Company Number 02122340

Rensburg Sheppards Investment Management Limited

Report and Financial Statements

For the year ended
31 March 2010

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 2010

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 £99 94 million (2009 £100 07 million), the company's reported profit for the year ended 31 March 2010 was £22 65 million (2009 restated £23 39 million) The restatement of the 2009 results reflects a £0 24 million reduction in the profit before tax of that year which arose from a change to accounting standards, and is explained in note 1 (j) of the financial statements During the year interim dividends amounting to £14 0 million (2009 £19 2 million) were declared and paid The directors are not recommending the payment of a final dividend (2009 £nil)

Discretionary funds under management at 31 March 2010 were £8 52 billion (2009 £6 46 billion), an increase of 31 9% over the year Non-discretionary funds increased by 24 7% over the year to £3 08 billion (2009 £2 47 billion) This gave rise to total funds under management at 31 March 2010 of £11 60 billion, compared with £8 93 billion at 31 March 2009 The proportion of funds managed on a discretionary basis has increased to 73 4% (2009 72 3%), marking yet a further step towards our stated target of 75%

The increase in total funds under management over the year of 29 9% compares with the corresponding increases in the FTSE/APCIMS Private Investors Balanced index of 28 3%

The implied annual rate of net organic growth in funds under management achieved for the year, excluding acquired inflows and exceptional outflows, was 6 0% This represents a marked improvement from the 1 4% achieved in the prior year and is modestly ahead of our longer-term target of a rolling average net organic growth rate of 5%

In November 2009 we extended our operation in Scotland with the appointment of eight experienced investment managers to be based in our Edinburgh office Whilst it is still early days, we are very pleased with the level of new funds to manage that these appointments have already attracted into this office

Funds managed under the company's well established intermediary services have exhibited strong growth over the past year This distribution channel is one which we see presenting increasing opportunities for future growth as, in particular, the changes to the business models of intermediaries being brought about by the forthcoming Retail Distribution Review ('RDR') are already starting to take effect

RENSBURG SHEPPARDS INVESTMENT MANAGEMENT LIMITED

DIRECTORS' REPORT (CONTINUED)

We have continued to build our SIPP funds under management over the past year, and whilst acknowledging the potentially adverse impact of the proposals announced by the Chancellor of the Exchequer in the budget in April 2009, we continue to believe that revenues from the investment management and administration of SIPPs will, over time, become an increasingly important revenue stream for the company

As in the prior year, our dedicated charity business remains the second largest manager of segregated charity accounts by number (source Charity Finance magazine, November 2009)

The integration of the financial planning business into the core investment management business was completed during the year and we are confident that this will enhance further our service levels to our clients and will attract additional new business across the company's wider service offering

The need to position ourselves better within our target market by improving our name awareness is an issue we have recognised for some time In the first quarter of 2010 we appointed a chief marketing officer to drive our marketing strategy, including raising awareness of the business and the services it is able to offer to the growing number of potential clients who, in today's rapidly changing and increasingly complex financial world, could well benefit from our professional services and advice

On 30 December 2009 the company disposed of its wholly owned subsidiary Mayflower Management Company Limited ('Mayflower') Mayflower's sole activity was to manage a charity property fund which, at disposal, had discretionary assets under management of £299 million This disposal was completed for a cash consideration of £1 9 million plus the negligible net assets of Mayflower The ensuing profit on disposal of £2 0 million is anticipated to be free of corporation tax

The company continues to recognise the importance of supporting the local community and actively contributes to a range of initiatives, organisations and good causes, both locally and nationally

The company's charitable trust has provided support through a range of charitable donations through the year, most notably it has extended its support to the Yorkshire Air Ambulance service The company also sponsors a number of community based activities and organisations both locally and nationally to include the Royal Liverpool Philharmonic Orchestra, the National Garden Scheme Yellow Book, the Tate Liverpool Community Foundation, the South Yorkshire Community Foundation and the Independent Schools Football Association under 13 and under 15 cup competitions

In addition to direct financial support, we aim to use our expertise to provide a direct contribution to the community We run annual 'student weeks' in a number of our larger offices, which provide support to under graduates, by helping them to gain a better understanding of a range of financial issues within a commercial environment and develop an understanding of the financial world

RENSBURG SHEPPARDS INVESTMENT MANAGEMENT LIMITED

DIRECTORS' REPORT (CONTINUED)

