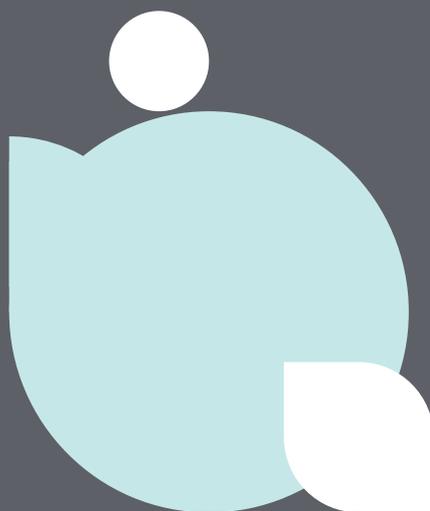


Rathbones

Look forward

Rathbone Income Fund

Annual report for the year ended 30 September 2019



Rathbone Income 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 of the Manager

PL Howell – (retired 9 May 2019)
P Stockton – Chairman
MM Webb – Chief Executive Officer
JR Chillingworth – Chief Investment Officer
JM Ardouin – Finance Director
CRC Hexton
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

NatWest Trustee and Depositary Services Limited
250 Bishopsgate
London EC2M 4AA
**Authorised and regulated by the
Financial Conduct Authority**

Manager's report for the year ended 30 September 2019

Your fund has two objectives: generate an attractive dividend stream (ideally one growing ahead of inflation) and outperform the FTSE All-Share Index over rolling five-year periods.

We are therefore very pleased to announce a final distribution of 27.32p. This was 7.9% higher than the final payment last year and resulted in a 6.3% increase in the full-year dividend. This dividend hike maintains our excellent record of steady dividend progression and fulfils our aim of growing the income stream ahead of inflation, giving you a real increase in the purchasing power of the income you receive.

Over the most recent five-year period, UK equity income funds have struggled to keep up with the broader market. Part of this can be explained by the outperformance of growth and momentum strategies versus those more focused on valuation or income generation. Against this backdrop, over the five-year period to 30 September 2019, our fund delivered a total return of 36.6%, comfortably ahead of our peers (the IA UK Equity Income sector) who averaged 31.8%. But we were a little behind the FTSE All-Share's 38.9% total return. While your fund has lagged the index over this most recent five-year period we remain confident that our value-conscious approach, based first and foremost on protecting your capital, will be rewarded over the fullness of the cycle.

Investment review

Over the year ended 30 September 2019 your fund delivered a total return of 2.5% (I-Class units), very close to the FTSE All-Share Index return of 2.7% and well ahead of the peer group average, which fell 0.2%. However, these muted absolute return figures tell little of the wild ride UK equity markets endured over the first half of this period.

Total Return	Q4 2018	Q1 2019	Q2 2019	Q3 2019
Rathbone Income	-9.8%	8.9%	2.5%	1.8%
FTSE All-Share	-10.3%	9.4%	3.3%	1.3%
UK Equity Income	-10.9%	8.7%	2.0%	1.1%

The net result of this bumpy journey was your fund performing roughly in line with the FTSE All-Share Index over the past year. As shown in the total return table, your fund tended to perform relatively well when the market was weak, but slightly lagged a stronger market. This 'shape' of performance has become a signature of your fund over recent years and we believe it has helped generate excellent total returns, with relatively low volatility, over the long term. Over the year to 30 September 2019 your fund's best performers list was dominated by businesses deemed to be well insulated against the fluctuations of the business cycle and/or Brexit-related volatility. Names such as Roche, WEC Energy, Dechra Pharmaceuticals and RELX all appeared near the top of the table. We were also pleased to receive attractively priced takeover bids for Greene King and Tarsus, providing a welcome boost to returns.

Unsurprisingly, many of our poorest performers were those viewed to be most at risk from continued global economic weakness and/or the Westminster tumult. Halfords shares were hit hard as a warm and dry winter coupled with eroding consumer confidence dented car maintenance and bicycle sales respectively. The fragile recovery taking place at The Restaurant Group over recent years stuttered as investors reassessed the risks related to its debt-fuelled acquisition of Wagamama in late 2018. The shares of cruise-operator Carnival fell almost 30% over the year as overcapacity in its important German market and broad-based weakness in Southern Europe hit profits and investor confidence.

The shape of your portfolio remained relatively consistent over the period under review. The most significant addition to the portfolio was the purchase of a stake in global advertising giant WPP. Following two years of share price weakness we felt its valuation had been de-risked enough to compensate us for the significant execution risks in turning around the sprawling media empire built up by former Chief Executive Officer (CEO) Martin Sorrell over the previous three decades. Early progress under new CEO Mark Read has been encouraging, though we remain alert to the challenges facing the business.

We also made some changes to our holdings in the banking sector. Firstly, we significantly increased our position in Close Brothers, a bank specialising in lending to small and medium-sized UK businesses. We've known this business for a long time and its highly disciplined, risk-based approach to credit dovetails nicely with our own investment philosophy. It has asset management and stockbroking divisions too, so it's sensitive to market volumes and strength, but there is a counter-cyclical nature to its core business that complements this. Though we were disappointed to learn that well-respected CEO Preben Prebensen will be stepping down in 2020, we are confident in the strength of the business model and the wealth of management talent within the firm.

