrying amount at 31 December 2020	10,828	4,018	14,846
Carrying amount at 1 January 2020	11,878	3,554	15,432

20 Right-of-use assets

	Property £'000	Motor vehicles and equipment £'000	Total £'000
Cost			
At 1 January 2020	54,275	41	54,316
Additions	258	–	258
Disposals	(42)	–	(42)
Other movements	(23)	–	(23)
At 1 January 2021	**54,468**	**41**	**54,509**
Additions	**3,505**	**354**	**3,859**
Acquisitions through business combinations (note 8)	**451**	**–**	**451**
Disposals	**(81)**	**(24)**	**(105)**
Other movements	**(284)**	**–**	**(284)**
At 31 December 2021	**58,059**	**371**	**58,430**
Depreciation and impairment			
1 January 2020	4,822	14	4,836
Charge for the year	4,845	14	4,859
Disposals	–	–	–
Other movements	(42)	–	(42)
At 1 January 2021	**9,625**	**28**	**9,653**
Charge for the year	**4,953**	**34**	**4,987**
Disposals	**(81)**	**(24)**	**(105)**
Other movements	**–**	**–**	**–**
At 31 December 2021	**14,497**	**38**	**14,535**
Carrying amount at 31 December 2021	**43,562**	**333**	**43,895**
Carrying amount at 31 December 2020	44,843	13	44,856
Carrying amount at 1 January 2020	49,453	27	49,480

The group recognised a charge of £58,400 in profit or loss during the year in respect of short-term leases and low-value assets (2020: £43,000).

21 Net deferred tax asset/ (liability)

The UK Government legislated in the Finance Act 2021 to increase the UK corporation tax rate to 25.0% in 2023. The Finance Act 2021 was enacted on 10 June 2021. This has been reflected in the deferred tax calculations. Deferred income taxes are calculated on all temporary differences under the liability method using the rate expected to apply when the relevant timing differences are forecast to unwind.

The movement on the deferred tax account is as follows:

	Deferred capital allowances £'000	Pensions £'000	Share-based payments £'000	Staff-related costs £'000	Fair value through profit or loss £'000	Intangible assets £'000	Total £'000
As at 1 January 2021	**2,634**	**1,857**	**4,364**	**5,624**	**(701)**	**(10,436)**	**3,342**
Recognised in profit or loss in respect of:							
– current year	110	(946)	2,170	1,476	(97)	1,083	3,796
– prior year	119	–	3	161	–	–	283
– change in rate	934	–	1,736	–	–	(2,666)	4
Total	**1,163**	**(946)**	**3,909**	**1,637**	**(97)**	**(1,583)**	**4,083**
Recognised in other comprehensive income in respect of:							
– current year	–	(3,247)	–	–	–	–	(3,247)
– prior year	–	–	–	–	–	–	–
– change in rate	–	–	–	–	–	–	–
Total	–	**(3,247)**	–	–	–	–	**(3,247)**
Recognised in equity in respect of:							
– current year	–	–	1,211	–	–	–	1,211
– prior year	–	–	(8)	–	–	–	(8)
– change in rate	–	–	208	–	–	–	208
Total	–	–	**1,411**	–	–	–	**1,411**
Business combinations	–	–	–	–	–	(19,394)	(19,394)
Total	**(6)**	–	–	–	–	**(19,394)**	**(19,400)**
As at 31 December 2021	**3,791**	**(2,336)**	**9,684**	**7,261**	**(798)**	**(31,413)**	**(13,811)**

	Deferred capital allowances £'000	Pensions £'000	Share-based payments £'000	Staff-related costs £'000	Fair value through profit or loss £'000	Intangible assets £'000	Total £'000
Deferred tax assets	3,791	–	9,684	7,261	–	–	20,736
Deferred tax liabilities	–	(2,336)	–	–	(798)	(31,413)	(34,547)
As at 31 December 2021	**3,791**	**(2,336)**	**9,684**	**7,261**	**(798)**	**(31,413)**	**(13,811)**

21 Net deferred tax asset/ (liability) continued

	Deferred capital allowances £'000	Pensions £'000	Share-based payments £'000	Staff-related costs £'000	Fair value through profit or loss £'000	Intangible assets £'000	Total £'000
As at 1 January 2020	1,964	1,360	3,545	4,996	(304)	(8,925)	2,636
Recognised in profit or loss in respect of:							
– current year	405	(553)	398	1,327	(360)	848	2,065
– prior year	31	–	22	(1,155)	–	–	(1,102)
– change in rate	234	(618)	445	456	(37)	(1,050)	(570)
Total	670	(1,171)	865	628	(397)	(202)	393
Recognised in other comprehensive income in respect of:							
– current year	–	890	–	–	–	–	890
– prior year	–	–	–	–	–	–	–
– change in rate	–	778	–	–	–	–	778
Total	–	1,668	–	–	–	–	1,668
Recognised in equity in respect of:							
– current year	–	–	(36)	–	–	–	(36)
– prior year	–	–	(17)	–	–	–	(17)
– change in rate	–	–	7	–	–	–	7
Total	–	–	(46)	–	–	–	(46)
Business combinations	–	–	–	–	–	(1,309)	(1,309)
Total	–	–	–	–	–	(1,309)	(1,309)
As at 31 December 2020	2,634	1,857	4,364	5,624	(701)	(10,436)	3,342

	Deferred capital allowances £'000	Pensions £'000	Share-based payments £'000	Staff-related costs £'000	Fair value through profit or loss £'000	Intangible assets £'000	Total £'000
Deferred tax assets	2,634	1,857	4,364	5,624	–	–	14,479
Deferred tax liabilities	–	–	–	–	(701)	(10,436)	(11,137)
As at 31 December 2020	2,634	1,857	4,364	5,624	(701)	(10,436)	3,342

22 Intangible assets

	2021 £'000	2020 £'000
Goodwill	**167,677**	96,872
Other intangible assets	**208,510**	134,272
	376,187	231,144

Goodwill

Goodwill acquired in a business combination is allocated, at acquisition, to the groups of cash-generating units (CGUs) that are expected to benefit from that business combination.

The carrying amount of goodwill has been allocated as follows:

	Investment Management £'000	Funds £'000	Total £'000
Cost			
At 1 January 2020	90,405	1,954	92,359
Acquired through business combinations (note 8)	6,467	–	6,467
At 1 January 2021	**96,872**	**1,954**	**98,826**
Acquired through business combinations (note 8)	**70,805**	**–**	**70,805**
At 31 December 2021	**167,677**	**1,954**	**169,631**
Impairment			
At 1 January 2020	–	1,954	1,954
Charge for the year	–	–	–
At 1 January 2021	**–**	**1,954**	**1,954**
Charge for the year	**–**	**–**	**–**
At 31 December 2021	**–**	**1,954**	**1,954**
Carrying amount at 31 December 2021	**167,677**	**–**	**167,677**
Carrying amount at 31 December 2020	96,872	–	96,872
Carrying amount at 1 January 2020	90,405	–	90,405

Goodwill of £70,805,000 acquired through business combinations in the period relates to the acquisition of Saunderson House (2020: £6,467,000 acquired in the prior year relates to the acquisition of the Barclays Wealth's Personal Injury and Court of Protection business). See note 8. This has been allocated to the Investment Management group of CGUs. The group does not believe there are any key assumptions where reasonable changes could occur which could give rise to a material adjustment in the carrying value.

Impairment

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

The pre-tax rate used to discount the forecast cash flows for each group of CGU is shown in the table below; these are based on a risk-adjusted weighted average cost of capital. The group judges that these discount rates appropriately reflect the markets in which each group of CGUs operate.

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

22 Intangible assets continued

At 31 December	Investment Management 2021	2020
Discount rate	**12.0%**	12.2%
Annual revenue growth rate	**4.2%**	5.0%
Terminal growth rate	**1.0%**	1.0%

Other intangible assets

	Client relationships £'000	Software development costs £'000	Purchased software £'000	Total £'000
Cost				
At 1 January 2020	207,136	8,182	41,148	256,466
Internally developed in the year	–	1,613	–	1,613
Acquired through business combinations (note 8)	6,890	–	–	6,890
Purchased in the year	4,085	–	6,269	10,354
Disposals	(1,858)	–	(1,228)	(3,086)
At 1 January 2021	**216,253**	**9,795**	**46,189**	**272,237**
Internally developed in the year	**–**	**1,995**	**–**	**1,995**
Acquired through business combinations (note 8)	**79,415**	**–**	**5,662**	**85,077**
Purchased in the year	**8,620**	**–**	**4,840**	**13,460**
Disposals	**(1,716)**	**–**	**(3,699)**	**(5,415)**
At 31 December 2021	**302,572**	**11,790**	**52,992**	**367,354**
Amortisation and impairment				
At 1 January 2020	82,680	6,037	30,347	119,064
Impairment charge	–	–	–	–
Amortisation charge	14,302	1,197	6,488	21,987
Disposals	(1,858)	–	(1,228)	(3,086)
At 1 January 2021	**95,124**	**7,234**	**35,607**	**137,965**
Acquired through business combinations (note 8)	**–**	**–**	**4,237**	**4,237**
Amortisation charge	**15,595**	**1,383**	**5,053**	**22,031**
Disposals	**(1,716)**	**–**	**(3,673)**	**(5,389)**
At 31 December 2021	**109,003**	**8,617**	**41,224**	**158,844**
Carrying amount at 31 December 2021	**193,569**	**3,173**	**11,768**	**208,510**
Carrying amount at 31 December 2020	121,129	2,561	10,582	134,272
Carrying amount at 1 January 2020	124,456	2,145	10,801	137,402

Client relationships of £79,415,000 acquired through business combinations in the period relate to the acquisition of Saunderson House (2020: £6,890,000 acquired in the prior year relates to the acquisition of the Barclays Wealth's Personal Injury and Court of Protection business). See note 8.

Purchases of client relationships of £8,620,000 (2020: £4,085,000) in the year relate to payments made to investment managers and third parties for the introduction of client relationships.

The total amount charged to profit or loss in the year in relation to goodwill and client relationships was £15,595,000 (2020: £14,302,000).

Purchased software with a cost of £32,363,000 (2020: £23,803,000) has been fully amortised but is still in use.

23 Deposits by banks

On 31 December 2021, deposits by banks included overnight cash book overdraft balances of £2,212,000 (2020: £893,000).

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.

24 Due to customers

	2021 £'000	2020 £'000
Repayable:		
– on demand	**2,205,984**	2,453,676
– within 3 months or less excluding on demand	**122,784**	106,699
– within 1 year or less but over 3 months	**4,243**	1,392
	2,333,011	2,561,767
Amounts include balances:		
– with variable interest rates	**2,205,984**	2,445,377
– with fixed interest rates	**66,367**	66,776
– which are non-interest-bearing	**60,660**	49,614
	2,333,011	2,561,767

The fair value of amounts due to customers was not materially different from 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.

25 Accruals, deferred income, provisions and other liabilities

	2021 £'000	2020 £'000
Trade creditors	**59**	785
Other creditors	**23,667**	20,766
Accruals	**105,448**	81,805
Other provisions (note 26)	**15,324**	8,715
	144,498	112,071

26 Other provisions

	Deferred, variable costs to acquire client relationship intangibles £'000	Deferred consideration in business combinations £'000	Legal and compensation £'000	Property-related £'000	Total £'000
At 1 January 2020	1,319	–	2,175	5,238	8,732
Charged to profit or loss		588	639	(642)	585
Unused amount credited to profit or loss	–	–	(419)	(23)	(442)
Net charge to profit or loss	–	588	220	(665)	143
Other movements	3,857	–	–	–	3,857
Utilised/paid during the year	(1,391)	–	(1,801)	(825)	(4,017)
At 1 January 2021	**3,785**	**588**	**594**	**3,748**	**8,715**
Charged to profit or loss	**–**	**–**	**2,278**	**995**	**3,273**
Unused amount credited to profit or loss	**–**	**–**	**(155)**	**–**	**(155)**
Net charge to profit or loss	**–**	**–**	**2,123**	**995**	**3,118**
Other movements	**7,992**	**–**	**–**	**–**	**7,992**
Utilised/paid during the year	**(3,239)**	**(588)**	**(574)**	**(100)**	**(4,501)**
At 31 December 2021	**8,538**	**–**	**2,143**	**4,643**	**15,324**
Payable within 1 year	**3,567**	**–**	**2,143**	**96**	**5,806**
Payable after 1 year	**4,971**	**–**	**–**	**4,547**	**9,518**
	8,538	**–**	**2,143**	**4,643**	**15,324**

26 Other provisions continued

Deferred, variable costs to acquire client relationship intangibles

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

Deferred and contingent consideration in business combinations

During the year, the group settled an incentivisation award for Speirs & Jeffrey support staff in the value of £588,000.

Legal and compensation

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

Property-related

Property-related provisions of £4,643,000 relate to dilapidation provisions expected to arise on leasehold premises held by the group (2020: £3,748,000). Dilapidation provisions are calculated using a discounted cash flow model; during the year ended 31 December 2021, dilapidation provisions increased by £885,000 (2020: decreased by £1,490,000).

During the year, the group utilised £100,000 for the property held in Edinburgh (2020: £nil). The dilapidation provision held for the property at 1 Curzon Street was fully utilised in the prior year. The impact of discounting led to an additional credit of £995,000 (2020: additional charge of £642,000) being recognised during the year.

Amounts payable after one year

Property-related provisions of £4,547,000 are expected to be settled within 12 years of the balance sheet date, which corresponds to the longest lease for which a dilapidations provision is being held. Remaining provisions payable after one year are expected to be settled within three years of the balance sheet date.