The pncıpal key performance ındicators used by management are as follows

	Year ended 31 March 2010	*Restated* Year ended 31 March 2009	% change
Funds under management [1]	**£11.60 billion**	£8 93 bıllıon	+29 9%
FTSE/APCIMS Balanced ındex [1]	**2,861.5**	2,230 5	+28 3%
FTSE All-Share ındex [1]	**2,910.2**	1,984 2	+46 7%
Underlyıng rate of net organıc growth ın total funds under management [2]	**+6.0%**	+1 4%	N/A
% of total funds managed on a dıscretıonary basıs	**73.4%**	72 3%	N/A
Underlyıng operatıng profit [3]	**£27.93 million**	£32 18 mıllıon	-13 2%
Underlyıng operatıng profit as a % of net revenue	**27.9%**	32 2%	N/A

1 As at the year end
2 Net organıc ınflows less outflows (excludıng acquıred ınflows and exceptıonal outflows) as a % of openıng funds under management
3 This ıs prıor to goodwıll amortısatıon and share-based charges relatıng to the Employee Benefıt Trust ('EBT')

Funds under management

	2010 **£bn**	2009 £bn
At 1 Aprıl	**8.93**	11 48
Inflows	**1.06**	0 86
Inflows - acquıred	**0.05**	-
Outflows	**(0.52)**	(0 70)
Outflows - exceptıonal	**(0.58)**	-
Market adȷustment [1]	**2.66**	(2 71)
At 31 March	**11.60**	8 93
Underlying rate of net organic growth [2]	**+6.0%**	+1 4%

1 Impact of market movement and relatıve performance
2 Net organıc ınflows less outflows (excludıng acquıred ınflows and exceptıonal outflows) as a % of openıng funds under management

RENSBURG SHEPPARDS INVESTMENT MANAGEMENT LIMITED

DIRECTORS' REPORT (CONTINUED)

The exceptional outflows represent the disposal of Mayflower Management Company which managed a charity property fund, together with the loss of two longstanding atypical discretionary mandates of an institutional nature which, when all combined, represented £583 million of funds under management, but in income terms were low yielding

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 ethos 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 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

4 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

DIRECTORS' REPORT (CONTINUED)

5 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 settlement and the support functions, the adequacy and operation of our internal processes are kept under regular review by the internal auditors and by management and, to the extent necessary to support its audit report, the external auditor

6 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 appropriate segregation of duties, regular reconciliations of both firm and client assets, significant levels of insurance carried by the company and last, but certainly not least, the detailed personal knowledge of many of the group's investment management clients that their investment management team possesses which, in particular, assists greatly in protecting against the ever increasing risk of identity theft

7 Financial risks, comprising credit, liquidity, interest rate and price risks, and the associated key controls are described in detail in note 22 to the financial statements

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

Our employees are fundamental to the continued success of the business and the company is committed to promoting and supporting the growth and development of all of its employees We believe that strong business performance is built on integrity and openness in the company's relationships with both our clients and our employees

Training and development

Managing and developing the performance of the company's employees through our professional development system is crucial to the achievement of the company's objectives and the success of the business The aim of the process is not only to meet or, in most cases, exceed the professional competency requirements of the regulatory and professional bodies of the industry but, also to ensure that each member of staff understands and actively promotes the company's core values in delivering high standards of client service

RENSBURG SHEPPARDS INVESTMENT MANAGEMENT LIMITED

DIRECTORS' REPORT (CONTINUED)

The company supports employees through their professional qualifications by meeting the cost of study materials and courses, providing study leave, and rewarding exam success On-going professional development and training is provided through the company's online interactive training facilities, internal seminars and courses provided by external specialists

Ethical standards are of paramount importance to the company and these are supported by the company's internal policies, which include a whistle-blowing policy to provide employees with a process to report any ethical concerns they may have, should they believe that the company's high standards of integrity have not been adhered to

Equality of opportunity

The company believes in equality of opportunity All employees and applications for employment are treated fairly and based on merit, irrespective of race, gender, religious belief, disability, age, marital status or sexual orientation

The company's policy is to give 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 would be made, wherever practicable, to enable them to continue their employment with the company, including the provision of appropriate training where relevant