Secondly, we altered our large-cap banking exposure by exiting our holding in HSBC and significantly increasing our position in Lloyds Banking Group. As the year progressed and 'no-deal' Brexit risks rose, Lloyds' valuation became increasingly more attractive, leading us to add to our already sizeable position. As we write in early November, Brexit risks remain, but Lloyds' share price has begun to move higher. For now, we remain comfortable with our large position in the UK's biggest mortgage lender, but we're alert to the potential political risk ahead. The related sale of HSBC was instigated by our concerns about the bank's role in global trade and, arguably, its waning relevance on the world stage. As the year progressed, and the Hong Kong protests intensified, our conviction in the stock fell further and we fully exited the holding.

Early in the period, we added to global brewing giant Anheuser-Busch InBev. We had been patient with our small position, waiting for greater visibility on its dividend. Our wait was rewarded by the announcement of a dividend cut, alongside plans to reduce a heavy debt burden. Therein lay our opportunity: we bought shares on the cut, acknowledging that the low price risk in the shares is now backed up by lessening financial risk (although the company does still sit on a large, but diminishing, debt pile) and low business risk. This move was well rewarded as the period progressed with the shares recovering much of their previous year's losses.

Finally, we bulked up our position in housebuilder, Bellway. As with Lloyds, we felt that the market's pessimism regarding Bellway's long-term outlook was overdone. The increased position size was partly funded by a reduction in London-centric peer Berkeley Group.

Other significant sales over the year included the disposal of all of our shares in US aerospace and defence giant Lockheed Martin. We had owned this business since the financial crisis, but a steady re-rating over the years makes it less attractive in terms of valuation. We also exited our position in AstraZeneca and significantly reduced our holding in Unilever, both on valuation grounds.

Outlook

The referendum intended to decide, once and for all, the UK's future in the European Union took place on Thursday 23 June 2016. On Thursday 12 December 2019, a mere 1,276 days later, the British people will choose to elect their third Government in four years. To echo Winston Churchill, this may not be the beginning of the end, but we sure hope that it is the end of the beginning.

We would certainly welcome a period of stability. Global markets – both equities and bonds – seem to be teetering on the brink after 10 years of prolonged upward mobility. 2020 heralds a potentially explosive presidential fight in the US; the European Central Bank running out of bullets in the face of a faltering German economy; and China facing the challenges of pro-democracy demonstrations in Hong Kong and a decelerating, debt-laden domestic economy. If the UK can sort itself out, it may offer global investors a heady mix of value, potential fiscal stimulus, and the promise (remarkable as it may seem in light of the last few years) of stable democracy and government. The light ahead may indeed be the end of a very long tunnel, rather than the edge of the abyss.

Carl Stick
Fund Manager
5 November 2019

Alan Dobbie
Fund Manager

Net asset value per unit and comparative tables

R-Class income units

	30.09.19 pence per unit	30.09.18 pence per unit	30.09.17 pence per unit
Change in net assets per unit			
Opening net asset value per unit	901.81p	921.12p	886.89p
Return before operating charges*	21.57p	30.68p	84.29p
Operating charges	(13.25p)	(14.05p)	(14.26p)
Return after operating charges*	8.32p	16.63p	70.03p
Distributions on income units	(37.92p)	(35.94p)	(35.80p)
Closing net asset value per unit	872.21p	901.81p	921.12p
*after direct transactions costs ¹ of:	0.68p	0.56p	0.94p

¹ Transaction costs include dealing costs, broker commission, stamp duty and other explicit investment costs.

Performance

Return after charges	0.92%	1.81%	7.90%
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Other information

Closing net asset value	£85,923,816	£122,151,497	£138,941,422
Closing number of units	9,851,278	13,545,156	15,083,992
Operating charges	1.53%	1.54%	1.54%
Direct transaction costs	0.08%	0.06%	0.10%

Prices**

Highest unit price	929.72p	967.84p	1,015.91p
Lowest unit price	792.58p	845.18p	846.20p

** These prices may have been calculated on a different basis to the closing net asset value per unit shown in the comparative table, this may result in the closing net asset value per unit being higher or lower than the published highest or lowest prices for the year.

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

R-Class accumulation units

	30.09.19 pence per unit	30.09.18 pence per unit	30.09.17 pence per unit
Change in net assets per unit			
Opening net asset value per unit	1,570.00p	1,540.81p	1,427.94p
Return before operating charges*	42.78p	52.91p	136.06p
Operating charges	(23.29p)	(23.72p)	(23.19p)
Return after operating charges*	19.49p	29.19p	112.87p
Distributions on accumulation units	(66.79p)	(60.79p)	(58.23p)
Retained distributions on accumulation units	66.79p	60.79p	58.23p
Closing net asset value per unit	1,589.49p	1,570.00p	1,540.81p

*after direct transactions costs¹ of: 1.19p 0.94p 1.53p

¹ Transaction costs include dealing costs, broker commission, stamp duty and other explicit investment costs.

Performance

Return after charges 1.24% 1.89% 7.90%

Other information

Closing net asset value	£86,639,150	£105,321,024	£119,832,019
Closing number of units	5,450,735	6,708,339	7,777,189
Operating charges	1.53%	1.54%	1.54%
Direct transaction costs	0.08%	0.06%	0.10%

Prices**

Highest unit price	1,621.23p	1,642.46p	1,659.18p
Lowest unit price	1,385.10p	1,418.47p	1,366.63p

** These prices may have been calculated on a different basis to the closing net asset value per unit shown in the comparative table, this may result in the closing net asset value per unit being higher or lower than the published highest or lowest prices for the year.

