

Company Number 02122340

Rensburg Sheppards Investment Management Limited

Report and Financial Statements

For the year ended
31 March 2008

THURSDAY



A2FBG1VE
A14 31/07/2008 130
COMPANIES HOUSE

RENSBURG SHEPPARDS INVESTMENT MANAGEMENT LIMITED

DIRECTORS' REPORT

The directors have pleasure in presenting their report together with the financial statements for the year ended 31 March 2008

Business review

The principal activity of the company has continued to be the provision of investment management services to private clients, pension funds and charities and financial planning services to private clients

From revenue (net of fees and commissions payable to introducers) of £107.06 million (2007 £101.54 million), the company's reported profit for the year ended 31 March 2008 was £20.96 million (2007 £20.06 million). During the year interim dividends amounting to £11.5 million (2007 £10.0 million) were declared and paid. The directors are not recommending the payment of a final dividend.

Discretionary funds under management at 31 March 2008 were £8.04 billion (2007 £8.53 billion), a decrease of 5.7% over the year. Non-discretionary funds decreased by 16.3% over the year to £3.44 billion (2007 £4.11 billion). This gave rise to total funds under management at 31 March 2008 of £11.48 billion compared with £12.64 billion at 31 March 2007, the proportion managed on a discretionary basis having increased to 70.0% (2007 67.5%), a further step towards our target figure of 75%.

The decrease in total funds under management over the year of 9.2% compares with the decrease in the FTSE/APCIMS Private Investors Balanced index ('the APCIMS index') of 5.9% over the corresponding period. This shortfall of 3.3 percentage points resulted from two elements:

- net organic growth in funds under management of minus 0.3%, together with
- our client assets in aggregate lagged the APCIMS index by 3.0%

Taking these in turn, over the past year we have conducted a strategic review of the business. From this review we have identified a number of key areas which are now to be focussed upon in order to assist the business in achieving sustainable organic growth in terms of both funds under management and income.

The APCIMS index is a widely used yardstick for performance measurement in the private client sector, although it is certainly not an exact match for the full range of Rensburg Sheppards Investment Management client portfolios which, in aggregate, would not be expected to mirror a single benchmark. The past year was also affected by factors that held back performance of our aggregated clients' portfolios, many of which have a bias towards income, compared with the APCIMS measure. Most notably, in the UK, there was a marked divergence between high yielding equities and the wider market. The FTSE 350 High Yield index fell by 5% more than the FT All-Share index.

RENSBURG SHEPPARDS INVESTMENT MANAGEMENT LIMITED

DIRECTORS' REPORT (CONTINUED)

As the credit crisis unfolded, even high grade corporate bonds (widely held for their higher yields) substantially underperformed gilts (which are the basis for APCIMS performance measurement). Finally, the index of global equities (which tend to be underweighted in income-seeking portfolios) performed 6% better than the UK market, partly owing to the decline in sterling.

Looking at the quality of net income for the year, it is pleasing that this increased further, with 73.8% (2007: 70.8%) being recurring in nature.

The strategic review of the business has reaffirmed our position as an investment led wealth management business offering predominantly discretionary investment advice with integrated financial planning. We continue to expand our SIPP (self invested personal pension) and inheritance tax planning propositions, this is crucial to the maintenance of clients' assets and attracting new assets to manage. Our expansion will be driven by organic growth and the recruitment of quality teams or individuals, coupled with acquisition growth where the fit is right for the organisation. In April 2008, we opened an office in Edinburgh and thus far the feedback has been very positive.

We will continue to invest in delivering an increasingly efficient service to our clients by enhancing client reporting and our on-line services.

The company has expanded its marketing efforts to raise brand awareness in our markets and to ensure that the Rensburg Sheppards name is at the forefront of our niche market. Our sponsorships include The National Garden Scheme, Liverpool Philharmonic Orchestra, The Independent Schools Football Association Under 13 & Under 15 Cups and The Yorkshire Air Ambulance Service.

We are committed to supporting our community where our employees work and will contribute to a greener world through our processes and behaviour.