27 Lease liabilities

Maturity analysis	**2021 £'000**	2020 £'000
Less than one year	**4,853**	4,869
One to five years	**19,819**	19,307
More than five years	**30,299**	31,948
Lease liabilities at 31 December	**54,971**	56,124
Current	**4,853**	4,869
Non-current	**50,118**	51,255
	54,971	56,124

28 Subordinated loan notes

	2021 £'000	2020 £'000
Subordinated loan notes		
– face value	**40,000**	20,000
– carrying value	**39,893**	19,768

During the year, Rathbone Investment Management Limited repaid its £20.0 million 10-year callable subordinated loan notes, and Rathbone Brothers Plc issued £40.0 million of 10-year tier 2 notes with a call option in October 2026 and annually thereafter. Interest is payable at a fixed rate of 5.642% per annum until the first call option date and at a fixed rate of 4.893% over Compounded Daily SONIA thereafter. Legal fees of £107,000 were incurred in issuing the notes, which have been accounted for in the carrying value of amortised cost.

An interest expense of £1,241,000 (2020: £902,000) was recognised in the year.

29 Long-term employee benefits

Defined contribution pension scheme

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 contributions made to these schemes during the year £12,006,000 (2020: £10,411,000). The group also operates a defined contribution scheme for overseas employees, for which the total contributions were £82,000 (2020: £67,000).

Defined benefit pension schemes

The group operates two defined benefit pension schemes that operate within the UK legal and regulatory framework: the Rathbone 1987 Scheme and the Laurence Keen Retirement Benefit 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.

Following a High Court ruling in 2018, the cost of equalising pension benefits for the impact of unequal Guaranteed Minimum Pensions (GMPs) has been recognised. Only the Laurence Keen Scheme was impacted. The Rathbone 1987 Scheme was never contracted out, meaning there are no GMP benefits in this scheme. Ahead of a specific method for equalisation being agreed with the scheme trustees, the cost has been estimated using a method consistent with that deemed by the High Court to be the minimum necessary to achieve equality. The High Court made a further ruling in November 2020 relating to members with GMPs that had previously transferred out, whereby the scheme remains liable for paying any required adjustments arising from GMP equalisation. An estimate of the additional payment was recognised as a past service cost in 2020.

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 and to future accrual from 30 June 2017.

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 31 December 2019.

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:

	Laurence Keen Scheme		Rathbone 1987 Scheme	
	2021 % (unless stated)	2020 % (unless stated)	**2021 % (unless stated)**	2020 % (unless stated)
Rate of increase of salaries	**n/a**	n/a	**n/a**	n/a
Rate of increase of pensions in payment	**3.70**	3.40	**3.30**	3.00
Rate of increase of deferred pensions	**3.40**	3.00	**3.40**	3.00
Discount rate	**1.90**	1.30	**1.90**	1.30
Inflation*	**3.40**	3.00	**3.40**	3.00
Percentage of members transferring out of the schemes per annum	**2.00**	3.00	**2.00**	3.00
Average age of members at date of transferring out (years)	**52.5**	52.5	**52.5**	52.5

* Inflation assumptions are based on the Retail Prices Index

29 Long-term employee benefits continued

Over the year, the financial assumptions have been amended to reflect changes in market conditions. Specifically:

1. the discount rate has been increased by 0.6% to reflect a decrease in the yields available on AA-rated corporate bonds
2. the assumed rate of future inflation has increased by 0.4% and reflects expectations of long-term inflation as implied by changes in the Bank of England inflation yield curve
3. the assumed rates of future increases to pensions in payment increased by 0.3% for both schemes, allowing for the change to the assumed rate of future inflation

Over the year the mortality assumptions have been updated. The CMI model used to project future improvements in mortality has been updated from the 2019 version to the 2020 version.

2% of members not yet in receipt of their pension are assumed to transfer out of the scheme each year (2020: 3%).

The assumed duration of the liabilities for the Laurence Keen Scheme is 15 years (2020: 16 years) and the assumed duration for the Rathbone 1987 Scheme is 20 years (2020: 21 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 S3PA 'Light' actuarial tables with improvements in line with the CMI 2020 tables with a long-term rate of improvement of 1.5% p.a. The assumed life expectancies on retirement were:

		2021		2020	
		Males	**Females**	Males	Females
Retiring today:	aged 60	**28.2**	**29.9**	28.2	29.8
	aged 65	**23.3**	**24.9**	23.3	24.8
Retiring in 20 years:	aged 60	**29.9**	**31.6**	29.9	31.5
	aged 65	**24.8**	**26.6**	24.8	26.5

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

	2021			2020		
	Laurence Keen Scheme £'000	**Rathbone 1987 Scheme £'000**	**Total £'000**	Laurence Keen Scheme £'000	Rathbone 1987 Scheme £'000	Total £'000
Present value of defined benefit obligations	**(11,149)**	**(144,428)**	**(155,577)**	(12,374)	(153,030)	(165,404)
Fair value of scheme assets	**12,981**	**154,883**	**167,864**	12,592	143,027	155,619
Net defined benefit liability	**1,832**	**10,455**	**12,287**	218	(10,003)	(9,785)

The amounts recognised in profit or loss, within operating expenses, are as follows:

	2021			2020		
	Laurence Keen Scheme £'000	**Rathbone 1987 Scheme £'000**	**Total £'000**	Laurence Keen Scheme £'000	Rathbone 1987 Scheme £'000	Total £'000
Net interest on net liability	**(5)**	**110**	**105**	7	117	124
Past service cost	**–**	**–**	**–**	76	–	76
	(5)	**110**	**105**	83	117	200

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 £481,000 (2020: £451,000 rise) for the Laurence Keen Scheme and a rise in value of £11,501,000 (2020: £9,660,000 rise) for the Rathbone 1987 Scheme.

Movements in the present value of defined benefit obligations were as follows:

	2021			2020		
	Laurence Keen Scheme £'000	Rathbone 1987 Scheme £'000	Total £'000	Laurence Keen Scheme £'000	Rathbone 1987 Scheme £'000	Total £'000
At 1 January	**12,374**	**153,030**	**165,404**	12,726	146,398	159,124
Service cost (employer's part)	**–**	**–**	**–**	–	–	–
Interest cost	**158**	**1,961**	**2,119**	257	2,916	3,173
Contributions from members	**–**	**–**	**–**	–	–	–
Actuarial experience gains	**20**	**5,793**	**5,813**	(1,081)	(3,272)	(4,353)
Actuarial gains/(losses) arising from:						
– demographic assumptions	**(159)**	**(1,200)**	**(1,359)**	(389)	(5,154)	(5,543)
– financial assumptions	**(816)**	**(10,761)**	**(11,577)**	1,158	20,482	21,640
Past service cost	**–**	**–**	**–**	76	–	76
Benefits paid	**(428)**	**(4,395)**	**(4,823)**	(373)	(8,340)	(8,713)
At 31 December	**11,149**	**144,428**	**155,577**	12,374	153,030	165,404

Movements in the fair value of scheme assets were as follows:

	2021			2020		
	Laurence Keen Scheme £'000	Rathbone 1987 Scheme £'000	Total £'000	Laurence Keen Scheme £'000	Rathbone 1987 Scheme £'000	Total £'000
At 1 January	**12,592**	**143,027**	**155,619**	12,178	138,932	151,110
Remeasurement of net defined benefit liability:						
– interest income	**163**	**1,851**	**2,014**	250	2,799	3,049
– return on scheme assets (excluding amounts included in interest income)	**318**	**9,650**	**9,968**	201	6,861	7,062
Contributions from the sponsoring companies	**336**	**4,750**	**5,086**	336	2,775	3,111
Contributions from scheme members	**–**	**–**	**–**	–	–	–
Benefits paid	**(428)**	**(4,395)**	**(4,823)**	(373)	(8,340)	(8,713)
At 31 December	**12,981**	**154,883**	**167,864**	12,592	143,027	155,619

The statements of investment principles set by the trustees of both schemes were revised in 2020. They require that the assets of the schemes are invested in a diversified portfolio of assets, split between return-seeking assets (primarily equities) and safer assets (corporate bonds and liability-driven investments).

The expected asset allocations at 31 December 2021 as set out in the statements of investment principles are as follows:

Target asset allocation at 31 December 2021	Laurence Keen Scheme	Rathbone 1987 Scheme
Benchmark		
Safer assets	**60%**	**60%**
Growth assets	**40%**	**40%**
Range		
Safer assets	**50%–70%**	**50%–70%**
Growth assets	**30%–50%**	**30%–50%**

29 Long-term employee benefits continued

The analysis of the scheme assets, measured at bid prices, at the balance sheet date was as follows:

Laurence Keen Scheme	**2021 Fair value £'000**	2020 Fair value £'000	**2021 Current allocation %**	2020 Current allocation %
Equity instruments:				
– United Kingdom	**348**	485		
– Eurozone	**696**	555		
– North America	**2,547**	2,284		
– Other	**2,244**	2,048		
	5,835	5,372	**46**	43
Debt instruments:				
– United Kingdom corporate bonds	**4,854**	4,489		
	4,854	4,489	**37**	36
Liability-driven investments	**1,986**	2,441	**15**	19
– Cash	**181**	161	**1**	1
– Other	**125**	129	**1**	1
At 31 December	**12,981**	12,592	**100**	100

Rathbone 1987 Scheme	**2021 Fair value £'000**	2020 Fair value £'000	**2021 Current allocation %**	2020 Current allocation %
Equity instruments:				
– United Kingdom	**18,035**	29,299		
– Eurozone	**9,107**	5,948		
– North America	**27,980**	15,978		
– Other	**16,823**	15,497		
	71,945	66,722	**47**	46
Debt instruments:				
– United Kingdom corporate bonds	**54,370**	41,509		
	54,370	41,509	**35**	29
Liability-driven investments	**26,308**	32,700	**17**	24
– Cash	**2,260**	2,096	**1**	1
– Other	**–**	–	**–**	–
At 31 December	**154,883**	143,027	**100**	100

All equity instruments have quoted prices in active markets. 'Other' scheme assets comprise commodities (2020: comprise commodities). Buy and maintain credit funds held with Legal and General Investment Management have been classified as UK corporate bonds.

During the prior year, a proportion of assets was transferred to new fund managers, Legal and General Investment Management, and the interest rate swap instrument that was previously held was sold. The scheme now holds liability-driven investments, which act to reduce the group's exposure to changes in net defined benefit pension obligations arising from changes in interest rates and inflation.

The key assumptions affecting the results of the valuation are the discount rate, future inflation, mortality, the rate of members transferring out and the average age at the time of transferring out. 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 that 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	(14,966)	(9.6%)
0.5% increase in:	12,639	8.1%
– rate of inflation		
Reduce allowance for future transfers to nil	1,671	1.1%
1-year increase to:		
– longevity at 60	7,884	5.1%

The total contributions made by the group to the 1987 Scheme during the year were £4,750,000 (2020: £2,775,000). The group has a commitment to pay deficit-reducing contributions of £3,750,000 by 31 August 2022 and a further £2,750,000 by 31 August 2023 and each subsequent 31 August up to and including 31 August 2026, so long as that scheme remains in deficit. The deficit funding plan will be reviewed following the next triennial valuation, as at 31 December 2022.

The total contributions made by the group to the Laurence Keen Scheme during the year were £336,000 (2020: £336,000). The group has a commitment to pay deficit-reducing contributions of £168,000 by 28 February each year from 2022 to 2026 (inclusive) and a further £168,000 by 31 August in each of those years, so long as that scheme remains in deficit.

30 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	Merger reserve £'000	Total £'000
At 1 January 2020	56,361,986		2,818	210,939	71,756	285,513
Shares issued:						
– to Share Incentive Plan	259,619	1,296.0–2,110.0	13	4,070	–	4,083
– to Save As You Earn scheme	5,008	1,641.0–1,648.0	–	83	–	83
– to Employee Benefit Trust	859,800	5.0	43	–	–	43
At 1 January 2021	**57,486,413**		**2,874**	**215,092**	**71,756**	**289,722**
Shares issued:						
– to Share Incentive Plan	**294,958**	**1,540.0–2,055.0**	**15**	**5,253**	**–**	**5,268**
– to Save As You Earn scheme	**9,371**	**1,648.0–1,977.0**	**–**	**157**	**–**	**157**
– to Employee Benefit Trust	**217,000**	**5.0**	**11**	**–**	**–**	**11**
– to Business Combinations	**1,154,689**	**1,913.4–2,484.0**	**58**	**21,858**	**5,209**	**27,125**
– on Placing	**2,840,910**	**1,760.0**	**142**	**48,666**	**–**	**48,808**
At 31 December 2021	**62,003,341**		**3,100**	**291,026**	**76,965**	**371,091**

The total number of issued and fully paid up ordinary shares at 31 December 2021 was 62,003,341 (2020: 57,486,413) 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.

On 5 March 2021, the company issued 881,737 shares in respect of the Speirs & Jeffrey first earn-out consideration relating to the 2020 incentivisation award (see note 8).

On 22 June 2021, the company issued 2,840,910 shares by way of a placing for cash consideration at £17.60 per share, which raised £48,808,000, net of £1,192,000 placing costs, offset against share premium arising on the issue.

On 22 October 2021, the company issued 272,952 shares in respect of the initial share consideration from the acquisition of Saunderson House (see note 8). These shares are being held in own shares (see note 31) until they vest on the third anniversary of issue. As the share issuance was in pursuance of the arrangement to acquire the shares in Saunderson House, the premium on the issuance of these shares has been recognised within the merger reserve.