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

I-Class income units

	30.09.19 pence per unit	30.09.18 pence per unit	30.09.17 pence per unit
Change in net assets per unit			
Opening net asset value per unit	954.51p	968.53p	926.05p
Return before operating charges*	30.90p	31.85p	87.99p
Operating charges	(7.25p)	(7.66p)	(7.74p)
Return after operating charges*	23.65p	24.19p	80.25p
Distributions on income units	(40.62p)	(38.21p)	(37.77p)
Closing net asset value per unit	937.54p	954.51p	968.53p
*after direct transactions costs ¹ of:	0.73p	0.59p	1.00p

¹ Transaction costs include dealing costs, broker commission, stamp duty and other explicit investment costs.

Performance

Return after charges	2.48%	2.50%	8.67%
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Other information

Closing net asset value	£296,405,206	£282,533,398	£455,051,927
Closing number of units	31,615,327	29,599,756	46,983,866
Operating charges	0.78%	0.79%	0.79%
Direct transaction costs	0.08%	0.06%	0.10%

Prices**

Highest unit price	974.66p	1,004.69p	1,046.40p
Lowest unit price	847.29p	898.23p	890.44p

** These prices may have been calculated on a different basis to the closing net asset value per unit shown in the comparative table, this may result in the closing net asset value per unit being higher or lower than the published highest or lowest prices for the year.

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

I-Class accumulation units

	30.09.19 pence per unit	30.09.18 pence per unit	30.09.17 pence per unit
Change in net assets per unit			
Opening net asset value per unit	1,630.82p	1,589.37p	1,462.29p
Return before operating charges*	52.49p	54.09p	139.37p
Operating charges	(12.45p)	(12.64p)	(12.29p)
Return after operating charges*	40.04p	41.45p	127.08p
Distributions on accumulation units	(69.97p)	(63.21p)	(60.10p)
Retained distributions on accumulation units	69.97p	63.21p	60.10p
Closing net asset value per unit	1,670.86p	1,630.82p	1,589.37p

*after direct transactions costs¹ of: 1.25p 0.98p 1.58p

¹ Transaction costs include dealing costs, broker commission, stamp duty and other explicit investment costs.

Performance

Return after charges 2.46% 2.61% 8.69%

Other information

Closing net asset value	£428,636,984	£483,463,460	£499,086,184
Closing number of units	25,653,643	29,645,474	31,401,487
Operating charges	0.78%	0.79%	0.79%
Direct transaction costs	0.08%	0.06%	0.10%

Prices**

Highest unit price	1,687.84p	1,669.78p	1,671.88p
Lowest unit price	1,448.01p	1,474.38p	1,406.66p

** These prices may have been calculated on a different basis to the closing net asset value per unit shown in the comparative table, this may result in the closing net asset value per unit being higher or lower than the published highest or lowest prices for the year.

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

S-Class income units

	30.09.19 pence per unit	30.09.18 pence per unit	30.09.17 pence per unit
Change in net assets per unit			
Opening net asset value per unit	973.51p	985.13p	939.41p
Return before operating charges*	31.67p	32.53p	89.37p
Operating charges	(4.94p)	(5.23p)	(5.27p)
Return after operating charges*	26.73p	27.30p	84.10p
Distributions on income units	(41.49p)	(38.92p)	(38.38p)
Closing net asset value per unit	958.75p	973.51p	985.13p
*after direct transactions costs ¹ of:	0.74p	0.60p	1.01p

¹ Transaction costs include dealing costs, broker commission, stamp duty and other explicit investment costs.

Performance

Return after charges	2.75%	2.77%	8.95%
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Other information

Closing net asset value	£106,460,656	£105,845,411	£112,940,743
Closing number of units	11,104,098	10,872,591	11,464,511
Operating charges	0.52%	0.53%	0.53%
Direct transaction costs	0.08%	0.06%	0.10%

Prices**

Highest unit price	996.33p	1,024.24p	1,063.42p
Lowest unit price	864.82p	914.94p	903.90p

** These prices may have been calculated on a different basis to the closing net asset value per unit shown in the comparative table, this may result in the closing net asset value per unit being higher or lower than the published highest or lowest prices for the year.

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

S-Class accumulation units

	30.09.19 pence per unit	30.09.18 pence per unit	30.09.17 pence per unit
Change in net assets per unit			
Opening net asset value per unit	1,650.69p	1,604.52p	1,472.35p
Return before operating charges*	53.35p	54.73p	140.47p
Operating charges	(8.44p)	(8.56p)	(8.30p)
Return after operating charges*	44.91p	46.17p	132.17p
Distributions on accumulation units	(70.93p)	(63.90p)	(60.60p)
Retained distributions on accumulation units	70.93p	63.90p	60.60p
Closing net asset value per unit	1695.60p	1,650.69p	1,604.52p

*after direct transactions costs¹ of: 1.27p 0.99p 1.60p

¹ Transaction costs include dealing costs, broker commission, stamp duty and other explicit investment costs.

Performance

Return after charges 2.72% 2.88% 8.98%

Other information

Closing net asset value	£103,737,328	£92,733,171	£99,157,703
Closing number of units	6,118,018	5,617,856	6,179,890
Operating charges	0.52%	0.53%	0.53%
Direct transaction costs	0.08%	0.06%	0.10%

Prices**

Highest unit price	1,712.08p	1,689.39p	1,686.28p
Lowest unit price	1,466.64p	1,490.37p	1,417.06p

** These prices may have been calculated on a different basis to the closing net asset value per unit shown in the comparative table, this may result in the closing net asset value per unit being higher or lower than the published highest or lowest prices for the year.