The principal key performance indicators used by management are as follows:

	Year ended 31 March 2008	Year ended 31 March 2007	% change
Total funds under management*	£11.48 billion	£12.64 billion	(9.2)%
FTSE/APCIMS Balanced index*	2,801.8	2,977.6	(5.9)%
Underlying rate of net organic growth in investment management funds under management**	(0.3)%	1.9%	(115.8)%
% of total funds managed on a discretionary basis*	70.0%	67.5%	3.7%
Underlying operating profit ***	£35.63 million	£33.17 million	7.4%
Underlying operating profit as a % of net revenue	33.3%	32.7%	1.8%

* As at the year end

** Net organic (outflow)/inflow (valued at the date of transfer out/in) as a % of opening funds under management

*** This is prior to goodwill amortisation, share-based charges relating to the Employee Benefit Trust ('EBT') and reorganisation costs

RENSBURG SHEPPARDS INVESTMENT MANAGEMENT LIMITED

DIRECTORS' REPORT (CONTINUED)

Risks and uncertainties

The potentially significant risks faced by the company and the controls operating over such risks are kept under regular review by the board. These risks have been faced by the company throughout the reporting period and are expected to continue to be faced going forward. Hence, the appropriate management of these risks is key to the successful long-term development, performance and position of the company.

The principal risks and uncertainties, together with the associated controls, are

- 1 Reputational risk, which may arise from poor investment advice or service to clients, or from a public censure by the regulator. This risk is mitigated by the company's strong service ethic demonstrated by its professionally qualified and experienced staff who operate in an environment where compliance is given a high priority and are supported by a strong internal research function and appropriate investment committees.
- 2 Market risk from the company's exposure to sudden movements and / or downturns in the UK and world financial markets in which it operates. We continue to reduce this risk by seeking to further increase the proportion of the company's income which is recurring in nature and also by keeping a significant proportion of the total remuneration of client-facing staff in the form of incentives which are dependant upon the level of income they produce. Except as disclosed below under credit risk, the company does not undertake any significant principal account trading and hence the risk to the company's own assets from market movements is not considered to be potentially material.
- 3 Credit risk does arise from derivative business undertaken on behalf of clients which forms a small part of the company's business. This arises as under the rules of LIFFE such trades are required to be transacted by the company as principal. However, this is solely undertaken for clients on an individual back to back, matched basis with suitable collateral being required from the clients and held by the company. Modest short term advances to clients are sometimes made, subject to being secured against suitable portfolios managed by the Company. Given the nature of the business undertaken, there is considered to be only negligible credit risk arising from the charging of fees and commissions to clients.
- 4 Regulatory risk arises, given the company operates in the highly regulated financial services sector where failure to comply with regulatory requirements could lead to substantial fines or other disciplinary action. The company invests substantial resources into ensuring that the company and its employees maintain compliance on an ongoing basis in respect of all regulatory obligations.

RENSBURG SHEPPARDS INVESTMENT MANAGEMENT LIMITED

DIRECTORS' REPORT (CONTINUED)

- 5 Competition risk, which manifests itself in a reduction in clients due to inappropriate and / or poorly priced service or product offerings, or insufficient professional staff to properly serve clients. To mitigate this risk we keep developments in the market in which we operate under careful review and we invest heavily in our staff, not only in terms of their remuneration packages, but also in the office environments from which they operate and in ensuring we meet their ongoing training and development needs
- 6 Operational risk, which principally arises from inadequate business continuity and / or disaster recovery planning or a significant business process failure in one of the company's support functions. Business continuity and disaster recovery is an area which we continue to recognise the increasing importance of and we continue to invest significant management time and financial resources to mitigate this risk further. With regard to support functions, the adequacy and operation of our internal processes are kept under regular review to ensure that these risks are appropriately mitigated
- 7 Fraud risk that follows from holding significant cash and securities both on our own behalf and on behalf of our clients. This risk is mitigated by
 - regular reconciliations of both firm and client assets,
 - the detailed personal knowledge of many of the company's investment management clients that their investment management team possesses which, in particular, assists greatly in protecting against the growing risk of identity theft,
 - the significant levels of insurance carried by the company

Creditor payment policy

The company's standard practice is to agree the terms of payment with suppliers at the time of the contract and to make payments within the agreed credit term subject to satisfactory performance

Employees

The directors recognise that the company's reputation is based mainly on the personal service given to its clients by qualified and experienced employees. Full communication is encouraged and employees are provided with information on all business developments