31 Own shares

The following movements in own shares occurred during the year:

	Number of shares	£'000
At 1 January 2020	2,611,442	41,971
Acquired in the year	1,187,938	5,077
Released on vesting	(42,010)	(304)
At 1 January 2021	**3,757,370**	**46,744**
Acquired in the year	**998,408**	**15,130**
Released on vesting	**(1,131,064)**	**(25,248)**
At 31 December 2021	**3,624,714**	**36,626**

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 32). A total of 2,808,994 shares were held in the Employee Benefit Trust at 31 December 2021 (2020: 2,343,738), and 542,767 shares were held by the trustees of the Share Incentive Plan but were not unconditionally gifted to employees (2020: 407,110).

A further 272,952 (2020: nil) shares were held in nominee in respect of the initial share consideration for the acquisition of Saunderson House (see note 30). During the year, 1,006,522 of shares previously held in nominee for the acquisition of Speirs & Jeffrey vested and were released from own shares.

No shares were acquired through share buybacks during the year (2020: none).

32 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 £150 per month to acquire partnership shares, which are purchased or allotted in monthly 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 earnings per share up to a maximum of £3,600 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 2021, the trustees of the SIP held 1,363,198 (2020: 1,240,212) ordinary shares of 5p each in Rathbones Group Plc with a total market value of £27,046,000 (2020: £19,099,000). Of the total number of shares held by the trustees, 812,843 (2020: 406,012) have been conditionally gifted to employees and 2,877 (2020: 1,098) remain unallocated. Dividends on the unallocated shares have been waived by the trustees.

The group recognised a charge of £2,333,000 in relation to this scheme in 2021 (2020: £1,760,980).

Savings-related share option or Save as You Earn (SAYE) plan

Under the SAYE plan, employees can contribute up to £500 per month to acquire shares at the end of a three- or five-year savings period.

Options with an aggregate estimated fair value of £848,000, determined using a binomial valuation model including expected dividends, were granted on 20 April 2021 to directors and staff under the SAYE plan. The inputs into the binomial model for options granted during 2021, as at the date of issue, were as follows:

	2021	2020
Share price (pence)	**1,812**	1,380
Exercise price (pence)	**1,365**	1,085
Expected volatility	**26%**	26%
Risk-free rate	**0.2%**	0.1%
Expected dividend yield	**3.9%**	2.8%

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 dates on which they may be exercised are given below.

Year of grant	Exercise price Pence	Exercise period	2021 Number of share options	2020 Number of share options
2015	1,641.0	2020	–	309
2016	1,648.0	2019 and 2021	–	8,988
2017	1,899.0	2020 and 2022	**4,822**	6,874
2018	1,977.0	2021 and 2023	**7,697**	31,228
2019	1,813.0	2022 and 2024	**31,255**	43,246
2020	1,085.0	2023 and 2025	**1,115,270**	1,158,317
2021	1,365.0	2024 and 2026	**204,808**	–
At 31 December			**1,363,852**	1,248,962

Movements in the number of share options outstanding for the SAYE plan were as follows:

	2021		2020	
	Number of share options	Weighted average exercise price Pence	Number of share options	Weighted average exercise price Pence
At 1 January	**1,248,962**	**1,141.0**	520,604	1,842.0
Granted in the year	**214,027**	**1,365.0**	1,177,277	1,085.0
Forfeited or cancelled in the year	**(82,035)**	**1,464.0**	(442,665)	1,808.0
Exercised in the year	**(17,102)**	**1,557.0**	(6,254)	1,690.0
At 31 December	**1,363,852**	**1,152.0**	1,248,962	1,141.0

The weighted average share price at the dates of exercise for share options exercised during the year was £15.17 (2020: £16.85). The options outstanding at 31 December 2021 had a weighted average contractual life of 3.0 years (2020: 3.7 years) and a weighted average exercise price of £11.52 (2020: £11.41).

Executive Incentive Plan

Under the remuneration policy, 40% of the total award will be given in cash with the remaining 60% of the award granted in shares. The group treats the cash element of the award as an employee benefit under IAS 19 and the share element of the award as an equity-settled share-based payment under IFRS 2.

During the year, this award was replaced with the Executive Share Performance Plan.

The group recognised a charge of £1,473,000 in relation to the equity-settled share-based payment element of this scheme in 2021 (2020: £2,399,000).

Executive Share Performance Plan

This scheme was launched during the year to replace the Executive Incentive Plan.

Details of the general terms of this plan are set out in the remuneration committee report on pages 100 to 101.

Under the remuneration policy, 50% of the annual bonus award is paid in cash and 50% is deferred in shares. An annual restricted stock plan award is also granted under the scheme, and payment is deferred in shares.

The group treats the cash element of the award as an employee benefit under IAS 19 and the share element of the awards as equity-settled share-based payments under IFRS 2.

The group recognised a charge of £1,423,000 in relation to the equity-settled share-based payment element of this scheme in 2021 (2020: £nil).

Staff Equity Plan

The Staff Equity Plan is for individuals within Rathbone Investment Management and Rathbone Investment Management International. The aim of the scheme is to promote increased equity interest in Rathbones Group Plc amongst employees.

32 Share-based payments continued

Participants are granted awards under the plan in the form of an option with an exercise price of £nil. The option awards are subject to certain service and performance conditions. Following the satisfaction of these performance conditions, the awards will vest (or lapse) and become exercisable on the fifth anniversary of the grant date. The awards will be exercisable from the vesting date until the tenth anniversary of the grant date.

The group recognised a charge of £4,327,000 in relation to this scheme in 2021 (2020: £4,327,000).

Other schemes

The group operates a number of other plans for rewarding employees. Participants are granted awards under these plans in the form of options, which vest automatically on an anniversary of the grant date (generally between one and five years). As the intention is to settle the options in such plans in shares, the awards are treated as equity-settled share-based payments under IFRS 2.

The group recognised total charges of £11,599,000 in relation to share-based payment transactions in 2021 (2020: £11,276,000) (see note 10).

Acquisition-related share-based payments

Details of the general terms of share-based payments associated with the acquisition of Speirs & Jeffrey and Saunderson House are set out in note 8.

33 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 pages 86 to 89.

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 29.

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 financial planning 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 client loan book and guarantees given on clients' behalf.

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 with financial institutions 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 with its ongoing monitoring.

The group's financial assets are categorised as follows:

Balances with central banks (note 14)

The group has exposure to central banks through its deposits held with the Bank of England.

Loans and advances to banks (note 15) and debt and other securities (note 17)

The group has exposures to a wide range of financial institutions through its treasury portfolio, which includes bank deposits, certificates of deposit, money market funds and treasury bills. These exposures principally arise from the placement of clients' cash, where it is held under a banking relationship, and the group's own reserves.

Balances with central banks, loans and advances to banks and debt and other securities (excluding equity securities) are collectively referred to as the group's treasury book.

Treasury book	2021 £'000	2020 £'000
Balances with central banks	**1,463,377**	1,803,434
Loans and advances to banks – fixed deposits	**30,000**	10,000
Unlisted debt securities	**761,654**	651,427
Money market funds	**20,000**	99,262
Gross amount	**2,275,031**	2,564,123

The group's policy requires that all such exposures are only taken with counterparties that have been awarded a minimum long-term rating of single 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 16)

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 financial planning businesses ('trust and financial planning 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, and some loans may be partially secured by property. Extensions to the initial loan period may be granted subject to credit criteria.

At 31 December 2021, the total lending exposure limit for the investment management loan book was £250,000,000 (2020: £225,000,000), of which £167,259,000 had been advanced (2020: £157,304,000) and a further £40,275,000 had been committed (2020: £39,510,000).

(c) Trust and financial planning debtors

Trust and financial planning debtors relate to fees which have been invoiced but not yet settled by clients. The collection and ageing of trust and financial planning debtors are reviewed on a monthly basis by the management committees of the group's trust and financial planning businesses.

(d) Other debtors

Other loans and advances to customers relate to management fees receivable.

33 *Financial risk management continued*

(i) *Credit risk continued*

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 Funds segments 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.

Maximum exposure to credit risk

	2021 £'000	2020 £'000
Credit risk relating to on-balance-sheet exposures:		
Cash and balances with central banks	**1,463,377**	1,803,434
Settlement balances	**69,750**	90,373
Loans and advances to banks	**203,589**	159,430
Loans and advances to customers:		
– overdrafts	**7,021**	6,384
– investment management loan book	**167,980**	157,957
– trust and financial planning debtors	**4,194**	1,424
– other debtors	**864**	557
Investment securities:		
– unlisted debt securities and money market funds	**781,682**	750,795
– equity securities	**2,558**	2,569
Other financial assets	**102,150**	92,386
Credit risk relating to off-balance-sheet exposures:		
Loan commitments	**40,275**	39,510
Financial guarantees (note 35)	**–**	–
	2,843,440	3,104,819

The above table represents the group's gross credit risk exposure at 31 December 2021 and 2020, without taking account of any associated collateral held or other credit enhancements. For on-balance-sheet assets, the exposures set out above are based on gross carrying amounts.

Of the total maximum exposure, 13.5% is derived from loans and advances to banks and customers (2020: 10.5%) and 27.5% represents investment securities (2020: 24.2%).

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 (see note 1.21).

Impairment of financial instruments

The group's accounting policy governing impairment of financial assets is given in note 1.12. Impairment losses on financial assets recognised in profit or loss were as shown in the table below. The main class of asset these impairment losses have arisen against is cash and balances held with central banks.

	2021 £'000	2020 £'000
Impairment losses/(reversals) arising from:		
– treasury book	**(726)**	577
– investment management loan book	**–**	–
– trust and financial planning debtors	**14**	5
	(712)	582

Expected credit loss assessment

At each reporting date, for both the treasury book and investment management loan book, the group assesses whether there has been a significant increase in credit risk of exposures since initial recognition, by comparing the change in the risk of a default occurring over the expected life of the instrument between the reporting date and the date of initial recognition. The following criteria are used to identify significant increases in credit risk and are monitored and reviewed periodically for appropriateness by the treasury team.

Qualitative indicators

The group periodically monitors its exposures and uses a set of defined criteria to flag any counterparties that may be experiencing financial difficulties. Such exposures are added to a watch list maintained by the treasury team, and those that are considered to have experienced a significant increase in credit risk are classified as 'stage 2', on which a lifetime ECL is recognised.

Quantitative indicators

The lifetime probability of default at the reporting date is compared to the original lifetime probability of default at initial recognition and if the difference exceeds a predefined threshold (for the current analysis this threshold is set at 50% of the value at initial recognition) the exposure is moved to stage 2.

Probability of defaults used for identifying significant increases in credit risk for staging purposes are calculated using the same methodology and data used for estimating probability of defaults for the purpose of measuring expected credit losses.

The '30 days past due' backstop indicator has not been rebutted by the group, albeit it is not a significant driver of stage movements as the opportunity for a counterparty to miss a payment is low due to the fact that over the life of exposure, any interest and/or principal is directly debited from the counterparty's investment balance and investment income, which is in turn held as collateral under the bank's custody.

Materially all exposures in both the treasury book and investment management loan book follow a bullet repayment structure; therefore, the exposure at any point in time reflects the outstanding balance of the instrument at that point in time.

Definition of default

The group considers an investment management loan book exposure to be in default when a client fails to respond to three sets of default notices (every 30 days for a period of 90 days). A treasury book exposure is deemed to be in default when a payment is past due by more than one working day (grace period).

Probability of default (PD)

The group uses a lifetime PD for each exposure, which is the probability-weighted result of considering three economic scenarios: a base case, an upside scenario and a downside scenario. These scenarios include the forecast of the macroeconomic factors that have been identified as relevant to the bank's exposures, namely GDP and UK unemployment rates, which are incorporated into the estimation of lifetime PDs.

The methodology for estimating lifetime PDs and adjustments for macroeconomic scenarios used for identifying significant increases in credit risk are as follows:

Treasury book assessment

The 12-month PD for each exposure is initially estimated as the historical 12-month PD sourced from Standard & Poor's, by credit rating and country of exposure. In order to estimate the PDs occurring over the lifetime of an underlying exposure, the group applies its expectations of future progression in point in time ('PiT') default probabilities, which inherently revolve around expectations of future development of macroeconomic factors relevant to treasury assets, namely UK GDP, UK unemployment rates, UK inflation and UK interest rates.

Loss given default (LGD) for treasury book assets is dependent on the nature of the counterparty and the region in which the instrument was issued. For sovereign exposures, the group applies a flat LGD rate, which is externally sourced from Moody's most recent sovereign default and recovery rates research statistics, by country of issuer. For unsecured corporate exposures, a time series of historical corporate recovery rates is sourced from Moody's annual publication on corporate defaults and recovery rates.

33 Financial risk management continued

(i) Credit risk continued

The following table presents an analysis of the credit quality of treasury book exposures at amortised cost and FVTPL. It indicates whether assets measured at amortised cost were subject to a 12-month ECL or lifetime ECL allowance and, in the latter case, whether they were credit-impaired:

	2021				2020			
		At amortised cost						
	Fair value through profit or loss £'000	12-month ECL £'000	Lifetime ECL – not credit-impaired £'000	Lifetime ECL – credit-impaired £'000	Fair value through profit or loss £'000	12-month ECL £'000	Lifetime ECL – not credit-impaired £'000	Lifetime ECL – credit-impaired £'000
AAA	**20,000**	**–**	**–**	**–**	99,262	–	–	–
AA+ to AA-	**–**	**1,893,631**	**–**	**–**	–	2,095,029	–	–
A+ to A-	**–**	**330,978**	**–**	**–**	–	369,987	–	–
Gross carrying amounts	**20,000**	**2,224,609**	**–**	**–**	99,262	2,465,016	–	–
Loss allowance		**(110)**	**–**	**–**		(836)	–	–
Carrying amount	**20,000**	**2,224,499**	**–**	**–**	99,262	2,464,180	–	–
Cash and balances with central banks	**–**	**1,463,294**	**–**	**–**	–	1,802,706	–	–
Loans and advances to banks	**–**	**–**	**–**	**–**	–	9,998	–	–
Unlisted debt securities	**–**	**761,654**	**–**	**–**	–	651,427	–	–
Money market funds	**20,000**	**–**	**–**	**–**	99,262	–	–	–
Carrying amount	**20,000**	**2,224,948**	**–**	**–**	99,262	2,464,131	–	–

The movement in allowance for impairment for the treasury book during the year was as follows.