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

X-Class income units[†]

	30.09.19 pence per unit	30.09.18 pence per unit	30.09.17 pence per unit
Change in net assets per unit			
Opening net asset value per unit	104.24p	104.98p	100.00p
Return before operating charges*	(1.10p)	3.45p	9.00p
Operating charges	(0.02p)	(0.04p)	(0.04p)
Return after operating charges*	(1.12p)	3.41p	8.96p
Distributions on income units	0.00p	(4.15p)	(3.98p)
Redemption price	(103.12p)	–	–
Closing net asset value per unit	–	104.24p	104.98p
*after direct transactions costs ¹ of:	0.02p	0.06p	0.11p

¹ Transaction costs include dealing costs, broker commission, stamp duty and other explicit investment costs.

Performance

Return after charges	(1.07%)	3.25%	8.96%
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Other information

Closing net asset value	–	£5,533,842	£5,633,212
Closing number of units	–	5,308,861	5,366,228
Operating charges	–	0.04%	0.04%
Direct transaction costs	0.02%	0.06%	0.10%

Prices**

Highest unit price	105.59p	109.40p	113.07p
Lowest unit price	92.70p	97.67p	95.83p

[†] X-Class income was terminated on 22 March 2019.

** These prices may have been calculated on a different basis to the closing net asset value per unit shown in the comparative table, this may result in the closing net asset value per unit being higher or lower than the published highest or lowest prices for the year.

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

X-Class accumulation units[†]

	30.09.19 pence per unit	30.09.18 pence per unit	30.09.17 pence per unit
Change in net assets per unit			
Opening net asset value per unit	112.67p	108.96p	100.00p
Return before operating charges*	(1.23p)	3.75p	9.00p
Operating charges	(0.02p)	(0.04p)	(0.04p)
Return after operating charges*	(1.25p)	3.71p	8.96p
Distributions on accumulation units	(0.00p)	(4.35p)	(4.01p)
Retained distributions on accumulation units	0.00p	4.35p	4.01p
Redemption price	(111.42p)	–	–
Closing net asset value per unit	–	112.67p	108.96p
*after direct transactions costs ¹ of:	0.02p	0.07p	0.11p

¹ Transaction costs include dealing costs, broker commission, stamp duty and other explicit investment costs.

Performance

Return after charges	(1.11%)	3.40%	8.96%
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Other information

Closing net asset value	–	£501,118	£174,622
Closing number of units	–	444,769	160,268
Operating charges	–	0.04%	0.04%
Direct transaction costs	0.02%	0.06%	0.10%

Prices**

Highest unit price	114.05p	115.29p	114.40p
Lowest unit price	100.19p	101.44p	95.83p

[†] X-Class accumulation was terminated on 22 March 2019.

** These prices may have been calculated on a different basis to the closing net asset value per unit shown in the comparative table, this may result in the closing net asset value per unit being higher or lower than the published highest or lowest prices for the year.

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

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.

Discrete annual performance, quarter ending 30 September 2019

	2015	2016	2017	2018	2019
R-Class units	5.91%	10.38%	8.64%	1.77%	1.80%
I-Class units	6.71%	11.22%	9.45%	2.53%	2.54%
S-Class units	6.98%	11.50%	9.74%	2.80%	2.80%
IA UK Equity income sector	3.54%	11.39%	10.59%	3.43%	(0.15%)

Source performance data Financial Express, mid to mid, net income reinvested.

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 September 2019

Holding (Ordinary shares unless otherwise stated)	Value (note 1f) £	Percentage of total net assets
Oil and Gas (30.09.18: 8.69%)		
10,000,000 BP	51,560,000	4.65
2,150,000 Royal Dutch Shell 'B'	51,503,250	4.65
	103,063,250	9.30
Mining (30.09.18: 1.88%)		
333,185 Rio Tinto	14,023,757	1.27
Aerospace and Defence (30.09.18: 6.60%)		
4,000,000 BAE Systems	22,792,000	2.06
7,000,000 Senior	13,125,000	1.18
	35,917,000	3.24
Industrial Engineering (30.09.18: 2.88%)		
485,532 DCC	34,453,351	3.11
Construction and Materials (30.09.18: 1.77%)		
700,000 Bellway	23,408,000	2.11
520,000 Berkeley	21,730,800	1.96
	45,138,800	4.07
Real Estate (30.09.18: 1.23%)		
1,700,000 Big Yellow Group	17,663,000	1.59
Support Services (30.09.18: 3.12%)		
1,392,415 Bunzl	29,574,894	2.67
Food Producers (30.09.18: 4.47%)		
685,000 Unilever	33,493,075	3.02
Household Goods (30.09.18: 5.52%)		
2,834,561 Headlam	12,812,216	1.16
800,000 Reckitt Benckiser	50,744,000	4.58
	63,556,216	5.74
Tobacco (30.09.18: 6.66%)		
522,156 Altria	17,326,105	1.56
1,143,770 British American Tobacco	34,398,883	3.11
1,320,000 Imperial Brands	24,132,240	2.18
	75,857,228	6.85