Long term incentives. Rensburg Sheppards plc, the company's ultimate parent undertaking, operates a number of share and share option schemes in which certain of the company's employees are eligible to participate. Details of these schemes are set out in note 17 to the financial statements

The company gives full and fair consideration to applications for employment made by disabled persons, taking into account their particular aptitudes and abilities and the nature of work involved. Should an employee become disabled, arrangements are made, wherever practicable, to enable them to continue their employment with the company, including providing appropriate training where relevant

RENSBURG SHEPPARDS INVESTMENT MANAGEMENT LIMITED

DIRECTORS' REPORT (CONTINUED)

The directors who held office during the year were as follows

R A Allen	
A Bell	(Appointed 22/10/07)
D J Bulteel	
S M Elliott	
S G Kaye	(Appointed 22/10/07)
G C N Lane Fox	(Resigned 16/10/07)
I Maxwell Scott	
M J S Redmayne	
J D Seal	
T H Street	(Appointed 22/10/07)
N J Warren	(Appointed 13/11/07)
J P Wragg	
J E Price	

R A Allen resigned as a director of the company on 15/05/08

Disclosure of information to the independent auditor

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

Auditor

In accordance with Section 385 of the Companies Act 1985, a resolution for the re-appointment of KPMG Audit Plc as auditor of the company is to be proposed at the forthcoming Annual General Meeting

By order of the board



P M Watts
Secretary
10 June 2008

Quayside House
Canal Wharf
Leeds
LS11 5PU

RENSBURG SHEPPARDS INVESTMENT MANAGEMENT LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

RENSBURG SHEPPARDS INVESTMENT MANAGEMENT LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2008

	Note	2008 £'000	2007 £'000
Revenue		111,144	105,323
Fees and commissions payable		(4,082)	(3,783)
Net revenue	1,2	107,062	101,540
Operating expenses		(70,546)	(68,217)
Reorganisation costs		-	263
Share-based payments - EBT	17	(4,653)	(4,653)
Share-based payments - other	17	(891)	(156)
Goodwill amortisation	9	(545)	(545)
Total administrative expenses		(76,635)	(73,308)
Operating profit	5	30,427	28,232
Net interest receivable and similar income	6	2,293	1,548
Income from fixed asset investments			
- Exceptional		-	208
- Other		76	57
Profit on ordinary activities before taxation		32,796	30,045
Taxation	7	(11,838)	(9,984)
Profit for the financial year	19	20,958	20,061

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 MARCH 2008

	2008 £'000	2007 £'000
Profit for the financial year	20,958	20,061
Gain on revaluation of investments	136	187
Total recognised gains and losses relating to the financial year	21,094	20,248

Turnover and operating profit relate entirely to continuing operations. There is no difference between the profit on ordinary activities before taxation and the retained profit for the year stated above and their historical cost equivalents.

RENSBURG SHEPPARDS INVESTMENT MANAGEMENT LIMITED

BALANCE SHEET AS AT 31 MARCH 2008

	Note	2008 £'000	2007 £'000
FIXED ASSETS			
Intangible assets	9	6,479	7,024
Tangible assets	10	2,448	2,821
Investment in subsidiary undertakings	11	63	63
Other investments	11	1,679	1,543
		<u>10,669</u>	<u>11,451</u>
CURRENT ASSETS			
Debtors	12	117,580	116,751
Cash at bank and in hand		51,527	30,924
		<u>169,107</u>	<u>147,675</u>
CREDITORS:			
Amounts falling due within one year	13	(117,304)	(112,070)
NET CURRENT ASSETS		<u>51,803</u>	<u>35,605</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>62,472</u>	<u>47,056</u>
CREDITORS:			
Amounts falling due after one year	14	(1,373)	(798)
PROVISIONS FOR LIABILITIES AND CHARGES	16	(607)	(904)
NET ASSETS		<u>60,492</u>	<u>45,354</u>
CAPITAL AND RESERVES			
Called up equity share capital	18	10,455	10,455
Share premium account	19	14,066	14,066
Revaluation reserve	19	1,649	1,513
Profit and loss account	19	34,322	19,320
SHAREHOLDER'S FUNDS	20	<u>60,492</u>	<u>45,354</u>

These financial statements were approved by the board on 10 June 2008 and signed on its behalf by



J P Wragg

Director

10 June 2008

RENSBURG SHEPPARDS INVESTMENT MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1 Principal accounting policies

(a) Basis of preparation

The financial statements are prepared under the historical cost convention, as modified by the revaluation of certain fixed asset investments in accordance with the Companies Act 1985 and applicable accounting standards. In preparing this financial information, there have been no material changes to the accounting policies previously applied by the company in preparing its annual report & financial statements.