	12-month ECL £'000	Lifetime ECL – not credit-impaired £'000	Lifetime ECL – credit-impaired £'000	Total ECL £'000
Balance at 1 January 2021	**836**	**–**	**–**	**836**
Net remeasurement of loss allowance	**(726)**			**(726)**
Balance at 31 December 2021	**110**	**–**	**–**	**110**
Cash and balances with central banks	**83**	**–**	**–**	**83**
Loans and advances to banks	**–**	**–**	**–**	**–**
Unlisted debt securities	**28**	**–**	**–**	**28**
ECL provision	**110**	**–**	**–**	**110**

As a result of the COVID-19 pandemic, in the prior year there was a material deterioration in the macroeconomic factors that served as an input to the group's PDs, which resulted in a significant increase to the loss allowance. In the current year, due to an improvement in the macroeconomic inputs, and a reduction in the gross amount held with the Bank of England, against which the group holds the largest ECL provision, the allowance has reduced and is broadly in line with pre-COVID levels.

Investment management loan book assessment

Due to the lack of historical defaults within the investment management loan book, the model uses publicly available default data for UK secured lending as a starting point in order to obtain an initial estimate for PD. The 12-month PD is estimated as the historical long-term default rate on lending in the UK as sourced from the Council of Mortgage Lenders (CML).

In order to estimate the PDs occurring over the lifetime of an underlying exposure, the group develops its expectations of future progression in PiT default probabilities, which inherently revolves around expectations of future development of macroeconomic factors relevant to the bank's lending portfolio, namely UK GDP ('GDP') and UK unemployment rates (UR).

In order to develop and apply such forward-looking expectations, a historical relationship between PD, GDP and UR is estimated statistically through a multi-factor regression analysis of past movements between these variables. The relationship resulting from this analysis reflects the relative quantitative behaviour of the regressed macroeconomic factors against PD.

Using the calculated 12-month PiT PD as a starting point, conditional PDs for each future period within the period of exposure are estimated by applying the GDP and UR coefficients to the group's forecasts of UK GDP and UK UR respectively, as sourced from International Monetary Fund (IMF) forecast data. This analysis forms the base case scenario for estimating lifetime PDs. The same methodology is applied for separate upside and downside scenarios as required by the standard.

The following table presents an analysis of the credit quality of investment management loan book exposures at amortised cost. It indicates whether assets measured at amortised cost were subject to a 12-month ECL or lifetime ECL allowance and, in the latter case, whether they were credit-impaired.

	2021			2020		
	At amortised cost					
	12-month ECL £'000	Lifetime ECL – not credit-impaired £'000	Lifetime ECL – credit-impaired £'000	12-month ECL £'000	Lifetime ECL – not credit-impaired £'000	Lifetime ECL – credit-impaired £'000
Very low	**30,250**	**–**	**–**	29,931	–	–
Low	**116,646**	**–**	**–**	103,626	–	–
Medium	**18,174**	**–**	**–**	20,146	–	–
High	**2,911**		**–**	3,917	337	–
Gross carrying amounts	**167,981**	**–**	**–**	157,620	337	–
Loss allowance	**–**	**–**	**–**	–	–	–
Carrying amount	**167,981**	**–**	**–**	157,620	337	–

The movement in allowance for impairment of the investment management loan book during the year was as follows.

	12-month ECL £'000	Lifetime ECL – not credit-impaired £'000	Lifetime ECL – credit-impaired £'000	Total ECL £'000
Balance at 1 January 2021 and 31 December 2021	**–**	**–**	**–**	**–**

Trust and financial planning debtors assessment

The group uses a provision matrix to measure the ECLs of trust and financial planning debtors, which comprise a large number of small balances. For such debts, a normal settlement period of up to 30 days is expected.

The following table provides information about the exposure to credit risk and ECLs for trust and financial planning debtors as at 31 December 2021:

	2021 £'000	2020 £'000
Rathbone Trust Company	**1,451**	814
Rathbone Trust & Legal Services	**315**	324
Rathbone Financial Planning	**311**	287
Saunderson House	**2,131**	–
Gross carrying amounts	**4,208**	1,425
Loss allowance	**(235)**	(102)
Carrying amount	**3,973**	1,323

			Loss allowance		
Rathbone Trust Company	Weighted average loss rate £'000	Gross carrying amount £'000	Not credit impaired £'000	Credit impaired £'000	Total £'000
<90 days overdue	**0.3%**	**1,133**	**(4)**	**–**	**(4)**
90-180 days overdue	**1.5%**	**90**	**(1)**	**(84)**	**(85)**
180-270 days overdue	**2.7%**	**93**	**(2)**	**–**	**(2)**
270-365 days overdue	**4.5%**	**27**	**(1)**	**(1)**	**(2)**
>365 days overdue	**23.9%**	**108**	**(7)**	**–**	**(7)**
		1,451	**(15)**	**(85)**	**(100)**

33 Financial risk management continued

(i) Credit risk continued

Rathbone Trust & Legal Services	Weighted average loss rate £'000	Gross carrying amount £'000	Loss allowance Not credit-impaired £'000	Loss allowance Credit-impaired £'000	Loss allowance Total £'000
<90 days overdue	0.8%	223	(3)	–	(3)
90-180 days overdue	3.9%	25	(1)	–	(1)
180-270 days overdue	7.0%	38	(3)	–	(3)
270-365 days overdue	12.7%	2	–	–	–
>365 days overdue	12.3%	27	(3)	(4)	(7)
		315	(10)	(4)	(14)

Saunderson House	Weighted average loss rate £'000	Gross carrying amount £'000	Loss allowance Not credit-impaired £'000	Loss allowance Credit-impaired £'000	Loss allowance Total £'000
<90 days overdue	0.0%	1,867	–	–	–
90-180 days overdue	30.8%	112	(37)	–	(37)
180-270 days overdue	58.0%	44	(21)	–	(21)
270-365 days overdue	76.5%	44	(46)	–	(46)
>365 days overdue	41.5%	64	(17)	–	(17)
		2,131	(121)	–	(121)

The movement in allowance for impairment in respect of trust and financial planning debtors during the year is set out below.

Movement in impairment provision during the year	Trust and financial planning debtors £'000
At 1 January	102
Amounts written off	(19)
Credit to profit or loss	14
Recognised on acquisition (note 8)	138
At 31 December 2021	235

Concentration of credit risk

The group has counterparty credit risk within its financial 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 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.

At 31 December 2021	United Kingdom £'000	Eurozone £'000	Rest of the World £'000	Total £'000
Cash and balances with central banks	**1,463,294**	**–**	**–**	**1,463,294**
Settlement balances	**66,605**	**1,158**	**1,987**	**69,750**
Loans and advances to banks	**201,775**	**–**	**1,814**	**203,589**
Loans and advances to customers:				
– overdrafts	**6,245**	**95**	**682**	**7,022**
– investment management loan book	**145,501**	**259**	**22,221**	**167,981**
– trust and financial planning debtors	**3,973**	**–**	**–**	**3,973**
– other debtors	**864**	**–**	**–**	**864**
Investment securities:				
– equity securities	**–**	**2,558**	**–**	**2,558**
– unlisted debt securities and money market funds	**161,069**	**224,988**	**395,597**	**781,654**
Other financial assets	**96,558**	**567**	**697**	**97,822**
	2,145,884	**229,625**	**422,998**	**2,798,507**

At 31 December 2020	United Kingdom £'000	Eurozone £'000	Rest of the World £'000	Total £'000
Cash and balances with central banks	1,802,706	–	–	1,802,706
Settlement balances	83,747	1,323	5,303	90,373
Loans and advances to banks	157,618	–	1,812	159,430
Loans and advances to customers:				
– overdrafts	5,633	25	726	6,384
– investment management loan book	139,068	310	18,579	157,957
– trust and financial planning debtors	1,323	–	–	1,323
– other debtors	557	–	–	557
Investment securities:				
– equity securities	–	2,569	–	2,569
– unlisted debt securities and money market funds	219,909	209,204	321,576	750,689
– Other financial assets	85,450	1,004	1,998	88,452
	2,496,011	214,435	349,994	3,060,440

At 31 December 2021, materially all eurozone exposures were to counterparties based in the Netherlands, France, Finland, Ireland and Luxembourg (2020: Netherlands, France, Finland, Ireland and Luxembourg) and materially all rest of the world exposures were to counterparties based in Switzerland, Sweden, Norway, Canada and Australia (2020: Switzerland, Sweden, Norway, Canada and Australia). At 31 December 2021, the group had no exposure to sovereign debt (2020: none).

33 *Financial risk management continued*

(i) *Credit risk continued*

(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:

At 31 December 2021	Public sector £'000	Financial institutions £'000	Clients and other corporates £'000	Total £'000
Cash and balances with central banks	**1,463,294**	**–**	**–**	**1,463,294**
Settlement balances	**–**	**69,750**	**–**	**69,750**
Loans and advances to banks	**–**	**203,589**	**–**	**203,589**
Loans and advances to customers:				
– overdrafts	**–**	**–**	**7,022**	**7,022**
– investment management loan book	**–**	**–**	**167,981**	**167,981**
– trust and financial planning debtors	**–**	**–**	**3,973**	**3,973**
– other debtors	**–**	**–**	**864**	**864**
Investment securities:				
– equity securities	**–**	**2,558**	**–**	**2,558**
– unlisted debt securities and money market funds	**–**	**781,654**	**–**	**781,654**
Other financial assets	**165**	**2,309**	**95,348**	**97,822**
	1,463,459	**1,059,860**	**275,188**	**2,798,507**

At 31 December 2020	Public sector £'000	Financial institutions £'000	Clients and other corporates £'000	Total £'000
Cash and balances with central banks	1,802,706	–	–	1,802,706
Settlement balances	–	90,373	–	90,373
Loans and advances to banks	–	159,430	–	159,430
Loans and advances to customers:				
– overdrafts	–	–	6,384	6,384
– investment management loan book	–	–	157,957	157,957
– trust and financial planning debtors	–	–	1,323	1,323
– other debtors	–	–	557	557
Investment securities:				
– equity securities	–	2,569	–	2,569
– unlisted debt securities and money market funds	–	750,689	–	750,689
Other financial assets	75	3,048	85,329	88,452
	1,802,781	1,006,109	251,550	3,060,440

(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 Prudential Regulation Authority (PRA) (our Internal Liquidity Adequacy Assessment Process). 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).

Funding risks are monitored by daily cash mismatch analyses and CRR 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 which 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.

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.

At 31 December 2021	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
Cash and balances with central banks	**1,460,000**	**165**	**3,376**	**–**	**–**	**–**	**1,463,541**
Settlement balances	**–**	**69,750**	**–**	**–**	**–**	**–**	**69,750**
Loans and advances to banks	**173,593**	**–**	**30,011**	**–**	**–**	**–**	**203,604**
Loans and advances to customers	**8,199**	**4,426**	**2,660**	**180,648**	**–**	**–**	**195,933**
Debt securities and money market funds	**20,000**	**218,436**	**530,172**	**15,119**	**–**	**–**	**783,727**
Equity securities	**2,558**	**–**	**–**	**–**	**–**	**–**	**2,558**
Other financial assets	**33**	**95,877**	**803**	**3,531**	**804**	**–**	**101,048**
Cash flows arising from financial assets	**1,664,383**	**388,654**	**567,022**	**199,298**	**804**	**–**	**2,820,161**
Deposits by banks	**2,212**	**–**	**–**	**–**	**–**	**–**	**2,212**
Settlement balances	**–**	**60,075**	**–**	**–**	**–**	**–**	**60,075**
Due to customers	**2,205,978**	**122,787**	**4,246**	**–**	**–**	**–**	**2,333,011**
Subordinated loan notes	**–**	**–**	**2,257**	**49,027**	**–**	**–**	**51,284**
Other financial liabilities	**889**	**52,671**	**22,321**	**70,269**	**43,089**	**–**	**189,239**
Cash flows arising from financial liabilities	**2,209,079**	**235,533**	**28,824**	**119,296**	**43,089**	**–**	**2,635,821**
Net liquidity gap	**(544,696)**	**153,121**	**538,198**	**80,002**	**(42,285)**	**–**	**184,340**
Cumulative net liquidity gap	**(544,696)**	**(391,575)**	**146,623**	**226,625**	**184,340**	**184,340**	

At 31 December 2020	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
Cash and balances with central banks	1,798,000	75	5,434	–	–	–	1,803,509
Settlement balances	–	90,373	–	–	–	–	90,373
Loans and advances to banks	149,441	10,115	–	–	–	–	159,556
Loans and advances to customers	7,185	3,538	120	172,915	–	–	183,758
Debt securities and money market funds	99,274	216,041	438,845	–	–	–	754,160
Equity securities	2,569	–	–	–	–	–	2,569
Other financial assets	52	84,033	1,435	3,493	804	–	89,817
Cash flows arising from financial assets	2,056,521	404,175	445,834	176,408	804	–	3,083,742
Deposits by banks	893	–	–	–	–	–	893
Settlement balances	–	95,412	–	–	–	–	95,412
Due to customers	2,453,676	106,706	1,392	–	–	–	2,561,774
Subordinated loan notes	–	453	20,453	–	–	–	20,906
Other financial liabilities	1,478	57,914	8,088	62,313	52,621	–	182,414
Cash flows arising from financial liabilities	2,456,047	260,485	29,933	62,313	52,621	–	2,861,399
Net liquidity gap	(399,526)	143,690	415,901	114,095	(51,817)	–	222,343
Cumulative net liquidity gap	(399,526)	(255,836)	160,065	274,160	222,343	222,343	

33 Financial risk management continued

(ii) Liquidity risk continued

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 £7,376,000 of equity investments (2020: £5,728,000) which are subject to liquidity risk but are not included in the table above. These assets are held as fair value through profit or loss securities and have no fixed maturity date; cash flows arise from receipt of dividends or through sale of the assets.

