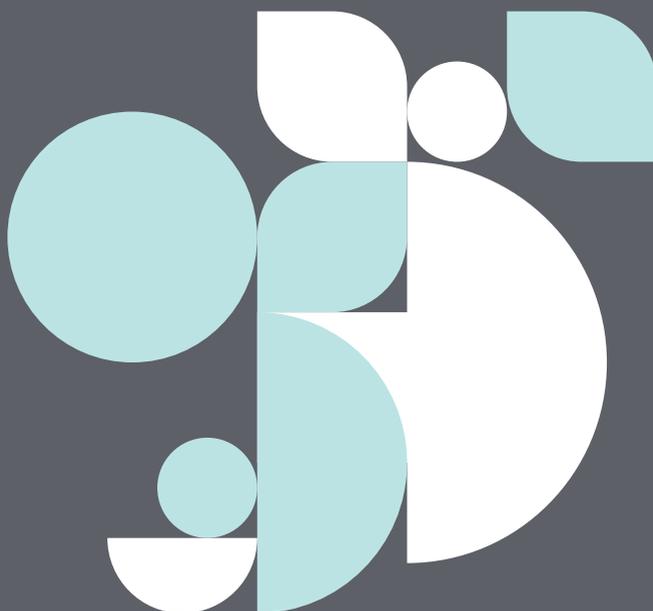


# Rathbones

Look forward

## Rathbone Heritage Fund

Annual report for the year ended 30 April 2018



# Rathbone Heritage Fund

## **Authorised Fund Manager (the Manager)**

Rathbone Unit Trust Management Limited  
8 Finsbury Circus  
London EC2M 7AZ  
Telephone 020 7399 0399  
Facsimile 020 7399 0057

**A member of the Rathbone Group  
Authorised and regulated by the  
Financial Conduct Authority and member  
of The Investment Association**

## **Dealing office**

DST Financial Services Europe Limited  
DST House  
St Nicholas Lane  
Basildon  
Essex SS15 5FS  
Telephone 0330 123 3810  
Facsimile 0330 123 3812

## **Registrar**

DST Financial Services International Limited  
DST House  
St Nicholas Lane  
Basildon  
Essex SS15 5FS  
Telephone 0330 123 3810  
Facsimile 0330 123 3812

**Authorised and regulated by the  
Financial Conduct Authority**

## **Independent Auditor**

Deloitte LLP  
Statutory Auditor  
110 Queen Street  
Glasgow G1 3BX

## **Directors**

**PL Howell** – Chairman  
**MM Webb** – Chief Executive Officer  
**JR Chillingworth** – Chief Investment Officer  
**JM Ardouin** – Finance Director  
**CRC Hexton**  
**RP Lanyon**  
**CR Stick**  
**JG Thomson**  
**BN Jones**

## **Administrator**

HSBC Securities Services  
1-2 Lochside Way  
Edinburgh Park  
Edinburgh EH12 9DT  
**Authorised and regulated by the  
Financial Conduct Authority**

## **Trustee**

The National Westminster Bank Plc  
Trustee and Depositary Services  
280 Bishopsgate  
London EC2M 4RB  
**Authorised and regulated by the  
Financial Conduct Authority**

## Manager's report for the year ended 30 April 2018

In the year to 30 April 2018, the Rathbone Heritage Fund accumulation units increased 3.2%. The CPI+5% benchmark increased 6.7%, while the FTSE World index in sterling was up 7.5% over the period.

Markets progressed steadily through the end of 2017 and into the start of January, but early 2018 saw a reality check. Tensions rose between North Korea and the US, while Sino-American trade relations slumped on a prospective trade war sending volatility spiking. The "fear gauge" soon calmed down and markets subsequently rebounded, but the consistent ultra-low volatility of the previous year or so appears to be firmly in the rear view.

Over the past year, markets were dominated by US tech stocks, led by Apple, Facebook, Microsoft and the like, to which we have limited exposure. There was also strength in oil and gas and materials sectors which are under-represented in our portfolio, as we continue to favour businesses where we can have greater confidence in capital allocation and our assessment of its outcomes.

As dictated by our market-valuation-linked mechanical cash process, our cash level ended the period at 26.8% and we continued to hold short-dated gilts (including the 0% T-Bill 11/6/2018) to manage our counterparty risk. Cash was a drag to performance over the year.

As discussed in our interim report back in November, we started new holdings in ASML, TravelSky, Tencent and dormakaba during the year. We also exited positions in Assa Abloy and Takkt.

ASML is a Dutch semiconductor equipment maker, which benefits from the trend of autonomous driving and vehicle electrification. We believe ASML gives us access to these exciting technologies without having to figure out which automotive company will be the winner in this fast moving arena.

Tencent and TravelSky are Chinese technology businesses benefiting from astounding growth in the country's middle class. Tencent operates in social media and online gaming, but has its fingers in many other pies as well. TravelSky has a virtual monopoly in airline ticketing software for all of China.

Swiss locksmith and access control company dormakaba is a relatively unknown investment story

which we think is a great opportunity. We switched from Assa Abloy into dormakaba, given the more attractive proposition.

Concerns about current trading prospects, and uncertainty around medium-term digital strategy led us to sell German distributor TAKKT.

We also sold out of holdings in Roche, Reckitt Benckiser and Givaudan during the second half of the year.

Swiss pharmaceutical business Roche concerned us because we felt medium-term growth could disappoint expectations, especially with drugs coming off patent. It was also uncertain whether new initiatives could offset this to a great enough degree. We felt the margin of safety was not enough for our continued investment.

Consumer products company Reckitt Benckiser has been going through a period of operational and product issues. After considering the broader sector, we decided that investors could be better served elsewhere, so we sold our position and bought shares in Unilever.

We sold Givaudan because the valuation was no longer attractive given its medium-term prospects. Raw materials have been getting more expensive, putting pressure on income. Meanwhile there has been growing speculation that Givaudan is looking to sell part of the business or make acquisitions. We believed that would simply add an additional level of risk that we are happy to avoid at the moment.

As the year continues, volatility has abated once more and markets have rebounded somewhat, but uncertainty remains. Talks between the US and North Korea are currently still on the books, but the mercurial nature of both parties makes it difficult to forecast whether they will even happen – let alone what the outcome will be. We strive to look through this, and other headline-grabbing issues, to what is actually affecting the stocks we own. We focus on what the impacts will be, and act accordingly.

**Elizabeth Davis**  
*18 May 2018*

## Net asset value per unit and comparative tables

### I-Class income units

	<b>30.04.18</b> pence per unit	30.04.17 pence per unit	30.04.16 pence per unit
<b>Change in net assets per unit</b>			
Opening net asset value per unit	142.13p	123.17p	120.90p
Return before operating charges*	5.59p	21.95p	5.44p
Operating charges	(1.31p)	(1.23p)	(1.09p)
Return after operating charges*	4.28p	20.72p	4.35p
Distributions on income units	(1.88p)	(1.76p)	(2.08p)
Closing net asset value per unit	144.53p	142.13p	123.17p
*after direct transactions costs <sup>1</sup> of:	0.13p	0.09p	0.08p

<sup>1</sup> Transaction costs include dealing costs, broker commission, stamp duty and other explicit investment costs.