(b) Group accounts

The company is exempt by virtue of s228 of the Companies Act 1985 from the requirement to prepare group financial statements. These financial statements present information about the company as an individual undertaking and not about its group.

(c) Cash flow statement

Under Financial Reporting Standard 1, the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements.

(d) Revenue

Revenue comprises fees from the provision of investment management services, commissions arising from the purchase or sale of financial assets and interest receivable in the course of ordinary investment management business. Revenue is stated net of VAT and is disclosed both before and after the deduction of fees and commissions payable to third parties. Fees receivable are recognised in the period to which the related service is provided and commissions receivable are recognised once the related transaction has been performed. Interest is recognised in the period in which it is earned. Fees and commissions payable are recognised in the period in which the obligation to pay the amount arises.

(e) Goodwill

Goodwill arising on the acquisition of subsidiary undertakings and businesses, representing the excess of the fair value of the consideration given over the fair value of identifiable assets and liabilities acquired, is capitalised and written off on a straight line basis over its useful economic life, which is up to a maximum of twenty years. Provision is made for any impairment.

(f) Depreciation

Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost or valuation, on a straight line basis of each asset over its expected useful economic life as follows:

Computer hardware and software	3 – 5 years
Fixtures and fittings	3 – 15 years

RENSBURG SHEPPARDS INVESTMENT MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. Principal accounting policies (continued)

(g) Investments

Listed equity investments are stated at the market bid price at the balance sheet date without deduction for transaction costs. Unlisted equity investments are stated at the directors' best estimate of the value that could be obtained in an arm's length disposal of the equity instruments, via reference to recently published market transaction information. Gains and losses arising on the revaluation of equity investments are taken to the revaluation reserve via the statement of total recognised gains and losses, other than losses due to permanent diminutions in value, which are taken to the profit and loss account.

(h) Taxation

Corporation tax payable is provided on taxable profits at the current rate. Deferred tax is recognised in respect of all timing differences (except as otherwise required by FRS 19) that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements. Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable profits from which the future reversal of the underlying timing differences can be deducted. Deferred tax assets and liabilities are not discounted.

(i) Clients' money

Cash balances are included in the financial statements net of monies held on behalf of clients.

(j) Share-based payments

In accordance with UITF 44 'Group and treasury share transactions', where a parent grants rights to its equity instruments to the employees of a subsidiary, and provided that the share-based payment arrangement is accounted for as an equity-settled transaction in the consolidated financial statements of the parent, the subsidiary is required to measure the fair value of the services received from its employees in accordance with the requirements applicable to equity-settled share-based payment transactions, with a corresponding increase recognised in equity as a contribution from the parent.

The company has applied the requirements of UITF 44 to all equity instruments granted to its employees by Rensburg Sheppards plc after 7 November 2002 that had not vested at 1 January 2005.

RENSBURG SHEPPARDS INVESTMENT MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. Principal accounting policies (continued)

(j) Share-based payments (continued)

In accordance with Financial Reporting Standard 20 'Share-based payment', the company is required to recognise an expense in respect of services received from its employees, equivalent to the fair value of the awards granted. Fair value is measured at the date the awards were granted using the Black-Scholes option pricing model and is expensed on a straight-line basis over the vesting period, taking into account the company's estimate of the number of options that will ultimately vest

(k) Pensions

The company only operates defined contribution schemes and contributions are charged to the profit and loss account in the period to which they relate

(l) Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at market rates of exchange ruling at the balance sheet date. All foreign currency transactions are translated into sterling at the exchange rates ruling at the time of the transactions. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit and loss account

(m) Related party transactions

The company is exempt under the terms of Financial Reporting Standard 8 from disclosing related party transactions with entities that are part of the Rensburg Sheppards group or investees of the Rensburg Sheppards group

(n) Operating leases

Costs in respect of operating leases are charged to the profit and loss account in the period to which they relate

(o) Dividends

Final dividends payable to the company's shareholders are recognised in the financial statements as a distribution of retained earnings in the period in which the dividend is approved by the company's shareholders. Interim dividends are recognised in the period in which they are paid

2. Segmental reporting

The company's activities consist solely of investment management services within the United Kingdom

RENSBURG SHEPPARDS INVESTMENT MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. Employee information

(a) The average number of persons employed by the company, including directors, during the year was 622 (2007 638)

(b) Employment costs of employees, including executive directors, were as follows.