(iii) Market risk

Off-balance-sheet items

Cash flows arising from the group's off-balance-sheet financial liabilities (note 35) 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.

At 31 December 2021	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
Loan commitments	**40,275**	–	–	–	**40,275**
Financial guarantees	–	–	–	–	–
Capital commitments	**988**	–	–	–	**988**
Total off-balance-sheet items	**41,263**	–	–	–	**41,263**

At 31 December 2020	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
Loan commitments	39,510	–	–	–	39,510
Financial guarantees	–	–	–	–	–
Capital commitments	26	–	–	–	26
Total off-balance-sheet items	39,536	–	–	–	39,536

Total liquidity requirement

At 31 December 2021	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
Cash flows arising from financial liabilities	**2,209,079**	**235,533**	**28,824**	**119,296**	**43,089**	**2,635,821**
Total off-balance-sheet items	–	**41,263**	–	–	–	**41,263**
Total liquidity requirement	**2,209,079**	**276,796**	**28,824**	**119,296**	**43,089**	**2,677,084**

At 31 December 2020	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
Cash flows arising from financial liabilities	2,456,047	260,485	29,933	62,313	52,621	2,861,399
Total off-balance-sheet items	–	39,536	–	–	–	39,536
Total liquidity requirement	2,456,047	300,021	29,933	62,313	52,621	2,900,935

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 rising and shortens it when the yield curve is falling.

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 2021	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
Assets							
Cash and balances with central banks	1,459,919	–	–	–	–	3,375	1,463,294
Settlement balances	–	–	–	–	–	69,750	69,750
Loans and advances to banks	173,417	30,000	–	–	–	172	203,589
Loans and advances to customers	174,401	–	–	–	–	5,439	179,840
Investment securities:							
– equity securities	2,558	–	–	–	–	7,376	9,934
– unlisted debt securities and money market funds	238,225	223,453	304,981	14,995	–	–	781,654
Other financial assets	579	–	–	–	–	97,243	97,822
Total financial assets	2,049,099	253,453	304,981	14,995	–	183,355	2,805,883
Liabilities							
Deposits by banks	2,212	–	–	–	–	–	2,212
Settlement balances	–	–	–	–	–	60,075	60,075
Due to customers	2,268,108	4,243	–	–	–	60,660	2,333,011
Subordinated loan notes	–	–	–	39,893	–	–	39,893
Other financial liabilities	–	–	–	–	–	168,794	168,794
Total financial liabilities	2,270,320	4,243	–	39,893	–	289,529	2,603,985
Interest rate repricing gap	(221,221)	249,210	304,981	(24,898)	–	(106,174)	201,898

33 Financial risk management continued

(iii) Market risk continued

At 31 December 2020	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
Assets							
Cash and balances with central banks	1,797,275	–	–	–	–	5,431	1,802,706
Settlement balances	–	–	–	–	–	90,373	90,373
Loans and advances to banks	159,180	–	–	–	–	250	159,430
Loans and advances to customers	163,879	–	–	410	–	1,932	166,221
Investment securities:							
– equity securities	2,569	–	–	–	–	5,728	8,297
– unlisted debt securities and money market funds	313,840	206,930	229,919	–	–	–	750,689
Other financial assets	574	–	–	–	–	87,878	88,452
Total financial assets	2,437,317	206,930	229,919	410	–	191,592	3,066,168
Liabilities							
Deposits by banks	893	–	–	–	–	–	893
Settlement balances	–	–	–	–	–	95,412	95,412
Due to customers	2,510,762	1,391	–	–	–	49,614	2,561,767
Subordinated loan notes	–	–	19,768	–	–	–	19,768
Other financial liabilities	–	–	–	–	–	135,548	135,548
Total financial liabilities	2,511,655	1,391	19,768	–	–	280,574	2,813,388
Interest rate repricing gap	(74,338)	205,539	210,151	410	–	(88,982)	252,780

The banking committee has set an overall pre-tax interest rate exposure limit of £8,000,000 (2020: £8,000,000) 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 2021, the Bank had a net present value sensitivity of £5,442,000 (2020: £4,756,000) for an upward 2% shift in rates. The group held no forward rate agreements at 31 December 2021 (2020: 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 2021. Included in the table are the group's financial assets and liabilities, at carrying amounts, categorised by currency.

At 31 December 2021	**Sterling £'000**	**US dollar £'000**	**Euro £'000**	**Other £'000**	**Total £'000**
Assets					
Cash and balances with central banks	**1,463,294**	**–**	**–**	**–**	**1,463,294**
Settlement balances	**67,110**	**1,948**	**479**	**213**	**69,750**
Loans and advances to banks	**143,377**	**36,586**	**15,894**	**7,732**	**203,589**
Loans and advances to customers	**171,258**	**5,275**	**3,295**	**12**	**179,840**
Investment securities:					
– equity securities	**7,376**	**–**	**2,558**	**–**	**9,934**
– unlisted debt securities and money market funds	**729,973**	**51,681**	**–**	**–**	**781,654**
Other financial assets	**97,518**	**136**	**49**	**119**	**97,822**
Total financial assets	**2,679,906**	**95,626**	**22,275**	**8,076**	**2,805,883**
Liabilities					
Deposits by banks	**2,212**	**–**	**–**	**–**	**2,212**
Settlement balances	**57,419**	**1,611**	**441**	**604**	**60,075**
Due to customers	**2,214,268**	**91,905**	**19,686**	**7,152**	**2,333,011**
Subordinated loan notes	**39,893**	**–**	**–**	**–**	**39,893**
Other financial liabilities	**168,534**	**228**	**32**	**–**	**168,794**
Total financial liabilities	**2,482,326**	**93,744**	**20,159**	**7,756**	**2,603,985**
Net on-balance-sheet position	**197,580**	**1,882**	**2,116**	**320**	**201,898**
Loan commitments	**40,275**	**–**	**–**	**–**	**40,275**

At 31 December 2020	Sterling £'000	US dollar £'000	Euro £'000	Other £'000	Total £'000
Assets					
Cash and balances with central banks	1,802,706	–	–	–	1,802,706
Settlement balances	88,192	1,609	178	394	90,373
Loans and advances to banks	118,645	12,457	20,843	7,485	159,430
Loans and advances to customers	158,077	4,310	3,834	–	166,221
Investment securities:					
– equity securities	5,728	–	2,569	–	8,297
– unlisted debt securities and money market funds	684,849	65,840	–	–	750,689
Other financial assets	87,897	377	130	48	88,452
Total financial assets	2,946,094	84,593	27,554	7,927	3,066,168
Liabilities					
Deposits by banks	893	–	–	–	893
Settlement balances	88,109	3,284	1,103	2,916	95,412
Due to customers	2,453,375	79,839	23,784	4,769	2,561,767
Subordinated loan notes	19,768	–	–	–	19,768
Other financial liabilities	135,308	181	59	–	135,548
Total financial liabilities	2,697,453	83,304	24,946	7,685	2,813,388
Net on-balance-sheet position	248,641	1,289	2,608	242	252,780
Loan commitments	39,510	–	–	–	39,510

33 Financial risk management continued

(iii) Market risk continued

A 10% weakening of the US dollar against sterling, occurring on 31 December 2021, would have reduced equity and profit after tax by £152,000 (2020: reduced by £104,000). A 10% weakening of the euro against sterling, occurring on 31 December 2021, would have reduced equity and profit after tax by £171,000 (2020: reduced by £211,000). 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 17).

At 31 December 2021, the fair value of listed equity securities recognised on the balance sheet was £7,376,000 (2020: £5,728,000). A 10% fall in global equity markets would, in isolation, have resulted in a pre-tax decrease to net assets of £434,000 (2020: £483,000); there would have been no impact on profit after tax. A 10% rise in global markets would have had an equal and opposite effect.

Fair values

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 2021	**Level 1 £'000**	**Level 2 £'000**	**Level 3 £'000**	**Total £'000**
Assets				
Fair value through profit or loss:				
– equity securities	**7,376**	**–**	**2,558**	**9,934**
– money market funds	**–**	**20,000**	**–**	**20,000**
	7,376	**20,000**	**2,558**	**29,934**

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

The group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred. There have been no transfers between levels during the year (2020: 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.

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

— Investment debt securities measured at amortised cost (note 17) comprise bank and building society certificates of deposit, which have fixed coupons. The fair value of debt securities at 31 December 2021 was £761,763,000 (2020: £654,769,000) and the carrying value was £761,682,000 (2020: £651,533,000). Fair value of debt securities is based on market bid prices, and hence would be categorised as level 1 within the fair value hierarchy.

— Subordinated loan notes (note 28) comprise Tier 2 loan notes. The fair value of the loan notes at 31 December 2021 was £42,824,000 (2020: £21,726,000) and the carrying value was £39,893,000 (2020: £19,768,000). Fair value of the loan notes is based on discounted future cash flows using current market rates for debts with similar remaining maturity, and hence would be categorised as level 2 in the fair value hierarchy.

Level 3 financial instruments

Fair value through profit or loss

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

The valuation of €1,684 per share at 31 December 2021 has been calculated by reference to the most readily available data, which is the indicative price derived from recent transactions of the shares in the market. The valuation at the balance sheet date has been adjusted for movements in exchange rates since the acquisition date. A 10% weakening of the euro against sterling, occurring on 31 December 2021, would have reduced equity and profit after tax by £207,000 (2020: £208,000). A 10% strengthening of the euro against sterling would have had an equal and opposite effect.

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

	2021	2020
At 1 January	**2,569**	1,186
Total unrealised (losses)/gains recognised in profit or loss	**(11)**	1,383
At 31 December	**2,558**	2,569

The gains or losses relating to the fair value through profit or loss equity securities is included within 'other operating income' in the consolidated statement of 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.

34 Capital management

Rathbones Group Plc's capital is defined for accounting purposes as total equity. As at 31 December 2021 this totalled £623,282,000 (2020: £513,827,000).

During the year, Rathbone Investment Management Limited repaid its £20.0 million 10-year callable subordinated loan notes, and Rathbone Brothers Plc issued £40.0 million of 10-year tier 2 notes with a call option in October 2026 and annually thereafter (note 28). As at 31 December 2021, the carrying value of the notes was £39,893,000 (2020: £19,768,000). From time to time, the group also runs small overnight overdraft balances as part of working capital.

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 in a cost-efficient manner 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
- comply with regulatory requirements at all times.

Rathbones is classified for capital purposes as a banking group and performs an ICAAP, which is prepared on an annual basis and presented to the PRA on request. 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 1 and Pillar 2 methodology. The group has adopted the standardised approach to calculating its Pillar 1 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 2021 the group's regulatory capital resources, including retained earnings for 2021, were £304,711,000 (2020: £303,752,000). The increase in reserves during 2021 is due to an increase in the group's retained earnings, on account of profits generated in the year.

In addition to a variety of stress tests performed as part of the ICAAP process, and daily reporting in respect of treasury activity, capital levels are monitored and forecast on a monthly basis to ensure that dividends and investment requirements are appropriately managed and appropriate buffers are kept against adverse business conditions.

No breaches were reported to the PRA during the financial years ended 31 December 2020 and 2021.

The group has not applied transitional relief in recognising expected credit losses (ECLs) in regulatory capital resources. As such, there is no difference between accounting ECLs and regulatory capital ECLs.

35 Contingent liabilities and commitments

(a) Capital expenditure authorised and contracted for at 31 December 2021 but not provided in the financial statements amounted to £988,000 relating to expenditure on fixtures and fittings and software (2020: £26,000). The prior year related to expenditure on fixtures and fittings.

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

	2021 £'000	2020 £'000
Guarantees	**–**	–
Undrawn commitments to lend of 1 year or less	**31,005**	30,240
Undrawn commitments to lend of more than 1 year	**9,270**	9,270
	40,275	39,510

The fair value of the guarantees is £nil (2020: £nil).

(c) The arrangements put in place by the Financial Services Compensation Scheme (FSCS) to protect depositors and investors from loss in 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.

36 Related party transactions

Transactions with key management personnel

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.

Gains on options exercised by directors during the year totalled £nil (2020: £nil). Further information about the remuneration of individual directors is provided in the audited part of the directors' remuneration report on page 99.

	2021 £'000	2020 £'000
Short-term employee benefits	**12,159**	9,829
Post-employment benefits	**290**	298
Other long-term benefits	**1,305**	941
Share-based payments	**1,997**	3,170
	15,751	14,238

Dividends totalling £229,000 were paid in the year (2020: £98,000) in respect of ordinary shares held by key management personnel and their close family members.

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

At 31 December 2021, key management personnel and their close family members had gross outstanding deposits of £634,000 (2020: £616,000) and gross outstanding banking loans of £nil (2020: nil), all of which (2020: 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.

Other related party transactions

The group's transactions with the pension funds are described in note 29. At 31 December 2021, no amounts were outstanding with either the Laurence Keen Scheme or the Rathbone 1987 Scheme (2020: none).

One group subsidiary, Rathbone Unit Trust Management, has authority to manage the investments within a number of unit trusts. Another group company, Rathbone Investment Management International, acted as investment manager for a protected cell company offering unitised private client portfolio services. During 2021, the group managed 33 unit trusts, Sociétés d'Investissement à Capital Variable (SICAVs) and open-ended investment companies (OEICs) (together, 'collectives') (2020: 28 unit trusts and OEICs).