### Performance

Return after charges	3.01%	16.82%	3.60%
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### Other information

Closing net asset value	£1,085,033	£591,914	£38,868
Closing number of units	750,719	416,467	31,556
Operating charges	0.90%	0.90%	0.90%
Direct transaction costs	0.09%	0.06%	0.07%

### Prices

Highest unit price	151.70p	143.91p	126.04p
Lowest unit price	139.54p	120.78p	112.14p

## Net asset value per unit and comparative tables *(continued)*

### I-Class accumulation units

	<b>30.04.18</b> pence per unit	30.04.17 pence per unit	30.04.16 pence per unit
<b>Change in net assets per unit</b>			
Opening net asset value per unit	153.42p	129.97p	125.54p
Return before operating charges*	5.99p	24.76p	5.58p
Operating charges	(1.42p)	(1.31p)	(1.15p)
Return after operating charges*	4.57p	23.45p	4.43p
Distributions on accumulation units	(2.03p)	(1.88p)	(2.18p)
Retained distributions on accumulation units	2.03p	1.88p	2.18p
Closing net asset value per unit	157.99p	153.42p	129.97p

\*after direct transactions costs<sup>1</sup> of: 0.14p      0.09p      0.09p

<sup>1</sup> Transaction costs include dealing costs, broker commission, stamp duty and other explicit investment costs.

### Performance

Return after charges 2.98%      18.04%      3.53%

### Other information

Closing net asset value	£15,732,119	£7,339,064	£2,491,715
Closing number of units	9,957,497	4,783,707	1,917,202
Operating charges	0.90%	0.90%	0.90%
Direct transaction costs	0.09%	0.06%	0.07%

### Prices

Highest unit price	164.64p	154.09p	133.07p
Lowest unit price	151.47p	128.70p	118.38p

## Net asset value per unit and comparative tables *(continued)*

### S-Class income units

	<b>30.04.18</b> pence per unit	30.04.17 pence per unit	30.04.16 pence per unit
<b>Change in net assets per unit</b>			
Opening net asset value per unit	144.15p	122.92p	120.15p
Return before operating charges*	5.76p	23.76p	5.54p
Operating charges	(0.82p)	(0.75p)	(0.67p)
Return after operating charges*	4.94p	23.01p	4.87p
Distributions on income units	(1.90p)	(1.78p)	(2.10p)
Closing net asset value per unit	147.19p	144.15p	122.92p
*after direct transactions costs <sup>1</sup> of:	0.14p	0.09p	0.08p

<sup>1</sup> Transaction costs include dealing costs, broker commission, stamp duty and other explicit investment costs.

### Performance

Return after charges	3.43%	18.72%	4.05%
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### Other information

Closing net asset value	£5,222,279	£5,340,164	£5,186,178
Closing number of units	3,548,064	3,704,564	4,219,214
Operating charges	0.55%	0.55%	0.55%
Direct transaction costs	0.09%	0.06%	0.07%

### Prices

Highest unit price	154.28p	146.00p	127.42p
Lowest unit price	142.04p	122.18p	113.28p

## Net asset value per unit and comparative tables *(continued)*

### S-Class accumulation units

	<b>30.04.17</b> pence per unit	30.04.16 pence per unit	30.04.15 pence per unit
<b>Change in net assets per unit</b>			
Opening net asset value per unit	155.49p	130.94p	125.81p
Return before operating charges*	6.18p	25.35p	5.84p
Operating charges	(0.88p)	(0.80p)	(0.71p)
Return after operating charges*	5.30p	24.55p	5.13p
Distributions on accumulation units	(2.06p)	(1.90p)	(2.21p)
Retained distributions on accumulation units	2.06p	1.90p	2.21p
Closing net asset value per unit	160.79p	155.49p	130.94p

\*after direct transactions costs<sup>1</sup> of: 0.15p      0.09p      0.09p

<sup>1</sup> Transaction costs include dealing costs, broker commission, stamp duty and other explicit investment costs.

### Performance

Return after charges 3.41%      18.75%      4.08%

### Other information

Closing net asset value	£11,709,909	£9,845,038	£8,626,374
Closing number of units	7,282,858	6,331,791	6,588,039
Operating charges	0.55%	0.55%	0.55%
Direct transaction costs	0.09%	0.06%	0.07%

### Prices

Highest unit price	167.39p	156.28p	134.98p
Lowest unit price	154.12p	130.15p	119.57p

### Risk and reward profile as published in the fund's most recent Key Investor Information Document



Lower potential risk/reward  
(Not risk-free)

Higher potential risk/reward

This indicator is a measure of the fund's past volatility (the extent and rapidity of up-and-down movements of the value of an investment). It may not be a reliable indication of the fund's future risk. The risk category shown is not a target or a guarantee and may change over time.

## Net asset value per share and comparative tables *(continued)*

### Discrete annual performance, year ending 30 April 2018

	2014	2015	2016	2017	2018
I-Class units	9.20%	13.03%	3.91%	18.18%	3.21%
S-Class units	9.56%	13.43%	4.28%	18.59%	3.57%
UK Consumer Price Index +5%	6.92%	4.79%	5.33%	7.80%	7.54%
FTSE World index	6.83%	18.03%	0.49%	30.99%	7.47%

Past performance should not be seen as an indication of future performance.

The value of investments and the income from them may go down as well as up and you may not get back your original investment.

## Portfolio and net other assets as at 30 April 2018

Holding (Ordinary shares unless otherwise stated)	Value (note 1f) £	Percentage of total net assets
<b>Debt Securities (30.04.17: 7.57%)</b>		
<b>Government Bonds (30.04.17: 7.57%)</b>		
1,250,000 UK Treasury 0% 14/05/2018*	1,249,787	3.70
1,250,000 UK Treasury 0% 11/06/2018*	1,249,205	3.70
1,250,000 UK Treasury 0% 09/07/2018*	1,248,920	3.70
	<b>3,747,912</b>	<b>11.10</b>
<b>United Kingdom (30.04.17: 16.55%)</b>		
<b>Support Services (30.04.17: 2.79%)</b>		
37,250 Bunzl	<b>785,975</b>	<b>2.33</b>
<b>Travel and Leisure (30.04.17: 6.32%)</b>		
16,700 Carnival	788,741	2.34
214,500 Patisserie Holdings	884,812	2.62
	<b>1,673,553</b>	<b>4.96</b>
<b>Software and Computer Services (30.04.17: 2.49%)</b>		
34,000 Micro Focus International	<b>426,020</b>	<b>1.26</b>
<b>Real Estate (30.04.17: 2.34%)</b>		
89,000 Big Yellow	820,135	2.43
770,000 PRS REIT	777,700	2.30
	<b>1,597,835</b>	<b>4.73</b>
<b>Food Producers (30.04.17: 0.00%)</b>		
20,000 Unilever	<b>815,500</b>	<b>2.42</b>
<b>Automobiles and Parts (30.04.17: 0.00%)</b>		
11,900 Delphi Technologies	<b>418,424</b>	<b>1.24</b>
<b>Total United Kingdom</b>	<b>5,717,307</b>	<b>16.94</b>
<b>United States (30.04.17: 28.34%)</b>		
<b>Aerospace and Defence (30.04.17: 2.22%)</b>		
3,130 Lockheed Martin	<b>729,102</b>	<b>2.16</b>
<b>Automobiles and Parts (30.04.17: 3.52%)</b>		
13,100 Aptiv	<b>804,347</b>	<b>2.38</b>