Portfolio and net other assets as at 30 September 2019 *(continued)*

Holding (Ordinary shares unless otherwise stated)	Value (note 1f) £	Percentage of total net assets
Pharmaceuticals and Biotechnology (30.09.18: 10.68%)		
575,000 Dechra Pharmaceuticals	15,916,000	1.44
2,800,000 GlaxoSmithKline	48,843,200	4.41
100,000 Roche	23,637,112	2.13
	88,396,312	7.98
Food and Drug Retailers (30.09.18: 1.42%)		
2,400,000 UDG Healthcare	18,012,000	1.63
Beverages (30.09.18: 0.00%)		
250,000 Anheuser Busch	19,334,839	1.75
General Retailers (30.09.18: 2.05%)		
8,056,119 Halfords	13,679,290	1.23
Media (30.09.18: 7.79%)		
1,339,242 Daily Mail and General Trust 'A'	11,396,949	1.03
16,000,000 ITV	20,144,000	1.82
1,450,000 RELX	28,014,000	2.53
2,200,000 WPP	22,396,000	2.02
	81,950,949	7.40
Travel and Leisure (30.09.18: 7.05%)		
875,000 Carnival	29,487,500	2.66
2,350,000 Greene King	19,904,500	1.80
17,800,000 Restaurant Group	25,258,200	2.28
	74,650,200	6.74
Electricity (30.09.18: 2.29%)		
2,386,999 SSE	29,730,072	2.68
Gas, Water and Multiutilities (30.09.18: 5.42%)		
4,127,518 National Grid	36,400,581	3.28
1,500,000 United Utilities	12,375,000	1.12
400,000 WEC Energy	30,862,615	2.79
	79,638,196	7.19
Banks (30.09.18: 4.17%)		
1,500,000 Close Brothers	21,120,000	1.90
55,000,000 Lloyds Banking Group	29,766,000	2.69
	50,886,000	4.59

Portfolio and net other assets as at 30 September 2019 *(continued)*

Holding (Ordinary shares unless otherwise stated)	Value (note 1f) £	Percentage of total net assets
Non-Life Insurance (30.09.18: 1.92%)		
1,392,415 Hiscox	23,114,089	2.09
General Financial (30.09.18: 8.56%)		
7,250,000 Aviva	28,949,250	2.61
3,400,000 Jupiter Fund Management	12,083,600	1.09
15,000,000 Legal & General	37,260,000	3.36
606,695 Sampo Oyj	19,580,104	1.77
	97,872,954	8.83
Software and Computer Services (30.09.18: 1.77%)		
1,116,461 Micro Focus International	12,691,929	1.15
Total value of investments (30.09.18: 95.94%)	1,042,697,401	94.12
Net other assets (30.09.18: 4.06%)	65,105,739	5.88
Total value of the fund as at 30 September 2019	1,107,803,140	100.00

Statement of total return for the year ended 30 September 2019

	Note	30.09.19 £	30.09.19 £	30.09.18 £	30.09.18 £
Income					
Net capital losses	2		(17,763,746)		(12,490,799)
Revenue	3	50,394,757		52,458,084	
Expenses	4	(9,860,194)		(11,695,484)	
Net revenue before taxation		40,534,563		40,762,600	
Taxation	5	(482,262)		(665,309)	
Net revenue after taxation			40,052,301		40,097,291
Total return before distributions			22,288,555		27,606,492
Distributions	6		(49,740,677)		(51,564,417)
Change in net assets attributable to unitholders from investment activities			(27,452,122)		(23,957,925)

Statement of change in net assets attributable to unitholders for the year ended 30 September 2019

	30.09.19 £	30.09.19 £	30.09.18 £	30.09.18 £
Opening net assets attributable to unitholders		1,198,082,921		1,430,817,832
Amounts receivable on issue of units	31,279,397		37,599,690	
Amounts payable on cancellation of units	(164,276,053)		(273,232,188)	
In-specie transfer*	43,742,228		—	
		(89,254,428)		(235,632,498)
Change in net assets attributable to unitholders from investment activities (see Statement of total return above)		(27,452,122)		(23,957,925)
Retained distributions on accumulation units		26,415,394		26,844,936
Unclaimed distributions		11,375		10,576
Closing net assets attributable to unitholders		1,107,803,140		1,198,082,921

*In-specie transfer relates to the closure of the X classes on 22 March 2019.

Balance sheet as at 30 September 2019

	Note	30.09.19 £	30.09.19 £	30.09.18 £	30.09.18 £
Assets					
Fixed assets:					
Investments			1,042,697,401		1,149,431,616
Current assets:					
Debtors	7	2,358,829		6,235,568	
Cash and bank balances		80,573,223		63,679,274	
Total current assets			82,932,052		69,914,842
Total assets			1,125,629,453		1,219,346,458
Liabilities					
Creditors:					
Other creditors	8	(3,576,774)		(7,616,596)	
Distribution payable on income units		(14,249,539)		(13,646,941)	
Total liabilities			(17,826,313)		(21,263,537)
Net assets attributable to unitholders			1,107,803,140		1,198,082,921

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 32, 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 on investments 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.

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

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 fund's expenses are taken from the capital of the fund.

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 valued based on the latest financial statements of the respective company and agreed with the Trustee.

All assets are recognised and derecognised on trade date. Any trades occurring between valuation point and close of business are included in the Financial Statements.

g) Exchange rates

The functional currency of the fund is pound sterling. 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 losses

	30.09.19 £	30.09.18 £
The net capital losses during the year comprise:		
Non-derivative securities	(18,485,119)	(12,286,730)
Capital special dividends	614,893	–
Currency gains/(losses)	108,029	(200,720)
Transaction charges	(1,549)	(3,349)
Net capital losses	(17,763,746)	(12,490,799)

3 Revenue

	30.09.19 £	30.09.18 £
Dividends – UK Ordinary	42,708,227	43,983,929
– Overseas	6,825,353	7,670,673
– Property income distributions	529,800	607,600
Bank interest	331,377	195,882
Total revenue	50,394,757	52,458,084

4 Expenses

	30.09.19 £	30.09.18 £	30.09.18 £	30.09.18 £
Payable to the Manager, associates of the Manager and agents of either of them:				
Manager's periodic charge	9,499,067			11,193,563
Payable to the Trustee, associates of the Trustee and agents of either of them:				
Trustee's fees	171,603		288,250	
Safe custody and other bank charges	85,243		110,456	
		256,846		398,706
Other expenses:				
Administration fees	7,143		6,380	
Audit fee*	16,028		9,600	
FCA fee	(1,604)		356	
Printing and publication costs	2,251		(1,675)	
Registration fees	76,753		85,102	
Listing fee	3,710		3,452	
		104,281		103,215
Total expenses	9,860,194			11,695,484

*Audit fees paid in the year were £8,300 (30.09.18: £8,000) excluding VAT.