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

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

Year ended 31 December	2021 £'000	2020 £'000
Total management fees	**68,444**	50,541

As at 31 December	2021 £'000	2020 £'000
Management fees owed to the group	**6,240**	4,885
Holdings in unit trusts (note 17)	**7,376**	5,728
	13,616	10,613

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

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

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

37 Interest in unconsolidated structured entities

As described in note 36, at 31 December 2021, the group owned units in collectives managed by Rathbone Unit Trust Management with a value of £7,376,000 (2020: £5,728,000), representing 0.06% (2020: 0.06%) of the total value of the collectives managed by the group. These assets are held to hedge the group's exposure to deferred remuneration schemes for employees of Unit Trusts.

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

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

38 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:

	2021 £'000	2020 £'000
Cash and balances at central banks (note 14)	**1,460,001**	1,798,000
Loans and advances to banks (note 15)	**173,589**	159,432
Fair value through profit or loss investment securities (note 17)	**20,000**	99,262
At 31 December	**1,653,590**	2,056,694

Fair value thought profit or loss investment securities are amounts invested in money market funds, which are realisable on demand.

Cash flows arising from the (repurchase)/issue of ordinary shares comprise:

	2021 £'000	2020 £'000
Share capital issued (note 30)	**226**	56
Share premium on shares issued (note 30)	**75,934**	4,153
Merger reserve on shares issued (note 30)	**5,209**	–
Shares issued in relation to share-based schemes for which no cash consideration was received	**(21,902)**	–
Shares issued in relation to share buybacks	**(15,132)**	(5,077)
	44,335	(868)

A reconciliation of the movements of liabilities to cash flows arising from financing activities was as follows:

	Liabilities	Equity			
	Subordinated loan notes £'000	Share capital/ premium £'000	Reserves £'000	Retained earnings £'000	Total £'000
At 1 January 2021	**19,768**	**217,966**	**25,012**	**270,849**	**533,595**
Changes from financing cash flows					
Proceeds from issue of share capital	**–**	**54,244**		**–**	**54,244**
Proceeds from issue of treasury shares	**–**	**–**	**(9,909)**		**(9,909)**
Dividends paid	**–**	**–**	**–**	**(43,960)**	**(43,960)**
Total changes from financing cash flows	**–**	**54,244**	**(9,909)**	**(43,960)**	**375**
The effect of changes in foreign exchange rates	**–**	**–**	**–**	**–**	**–**
Changes in fair value	**–**	**–**	**–**	**–**	**–**
Repayment of loan notes	**(20,114)**	**–**	**–**	**–**	**(20,114)**
Liability-related					
Issue of loan notes	**39,893**				**39,893**
Interest expense	**1,241**	**–**	**–**	**–**	**1,241**
Interest paid	**(895)**	**–**	**–**	**–**	**(895)**
Total liability-related changes	**20,125**	**–**	**–**	**–**	**20,125**
Total equity-related other changes	**–**	**21,916**	**25,236**	**61,928**	**109,080**
At 31 December 2021	**39,893**	**294,126**	**40,339**	**288,817**	**663,175**

	Liabilities	Equity			
	Subordinated loan notes £'000	Share capital/ premium £'000	Reserves £'000	Retained earnings £'000	Total £'000
At 1 January 2020	19,927	213,757	29,785	241,851	505,320
Changes from financing cash flows					
Proceeds from issue of share capital	–	4,209	–	–	4,209
Proceeds from sale of treasury shares	–	–	(4,773)	(304)	(5,077)
Dividends paid	–	–	–	(37,831)	(37,831)
Total changes from financing cash flows	–	4,209	(4,773)	(38,135)	(38,699)
The effect of changes in foreign exchange rates	–	–	–	–	–
Changes in fair value	–	–	–	–	–
Other changes	(393)	–	–	–	
Liability-related					
Interest expense	1,294	–	–	–	1,294
Interest paid	(1,060)	–	–	–	(1,060)
Total liability-related changes	(159)	–	–	–	(159)
Total equity-related other changes	–	–	–	67,133	67,133
At 31 December 2020	19,768	217,966	25,012	270,849	533,595

39 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.

40 Country-by-country reporting

HM Treasury has transposed the requirements set out under the Capital Requirements Directive IV (CRD IV) and issued the Capital Requirements Country-by-Country Reporting Regulations 2013, effective 1 January 2014. The legislation requires Rathbones Group Plc (together with its subsidiaries, 'the group') to publish certain additional information, on a consolidated basis, for the year ended 31 December 2021.

Basis of preparation:

Country	In most cases, we have determined the country by reference to the country of tax residence. Where an entity is not subject to tax (e.g. a partnership) we have considered the location of management or the jurisdiction in which the revenues are generated. In these cases it is possible that tax is paid in a different country to the one in which profits are reported.
Nature of activities	The nature of activities within the United Kingdom are described within our services on page 6. Discretionary investment management is the sole activity which occurs in Jersey.
Turnover	Turnover is defined as operating income. As the consolidated results are split by country, there is an element of double counting when inter-jurisdictional transactions (for example, the payment of dividends) occur. The entries to eliminate this double counting are included at the bottom of the table to enable the disclosed figures to agree to the published consolidated accounts of the group.
Profit/(loss) before taxation	These are accounting profits. As with turnover some double counting may arise and again this has been eliminated at the bottom of the table. The majority of the total relates to the elimination of inter-jurisdictional dividends, which are reflected as profits in the United Kingdom.
Tax paid	This column reflects corporation tax actually paid in the year. Note that it is rare that tax paid in any given year relates directly to the profits earned in the same period.
Public subsidies received	The group received no public subsidies in the year.
Number of employees	The number of employees reported is the average number of full-time employees who were permanently employed by the group, or one of its subsidiaries, during the year. Contractors are excluded.
Subsidiaries	A list of the subsidiaries of the group, including their main activity and country of incorporation, is shown within note 45.

Country	Turnover £'000	Profit/(loss) before taxation £'000	Tax paid £'000	Number of employees
United Kingdom	**427,634**	**103,088**	**26,752**	**1,711**
Jersey	**13,543**	**2,036**	**295**	**28**
Sub-total	**441,177**	**105,124**	**27,047**	**1,739**
Inter-group eliminations and other entries arising on consolidation	**(5,250)**	**(10,089)**	**–**	**–**
Total	**435,927**	**95,035**	**27,047**	**1,739**

Company statement of changes in equity

for the year ended 31 December 2021

	Note	Share capital £'000	Share premium £'000	Merger Reserve £'000	Own shares £'000	Retained earnings £'000	Total equity £'000
At 1 January 2020		2,818	210,939	39,921	(41,971)	113,944	325,651
Profit for the year						24,155	24,155
Net remeasurement of defined benefit liability	54	–	–	–	–	(4,682)	(4,682)
Deferred tax relating to components of other comprehensive income	49	–	–	–	–	1,668	1,668
Other comprehensive income net of tax		–	–	–	–	(3,014)	(3,014)
Dividends paid	44	–	–	–	–	(37,831)	(37,831)
Issue of share capital	55	56	4,153	–	–	–	4,209
Share-based payments:							–
– value of employee services		–	–	–	–	43,634	43,634
– cost of own shares acquired	55	–	–	–	(5,077)	–	(5,077)
– cost of own shares vesting	55	–	–	–	304	(304)	–
– tax on share-based payments		–	–	–	–	(140)	(140)
At 31 December 2020		2,874	215,092	39,921	(46,744)	140,444	351,587
Profit for the year						60,195	60,195
Net remeasurement of defined benefit liability	54	–	–	–	–	17,091	17,091
Deferred tax relating to components of other comprehensive income	49	**–**	**–**	**–**	**–**	**(3,247)**	**(3,247)**
Other comprehensive income net of tax		**–**	**–**	**–**	**–**	**13,844**	**13,844**
Dividends paid	44	**–**	**–**	**–**	**–**	**(43,960)**	**(43,960)**
Issue of share capital	55	**226**	**75,934**	**5,208**	**–**	**–**	**81,368**
Share-based payments:							
– value of employee services		**–**	**–**	**–**	**–**	**(3,246)**	**(3,246)**
– cost of own shares acquired	55	**–**	**–**	**–**	**(15,130)**	**–**	**(15,130)**
– cost of own shares vesting	55	**–**	**–**	**–**	**25,248**	**(25,248)**	**–**
– tax on share-based payments		**–**	**–**	**–**	**–**	**1,350**	**1,350**
At 31 December 2021		**3,100**	**291,026**	**45,129**	**(36,626)**	**143,379**	**446,008**

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

Company balance sheet

for the year ended 31 December 2021

	Note	2021 £'000	2020 £'000
Non-current assets			
Investment in subsidiaries	45	**422,198**	323,055
Other investments	46	**7,376**	15,728
Right-of-use assets	48	**42,792**	43,897
Deferred tax	49	**7,139**	6,100
Retirement benefit asset	54	**12,287**	–
		491,792	388,780
Current assets			
Trade and other receivables	47	**151,897**	112,361
Cash and cash equivalents		**19,065**	12,611
		170,962	124,972
Total assets		**662,754**	513,752
Current liabilities			
Trade and other payables	50	**(109,846)**	(89,804)
Lease liabilities		**(53,899)**	(55,123)
Current tax liability		**–**	(5)
Provisions for liabilities and charges	52	**(13,108)**	(7,448)
Subordinated loan notes	53	**(39,893)**	–
		(216,746)	(152,380)
Net current assets		**(45,784)**	(27,408)
Non-current liabilities			
Retirement benefit obligations	54	**–**	(9,785)
Total liabilities		**(216,746)**	(162,165)
Net assets		**446,008**	351,587
Equity			
Share capital	55	**3,100**	2,874
Share premium	55	**291,026**	215,092
Merger reserve	55	**45,129**	39,921
Own shares	55	**(36,626)**	(46,744)
Retained earnings		**143,379**	140,444
Equity shareholders' funds		**446,008**	351,587

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. Rathbones Group Plc reported a profit after tax for the financial year ended 31 December 2021 of £60,195,000 (2020: £24,155,000).

The financial statements were approved by the board of directors and authorised for issue on 23 February 2022 and were signed on its behalf by:

Paul Stockton
Group Chief Executive Officer

Jennifer Mathias
Group Chief Financial Officer

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 2021

	Note	2021 £'000	2020 £'000
Cash flows from operating activities			
Profit before tax		**59,769**	26,920
Change in fair value through profit or loss		**(681)**	(494)
Net interest and dividends receivable		**(62,416)**	(54,764)
Net charge for provisions	52	**865**	(428)
Depreciation and amortisation		**4,680**	4,643
Defined benefit pension scheme charges	54	**105**	200
Defined benefit pension scheme contributions paid	54	**(5,086)**	(3,111)
Share-based payment charges	55	**20,130**	39,986
		17,366	12,952
Changes in operating assets and liabilities:			
net (increase)/decrease in prepayments, accrued income and other assets		**(39,683)**	12,579
net increase in accruals, deferred income, provisions and other liabilities		**22,840**	25,413
Cash generated from operations		**523**	50,944
Tax (paid)/received		**(2,517)**	(2,876)
Net cash (outflow)/inflow from operating activities		**(1,994)**	48,068
Cash flows from investing activities			
Interest received		**981**	66
Interest paid		**(3,073)**	(3,299)
Inter-company dividends received		**65,000**	58,000
Investment in subsidiaries	45	**(99,143)**	(50,000)
Net purchase of right-of-use assets	45	**112**	(182)
Purchase of other investments		**(56,658)**	(1,063)
Proceeds from sale of investments		**65,690**	417
Net cash (used in)/generated from investing activities		**(27,091)**	3,939
Cash flows from financing activities			
Net proceeds from issue of subordinated loan notes	53	**39,893**	–
Net (repurchase)/issue of ordinary shares	55	**44,335**	(868)
Dividends paid	44	**(43,960)**	(37,831)
Payment of lease liabilities		**(4,729)**	(4,901)
Net cash generated from/(used in) financing activities		**35,539**	(43,600)
Net increase in cash and cash equivalents		**6,454**	8,407
Cash and cash equivalents at the beginning of the year		**12,611**	4,204
Cash and cash equivalents at the end of the year	60	**19,065**	12,611

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

Notes to the company financial statements

41 Significant accounting policies

Statement of compliance

The separate financial statements of the company are presented as required by the Companies Act 2006 and have been prepared in accordance with UK-adopted International Accounting Standards., and IAS 27 'Separate Financial Statements'.

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.

Developments in reporting standards and interpretations

Developments in reporting standards and interpretations are set out in note 1.3 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

Investments in subsidiaries 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.

42 Critical accounting judgements and key sources of estimation uncertainty

The critical accounting judgements and key sources of estimation uncertainty arise from the company's defined benefit pension schemes and valuation of the consideration payable for Saunderson House. These are described in note 2 to the consolidated financial statements.

43 Expenses for the year

The auditor's remuneration for audit and other services to the company is set out in note 7 to the financial statements.

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

	2021	2020
Investment Management:		
– investment management services	**1,027**	932
– advisory services	**137**	123
Funds	**43**	37
Shared services	**463**	379
	1,670	1,471

44 Dividends

Details of the company's dividends paid and proposed for approval at the Annual General Meeting are set out in note 12 to the consolidated financial statements.

The company's dividend policy is described in the directors' report on page 112.