## Portfolio and net other assets as at 30 April 2018 *(continued)*

Holding (Ordinary shares unless otherwise stated)	Value (note 1f) £	Percentage of total net assets
<b>General Retailers</b> (30.04.17: 2.35%)		
4,790 Ultra Beauty	<b>872,484</b>	<b>2.59</b>
<b>Financial Services</b> (30.04.17: 5.43%)		
15,150 Discover Financial Services	783,706	2.32
7,500 MasterCard	970,832	2.88
	<b>1,754,538</b>	<b>5.20</b>
<b>Industrial Engineering</b> (30.04.17: 1.96%)		
16,500 Westinghouse Air Brake Technologies (Wabtec)	<b>1,063,542</b>	<b>3.15</b>
<b>Software and Computer Services</b> (30.04.17: 2.47%)		
13,650 Cognizant Technology Solutions	<b>810,765</b>	<b>2.40</b>
<b>Total United States</b>		<b>17.88</b>
<b>Belgium</b> (30.04.17: 4.60%)		
<b>Beverages</b> (30.04.17: 2.16%)		
11,000 Anheuser-Busch InBev	<b>798,078</b>	<b>2.36</b>
<b>Travel and Leisure</b> (30.04.17: 2.44%)		
13,740 Kinopolis	<b>696,641</b>	<b>2.06</b>
<b>Total Belgium</b>		<b>4.42</b>
<b>China</b> (30.04.17: 0.00%)		
<b>Software and Computer Services</b> (30.04.17: 0.00%)		
30,000 Tencent	1,085,128	3.22
400,000 TravelSky	854,781	2.53
<b>Total China</b>		<b>5.75</b>
<b>Denmark</b> (30.04.17: 0.00%)		
<b>Banks</b> (30.04.17: 0.00%)		
28,700 Danske Bank	<b>729,188</b>	<b>2.16</b>
<b>Food Producers</b> (30.04.17: 0.00%)		
12,500 Chr Hansen	<b>823,852</b>	<b>2.44</b>
<b>Total Denmark</b>		<b>4.60</b>

Portfolio and net other assets as at 30 April 2018 *(continued)*

Holding (Ordinary shares unless otherwise stated)	Value (note 1f) £	Percentage of total net assets
<b>Finland</b> (30.04.17: 2.95%)		
<b>Non-Life Insurance</b> (30.04.17: 2.95%)		
25,400 Sampo	<b>1,001,293</b>	<b>2.97</b>
<b>Germany</b> (30.04.17: 2.70%)		
<b>Travel and Leisure</b> (30.04.17: 0.00%)		
24,500 CTS Eventim	<b>832,569</b>	<b>2.47</b>
<b>Hong Kong</b> (30.04.17: 3.66%)		
<b>Life Insurance</b> (30.04.17: 3.66%)		
180,500 AIA	<b>1,179,702</b>	<b>3.50</b>
<b>Ireland</b> (30.04.17: 1.91%)		
<b>Support Services</b> (30.04.17: 1.91%)		
11,700 DCC	<b>819,000</b>	<b>2.43</b>
<b>Italy</b> (30.04.17: 2.14%)		
<b>Support Services</b> (30.04.17: 2.14%)		
94,000 Cerved Information Solutions	<b>828,683</b>	<b>2.46</b>
<b>Netherlands</b> (30.04.17: 3.48%)		
<b>Media</b> (30.04.17: 3.48%)		
53,830 RELX	<b>831,294</b>	<b>2.46</b>
<b>Technology Hardware and Equipment</b> (30.04.17: 0.00%)		
7,050 ASML Holdings	<b>973,702</b>	<b>2.89</b>
<b>Total Netherlands</b>		<b>1,804,996</b> <b>5.35</b>
<b>Switzerland</b> (30.04.17: 7.11%)		
<b>Pharmaceuticals and Biotechnology</b> (30.04.17: 4.63%)		
14,400 Novartis (Registered)	<b>810,069</b>	<b>2.40</b>

## Portfolio and net other assets as at 30 April 2018 *(continued)*

Holding (Ordinary shares unless otherwise stated)	Value (note 1f) £	Percentage of total net assets
<b>Electronic and Electrical Equipment</b> (30.04.17: 0.00%)		
1,150 Dormakaba	<b>649,039</b>	<b>1.92</b>
<b>Total Switzerland</b>	<b>1,459,108</b>	<b>4.32</b>
<b>Total value of investments</b> (30.04.17: 83.36%)	28,413,016	84.19
<b>Net other assets</b> (30.04.17: 16.64%)	5,336,324	15.81
<b>Total value of the fund as at 30 April 2018</b>	<b>33,749,340</b>	<b>100.00</b>

\*Debt securities

Sectors eliminated since the beginning of the year:

### United Kingdom

Household Goods 2.61%

### United States

Personal Goods 2.32%

Media 3.90%

Food and Drug Retailers 2.58%

Beverages 1.59%

### Germany

General Retailers 2.70%

### Sweden

Construction and Materials 2.35%

### Switzerland

Chemicals 2.48%

Countries eliminated since the beginning of the year:

**Sweden** 2.35%

## Summary of portfolio investments

	Value £	Percentage of total net assets
Debt Securities	3,747,912	11.10
Equity Securities	24,665,104	73.09
<b>Total value of investments</b>	<b>28,413,016</b>	<b>84.19</b>

## Statement of total return for the year ended 30 April 2018

	Note	30.04.18 £	30.04.18 £	30.04.17 £	30.04.17 £
<b>Income</b>					
Net capital gains	2		<b>495,032</b>		3,044,793
Revenue	3	<b>431,750</b>		316,582	
Expenses	4	<b>(194,684)</b>		(126,633)	
Interest payable and similar charges		<b>(97)</b>		(92)	
Net revenue before taxation		<b>236,969</b>		189,857	
Taxation	5	<b>(29,170)</b>		(24,670)	
Net revenue after taxation			<b>207,799</b>		165,187
<b>Total return before distributions</b>			<b>702,831</b>		3,209,980
Distributions	6		<b>(360,521)</b>		(261,841)
<b>Change in net assets attributable to unitholders from investment activities</b>			<b>342,310</b>		2,948,139

## Statement of change in net assets attributable to unitholders for the year ended 30 April 2018

	30.04.18 £	30.04.18 £	30.04.17 £	30.04.17 £
<b>Opening net assets attributable to unitholders</b>		<b>23,116,180</b>		16,343,133
Amounts receivable on issue of units	<b>11,424,241</b>		5,589,685	
Amounts payable on cancellation of units	<b>(1,448,582)</b>		(1,966,139)	
		<b>9,975,659</b>		3,623,546
Change in net assets attributable to unitholders from investment activities (see Statement of total return above)		<b>342,310</b>		2,948,139
Retained distributions on accumulation units		<b>315,191</b>		201,362
<b>Closing net assets attributable to unitholders</b>		<b>33,749,340</b>		23,116,180

## Balance sheet as at 30 April 2018

	Note	30.04.18 £	30.04.18 £	30.04.17 £	30.04.17 £
<b>Assets</b>					
<b>Fixed assets:</b>					
Investments			<b>28,413,016</b>		19,269,639
<b>Current assets:</b>					
Debtors	7	<b>562,546</b>		179,022	
Cash and bank balances		<b>5,342,301</b>		3,763,211	
<b>Total current assets</b>			<b>5,904,847</b>		3,942,233
<b>Total assets</b>			<b>34,317,863</b>		23,211,872
<b>Liabilities</b>					
<b>Creditors:</b>					
Other creditors	8	<b>(524,826)</b>		(50,444)	
Distribution payable on income units		<b>(43,697)</b>		(45,248)	
<b>Total liabilities</b>			<b>(568,523)</b>		(95,692)
<b>Net assets attributable to unitholders</b>			<b>33,749,340</b>		23,116,180

# Notes to the financial statements

## 1 Accounting policies

### a) Basis of accounting

The annual financial statements have been prepared under the historical cost basis, as modified by the revaluation of investments and in accordance with FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and the Statement of Recommended Practice (SORP) for Financial Statements of UK Authorised Funds issued by The Investment Association in May 2014.

As stated in the Statement of the Manager's responsibilities in relation to the report and accounts of the Company on page 28, the Manager continues to adopt the going concern basis in the preparation of the financial statements of the fund.