5 Taxation

	30.09.19 £	30.09.18 £
a) Analysis of charge in the year		
Irrecoverable income tax	482,262	665,309
Total tax charge for the year (note 5b)	482,262	665,309

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%) (30.09.18: 20%). The differences are explained below.

	30.09.19 £	30.09.18 £
Net revenue before taxation	40,534,563	40,762,600
Corporation tax at 20%	8,106,913	8,152,520
Effects of:		
Revenue not subject to taxation	(9,906,716)	(10,330,921)
Current year expenses not utilised	1,799,803	2,178,401
Corporate tax charge	—	—
Irrecoverable income tax	482,262	665,309
Total tax charge for the year (note 5a)	482,262	665,309

c) Deferred tax

At the year end the fund had surplus management expenses of £139,275,918 (30.09.18: £130,276,901). 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 £27,855,183 (30.09.18: £26,055,380) 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:

	30.09.19	30.09.18
	£	£
Interim	16,134,382	15,984,507
Final	31,764,394	32,593,099
	47,898,776	48,577,606
Add: Amounts deducted on cancellation of units	2,208,110	3,313,568
Deduct: Amounts received on issue of units	(366,209)	(326,757)
Net distribution for the year	49,740,677	51,564,417

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

Net distribution for the year	49,740,677	51,564,417
Expenses charged to capital:		
Administration fees	(7,143)	(6,380)
Audit fee	(16,028)	(9,600)
FCA fee	1,604	(356)
Listing fee	(3,710)	(3,452)
Manager's periodic charge	(9,499,067)	(11,193,563)
Printing and publication costs	(2,251)	1,675
Registration fees	(76,753)	(85,102)
Safe custody and other bank charges	(85,243)	(110,456)
Trustee's fees	(171,603)	(288,250)
Equalisation on conversions	(480)	68,921
Tax relief on expenses	172,235	160,696
Balance brought forward	(4,940)	(6,199)
Balance carried forward	5,003	4,940
Net revenue after taxation	40,052,301	40,097,291

7 Debtors

	30.09.19	30.09.18
	£	£
Amounts receivable for issue of units	303,591	226,999
Sales awaiting settlement	—	3,499,446
Accrued revenue	1,265,548	1,965,921
Taxation recoverable	789,690	543,202
Total debtors	2,358,829	6,235,568

8 Other creditors

	30.09.19	30.09.18
	£	£
Amounts payable for cancellation of units	2,743,838	1,651,157
Purchases awaiting settlement	(8)	4,990,619
Accrued expenses	69,982	129,075
Accrued Manager's periodic charge	762,962	845,745
Total other creditors	3,576,774	7,616,596

9 Reconciliation of units

	R-Class income	R-Class accumulation	I-Class income	I-Class accumulation
Opening units issued at 01.10.18	13,545,156	6,708,339	29,599,756	29,645,474
Unit movements 01.10.18 to 30.09.19				
Units issued	842,460	394,185	3,601,463	1,879,633
Units cancelled	(2,262,161)	(797,630)	(5,229,228)	(3,583,861)
Units converted	(2,274,177)	(854,159)	3,643,336	(2,287,603)
Closing units issued at 30.09.19	9,851,278	5,450,735	31,615,327	25,653,643

	S-Class income	S-Class accumulation	X-Class income	X-Class accumulation
Opening units issued at 01.10.18	10,872,591	5,617,856	5,308,861	444,769
Unit movements 01.10.18 to 30.09.19				
Units issued	237,158	55,772	540,153	207,759
Units cancelled	(1,446,320)	(889,481)	(5,849,014)	(652,528)
Units converted	1,440,669	1,333,871	—	—
Closing units issued at 30.09.19	11,104,098	6,118,018	—	—

10 Related party transactions

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

Details of units created and cancelled by the Manager are shown in the Statement of Change in Net Assets Attributable to Unitholders and note 6.

There were no commissions paid to stockbroking of the Manager in respect of dealings in the investments of Rathbone Income Fund during the year (30.09.18: nil).

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

At the year end there were no significant unitholders (30.09.18: nil).

11 Contingent liabilities and commitments

There were no contingent liabilities or outstanding commitments at the balance sheet date (30.09.18: 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.

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:

	30.09.19	30.09.18
	£	£
Currency:		
Euro	39,042,781	21,838,752
Danish krone	78,204	—
Swiss franc	24,220,760	16,794,683
US dollar	48,491,258	81,873,816
Pound sterling	995,180,447	1,077,032,468
	1,107,013,450	1,197,539,719
Other net assets not categorised as financial instruments	789,690	543,202
Net assets	1,107,803,140	1,198,082,921

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 £10,166,637 (30.09.18: £10,955,205). 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 £12,425,889 (30.09.18: £13,389,695). These calculations assume all other variables remain constant.

12 Risk disclosures on financial instruments *(continued)*

(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:

	30.09.19	30.09.18
	£	£
Floating rate assets:		
Pound sterling	80,573,223	63,679,274
Assets on which no interest is paid:		
Euro	39,042,781	21,838,752
Danish krone	78,204	—
Swiss franc	24,220,760	16,794,683
US dollar	48,491,258	81,873,816
Pound sterling	932,433,537	1,034,616,731
	1,044,266,540	1,155,123,982
Liabilities on which no interest is paid:		
Pound sterling	(17,826,313)	(21,263,537)
	(17,826,313)	(21,263,537)
Other net assets not categorised as financial instruments	789,690	543,202
Net assets	1,107,803,140	1,198,082,921

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.