Reserves available for distribution as at 31 December were as follows:

	2021 £'000	2020 £'000
Net assets	**446,008**	351,587
Less:		
– share capital	**(3,100)**	(2,874)
– share premium	**(291,026)**	(215,092)
– merger reserve	**(45,129)**	(39,921)
Distributable reserves	**106,753**	93,700

Movements in reserves available for distribution were as follows:

	2021 £'000	2020 £'000
As at 1 January	**93,700**	71,973
Profit for the year	**60,195**	24,155
Net remeasurement of defined benefit liability	**13,844**	(3,014)
Dividends paid	**(43,960)**	(37,831)
Other movements	**(17,026)**	38,417
As at 31 December	**106,753**	93,700

45 Investment in subsidiaries

	Equities £'000	Total £'000
At 1 January 2020	273,055	273,055
Additions	50,000	50,000
Disposals	–	–
At 1 January 2021	**323,055**	**323,055**
Additions	**99,143**	**99,143**
Disposals	**–**	**–**
At 31 December 2021	**422,198**	**422,198**

45 Investment in subsidiaries continued

Equities

On 30 April 2020, 588,235 ordinary shares of £1 each in Rathbone Investment Management Limited were issued to the company at a price of £85 per share for cash consideration.

At 31 December 2021 the company's subsidiary undertakings were as follows:

Subsidiary undertaking	Activity and operation	Company registration number
Rathbone Investment Management Limited	Investment management and banking services	1448919
Rathbone Investment Management International Limited*	Investment management	50503
Rathbone Trust Company Limited	Trust and tax services	1688454
Rathbone Unit Trust Management Limited	Unit trust management	2376568
Arcticstar Limited**	Introducer of private clients	3898083
Vision Independent Financial Planning Limited	Financial planning services	6650476
Castle Investment Solutions Limited	Investment support services	7370865
Rathbone Trust Legal Services Limited*	Trust and legal services	10514352
Laurence Keen Holdings Limited**	Intermediate holding company	2474285
Rathbone Directors Limited*	Corporate director services	4410000
Rathbone Secretaries Limited*	Corporate secretarial services	4627820
Laurence Keen Nominees Limited*	Corporate nominee	2801952
Neilson Cobbold Client Nominees Limited*	Corporate nominee	3217430
Rathbone Nominees Limited*	Corporate nominee	646336
Citywall Nominees Limited*	Corporate nominee	3070653
Penchart Nominees Limited*	Corporate nominee	2608726
Argus Nominee Limited	Corporate nominee	11395344
Rathbone Pension & Advisory Services Limited	Non-trading	5679426
Rathbone Stockbrokers Limited*	Non-trading	2483921
Dean River Asset Management Limited*	Non-trading	SC204313
R.M. Walkden & Co. Limited*	Non-trading	1246166
Rathbone Funds Advisers Unipessoal LDA*	European fund marketing	515534528
Speirs & Jeffrey Limited**	Investment management	SC098335
Speirs & Jeffrey Client Nominees Limited*	Corporate nominee	SC162589
Speirs & Jeffrey Portfolio Management Limited*	Corporate nominee	SC122842
Speirs & Jeffrey Fund Management Limited*	Corporate nominee	SC095908
Saunderson House Limited	Financial planning and investment management services	940473
CastleCo Limited	Non-trading	130602
HouseCo Limited	Non-trading	130603
CabinCo Limited	Non-trading	130601
CottageCo Limited	Non-trading	131144

* Held by subsidiary undertaking

** UK subsidiary has taken an exemption from audit under section 479A of the Companies Act 2006 for the year ended 31 December 2021.

The registered office for all subsidiary undertakings is 8 Finsbury Circus, London EC2M 7AZ except for the following:

Subsidiary undertaking	Registered office
Rathbone Investment Management Limited	Port of Liverpool Building, Pier Head, Liverpool L3 1NW
Rathbone Investment Management International Limited	26 Esplanade, St Helier, Jersey JE1 2RB
Vision Independent Financial Planning Limited	Vision House, Unit 6A Falmouth Business Park, Bickland Water Road, Falmouth, Cornwall TR11 4SZ
Castle Investment Solutions Limited	Vision House, Unit 6A Falmouth Business Park, Bickland Water Road, Falmouth, Cornwall TR11 4SZ
Speirs & Jeffrey Limited	George House, 50 George Square, Glasgow G2 1EH
Speirs & Jeffrey Client Nominees Limited	George House, 50 George Square, Glasgow G2 1EH
Speirs & Jeffrey Portfolio Management Limited	George House, 50 George Square, Glasgow G2 1EH
Speirs & Jeffrey Fund Management Limited	George House, 50 George Square, Glasgow G2 1EH
Rathbone Funds Advisers Unipessoal LDA	R Tierno Galvan 10 Torre 3, Piso 6 Sala 602, 1070-274, Campo Ourique Lisbon, Lisbon, Portugal
Saunderson House Limited	Saunderson House Ltd, 1 Long Lane, London, EC1A 9HF
CastleCo Limited	Aztec Group House, 11-15 Seaton Place, St Helier, Jersey, JE4 0QH
HouseCo Limited	Aztec Group House, 11-15 Seaton Place, St Helier, Jersey, JE4 0QH
CabinCo Limited	Aztec Group House, 11-15 Seaton Place, St Helier, Jersey, JE4 0QH
CottageCo Limited	Aztec Group House, 11-15 Seaton Place, St Helier, Jersey, JE4 0QH

The company owns, directly or indirectly, 100% of the ordinary share capital of all subsidiary undertakings.

46 Other investments

Fair value through profit or loss securities

	2021 £'000	2020 £'000
Equity securities:		
– listed	**7,376**	5,728
Money market funds:		
– unlisted	**–**	10,000
	7,376	15,728

47 Trade and other receivables

	2021 £'000	2020 £'000
Prepayments and other receivables	**3,516**	4,526
Amounts owed by group undertakings	**148,381**	107,835
	151,897	112,361
Current	**151,897**	112,361
Non-current	**–**	–
	151,897	112,361

48 Right-of-use assets

	Property £'000	Motor vehicles and equipment £'000	Total £'000
Cost			
At 1 January 2020	50,186	–	50,186
Additions	601	–	601
Disposals	2,506	–	2,506
Other movements	(134)	–	(134)
At 1 January 2021	**53,159**	**–**	**53,159**
Additions	**3,505**	**354**	**3,859**
Disposals	**(81)**	**–**	**(81)**
Other movements	**(284)**	**–**	**(284)**
At 31 December 2021	**56,299**	**354**	**56,653**
Depreciation and impairment			–
1 January 2020	4,619	–	4,619
Charge for the year	4,643	–	4,643
Disposals	–	–	–
Other movements	–	–	–
At 1 January 2021	**9,262**	**–**	**9,262**
Charge for the year	**4,660**	**20**	**4,680**
Disposals	**(81)**	**–**	**(81)**
Other movements	**–**	**–**	**–**
At 31 December 2021	**13,841**	**20**	**13,861**
Carrying amount at 31 December 2021	**42,458**	**334**	**42,792**
Carrying amount at 31 December 2020	43,897	–	43,897
Carrying amount at 1 January 2020	45,567	–	45,567

During the year, the company recognised a charge of £50,000 in profit or loss in respect of short-term leases and low-value assets (2020: £7,000).

49 Deferred tax

The UK Government legislated in the Finance Act 2021 to increase the UK corporation tax rate to 25.0% in 2023. The Finance Act 2021 was enacted on 10 June 2021. This has been reflected in the deferred tax calculations. Deferred income taxes are calculated on all temporary differences under the liability method using the rate expected to apply when the relevant timing differences are forecast to unwind.

The movement on the deferred tax account is as follows:

	Pensions £'000	Share-based payments £'000	Staff-related costs £'000	Fair value through profit or loss £'000	Total £'000
As at 1 January 2021	1,857	4,362	93	(212)	6,100
Recognised in profit or loss in respect of:					
– current year	(946)	2,170	(129)	(99)	996
– prior year	–	3	140	–	143
– change in rate	–	1,736	–	–	1,736
Total recognised in profit or loss	(946)	3,909	11	(99)	2,875
Recognised in other comprehensive income in respect of:					
– current year	(3,247)	–	–	–	(3,247)
– prior year	–	–	–	–	–
– change in rate	–	–	–	–	–
Total recognised in other comprehensive income	(3,247)	–	–	–	(3,247)
Recognised in equity in respect of:					
– current year	–	1,211	–	–	1,211
– prior year	–	(8)	–	–	(8)
– change in rate	–	208	–	–	208
Total recognised in equity	–	1,411	–	–	1,411
As at 31 December 2021	(2,336)	9,682	104	(311)	7,139

	Pensions £'000	Share-based payments £'000	Staff-related costs £'000	Fair value through profit or loss £'000	Total £'000
Deferred tax assets	–	9,682	104	–	9,786
Deferred tax liabilities	(2,336)	–	–	(311)	(2,647)
As at 31 December 2021	(2,336)	9,682	104	(311)	7,139

49 *Deferred tax continued*

	Pensions £'000	Share-based payments £'000	Staff-related costs £'000	Fair value through profit or loss £'000	Total £'000
As at 1 January 2020	1,360	3,545	304	(103)	5,106
Recognised in profit or loss in respect of:					
– current year	(553)	398	(11)	(97)	(263)
– prior year	–	22	(211)	–	(189)
– change in rate	(618)	445	11	(12)	(174)
Total recognised in profit or loss	(1,171)	865	(211)	(109)	(626)
Recognised in other comprehensive income in respect of:					
– current year	890	–	–	–	890
– prior year	–	–	–	–	–
– change in rate	778	–	–	–	778
Total recognised in other comprehensive income	1,668	–	–	–	1,668
Recognised in equity in respect of:					
– current year	–	(38)	–	–	(38)
– prior year	–	(17)	–	–	(17)
– change in rate	–	7	–	–	7
Total recognised in equity	–	(48)	–	–	(48)
As at 31 December 2020	1,857	4,362	93	(212)	6,100
					–
Deferred tax assets	1,857	4,362	93	–	6,312
Deferred tax liabilities	–	–	–	(212)	(212)
As at 31 December 2020	1,857	4,362	93	(212)	6,100

50 Trade and other payables

	2021 £'000	2020 £'000
Trade creditors	**57**	117
Accruals, deferred income and other creditors	**99,029**	71,344
Amounts owed to group undertakings	**–**	–
Other taxes and social security costs	**10,760**	18,343
	109,846	89,804

The fair value of trade and other payables is not materially different from their carrying amount.

51 Lease liabilities

Maturity analysis	2021 £'000	2020 £'000
Less than one year	**4,567**	4,654
One to five years	**19,176**	18,708
More than five years	**30,156**	31,761
Lease liabilities at 31 December	**53,899**	55,123
Current	**4,567**	4,654
Non-current	**49,332**	50,469
	53,899	55,123

52 Provisions for liabilities and charges

	Deferred, variable costs to acquire client relationship intangibles £'000	Deferred and contingent consideration in business combinations £'000	Legal and compensation £'000	Property-related £'000	Total £'000
As at 1 January 2020	848	–	–	5,038	5,886
Charged to profit or loss	–	588	118	(589)	117
Unused amount credited to profit or loss	–	–	–	(23)	(23)
Net credit to profit or loss	–	588	118	(612)	94
Other movements	2,521	–	–	–	2,521
Utilised/paid during the year	(227)		–	(825)	(1,052)
At 31 December 2020	3,142	588	118	3,601	7,449
Charged to profit or loss	–	–	2	963	965
Unused amount credited to profit or loss	–	–	–	(100)	(100)
Net charge to profit or loss	–	–	2	863	865
Other movements	8,621	–	–	–	8,621
Utilised/paid during the year	(3,239)	(588)	–	–	(3,827)
As at 31 December 2021	**8,524**	**–**	**120**	**4,464**	**13,108**
Payable within 1 year	**3,567**	**–**	**120**	**96**	**3,783**
Payable after 1 year	**4,957**	**–**	**–**	**4,368**	**9,325**
	8,524	**–**	**120**	**4,464**	**13,108**

During the year, the group settled an incentivisation award for Speirs & Jeffrey support staff in the value of £588,000.

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.

Property-related provisions of £4,464,000 relate to dilapidation provisions expected to arise on leasehold premises held by the group (2020: £3,601,000). Dilapidation provisions are calculated using a discounted cash flow model; during the year, provisions have increased by £863,000 (2020: decreased by £1,437,000).

During the year, the group utilised £100,000 for the property held in Edinburgh (2020: £nil). The dilapidation provision held for the property at 1 Curzon Street was fully utilised in the prior year. The impact of discounting led to an additional credit of £963,000 (2020: additional charge of £589,000) being recognised during the year.

Provisions payable after one year are expected to be settled within two years of the balance sheet date (2020: two years), except for the property-related provisions of £4,368,000 (2020: £3,601,000), which are expected to be settled within 12 years of the balance sheet date (2020: 13 years).

53 Subordinated loan notes

	2021 £'000	2020 £'000
Subordinated loan notes		
– face value	**40,000**	–
– carrying value	**39,893**	–

During the year, Rathbone Brothers Plc issued £40.0 million of 10-year tier 2 notes with a call option in October 2026 and annually thereafter. Interest is payable at a fixed rate of 5.642% per annum until the first call option date and at a fixed rate of 4.893% over Compounded Daily SONIA thereafter. Legal fees of £107,000 were incurred in issuing the notes, which have been accounted for in the carrying value of amortised cost.

An interest expense of £491,000 (2020: £nil) was recognised in the year.

54 Long-term employee benefits

Details of the defined benefit pension schemes operated by the company are provided in note 29 to the consolidated financial statements.

55 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 30 and 31 to the consolidated financial statements. Details of options on the company's shares and share-based payments are set out in note 32 to the consolidated financial statements.

56 Financial instruments

The company's risk management policies and procedures are integrated with the wider Rathbones group's risk management process. The Rathbones 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)

(iv) pension risk.

The company's exposures to pension risk are set out in note 29 to the consolidated financial statements.

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 of directors ('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's financial assets are categorised as follows.