### b) Recognition of revenue

All dividends marked ex-dividend up to the accounting date are included in revenue inclusive of any tax deducted at source and net of attributable tax credits. Bank and other interest receivable is accrued up to the accounting date, and this forms part of the distribution.

Revenue on debt securities has been accounted for on an effective interest method.

Revenue received from investments in authorised collective investment schemes, which are purchased during the financial year, will include an element of equalisation which represents the average amount of revenue included in the price paid for shares or units. The equalisation is treated as capital and deducted from the cost of the investment.

Management fee rebates arising from the holding of unit or shares in underlying funds are recognised on an accrual basis. Where the policy of the underlying fund is to charge its management fee to capital, in determining its distributions, then the management fee rebates are recognised in capital. Otherwise, the management fee rebates are recognised in revenue.

### c) Treatment of scrip and special dividends

Any stock received in lieu of cash dividends is credited to capital in the first instance, followed by a transfer to revenue of the cash equivalent being offered, and this forms part of the distribution made by the fund.

Special dividends are treated as revenue or capital depending on the facts of each particular case.

### d) Treatment of expenses

Manager's charge is deducted from capital and all expenses (other than direct costs of purchase and sale of investments) are charged against revenue.

### e) Distribution policy

Revenue arising from the fund's investments accumulates during each accounting period. If, at the end of the accounting period, revenue exceeds expenses, the net revenue of the fund is available to be distributed to unitholders.

For the purpose of calculating the distribution available to unitholders, the Manager's charge is deducted from capital, offsetting expenses against capital may constrain future growth in revenue and capital.

For the purpose of calculating the distribution available to unitholders, revenue on debt securities is computed as the higher of the amount determined on an accrual of coupon basis and on an effective yield basis. A reconciliation of the net distribution to the net revenue of the fund as reported total return is shown in note 6.

In order to conduct a controlled dividend flow to unitholders, interim distributions will be made at the Managers' discretion, up to a maximum of the distributable revenue available for the year. All remaining revenue is distributed in accordance with the regulations.

### f) Basis of valuation of investments

The quoted investments of the fund have been valued at the closing bid-market prices excluding any accrued interest in the case of debt securities ruling on the principal markets on which the stocks are quoted on the last business day of the accounting year. If no market price is available we use two different vendors (at least one being independent) to obtain a price and verify it against.

If the Stock Exchange quotation of an investment has been suspended, and in the opinion of the Manager, it is unlikely to be reinstated, this has been indicated in the portfolio of investments. Suspended investments are value based on the latest financial statements of the respective company and agreed with the Trustee.

## 1 Accounting policies *(continued)*

### g) Exchange rates

Transactions in foreign currencies are recorded in sterling at the rate ruling at the date of the transactions. Assets and liabilities expressed in foreign currencies at the end of the accounting year are translated into sterling at the closing mid exchange rates ruling on that date.

### h) Taxation/Deferred Tax

i) Corporation tax is provided for at 20% on taxable revenue, after deduction of expenses.

ii) Where overseas tax has been deducted from taxable overseas revenue, that tax can, in some instances, be set off against the corporation tax payable by the fund, by way of double taxation relief.

iii) The charge for deferred tax is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred tax is provided using the liability method on all timing differences, calculated at the rate at which it is anticipated the timing differences will reverse. Deferred tax assets are recognised only when, on the basis of available evidence, it is more likely than not that there will be taxable profits in the future against which the deferred tax assets can be offset. Deferred tax assets and liabilities are not discounted to reflect the time value of money.

### i) Unit classes rights on termination, allocation of tax and distributable income

The fund may be terminated if an order declaring the fund to be an authorised unit trust scheme is revoked, or the Financial Conduct Authority (FCA) determines to revoke the order at the request of the Trustee or the Manager. In the case of a reconstruction or an amalgamation of the fund with another body or trust, on the passing of an extraordinary resolution of holders of units approving the amalgamation. The Trustee shall wind up the fund in accordance with that resolution.

On the termination of the fund in any other case, the Trustee shall sell the investments, and out of the proceeds of the sale shall settle the fund's liabilities and pay the costs and expenses of the winding up before distributing the proceeds of the realisation to unitholders and the Manager proportionally to their respective interests in the fund. Any unclaimed proceeds or cash held by the Trustee after the expiration of 12 months from the date on which the same became payable shall be paid by the Trustee into court subject to the Trustee having a right to retain any expenses incurred by it in making such payment into court. On the completion of the winding-up the trustee must notify the FCA to revoke the relevant authorisation order.

Allocation of tax and distributable income is done proportionally to the unitholders respective interests in the fund.

## Notes to the financial statements *(continued)*

### 2 Net capital gains

	<b>30.04.18</b>	30.04.17
	<b>£</b>	£
The net capital gains during the year comprise:		
Non-derivative securities	<b>506,245</b>	3,040,798
Currency (losses)/gains	<b>(11,213)</b>	3,995
<b>Total net capital gains</b>	<b>495,032</b>	3,044,793

### 3 Revenue

	<b>30.04.18</b>	30.04.17
	<b>£</b>	£
Dividends – UK Ordinary	<b>69,227</b>	59,504
– Overseas	<b>329,891</b>	247,051
– Property income distributions	<b>20,967</b>	6,075
Interest on debt securities	<b>5,733</b>	2,009
Bank interest	<b>5,932</b>	1,943
<b>Total revenue</b>	<b>431,750</b>	316,582

### 4 Expenses

	<b>30.04.18</b>	<b>30.04.18</b>	30.04.17	30.04.17
	<b>£</b>	<b>£</b>	£	£
Payable to the Manager, associates of the Manager and agents of either of them:				
Manager's periodic charge		<b>152,989</b>		96,943
Other expenses:				
Administration fees	<b>41,695</b>		29,690	
		<b>41,695</b>		29,690
<b>Total expenses</b>		<b>194,684</b>		126,633

Audit fees of £7,300 (30.04.17: £7,300) excluding VAT have been borne by the Authorised Fund Manager in the current period.

## 5 Taxation

	<b>30.04.18</b>	30.04.17
	<b>£</b>	£
a) Analysis of charge in the year		
Overseas tax	<b>29,170</b>	24,670
Total taxation charge (note 5b)	<b>29,170</b>	24,670

### b) Factors affecting current tax charge for the year

The tax assessed for the year is lower than the standard rate of corporation tax in the UK for an Authorised Unit Trust (20%) (30.04.17: 20%). The differences are explained below:

	<b>30.04.18</b>	30.04.17
	<b>£</b>	£
Net revenue before taxation	<b>236,969</b>	189,857
Corporation tax at 20%	<b>47,394</b>	37,971
Effects of:		
Revenue not subject to taxation	<b>(79,824)</b>	(61,311)
Excess management expenses not utilised	<b>32,430</b>	23,340
Corporate tax charge	<b>—</b>	—
Higher tax rates on overseas withholding tax	<b>29,170</b>	24,670
Total taxation charge (note 5a)	<b>29,170</b>	24,670

### c) Deferred tax

At the year end the fund had surplus management expenses of £510,341 (30.04.17: £348,192). It is unlikely that the fund will generate sufficient taxable profits in the future to utilise these expenses and, therefore, a deferred tax asset of £102,069 (30.04.17: £69,639) has not been recognised in the financial statements.