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.

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 £104,269,740 (30.09.18: £114,943,162). If market prices had decreased by 10% as at the balance sheet date the net asset value of the fund would have decreased by £104,269,740 (30.09.18: £114,943,162). These calculations assume all other variables remain constant.

12 Risk disclosures on financial instruments *(continued)*

(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 the Rathbone Income Fund which would increase its exposure.

13 Portfolio transaction cost

For the year ended 30 September 2019

Analysis of total purchases costs

	Value	Commissions		Taxes	
	£	£	%	£	%
Equity transactions	168,828,986	97,277	0.06	632,838	0.37
In-specie transactions	46,337,718	—	—	—	—
Corporate actions	6,510,000	—	—	—	—
Total purchases before transaction costs	221,676,704	97,277		632,838	
Total purchases including commission and taxes	222,406,819				

Analysis of total sales costs

	Value	Commissions		Taxes	
	£	£	%	£	%
Equity transactions	282,584,257	165,692	0.06	680	—
In-specie transactions	5,848,285	—	—	—	—
Corporate actions	22,389,745	—	—	—	—
Total sales including transactions costs	310,822,287	165,692		680	
Total sales net of commission and taxes	310,655,915				

Commissions and taxes as % of average net assets

Commissions	0.02%
Taxes	0.06%

13 Portfolio transaction cost *(continued)*

For the year ended 30 September 2018

Analysis of total purchases costs

	Value £	Commissions £	%	Taxes £	%
Equity transactions	136,286,292	93,873	0.07	524,953	0.39
Total purchases before transaction costs	136,286,292	93,873		524,953	
Total purchases including commission and taxes	136,905,118				

Analysis of total sales costs

	Value £	Commissions £	%	Taxes £	%
Equity transactions	298,063,088	187,934	0.06	1,013	—
Corporate actions	19,719,939	—	—	—	—
Total sales including transactions costs	317,783,027	187,934		1,013	
Total sales net of commission and taxes	317,594,080				

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 0.06%% (30.09.18: 0.08%).

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.

14 Fair value of investments *(continued)*

For the year ended 30 September 2019

Category	1	2	3	Total
Investment assets	£	£	£	£
Equities	1,042,697,401	–	–	1,042,697,401
	1,042,697,401	–	–	1,042,697,401

For the year ended 30 September 2018

Category	1	2	3	Total
Investment assets	£	£	£	£
Equities	1,149,431,616	–	–	1,149,431,616
	1,149,431,616	–	–	1,149,431,616

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 19 November 2019. 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	30.09.19 bid price	19.11.19 mid price
R-Class income	897.34p	871.67p
R-Class accumulation	1,588.98p	1,588.50p
I-Class income	964.55p	937.92p
I-Class accumulation	1,670.32p	1,671.53p
S-Class income	986.42p	959.49p
S-Class accumulation	1,695.06p	1,696.89p

Distribution tables for the year ended 30 September 2019

Distribution tables (pence per unit)

Interim

Group 1 – Units purchased prior to 1 October 2018

Group 2 – Units purchased on or after 1 October 2018 and on or before 31 March 2019

R-Class income units	Net Income	Equalisation	Paid 31.05.19	Paid 31.05.18
Group 1	12.50	–	12.50	12.25
Group 2	9.96	2.54	12.50	12.25
R-Class accumulation units	Net Income	Equalisation	Accumulated 31.05.19	Accumulated 31.05.18
Group 1	21.90	–	21.90	17.70
Group 2	18.76	3.14	21.90	17.70
I-Class income units	Net Income	Equalisation	Paid 31.05.19	Paid 31.05.18
Group 1	13.30	–	13.30	12.90
Group 2	9.59	3.71	13.30	12.90
I-Class accumulation units	Net Income	Equalisation	Accumulated 31.05.19	Accumulated 31.05.18
Group 1	22.70	–	22.70	17.81
Group 2	12.95	9.75	22.70	17.81
S-Class income units	Net Income	Equalisation	Paid 31.05.19	Paid 31.05.18
Group 1	13.50	–	13.50	13.10
Group 2	9.00	4.50	13.50	13.10
S-Class accumulation units	Net Income	Equalisation	Accumulated 31.05.19	Accumulated 31.05.18
Group 1	22.85	–	22.85	17.90
Group 2	9.69	13.16	22.85	17.90
X-Class income*	Net Income	Equalisation	Paid 31.05.19	Paid 31.05.18
Group 1	0.00	–	0.00	1.53
Group 2	0.00	0.00	0.00	1.53
X-Class accumulation*	Net Income	Equalisation	Accumulated 31.05.19	Accumulated 31.05.18
Group 1	0.00	–	0.00	1.59
Group 2	0.00	0.00	0.00	1.59

*X-Class was closed on 22 March 2019.