Health, safety and welfare

The company is committed to ensuring that employees have a safe, healthy and pleasant working environment The company is a member of the Rensburg Sheppards group, and the group's health & safety committee, with the assistance of external consultants, manages and monitors the effectiveness of its established health and safety policies and procedures A range of health & safety training programmes have been introduced during the year and are being implemented across the group

The group aims to help employees to balance their work and personal lives Flexible working is increasingly accommodated as a result of our remote access system to the group's IT network, allowing employees to work from home in certain instances Other initiatives are also provided such as a childcare voucher scheme and free loans for travel season tickets to assist with the use of public transport

DIRECTORS' REPORT (CONTINUED)

The directors who held office during the year were as follows

G K Barber
A Bell (Resigned 05/02/10)
D J Bulteel
S M Elliott
S G Kaye
I Maxwell Scott
J E Price
M J S Redmayne
M Rigby
J D Seal
T H Street
N J Warren
J P Wragg

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

KPMG Audit Plc will be deemed to have been reappointed as auditors under section 487(2) of the Companies Act 2006

By order of the board

P M Watts
Secretary
8 June 2010

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)

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the 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 adequate 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 2006 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 2010

	Note	2010 £'000	2009 £'000 Restated
Revenue		**103,746**	103,562
Fees and commissions payable		**(3,807)**	(3,492)
Net revenue	1,2	**99,939**	100,070
Operating expenses		**(71,084)**	(66,671)
Share-based payments - EBT	18	**-**	(440)
Share-based payments - other	18	**(927)**	(1,218)
Goodwill amortisation	10	**(545)**	(545)
Total administrative expenses		**(72,556)**	(68,874)
Operating profit	5	**27,383**	31,196
Profit on disposal of subsidiary	6	**1,975**	-
Net interest receivable and similar income	7	**1,029**	2,220
Income from fixed asset investments		**289**	63
Profit on ordinary activities before taxation		**30,676**	33,479
Tax on profit on ordinary activities	8	**(8,026)**	(10,088)
Profit for the financial year	20	**22,650**	23,391

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 MARCH 2010

	Note	2010 £'000	2009 £'000 Restated
Profit for the financial year		**22,650**	23,391
Gain/(loss) on revaluation of investments		**417**	(715)
Total recognised gains and losses relating to the financial year		**23,067**	22,676
Prior year adjustment – share-based payments	1	**(242)**	
Total gains and losses recognised since last annual report		**22,825**	

Revenue 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 2010

	Note	2010 £'000	2009 £'000
FIXED ASSETS			
Intangible assets	10	**5,389**	6,054
Tangible assets	11	**2,694**	2,840
Investment in subsidiary undertakings	12	**13**	63
Other investments	12	**1,397**	964
		9,493	9,921
CURRENT ASSETS			
Debtors	13	**134,469**	121,292
Cash at bank and in hand		**69,123**	57,923
		203,592	179,215
CREDITORS:			
Amounts falling due within one year	14	**(135,617)**	(120,549)
NET CURRENT ASSETS		**67,975**	58,666
TOTAL ASSETS LESS CURRENT LIABILITIES		**77,468**	68,587
CREDITORS:			
Amounts falling due after one year	15	**(1,301)**	(2,247)
PROVISIONS FOR LIABILITIES AND CHARGES	17	**(697)**	(714)
NET ASSETS		**75,470**	65,626
CAPITAL AND RESERVES			
Called up equity share capital	19	**10,455**	10,455
Share premium account	20	**14,066**	14,066
Revaluation reserve	20	**1,351**	934
Profit and loss account	20	**49,598**	40,171
SHAREHOLDER'S FUNDS	21	**75,470**	65,626

These financial statements were approved by the board on 8 June 2010 and signed on its behalf by

J P Wragg
Director
8 June 2010

Company registration number 02122340

RENSBURG SHEPPARDS INVESTMENT MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1. Principal accounting policies

(a) Basis of preparation

The financial statements are prepared on the going concern basis, under the historical cost convention, as modified by the revaluation of certain fixed asset investments in accordance with the Companies Act 2006 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, with the exception of an amendment to the accounting for share-based payments as disclosed in note 1(j)

(b) Group accounts

The company is exempt by virtue of s400 of the Companies Act 2006 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) Intangible fixed assets

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. Principal accounting policies (continued)

(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

(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 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

1. Principal accounting policies (continued)

(j) Share-based payments (continued)

In accordance with Financial Reporting Standard 20 (FRS 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