## 6 Distributions

The distributions take account of amounts received on the issue of units and amounts deducted on the cancellation of units, and comprise:

	<b>30.04.18</b>	30.04.17
	<b>£</b>	£
Interim	<b>161,942</b>	102,086
Final	<b>233,074</b>	174,821
	<b>395,016</b>	276,907
Add: Amounts deducted on cancellation of units	<b>5,015</b>	4,517
Deduct: Amounts received on issue of units	<b>(39,510)</b>	(19,583)
Net distribution for the year	<b>360,521</b>	261,841

### Reconciliation of net distribution for the year to net revenue after tax:

Net distribution for the year	<b>360,521</b>	261,841
Expenses charged to capital:		
Manager's periodic charge	<b>(152,989)</b>	(96,943)
Equalisation on conversions	<b>(34)</b>	42
Balance brought forward	<b>(772)</b>	(525)
Balance carried forward	<b>1,073</b>	772
Net revenue after taxation	<b>207,799</b>	165,187

## 7 Debtors

	<b>30.04.18</b>	30.04.17
	<b>£</b>	£
Amounts receivable for issue of units	<b>448,528</b>	86,637
Accrued revenue	<b>91,930</b>	71,934
Taxation recoverable	<b>22,088</b>	20,451
Total debtors	<b>562,546</b>	179,022

## 8 Other creditors

	<b>30.04.18</b>	30.04.17
	<b>£</b>	£
Amounts payable for cancellation of units	—	37,886
Purchases awaiting settlement	<b>505,881</b>	—
Accrued expenses	<b>3,956</b>	2,819
Accrued Manager's periodic charge	<b>14,989</b>	9,739
Total other creditors	<b>524,826</b>	50,444

## 9 Reconciliation of units

	I-Class income	I-Class accumulation	S-Class income	S-Class accumulation
Opening units issued at 01.05.17	416,467	4,783,707	3,704,564	6,331,791
Unit movements 01.05.17 to 30.04.18				
Units issued	5,652,725	479,700	1,626,069	—
Units cancelled	(239,443)	—	(748,424)	—
Units converted	(5,079,030)	4,694,090	(1,034,145)	951,067
Closing units at 30.04.18	750,719	9,957,497	3,548,064	7,282,858

## 10 Related party transactions

Management fees paid to Rathbone Unit Trust Management Limited (the Manager) are disclosed in note 4 and amounts outstanding at the year end in note 8.

Trustee and other fees paid to National Westminster Bank Plc, Trustee and Depository Services are also detailed in note 4 except for transaction charges which are disclosed in note 2. Any amounts prepaid and due at the year end are disclosed in notes 7 and 8.

There were no commissions paid to stockbroking of the Manager in respect of dealings in the investments of Rathbone Heritage Fund during the year (30.04.17: nil).

All other amounts paid to or received from the related parties, together with the outstanding balances are disclosed in the financial statements.

## 11 Contingent liabilities and commitments

There were no contingent liabilities or outstanding commitments at the balance sheet date (30.04.17: nil).

## 12 Risk disclosures on financial instruments

In pursuing the investment objective a number of financial instruments are held which may comprise securities and other investments, cash balances and debtors and creditors that arise directly from operations, for example, in respect of sales and purchases awaiting settlement, amounts receivable for creations and payable for liquidations and debtors for accrued revenue.

There is little exposure to credit or cash flow risk. There are no net borrowings and little exposure to liquidity risk because assets can be readily realised to meet redemptions.

The fund does not make use of derivatives.

**12 Risk disclosures on financial instruments** *(continued)*

The main risks arising from the financial instruments are:

(i) **Foreign currency risk**, being the risk that the value of investments will fluctuate as a result of exchange rate movements. The value of the fund's underlying investments will be affected by movements in exchange rate against sterling, in respect of non-sterling denominated rates.

The table below shows the foreign currency risk profile at the balance sheet date:

	<b>30.04.18</b>	30.04.17
	<b>£</b>	£
Currency:		
Danish krone	<b>1,553,041</b>	—
Euro	<b>6,052,090</b>	3,714,483
Hong Kong dollar	<b>3,119,610</b>	845,854
Pound sterling	<b>15,071,824</b>	9,772,890
Swedish krona	—	552,641
Swiss franc	<b>1,476,302</b>	1,653,846
US dollar	<b>6,454,385</b>	6,556,015
	<b>33,727,252</b>	23,095,729
Other net assets not categorised as financial instruments	<b>22,088</b>	20,451
Net assets	<b>33,749,340</b>	23,116,180

If GBP to foreign currency exchange rates had increased by 10% as at the balance sheet date, the net asset value of the fund would have decreased by £1,695,948 (30.04.17: £1,211,167). If GBP to foreign currency exchange rates had decreased by 10% as at the balance sheet date, the net asset value of the fund would have increased by £2,072,825 (30.04.17: £1,480,315). These calculations assume all other variables remain constant.

(ii) **Interest rate risk**, being the risk that the value of investments will fluctuate as a result of interest rate changes.

The table below shows the interest rate risk profile at the balance sheet date:

	<b>30.04.18</b>	30.04.17
	<b>£</b>	£
Fixed rate assets:		
Pound sterling	<b>3,747,912</b>	1,748,950
Floating rate assets:		
Euro	<b>391,533</b>	—
Hong Kong dollar	<b>94,906</b>	—
Pound sterling	<b>4,838,642</b>	3,754,476
Swiss franc	<b>17,194</b>	8,735
US dollar	<b>26</b>	—
	<b>5,342,301</b>	3,763,211

**12 Risk disclosures on financial instruments** (continued)

(ii) Interest rate risk (continued)

	30.04.18 £	30.04.17 £
Assets on which no interest is paid:		
Danish krone	<b>1,553,041</b>	—
Euro	<b>6,052,090</b>	3,714,483
Hong Kong dollar	<b>3,119,610</b>	845,854
Pound sterling	<b>6,567,354</b>	4,365,156
Swedish krona	—	552,641
Swiss franc	<b>1,459,108</b>	1,645,111
US dollar	<b>6,454,359</b>	6,556,015
	<b>25,205,562</b>	17,679,260
Liabilities on which no interest is paid:		
Euro	<b>(391,533)</b>	—
Hong Kong dollar	<b>(94,906)</b>	—
Pound sterling	<b>(82,084)</b>	(95,692)
	<b>(568,523)</b>	(95,692)
Other net assets not categorised as financial instruments	<b>22,088</b>	20,451
Net assets	<b>33,749,340</b>	23,116,180

Due to the proportion of interest bearing assets held within the portfolio, no sensitivity analysis has been prepared illustrating the impact changes in yields would have on the value of the fund's portfolio.

The floating rate financial assets and liabilities comprise bank balances that earn or pay interest at rates linked to the UK base rate or its international equivalents.

	30.04.18		30.04.17	
	Value (note 1f) £	Percentage of total net assets	Value (note 1f) £	Percentage of total net assets
<b>Bond credit ratings*</b>				
Investment grade	<b>3,747,912</b>	<b>11.10</b>	1,748,950	7.57
Total bonds	<b>3,747,912</b>	<b>11.10</b>	1,748,950	7.57

\* Source: Standard & Poors

	Fixed rate financial assets			
	Weighted average redemption yield rate		Weighted average period for which rate is fixed	
Currency	30.04.18	30.04.17	30.04.18	30.04.17
Pound sterling	<b>0.48%</b>	0.17%	<b>0.11 years</b>	0.34 years

There are no material amounts of non-interest bearing financial assets and liabilities, other than equities and collective investment schemes, which do not have maturity dates.

(iii) **Market price risk**, being the risk that the value of investment holdings will fluctuate as a result of changes in market prices caused by factors other than currency or interest rate movements.

## 12 Risk disclosures on financial instruments *(continued)*

### (iii) Market price risk *(continued)*

The investment portfolio is exposed to market price fluctuations which are monitored by the Manager in pursuance of the investment objective and policy set out in the Prospectus. Adherence to investment guidelines and to investment and borrowing powers set out in the Trust Deed and Prospectus and the rules of the FCA's Collective Investment Scheme Sourcebook mitigates the risk of excessive exposure to any particular type of security or issuer.