	2008 £'000	2007 £'000
Wages and salaries	39,895	39,433
Social security costs	4,747	4,811
Other pension costs	2,601	2,420
Share-based charges - EBT	4,653	4,653
Share-based charges - other	891	156
	<u>52,787</u>	<u>51,473</u>

No amounts were payable to defined contribution pension funds at the end of the financial year (2007 Nil)

4. Directors' emoluments

	2008 £'000	2007 £'000
Highest paid director.		
Emoluments	481	596
Pension contributions	21	17
Directors including highest paid director		
Emoluments	2,294	2,489
Pension contributions	<u>139</u>	<u>114</u>

At 31 March 2008 there were 12 directors (2007 9) to whom retirement benefits were accruing under defined contribution pension schemes

RENSBURG SHEPPARDS INVESTMENT MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. Operating profit

	2008 £'000	2007 £'000
Operating profit is stated after charging		
Auditor's remuneration - audit fee	73	64
Amortisation of goodwill	545	545
Reorganisation costs	-	(263)
Share-based charges - EBT	4,653	4,653
Share-based charges - other	891	156
Loss on disposal of tangible fixed assets	-	44
Depreciation of tangible fixed assets	1,414	1,205
Operating lease rentals – property	1,798	2,121
Operating lease rentals – motor vehicles	305	234

Fees paid to the company's auditor, KPMG Audit Plc, and its associates for services other than the statutory audit of the company are not disclosed in the report and financial statements of Rensburg Sheppards Investment Management Limited since the consolidated accounts of the company's ultimate parent undertaking, Rensburg Sheppards plc, are required to disclose non-audit fees on a consolidated basis

6. Net interest receivable and similar income

	2008 £'000	2007 £'000
Interest receivable on bank deposits	2,326	1,707
Interest payable on bank loans and overdrafts	(33)	(159)
	<u>2,293</u>	<u>1,548</u>

RENSBURG SHEPPARDS INVESTMENT MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7. Taxation on profit on ordinary activities

	2008 £'000	2007 £'000
United Kingdom corporation tax at 30% (2007 30%)	11,978	9,016
Adjustments in respect of prior years	(12)	125
Total current taxation	<u>11,966</u>	<u>9,141</u>
Deferred taxation		
Origination and reversal of timing differences	2	899
Adjustment in respect of prior years	(130)	(56)
Total taxation on profit on ordinary activities	<u>11,838</u>	<u>9,984</u>

The total current tax charge stated above and the amount calculated by applying the standard UK corporation tax rate of 30% can be reconciled as follows

	2008 £'000	2007 £'000
Profit on ordinary activities before tax	<u>32,796</u>	<u>30,045</u>
Tax on profit on ordinary activities before taxation at 30%	9,839	9,014
Effects of		
Adjustments in respect of prior years	(12)	125
Accelerated capital allowances and short term timing differences	307	(1,648)
Share-based charges not tax deductible - EBT	1,396	1,396
Other expenses not tax deductible	459	334
Income not chargeable to tax	(23)	(80)
Current tax charge for the year	<u>11,966</u>	<u>9,141</u>

Future tax charges may be impacted by the change in the standard rate of United Kingdom corporation tax from 30% to 28%, effective from 1 April 2008.

RENSBURG SHEPPARDS INVESTMENT MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8. Dividends

	2008 £'000	2007 £'000
Equity dividends on ordinary shares.		
Interim dividends paid £1,099 95 per share (2007 £956 48 per share)	11,500	10,000
	<u>11,500</u>	<u>10,000</u>

9. Intangible fixed assets

	Goodwill £'000
Cost	
At 1 April 2007 and 31 March 2008	<u>10,906</u>
Amortisation	
At 1 April 2007	3,882
Charge for the year	545
At 31 March 2008	<u>4,427</u>
Net book value	
At 31 March 2008	<u>6,479</u>
Net book value	
At 31 March 2007	<u>7,024</u>