Distribution tables for the year ended 30 September 2019 *(continued)*

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

Final

Group 1 – Units purchased prior to 1 April 2019

Group 2 – Units purchased on or after 1 April 2019 and on or before 30 September 2019

R-Class income units	Net Income	Equalisation	Payable 30.11.19	Paid 30.11.18
Group 1	25.42	–	25.42	23.69
Group 2	10.09	15.33	25.42	23.69
R-Class accumulation units	Net Income	Equalisation	Allocated 30.11.19	Accumulated 30.11.18
Group 1	44.89	–	44.89	43.09
Group 2	16.33	28.56	44.89	43.09
I-Class income units	Net Income	Equalisation	Payable 30.11.19	Paid 30.11.18
Group 1	27.32	–	27.32	25.31
Group 2	11.24	16.08	27.32	25.31
I-Class accumulation units	Net Income	Equalisation	Allocated 30.11.19	Accumulated 30.11.18
Group 1	47.27	–	47.27	45.40
Group 2	23.55	23.72	47.27	45.40
S-Class income units	Net Income	Equalisation	Payable 30.11.19	Paid 30.11.18
Group 1	27.99	–	27.99	25.82
Group 2	11.97	16.02	27.99	25.82
S-Class accumulation units	Net Income	Equalisation	Allocated 30.11.19	Accumulated 30.11.18
Group 1	48.08	–	48.08	46.00
Group 2	21.91	26.17	48.08	46.00
X-Class income* units	Net Income	Equalisation	Payable 30.11.19	Paid 30.11.18
Group 1	0.00	–	0.00	2.62
Group 2	0.00	0.00	0.00	2.62
X-Class accumulation* units	Net Income	Equalisation	Allocated 30.11.19	Accumulated 30.11.18
Group 1	0.00	–	0.00	2.76
Group 2	0.00	0.00	0.00	2.76

*X-Class was closed on 22 March 2019.

Distribution tables for the year ended 30 September 2019 *(continued)*

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%
Depository 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 units 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 **JR Chillingworth**
for Rathbone Unit Trust Management Limited
Manager of Rathbone Income Fund
2 December 2019

Statement of the Manager's responsibilities in relation to the annual report and financial statements of the scheme

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 or losses 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 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 a 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; and
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 2 December 2019.

Statement of the Trustee's responsibilities and report of the Trustee to the Unitholders of Rathbone Income Fund (the Scheme) for the period ended 30 September 2019

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 Depositary Services
Trustee of Rathbone Income Fund
2 December 2019

Independent Auditor's Report to the unitholders of Rathbone Income Fund

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Rathbone Income Fund (the fund):

- give a true and fair view of the financial position of Rathbone Income Fund (the fund) as at 30 September 2019 and of the net revenue and the net capital losses on the property of the fund for the year ended 30 September 2019 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 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 Financial Reporting Council's (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.

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

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.

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 FRC's website at: frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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 September 2019 for the purpose of complying with Paragraph 4.5.9R of the Collective Investment Schemes Sourcebook is consistent with the financial statements.

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

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.

Deloitte LLP
Statutory Auditor
Glasgow, United Kingdom
2 December 2019

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	1,256	2,660	3,916	5
Risk takers	1,306	1,747	3,053	13
Control functions	264	40	304	3
Other	106	74	180	1
Total remuneration code staff	2,932	4,521	7,453	22
Non-remuneration code staff	873	280	1,153	18
Total for the Manager	3,805	4,801	8,606	40

The variable remuneration disclosed in the table above is for the financial year ended 31 December 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 2019 can not be known until after 31 December 2019 has passed.

Authorised status

The Rathbone Income Fund is an authorised unit trust scheme, established by a Trust Deed dated 12 February 1971 and launched in February 1971.

It is a 'UCITS Scheme' authorised under Section 243 of the Financial Services and Markets Act 2000, and the currency of the fund is pounds sterling.

Investment objective, policy and strategy

The objective of the fund is to achieve above average and maintainable income but without neglecting capital security and growth. The Manager intends to achieve the objective primarily through the purchase of ordinary shares with an above average yield.

There is no restriction on the economic sectors or geographical areas in which the fund may invest. However, investments will always be predominantly in the ordinary shares of UK companies.

To meet these objectives, the fund may also invest, at the Manager's discretion, in other transferable securities, money market instruments, warrants, cash and near cash, deposits and units in collective investment schemes. Use may be made of stocklending, borrowing, cash holdings, hedging and other investment techniques permitted by the FCA Rules.

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: rathbonefunds.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.

General information *(continued)*

The minimum initial investment for R-Class units at present is to the value of £1,000 which may be varied by the Manager. The minimum initial investment for I-Class units is £1,000. The minimum initial investment for S-Class units is £100,000,000. 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 R-Class, I-Class or S-Class units.

The Manager currently receives an annual remuneration for managing the R-Class property of the fund at the rate of 1.50%.

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

The Manager currently receives an annual remuneration for managing the S-Class property of the fund at the rate of 0.49%.

Statements

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

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.

Post balance sheet event

Please note, from 1 December 2019 the R-Class minimum initial investment will increase to £100,000,000. All other investment amounts will remain unchanged.

Prices

The prices of R-Class units are published in the Financial Times under the heading Rathbone Unit Trust Management Limited. The associated cancellation price is available on request from the Manager. The prices for the I-Class and S-Class units are available on request from the Manager.

Other information

You can see the Trust Deed, the Key Investor Information Document and Supplementary Information Document, the Prospectus and the most recent half yearly report of each fund 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 fund may be obtained free of charge on application to the Manager.

The Register of Unitholders can be inspected during normal business hours at the office of the Registrar, DST Financial Services Europe Limited, 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.

If you have occasion to complain, and 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.

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. Where periodic charge is wholly or partly taken out of the fund's capital, distributable income will be increased at the expense of capital which will either be eroded or future growth restrained.

Other funds

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

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

and the Authorised Corporate Director of:

Rathbone Global Alpha Fund
Rathbone Global Sustainability Fund
Rathbone High Quality Bond 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 need 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: rathbonefunds.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

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rathbonefunds.com

Authorised and regulated by the
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