If market prices had increased by 10% as at the balance sheet date the net asset value of the fund would have increased by £2,841,302 (30.04.17: £1,926,964). If market prices had decreased by 10% as at the balance sheet date the net asset value of the fund would have decreased by £2,841,302 (30.04.17: £1,926,964). These calculations assume all other variables remain constant.

(iv) **Counterparty risk**, being the risk that the counterparty will not deliver the investments for a purchase, or the cash for a sale after the fund has fulfilled its responsibilities.

(v) **Fair value**. There is no material difference between the carrying value and fair value of the financial instruments disclosed in the balance sheet.

(vi) **Leverage**. In accordance with the IA SORP issued in May 2014 we are required to disclose any leverage of the Fund. There is no significant leverage in Rathbone Heritage Fund which would increase its exposure.

## 13 Portfolio transaction cost

### For the year ended 30 April 2018

#### Analysis of total purchases costs

	Value	Commissions		Taxes	
	£	£	%	£	%
Equity transactions	12,357,081	7,021	0.06	14,838	0.12
Bond transactions	9,992,900	—	—	—	—
Total purchases before transaction costs	22,349,981	7,021		14,838	
Total purchases including commission and taxes	22,371,840				

#### Analysis of total sales costs

	Value	Commissions		Taxes	
	£	£	%	£	%
Equity transactions	5,706,502	3,425	0.06	55	—
Bond transactions	8,000,000	—	—	—	—
Corporate actions	37,419	—	—	—	—
Total sales including transactions costs	13,743,921	3,425		55	
Total sales net of commission and taxes	13,740,441				

Commissions and taxes as % of average net assets

Commissions	0.04%
Taxes	0.05%

**13 Portfolio transaction cost** *(continued)*

**For the year ended 30 April 2017**

**Analysis of total purchases costs**

	Value	Commissions		Taxes	
	£	£	%	£	%
Equity transactions	4,205,863	3,221	0.08	7,634	0.18
Bond transactions	5,948,126	—	—	—	—
Total purchases before transaction costs	10,153,989	3,221		7,634	
Total purchases including commission and taxes	10,164,844				

**Analysis of total sales costs**

	Value	Commissions		Taxes	
	£	£	%	£	%
Equity transactions	2,122,951	1,922	0.09	29	—
Bond transactions	4,700,000	—	—	—	—
Corporate actions	392,642	—	—	—	—
Total sales including transactions costs	7,215,593	1,922		29	
Total sales net of commission and taxes	7,213,642				

Commissions and taxes as % of average net assets

Commissions	0.02%
Taxes	0.04%

In the case of share, commissions and taxes are paid by the fund on each transaction. In addition, there is a dealing spread between the buying and selling prices of the underlying investments. Unlike shares, other types of investments (such as bonds, money market instruments, derivatives) have no separately identifiable transaction costs; these costs form part of dealing spread. Dealing spreads vary considerably depending on the transaction value and market sentiment. At the balance sheet date the dealing spread was 0.09% (30.04.17: 0.11%).

#### 14 Fair value of investments

The fair value of investments has been determined using the following hierarchy:

- Level 1 The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.
- Level 2 Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.
- Level 3 Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

##### For the year ended 30 April 2018

Category	1	2	3	Total
	£	£	£	£
<b>Investment assets</b>				
Equities	24,665,104	—	—	24,665,104
Bonds	3,747,912	—	—	3,747,912
	28,413,016	—	—	28,413,016

##### For the year ended 30 April 2017

Category	1	2	3	Total
	£	£	£	£
<b>Investment assets</b>				
Equities	17,520,689	—	—	17,520,689
Bonds	1,748,950	—	—	1,748,950
	19,269,639	—	—	19,269,639

#### 15 Unit price movement since the balance sheet date

Subsequent to the year end, the net asset value per unit of the fund has increased using the unit prices at the year end date compared to 5 June 2018. This movement takes into account routine transactions but also reflects the market movements of recent months. There are no post balance sheet events which require adjustments.

Unit Type	30.04.18 bid price	05.06.18 bid price
I-Class income	145.86p	150.92
I-Class accumulation	158.33p	164.96
S-Class income	148.52p	153.73
S-Class accumulation	161.15p	167.96

## Distribution tables for the year ended 30 April 2018

### Distribution tables (pence per unit)

#### Interim

Group 1 – Units purchased prior to 1 May 2017

Group 2 – Units purchased on or after 1 May 2017 and on or before 31 October 2017

I-Class income units	Net Income	Equalisation	Paid 29.12.17	Paid 31.12.16
Group 1	0.88	–	0.88	0.68
Group 2	0.08	0.80	0.88	0.68

I-Class accumulation units	Net Income	Equalisation	Accumulated 29.12.17	Accumulated 31.12.16
Group 1	0.94	–	0.94	0.72
Group 2	0.18	0.76	0.94	0.72

S-Class income units	Net Income	Equalisation	Paid 29.12.17	Paid 31.12.16
Group 1	0.88	–	0.88	0.68
Group 2	0.32	0.56	0.88	0.68

S-Class accumulation units	Net Income	Equalisation	Accumulated 29.12.17	Accumulated 31.12.16
Group 1	0.95	–	0.95	0.73
Group 2	0.69	0.26	0.95	0.73

#### Final

Group 1 – Units purchased prior to 1 November 2017

Group 2 – Units purchased on or after 1 November 2017 and on or before 30 April 2018

I-Class income units	Net Income	Equalisation	Payable 29.06.18	Paid 30.06.17
Group 1	1.00	–	1.00	1.08
Group 2	0.57	0.43	1.00	1.08

I-Class accumulation units	Net Income	Equalisation	Allocated 29.06.18	Accumulated 30.06.17
Group 1	1.09	–	1.09	1.16
Group 2	0.59	0.50	1.09	1.16

## Distribution tables for the year ended 30 April 2018 *(continued)*

### Distribution tables (pence per unit) *(continued)*

<b>5-Class income units</b>	<b>Net Income</b>	<b>Equalisation</b>	<b>Payable 29.06.18</b>	<b>Paid 30.06.17</b>
Group 1	1.02	—	1.02	1.10
Group 2	0.41	0.61	1.02	1.10

<b>5-Class accumulation units</b>	<b>Net Income</b>	<b>Equalisation</b>	<b>Allocated 29.06.18</b>	<b>Accumulated 30.06.17</b>
Group 1	1.11	—	1.11	1.17
Group 2	0.88	0.23	1.11	1.17

### Notes for corporate unitholders

Corporate unitholders should read the important information on the reverse of the tax voucher in respect of this distribution. The relevant information required by a corporate unitholder is as follows:

Franked investment income	100.00%
Unfranked investment income	0.00%
Depositary net liability to corporation tax	nil pence per unit

### Equalisation

Equalisation applies only to units purchased during the distribution period (Group 2 units). It represents the accrued revenue included in the purchase price of the units. After averaging it is returned with the distribution as a capital repayment. It is not liable to Income Tax but must be deducted from the cost of the shares for Capital Gains Tax purposes.

## Directors' statement

This report is approved in accordance with the requirements of the Financial Conduct Authority's Collective Investment Schemes Sourcebook.