RENSBURG SHEPPARDS INVESTMENT MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. Tangible fixed assets

	Computer hardware £'000	Computer software £'000	Fixtures and fittings £'000	Total £'000
Cost				
At 1 April 2007	2,379	1,932	1,775	6,086
Additions	613	365	63	1,041
Disposals	(14)	-	(24)	(38)
At 31 March 2008	2,978	2,297	1,814	7,089
Depreciation				
At 1 April 2007	1,416	1,184	665	3,265
Charge for the year	564	594	256	1,414
Disposals	(14)	-	(24)	(38)
At 31 March 2008	1,966	1,778	897	4,641
Net book value				
At 31 March 2008	1,012	519	917	2,448
Net book value				
At 31 March 2007	963	748	1,110	2,821

11. Investments

Investment in subsidiary undertakings

	2008 £'000	2007 £'000
Shares in group companies at valuation	63	63

A summary of the principal trading subsidiary companies is shown below

Name of Company	Proportion Held (Ordinary shares)	Principal Activity
Mayflower Management Company Limited	100%	Management of collective investment schemes
CFC Partners Limited	100%	Venture Fund advice

The above companies are incorporated and operate in Great Britain

RENSBURG SHEPPARDS INVESTMENT MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11. Investments (continued)

Other investments

	Listed equities £'000	Unlisted equities £'000	Total £'000
At 1 April 2007	1,056	487	1,543
Revaluation during the year	(37)	173	136
At 31 March 2008	1,019	660	1,679

Listed equity investments include 84,313 shares in London Stock Exchange Group plc

12. Debtors

	2008 £'000	2007 £'000
Trade debtors	99,818	99,716
Amounts owed by group undertakings	60	184
Other debtors	1,744	2,500
Deferred tax asset	1,346	1,218
Prepayments and accrued income	14,612	13,133
	117,580	116,751

The movement on deferred tax during the year was as follows

	£'000
At 1 April 2007	1,218
Credited to the profit and loss account	128
At 31 March 2008	1,346

The deferred tax asset at 31 March 2008 comprises

	£'000
Accelerated capital allowances	449
Short term timing differences	897
	1,346

Deferred tax appropriately reflects the change in the standard rate of United Kingdom corporation tax from 30% to 28%, effective from 1 April 2008

RENSBURG SHEPPARDS INVESTMENT MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

13. Creditors: amounts falling due within one year

	2008 £'000	2007 £'000
Trade creditors	92,598	87,720
Bank loans and overdrafts – unsecured	146	265
Corporation tax payable	5,740	3,924
Other tax and social security costs	3,348	4,298
Amounts owed to group undertakings	990	1,375
Other creditors	509	476
Accruals and deferred income	13,973	14,012
	<u>117,304</u>	<u>112,070</u>

14. Creditors: amounts falling due after one year

	2008 £'000	2007 £'000
Accruals and deferred income	<u>1,373</u>	<u>798</u>

15. Obligations under operating leases

At 31 March 2008 the company had annual commitments under non-cancellable operating leases as follows

	Property		Motor Vehicles	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
Expiring within one year	820	-	50	48
Expiring between one and five years	458	1,271	143	140
Expiring over five years	495	529	-	-
	<u>1,773</u>	<u>1,800</u>	<u>193</u>	<u>188</u>

RENSBURG SHEPPARDS INVESTMENT MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

16. Provisions for liabilities and charges

	Reorganisation costs £'000	Onerous leases £'000	Dilapidations £'000	Total £'000
At 1 April 2007	330	349	225	904
Charged to the profit and loss account	-	-	75	75
Utilised in the year	(330)	(39)	(3)	(372)
At 31 March 2008	-	310	297	607

The reorganisation cost provision related to the integration of the activities of the company into the Rensburg Sheppards group

The onerous leases provision relates to future rental payments in respect of unoccupied leasehold properties to the end of the lease term, up to 2017.