Trade and other receivables

Trade and other receivables relate to amounts placed with subsidiaries and staff advances.

The collection and ageing of trade and other receivables are reviewed on a periodic basis by management.

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 or Moody's.

Cash and cash equivalents (balances at banks)

The company has exposure to financial institutions through its bank deposits (reported within cash equivalents).

Maximum exposure to credit risk

	2021 £'000	2020 £'000
Other investments:		
– money market funds	–	10,000
Trade and other receivables:		
– amounts owed by group undertakings	**148,381**	107,835
– other financial assets	**5,588**	6,472
Balances at banks	**19,065**	12,611
	173,034	136,918

The above table represents the gross credit risk exposure of the company at 31 December 2021 and 2020, without taking account of any collateral held or other credit enhancements attached.

Other investments

The table below presents an analysis of other investments by rating agency designation, as at 31 December 2021, based on Fitch or Moody's long-term rating designation.

	2021		2020	
	Money market funds £'000	**Total £'000**	Money market funds £'000	Total £'000
AAA	–	–	10,000	10,000

Trade and other receivables

No trade and other receivables have been written off or are credit-impaired at the reporting date.

Amounts owed by group undertakings do not have specific repayment dates and are paid down periodically as trading requires.

Balances at banks

The credit quality of balances at banks 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.

	2021 £'000	2020 £'000
A	**19,065**	12,611
	19,065	12,611

56 Financial instruments continued

(i) Credit risk continued

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 includes 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.

At 31 December 2021	**United Kingdom £'000**	**Rest of the World £'000**	**Total £'000**
Other investments:			
– money market funds	**–**	**–**	**–**
Trade and other receivables:			
– amounts owed by group undertakings	**147,619**	**761**	**148,380**
– other financial assets	**1,425**	**119**	**1,544**
Balances at banks	**19,065**	**–**	**19,065**
	168,109	**880**	**168,989**

At 31 December 2020	United Kingdom £'000	Rest of the World £'000	Total £'000
Other investments:			
– money market funds	10,000	–	10,000
Trade and other receivables:			
– amounts owed by group undertakings	107,279	556	107,835
– other financial assets	2,136	403	2,539
Balances at banks	12,611	–	12,611
	132,026	959	132,985

At 31 December 2021, all rest of the world exposures were to counterparties based in Jersey, the Eurozone, and the United States of America (2020: Jersey, the Eurozone, and the United States of America). At 31 December 2021, the company had no exposure to sovereign debt (2020: 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:

At 31 December 2021	**Financial institutions £'000**	**Clients and other corporates £'000**	**Total £'000**
Other investments:			
– money market funds	**–**	**–**	**–**
Trade and other receivables:			
– amounts owed by group undertakings	**32,026**	**116,354**	**148,380**
– other financial assets	**–**	**1,544**	**1,544**
Balances at banks	**19,065**	**–**	**19,065**
	51,091	**117,898**	**168,989**

At 31 December 2020	Financial institutions £'000	Clients and other corporates £'000	Total £'000
Other investments:			
– money market funds	10,000	–	10,000
Trade and other receivables:			
– amounts owed by group undertakings	66,110	41,725	107,835
– other financial assets	–	2,539	2,539
Balances at banks	12,611	–	12,611
	88,721	44,264	132,985

56 Financial instruments continued

(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 (2020: £nil).

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.

At 31 December 2021	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
Other investments:							
– money market funds	–	–	–	–	–	–	–
Trade and other receivables:							
– amounts owed by group undertakings	148,381	–	–	–	–	–	148,381
– other financial assets	33	553	697	3,501	804	–	5,588
Balances at banks	19,065	–	–	–	–	–	19,065
Cash flows arising from financial assets	167,479	553	697	3,501	804	–	173,034
Trade and other payables:							
– amounts owed to group undertakings	–	–	–	–	–	–	–
– other financial liabilities	153	37,599	19,447	69,799	42,973	–	169,971
Cash flows arising from financial liabilities	153	37,599	19,447	69,799	42,973	–	169,971
Net liquidity gap	167,326	(37,046)	(18,750)	(66,298)	(42,169)	–	3,063
Cumulative net liquidity gap	167,326	130,280	111,530	45,232	3,063	3,063	

At 31 December 2020	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
Other investments:							
– money market funds	10,000	–	–	–	–	–	10,000
Trade and other receivables:							
– amounts owed by group undertakings	107,835	–	–	–	–	–	107,835
– other financial assets	53	786	1,338	3,491	804	–	6,472
Balances at banks	12,611	–	–	–	–	–	12,611
Cash flows arising from financial assets	130,499	786	1,338	3,491	804	–	136,918
Trade and other payables:							
– amounts owed to group undertakings	–	–	–	–	–	–	–
– other financial liabilities	146	47,659	7,083	61,315	52,506	–	168,709
Cash flows arising from financial liabilities	146	47,659	7,083	61,315	52,506	–	168,709
Net liquidity gap	130,353	(46,873)	(5,745)	(57,824)	(51,702)	–	(31,791)
Cumulative net liquidity gap	130,353	83,480	77,735	19,911	(31,791)	(31,791)	

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 £7,376,000 of equity investments (2020: £5,728,000) which are subject to liquidity risk but are not included in the table above. These assets are held as fair value through profit or loss securities and have no fixed maturity date; cash flows arise from receipt of dividends or through sale of the assets.

Total liquidity requirement

At 31 December 2021	**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**
Cash flows arising from financial liabilities	**153**	**37,599**	**19,447**	**69,799**	**42,973**	**169,971**
Total off-balance-sheet items	**–**	**–**	**–**	**–**	**–**	**–**
Total liquidity requirement	**153**	**37,599**	**19,447**	**69,799**	**42,973**	**169,971**

At 31 December 2020	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
Cash flows arising from financial liabilities	146	47,659	7,083	61,315	52,506	168,709
Total off-balance-sheet items	–	–	–	–	–	–
Total liquidity requirement	146	47,659	7,083	61,315	52,506	168,709

56 Financial instruments continued

(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.

At 31 December 2021	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
Assets							
Other investments:							
– equity securities	**–**	**–**	**–**	**–**	**–**	**7,376**	**7,376**
– money market funds	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Trade and other receivables:							
– amounts owed by group undertakings	**–**	**–**	**–**	**–**	**–**	**148,380**	**148,380**
– other financial assets	**579**	**–**	**–**	**–**	**–**	**965**	**1,544**
Balances at banks	**19,060**	**–**	**–**	**–**	**–**	**5**	**19,065**
Total financial assets	**19,639**	**–**	**–**	**–**	**–**	**156,726**	**176,365**
Liabilities							
Trade and other payables:							
– amounts owed to group undertakings	**–**	**–**	**–**	**–**	**–**	**–**	**–**
– other financial liabilities	**–**	**–**	**–**	**–**	**–**	**149,606**	**149,606**
Total financial liabilities	**–**	**–**	**–**	**–**	**–**	**149,606**	**149,606**
Interest rate repricing gap	**19,639**	**–**	**–**	**–**	**–**	**7,120**	**26,759**

At 31 December 2020	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
Assets							
Other investments:							
– equity securities	–	–	–	–	–	5,728	5,728
– money market funds	10,000	–	–	–	–	–	10,000
Trade and other receivables:							
– amounts owed by group undertakings	–	–	–	–	–	107,835	107,835
– other financial assets	575	–	–	–	–	1,964	2,539
Balances at banks	12,606	–	–	–	–	5	12,611
Total financial assets	23,181	–	–	–	–	115,532	138,713
Liabilities							
Trade and other payables:							
– amounts owed to group undertakings	–	–	–	–	–	–	–
– other financial liabilities	–	–	–	–	–	121,956	121,956
Total financial liabilities	–	–	–	–	–	121,956	121,956
Interest rate repricing gap	23,181	–	–	–	–	(6,424)	16,757

A 1% parallel increase or decrease in the sterling yield curve would have no impact on profit after tax or equity (2020: no impact).

The company has assessed the impact of climate change on the carrying amount of its financial assets and liabilities at the year end, and considers there to be no material impact.

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 2021. Included in the table are the company's financial assets and liabilities, at carrying amounts, categorised by currency.

At 31 December 2021	**Sterling £'000**	**US dollar £'000**	**Euro £'000**	**Total £'000**
Assets				
Other investments:				
– equity securities	**7,376**	**–**	**–**	**7,376**
– money market funds	**–**	**–**	**–**	**–**
Trade and other receivables:				
– amounts owed by group undertakings	**148,380**	**–**	**–**	**148,380**
– other financial assets	**1,425**	**119**	**–**	**1,544**
Balances at banks	**19,065**	**–**	**–**	**19,065**
Total financial assets	**176,246**	**119**	**–**	**176,365**
Liabilities				
Trade and other payables:				
– amounts owed to group undertakings	**–**	**–**	**–**	**–**
– other financial liabilities	**149,488**	**119**	**–**	**149,607**
Total financial liabilities	**149,488**	**119**	**–**	**149,607**
Net on-balance-sheet position	**26,758**	**–**	**–**	**26,758**

At 31 December 2020	Sterling £'000	US dollar £'000	Euro £'000	Total £'000
Assets				
Other investments:				
– equity securities	5,728	–	–	5,728
– money market funds	10,000	–	–	10,000
Trade and other receivables:				
– amounts owed by group undertakings	107,835	–	–	107,835
– other financial assets	2,421	118	–	2,539
Balances at banks	12,611	–	–	12,611
Total financial assets	138,595	118	–	138,713
Liabilities				
Trade and other payables:				
– amounts owed to group undertakings	–	–	–	–
– other financial liabilities	121,838	118	–	121,956
Total financial liabilities	121,838	118	–	121,956
Net on-balance-sheet position	16,757	–	–	16,757

A 10% weakening of the US dollar against sterling would have reduced equity and profit after tax by £nil in 2021 (2020: £nil). A 10% strengthening of the US dollar would have had an equal and opposite effect. This analysis assumes that all other variables, in particular other exchange rates, remain constant.

Price risk

The group's exposure to price risk, all of which is through the company's holdings of equity investment securities, is described in note 33.

56 Financial instruments continued

Fair values

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 2021	**Level 1 £'000**	**Level 2 £'000**	**Level 3 £'000**	**Total £'000**
Assets				
Fair value through profit or loss:				
– equity securities	**7,376**	**–**	**–**	**7,376**
– money market funds	**–**	**–**	**–**	**–**
	7,376	**–**	**–**	**7,376**

At 31 December 2020	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Assets				
Fair value through profit or loss:				
– equity securities	5,728	–	–	5,728
– money market funds	–	10,000	–	10,000
	5,728	10,000	–	15,728

The company 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 (2020: 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 33 to the consolidated financial statements.

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 45).

57 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
- maintain a strong capital base to support the development of its business.

For monitoring purposes, the company defines capital as distributable reserves (see note 44). The company monitors the level of distributable reserves on a monthly basis and compares 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 monitors 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.

There were no changes in the company's approach to capital management during the year.

58 Contingent liabilities and commitments

The company had no contingent liabilities or commitments at the year end (2020: £nil).

59 Related party transactions

Rathbones Group Plc is considered to be the ultimate controlling party.

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.

	2021 £'000	2020 £'000
Short-term employee benefits	**2,114**	1,435
Other long-term benefits	**178**	50
Share-based payments	**382**	550
	2,674	2,035

Dividends totalling £229,000 were paid in the year (2020: £98,000) 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.

Other related party transactions

During the year, the company entered into the following transactions with its subsidiaries:

	2021		2020	
	Receivable £'000	**Payable £'000**	Receivable £'000	Payable £'000
Interest	**972**	**–**	–	–
Charges for management services	**55,574**	**–**	209,878	–
Dividends received	**65,000**	**–**	58,000	–
	121,546	**–**	267,878	–

The company's balances with fellow group companies at 31 December 2021 are set out in notes 47 and 50.

The company's transactions with the pension funds are described in note 54. At 31 December 2021, no amounts were due from the pension schemes (2020: £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.

60 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:

	2021 £'000	2020 £'000
Cash at bank (excluding amounts held by employee benefit trust)	**19,065**	12,611

A reconciliation of the movements of liabilities to cash flows arising from financing activities is provided in note 38 to the consolidated financial statements.

61 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

Five-year record

	2021 £'000	2020 £'000	2019 £'000	2018 £'000	2017 £'000
Operating income (and underlying operating income)[1]	**435,927**	366,088	348,071	311,963	286,049
Underlying profit before tax[1]	**120,719**	92,530	88,673	91,558	87,520
Profit before tax	**95,035**	43,779	39,652	61,306	58,901
Profit after tax	**75,229**	26,652	26,923	46,169	46,829
Equity dividends paid and proposed	**49,501**	38,728	37,714	35,204	30,429
Basic earnings per share	**133.5p**	49.6p	50.3p	88.7p	92.7p
Diluted earnings per share	**129.3p**	47.6p	48.7p	86.2p	91.9p
Underlying earnings per share[1]	**172.2p**	133.3p	132.8p	142.5p	138.8p
Dividends per ordinary share	**81.0p**	72.0p	70.0p	66.0p	61.0p
Equity shareholders' funds	**623,282**	513,827	485,393	325,550	363,278
Total funds under management and administration	**£68.2bn**	£54.7bn	£50.4bn	£44.1bn	£39.1bn

1. A reconciliation between the underlying measure and its closest IFRS equivalent for the current year and the prior year is shown in table 4 on page 34

Corporate information

	Investment management	Unit trusts
Principal trading names	Rathbone Investment Management Rathbone Investment Management International Rathbone Greenbank Investments Rathbone Trust Company Rathbone Trust Legal Services Vision Independent Financial Planning Castle Investment Solutions Saunderson House	Rathbone Unit Trust Management
Offices	17	2
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