MM Webb  
for Rathbone Unit Trust Management Limited  
Manager of Rathbone Heritage Fund  
18 June 2018

## Statement of the Manager's responsibilities in relation to the report and accounts of the Rathbone Heritage Fund

The Financial Conduct Authority's Collective Investment Schemes Sourcebook requires the Manager to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the fund and of the net revenue and of the net capital gains on the property of the fund for that year. In preparing those financial statements, the Manager is required to:

1. select suitable accounting policies, as described in the attached financial statements, and then apply them consistently;
2. make judgements and estimates that are reasonable and prudent;
3. comply with the disclosure requirements of the SORP relating to financial statements of authorised funds issued by the The Investment Association;
4. follow UK generally accepted accounting principles, including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and the Statement of Recommended Practice: 'Financial Statements of UK Authorised Funds' issued by The Investment Association in May 2014;
5. prepare the financial statements on the going concern basis unless it is inappropriate to presume that the fund will continue in operation; and
6. keep proper accounting records which disclose with reasonable accuracy at any time the financial position of the Scheme and which enable it to demonstrate that the financial statements as prepared comply with the above requirements.

The Manager is responsible for the management of the scheme in accordance with its Trust Deed, Prospectus and the Financial Conduct Authority's Collective Investment Schemes Sourcebook. The manager has general responsibility for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the Manager is aware:

1. there is no relevant audit information of which the fund's auditor is unaware;
2. the Manager has taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information; and
3. the Manager is of the opinion that it is appropriate to continue to adopt the going concern basis in the preparation of the financial statements as the assets of the fund consist predominantly of securities that are readily realisable and, accordingly, the fund has adequate resources to continue in operational existence for the foreseeable future.

In accordance with COLL 4.5.8 R, the Annual Report and the audited financial statements were approved by the board of directors of the Manager of the Scheme and authorised for issue on 18 June 2018.

# Statement of the Trustee's responsibilities and report of the Trustee to the unitholders of Rathbone Heritage Fund (the Scheme) for the year ended 30 April 2018

The Trustee must ensure that the Scheme is managed in accordance with the Financial Conduct Authority's Collective Investment Schemes Sourcebook, the Financial Services and Markets Act 2000, as amended, (together "the Regulations"), the Trust Deed and Prospectus (together "the Scheme documents") as detailed below.

The Trustee must in the context of its role act honestly, fairly, professionally, independently and in the interests of the Scheme and its investors.

The Trustee is responsible for the safekeeping of all custodial assets and maintaining a record of all other assets of the Scheme in accordance with the Regulations.

The Trustee must ensure that:

1. the Scheme's cash flows are properly monitored and that cash of the Scheme is booked into the cash accounts in accordance with the Regulations;
2. the sale, issue, redemption and cancellation of units are carried out in accordance with the Regulations;
3. the value of units in the Scheme is calculated in accordance with the Regulations;
4. any consideration relating to transactions in the Scheme's assets is remitted to the Scheme within the usual time limits;
5. the Scheme's income is applied in accordance with the Regulations; and
6. the instructions of the Authorised Fund Manager ("the AFM") are carried out (unless they conflict with the Regulations).

The Trustee also has a duty to take reasonable care to ensure that the Scheme is managed in accordance with the Regulations and the Scheme documents in relation to the investment and borrowing powers applicable to the Scheme.

Having carried out such procedures as we consider necessary to discharge our responsibilities as Trustee of the Scheme, it is our opinion, based on the information available to us and the explanations provided, that in all material respects the Scheme, acting through the AFM:

- (i) has carried out the issue, sale, redemption and cancellation, and calculation of the price of the Scheme's units and the application of the Scheme's income in accordance with the Regulations and the Scheme documents; and
- (ii) has observed the investment and borrowing powers and restrictions applicable to the Scheme.

**National Westminster Bank Plc**  
Trustee and Depository Services  
Trustee of Rathbone Heritage Fund  
*18 June 2018*

# Independent Auditor's Report to the unitholders of Rathbone Heritage Fund

## Report on the audit of the financial statements

### Opinion

In our opinion the financial statements:

- give a true and fair view of the financial position of Rathbone Heritage Fund (the 'Fund') as at 30 April 2018 and of the net revenue and the net capital gains on the property of the fund for the year ended 30 April 2018 and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", the Statement of Recommended Practice "Financial Statements of UK Authorised Funds", the rules in the Collective Investment Schemes Sourcebook and the Trust Deed.

We have audited the financial statements of Rathbone Heritage Fund (the 'Fund') which comprise:

- the statement of total return;
- the statement of change in net assets attributable to unitholders;
- the balance sheet;
- the related notes 1 to 15; and
- the distribution tables.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice), the Statement of Recommended Practice: "Financial Statements of UK Authorised Funds" issued by the Investment Association in May 2014, the Collective Investment Schemes Sourcebook and the Trust Deed.

### 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 fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the manager's use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the manager has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the fund's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

### Other information

The manager is responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. 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.

# Independent Auditor's Report to the unitholders of Rathbone Heritage Fund *(continued)*

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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 respect of these matters.

## **Responsibilities of trustee and manager**

As explained more fully in the trustee's responsibilities statement and the manager's responsibilities statement, the trustee is responsible for the safeguarding the property of the fund and the manager is 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 manager determines 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 manager is responsible for assessing the fund'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 manager either intends to liquidate the fund or to cease operations, or have no realistic alternative but to do so.

## **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 Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

## **Use of our report**

This report is made solely to the fund's unitholders, as a body, in accordance with Paragraph 4.5.12R of the Collective Investment Schemes Sourcebook of the Financial Conduct Authority. Our audit work has been undertaken so that we might state to the fund's unitholders 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 fund and the fund's unitholders as a body, for our audit work, for this report, or for the opinions we have formed.

# Independent Auditor's Report to the unitholders of Rathbone Heritage Fund *(continued)*

## **Report on other legal and regulatory requirements**

### **Opinion on other matters prescribed by the Collective Investment Schemes Sourcebook**

In our opinion:

- proper accounting records for the fund have been kept and the financial statements are in agreement with those records;
- we have received all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit; and
- the information disclosed in the annual report for the year ended 30 April 2018 for the purpose of complying with Paragraph 4.5.9R of the Collective Investment Schemes Sourcebook is consistent with the financial statements.

Deloitte LLP  
Statutory Auditor  
Glasgow  
*18 June 2018*

## General information

### UCITS Remuneration

In line with the requirements of the UCITS Directive, Rathbone Unit Trust Management Limited (the Manager) has adopted a remuneration policy which is consistent with the remuneration principles applicable to UCITS management companies. Its purpose is to ensure that the remuneration of the staff of the Manager is consistent with and promotes sound and effective risk management, does not encourage risk-taking which is inconsistent with the risk profiles of the Manager and the UCITS that it manages and does not impair the Manager's compliance with its duty to act in the best interests of the UCITS it manages. The remuneration policy applies to staff of the Manager whose professional activities have a material impact on the risk profile of the Manager or the UCITS that it manages (known as Remuneration Code Staff).

The aggregate remuneration paid by the Manager to its staff, and to those staff who are identified as Remuneration Code Staff, is disclosed below.

	Fixed remuneration £'000	Variable remuneration £'000	Total remuneration £'000	Headcount
Senior Management	1,045	3,022	4,067	5
Risk takers	1,324	1,900	3,224	13
Control functions	231	31	262	3
Other	109	94	203	1
Total remuneration code staff	2,709	5,047	7,756	22
Non-remuneration code staff	582	213	795	13
<b>Total for the Manager</b>	<b>3,291</b>	<b>5,260</b>	<b>8,551</b>	<b>35</b>

The variable remuneration disclosed in the table above is for the financial year ended 30 April 2018, which is the most recent period for which data are available. Variable remuneration is determined annually based on, inter alia, the results of the Manager and the investment performance of the UCITS that it manages for discrete annual periods ending on 31 December each year. Consequently, it is not possible to apportion the variable award between calendar years as the award for 2018 can not be known until after 31 December 2018 has passed.