Property dilapidations represent potential costs of reinstatement of the company's leasehold premises upon expiry of property leases, up to 2017

17. Share-based payments

Rensburg Sheppards plc, the company's ultimate parent undertaking, operates a number of equity settled share-based payment schemes, in which certain of the company's employees are eligible to participate. Rensburg Sheppards plc has made grants of awards to employees of the company under the following equity settled share-based payment schemes

Save As You Earn

Rensburg Sheppards plc operates a Savings-Related Share Option ('SAYE') scheme in which all employees of the company are eligible to participate. Options have been granted by Rensburg Sheppards plc under the SAYE scheme in April 2003 and December 2006. Options are granted with a fixed exercise price determined in accordance with the scheme rules. The options can be exercised at any time during the six month period following the vesting date. Exercise of the options is subject to continued employment within the Rensburg Sheppards group, however, options may be exercised prior to the vesting date where employment ceases as a result of redundancy, ill health or on reaching normal retirement age. The vesting of options is not subject to any performance conditions.

RENSBURG SHEPPARDS INVESTMENT MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

17. Share-based payments (continued)

2007 Employee Share Plan

Awards were made under the 2007 Employee Share Plan over a fixed number of shares to certain of the company's employees during March 2007. The future award is conditional on the participant remaining in the employment of the Rensburg Sheppards group, and not having been given or received notice, by 31 March 2010. The future provision of these shares is not subject to any performance criteria or consideration and no amounts were payable at the time the potential entitlements were conferred.

Employee Benefit Trust

The Employee Benefit Trust ('EBT') was established by Investec under the terms of the acquisition of Carr Sheppards Crosthwaite Limited ('CSC') by Rensburg Sheppards plc on 6 May 2005. Under the terms of the EBT, the number of shares conferred on each participating employee, or other equivalent benefit, will be transferred to the participants on 6 May 2008 providing that they remain employees of the Rensburg Sheppards group at that date. The future provision of these shares is not subject to any performance criteria or consideration and no amounts were payable at the time the potential entitlements were conferred.

Employee Share Ownership Plan

At 31 March 2008, options in respect of 27,250 shares (2007: 31,250) which were granted by Rensburg Sheppards plc to certain of the company's employees under the Employee Share Ownership Plan remain outstanding. All of these options were granted before 7 November 2002, and as such, do not fall within the scope of FRS 20 'Share-based payment'. The company has therefore not attributed a fair value to these options. The remaining options are exercisable at any time and are not subject to any performance criteria or consideration.

RENSBURG SHEPPARDS INVESTMENT MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

17. Share-based payments (continued)

Fair value of equity settled share-based payments

The fair value of all share-based payments arising from share awards granted post 7 November 2002 have been estimated using the Black-Scholes option pricing model. The assumptions used in the calculations are as follows

Nature of scheme	Save-As-You-Earn		2007	Employee	Employee share		
	2003	2006	Employee	Benefit	Share	Plan	Share
	Share	Share	Share Plan	Trust	options	Share	options
	options	options	Potential	Potential		options	
			future	future			
			entitlement	entitlement			
			to shares	to shares			
Grant date	16 Apr	18 Dec	9 Mar	6 May	7 Apr	7 Apr	8 Apr
	2003	2006	2007	2005	1999	2000	2002
Share price at grant date	£3 19	£8 45	£8 92	£4 99*	£4 10	£5 84	£4 91
Exercise price	£2 45	£6 60	Nil	Nil	Nil	Nil	Nil
Shares under option or potential future entitlement at date of grant	625,697	444,463	202,350	2,548,000**	122,250	108,000	95,750
Expected volatility	29 3%	24 0%	n/a	n/a	n/a	n/a	n/a
Expected life (years)	3 12	3 12	3 30	3 00	n/a	n/a	n/a
Remaining contractual life (years)	-	1 84	2 23	0 10	n/a	n/a	n/a
Risk free rate	3 9%	4 8%	n/a	n/a	n/a	n/a	n/a
Expected dividends expressed as a dividend yield	2 6%	2 9%	2 8%	n/a	n/a	n/a	n/a
Expected forfeiture rate	6%	4%	0%	n/a	n/a	n/a	n/a
Fair value at grant date	£0 99	£2 42	£8 15	£4 99	n/a	n/a	n/a

*After deduction of the special dividend of 45p paid on 1 June 2005 and the first interim dividend in respect of the six month period ended 31 May 2005 of 6 6p, for which the shares issued by Rensburg Sheppards plc to Investec under the terms of its acquisition of CSC did not rank

** After taking account of the share consolidation of Rensburg Sheppards plc which took place on 20 May 2005

RENSBURG SHEPPARDS INVESTMENT MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

17. Share-based payments (continued)

The expected volatility is based on historic volatility over an appropriate period, consistent with the expected life of the option during the period immediately preceding the date of grant. The risk free rate of return was the yield on UK Gilt Strip at the date of grant of a term consistent with the life of the option.

A reconciliation of the number of shares in respect of which awards have been made is set out below.

	Save-As-You-Earn		2007 Employee Share Plan No.	Employee Benefit Trust No.	Employee Share Ownership Plan No.
	2003 No.	2006 No.			
Outstanding at 1 April 2006	531,367	-	-	2,548,000	76,660
Granted	-	444,463	202,350	-	-
Forfeited	-	(4,006)	-	-	-
Exercised	(531,367)	-	-	-	(45,410)
Outstanding at 31 March 2007	-	440,457	202,350	2,548,000	31,250
Granted	-	-	-	-	-
Forfeited	-	(31,733)	-	-	-
Exercised	-	(2,118)	-	-	(4,000)
Outstanding at 31 March 2008	-	406,606	202,350	2,548,000	27,250

The weighted average share price during the year was £7.62 (2007 £7.74). With the exception of options remaining under the Employee Share Ownership Plan, to which no fair value has been attributed, no options were exercisable at 31 March 2008. The total charge for the period relating to employee share-based payment schemes was £5,544,000 (2007 £4,809,000), all of which related to equity-settled share-based payment transactions.

18. Called up share capital

	2008		2007	
	No.	£	No.	£
Authorised				
Ordinary shares of £1 each	12,000	12,000	12,000	12,000
Allotted, called up and fully paid				
Ordinary shares of £1 each	10,455	10,455	10,455	10,455

RENSBURG SHEPPARDS INVESTMENT MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

19. Reserves

	Share premium £'000	Profit & loss £'000	Revaluation reserve £'000
At 1 April 2007	14,066	19,320	1,513
Profit for the financial year	-	20,958	-
Gain on revaluation of investments	-	-	136
Share-based payments	-	5,544	-
Dividends	-	(11,500)	-
At 31 March 2008	14,066	34,322	1,649

20. Reconciliation of movements in shareholder's funds

	2008 £'000	2007 £'000
Profit for the financial year	20,958	20,061
Gain on revaluation of investments	136	187
Share-based payments	5,544	4,809
Dividends	(11,500)	(10,000)
Funding of shares purchased by the Employee Share Ownership Trust	-	(1,815)
Net increase to shareholder's funds	15,138	13,242
Opening shareholder's funds	45,354	32,112
Closing shareholder's funds	60,492	45,354

21. Contingent liabilities

The company has contingent liabilities which cannot be quantified in respect of letters of indemnity, principally for certified stock transfers and share certificates, given in the ordinary course of business

RENSBURG SHEPPARDS INVESTMENT MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

22. Contingent assets

During the years ended 31 March 2004 and 31 March 2005, the company reorganised its regional network and sold certain businesses. Under the terms of the sale agreements, deferred contingent consideration may become payable to the company and, as a result, the company received £297,000 during the year in accordance with the agreements. One further and final amount is potentially receivable by the company during the year ending 31 March 2009, the value of which is contingent upon the level of performance of the businesses.

23. Capital commitments

	2008 £'000	2007 £'000
Contracted but not provided for	<u>145</u>	<u>-</u>

24. Ultimate holding company

The company is a subsidiary of Rensburg Sheppards plc, the ultimate holding company, which is registered in England and Wales. Rensburg Sheppards plc is the parent undertaking of the smallest and largest group to consolidate these financial statements. Copies of the consolidated financial statements of Rensburg Sheppards plc can be obtained from the company secretary at Quayside House, Canal Wharf, Leeds, LS11 5PU.

RENSBURG SHEPPARDS INVESTMENT MANAGEMENT LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF RENSBURG SHEPPARDS INVESTMENT MANAGEMENT LIMITED

We have audited the financial statements of Rensburg Sheppards Investment Management Limited for the year ended 31 March 2008 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 6.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

RENSBURG SHEPPARDS INVESTMENT MANAGEMENT LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF RENSBURG SHEPPARDS INVESTMENT MANAGEMENT LIMITED (CONTINUED)

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 March 2008 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor
10 June 2008

1 The Embankment
Neville Street
Leeds
LS1 4DW