### **Authorised status**

Rathbone Heritage Fund is an authorised unit trust scheme constituted by a Trust Deed, authorised by the FCA on 29 June 2012 and launched on 25 March 2013.

### **Investment objective, policy and strategy**

The objective of the fund is to provide long-term total returns with a strong focus on capital preservation by mitigating downside risk through a robust investment process (capital preservation is not however guaranteed). The Manager intends to achieve the objective primarily through the purchase of ordinary shares. There are no restrictions on the economic sectors or geographic areas in which the fund may invest. It is likely that the fund will provide a variable income yield. To meet this objective, the fund may also invest, at the Manager's discretion, in other transferable securities, approved money market instruments, warrants, cash and near cash, deposits and units in collective investment schemes. Use may be made of stocklending, borrowing, hedging and other investment techniques.

### **Valuation of the fund**

The fund is valued on each business day at 12 noon for the purpose of determining prices at which units in the fund may be bought or sold. Valuations may be made at other times on business days with the Trustee's approval.

### **Stewardship code**

Rathbone Unit Trust Management Limited fully supports the UK Stewardship Code sponsored by the Financial Reporting Council. Our statement on complying with the Code can be found on our website: [rutm.com](http://rutm.com)

### **Buying and selling of units**

The Manager is available to receive requests for the buying and selling of units on normal business days between 9.00am and 5.00pm and transactions will be effected at prices determined by the next valuation. Application forms for the purchase of units (obtainable from the Manager) should be completed and sent to the dealing office. In respect of telephoned orders, remittances should be sent on receipt of the contract note. Contract notes confirming transactions will be issued by the close of business on the next business day after the dealing date. Purchasers of units are required to enter their registration details on the form supplied with their contract note. Once units are paid for, these details will be entered on the unit register.

Units can be sold by telephone, fax or letter followed by despatch to the dealing office of the authorisation to sell duly completed by all unitholders.

In the absence of clear written instructions signed by all the registered holders, a Form of Renunciation will be sent out together with the repurchase contract note. This will need to be signed by all registered holders, and returned to our dealing office before settlement can be made. Settlement will be made on whichever is the later of four business days after the dealing date or four days after the receipt of written confirmation.

Unitholders may sell units on submitting the purchase contract note and a duly executed Deed of Transfer. The issue and redemption of units will not take place if dealing in the units is suspended by operation of law or any statute for the time being in place.

The minimum initial investment for I-Class units is £1,000,000. The minimum initial investment for S-Class units is £30,000,000. Thereafter holders may invest additional amounts to the value of £500 or more from time to time as they wish. Any number of units may be subscribed, sold or transferred so long as transaction complies with applicable minimums.

There is no preliminary charge for I-Class units or S-Class units.

The Manager currently receives an annual remuneration for managing the I-Class property of the fund at the rate of 0.75% and 0.40% for S-Class.

### **Statements**

A distribution statement showing the rate per unit and your unit holding will be sent semi-annually on 30 June and 31 December.

The current value of your units is shown on a valuation statement, which shows the number of units bought over the previous six months, the total number of units in your account and their current value.

Twice yearly on 30 June and 31 December, unitholders will receive a consolidated statement showing, where applicable, their Unit Trust, ICVC and ISA holdings for each fund held.

### **Prices**

The prices of units are available on the IA website under the heading Rathbone Unit Trust Management Limited. The associated cancellation price is available on request from the Manager or the Administrator.

### **Other information**

The Trust Deed, the Key Investor Information Document and Supplementary Information Document, the Prospectus and the most recent half yearly report of each fund may be inspected at the registered offices of the Manager. Copies of the Prospectus, the Key Investor Information Document and Supplementary Information Document and the most recent half yearly report of each funds may be obtained free of charge on application to the Manager.

You can see the Register of Unitholders during normal business hours at the office of the Registrar, DST Financial Services International Ltd, DST House, St Nicholas Lane, Basildon, Essex SS15 5FS.

Further copies of this report are available upon request, free of charge, from Client Services Department, Rathbone Unit Trust Management Limited, 8 Finsbury Circus, London EC2M 7AZ.

If you have any queries or complaints about the operation of the fund you should put them to the Compliance Officer, Rathbone Unit Trust Management Limited, 8 Finsbury Circus, London EC2M 7AZ. Any complaint we receive will be handled in accordance with our internal complaint procedures. A copy of these are available from the Compliance Officer. In the unlikely event that you do not receive a satisfactory response, you may direct your complaint to the Financial Ombudsman Service at Exchange Tower, London E14 9SR. Further details about the Financial Ombudsman Service are available on their website at [financial-ombudsman.org.uk](http://financial-ombudsman.org.uk)

### ISA eligibility

The fund has been managed throughout the year to ensure that it is eligible to qualify and be included in an Individual Savings Account (ISA). The fund will at all times be invested in such a way that the units will constitute 'Qualifying Investments' for the purposes of the Individual Savings Account (ISA) Regulations 1998, as amended from time to time.

### Risk factors

An investment in a unit trust should be regarded as a medium to long term investment. Investors should be aware that the price of units and the income from them can fall as well as rise and investors may not receive back the full amount invested. Past performance should not be seen as an indication of future performance. Investments denominated in currencies other than the base currency are subject to fluctuation in exchange rates, which can be favourable or unfavourable.

### Other funds

Rathbone Unit Trust Management Limited is also the Manager of the following funds:

Rathbone Active Income and Growth Fund  
Rathbone Blue Chip Income and Growth Fund  
Rathbone Core Investment Fund for Charities  
Rathbone Dragon Trust  
Rathbone Ethical Bond Fund  
Rathbone Global Opportunities Fund  
Rathbone Income Fund  
Rathbone Spenser Fund  
Rathbone Strategic Bond Fund  
Rathbone UK Opportunities Fund

and the Authorised Corporate Director of:

Rathbone Global Alpha Fund  
Rathbone Enhanced Growth Portfolio  
Rathbone Strategic Growth Portfolio  
Rathbone Strategic Income Portfolio  
Rathbone Total Return Portfolio  
Rathbone Pharaoh Fund  
Rathbone Quercus Growth Fund  
Rathbone Sherwood Fund  
Rathbone Sussex Income Fund  
Rathbone Sussex Growth Fund

### Further details

Should you require further details of this fund or any of the other funds managed by Rathbone Unit Trust Management Limited, a Prospectus, Key Investor Information Document and Supplementary Information Document or an application form for the purchase of shares or units, please write to:

Client Services Department  
Rathbone Unit Trust Management Limited  
8 Finsbury Circus  
London EC2M 7AZ

All literature is available free of charge. Information is also available on our website: [rutm.com](http://rutm.com)

### Data protection

Where relevant, Rathbones' privacy notice for clients, together with our relevant terms of business, sets out how your personal data (as further detailed in the privacy notice) shall be processed by Rathbones. A copy of the privacy notice is available on request or on Rathbones' website.

From time to time Rathbone Unit Trust Management Limited may wish to communicate with you with information on other products and services offered by the Rathbone group. If you do not wish to receive these communications, please advise us in writing at the following address:

Data Protection Officer  
Rathbone Unit Trust Management Limited  
8 Finsbury Circus  
London EC2M 7AZ

# Rathbones

Look forward

**Rathbone Unit Trust Management Limited**

8 Finsbury Circus, London EC2M 7AZ

Tel 020 7399 0000

Fax 020 7399 0057

**Information line**

020 7399 0399

[rutm@rathbones.com](mailto:rutm@rathbones.com)

[rutm.com](http://rutm.com)

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Financial Conduct Authority

A member of The  
Investment Association

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