An amendment to FRS 20 *Share-based payment – vesting conditions and cancellations* became effective for the company on 1 April 2009 The amendment changes the definition of vesting conditions in respect of employee share option schemes Following the adoption of the amendment, the requirement to save is now considered to be a vesting condition that should be taken into account when calculating the fair value at the date of grant In addition, where an employee decides to withdraw from a share option scheme, their withdrawal is treated as a cancellation of the award As a result, any remaining share-based charge that would have been recognised over the remaining vesting period is recognised in full at the time of cancellation

The amendment has been applied retrospectively, in accordance with its transitional provisions Comparative information in respect of the year ended 31 March 2009 has been restated accordingly The financial effect is to increase administrative expenses and reduce profit after tax by £242,000 for the year ended 31 March 2009 Profit after tax for the year ended 31 March 2010 is £242,000 greater as a result of the implementation of the amendment during the year The amendment has no overall effect on retained earnings and total shareholder's funds at 31 March 2009 or 31 March 2010

(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

1. Principal accounting policies (continued)

(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

3. Employee information

(a) The average number of persons employed by the company, including directors, during the year was 598 (2009 627)

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

	2010	2009
	£'000	£'000
		Restated
Wages and salaries	**42,063**	36,664
Social security costs	**5,010**	4,336
Other pension costs	**2,590**	2,645
Share-based charges - EBT	**-**	440
Share-based charges - other	**927**	1,218
	50,590	45,303

No amounts were payable to defined contribution pension funds at the end of the financial year (2009 £Nil)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. Directors' emoluments

	2010 £'000	2009 £'000
Highest paid director		
Emoluments	**458**	379
Pension contributions	**16**	20
Directors including highest paid director		
Emoluments	**3,317**	2,510
Pension contributions	**180**	165

At 31 March 2010 there were 12 directors (2009 13) to whom retirement benefits were accruing under defined contribution pension schemes

5. Operating profit

	2010 £'000	2009 £'000 Restated
Operating profit is stated after charging		
Auditor's remuneration - audit fee	**75**	75
Amortisation of intangible fixed assets	**545**	545
Share-based charges - EBT	**-**	440
Share-based charges - other	**927**	1,218
Depreciation of tangible fixed assets	**1,375**	1,372
Operating lease rentals – property	**2,127**	2,079
Operating lease rentals – motor vehicles	**209**	261

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. Profit on disposal of subsidiary

On 30 December 2009 the company disposed of Mayflower Management Company Limited, a wholly owned subsidiary The profit arising on the disposal was £1,975,000

7. Net interest receivable and similar income

	2010 £'000	2009 £'000
Interest receivable on bank deposits	**1,048**	2,259
Interest payable on bank loans and overdrafts	**(19)**	(39)
	1,029	2,220

8. Taxation on profit on ordinary activities

	2010 £'000	2009 £'000
United Kingdom corporation tax at 28% (2009 28%)	**8,265**	10,399
Adjustments in respect of prior years	**(298)**	(73)
Total current taxation	**7,967**	10,326
Deferred taxation		
Origination and reversal of timing differences	**47**	(211)
Adjustment in respect of prior years	**12**	(27)
Total taxation on profit on ordinary activities	**8,026**	10,088

8. Taxation on profit on ordinary activities (continued)

The total current tax charge stated above and the amount calculated by applying the standard UK corporation tax rate of 28% (2009 28%) can be reconciled as follows

	2010	2009
	£'000	£'000
		Restated
Profit on ordinary activities before taxation	**30,676**	33,479
Tax on profit on ordinary activities before taxation at 28% (2009 28%)	**8,589**	9,374
Effects of		
Adjustments in respect of prior years	**(298)**	(73)
Accelerated capital allowances and short term timing differences	**(117)**	512
Share-based charges not tax deductible - EBT	**-**	123
Other expenses not tax deductible	**427**	408
Income not chargeable to tax	**(634)**	(18)
Current tax charge for the year	**7,967**	10,326

9. Dividends

	2010	2009
	£'000	£'000
Equity dividends on ordinary shares		
Interim dividends paid £1,339 07 per share (2009 £1,836 44 per share)	**14,000**	19,200
	14,000	19,200

RENSBURG SHEPPARDS INVESTMENT MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. Intangible fixed assets

	Goodwill £'000	Client relationships £'000	Total £'000
Cost			
At 1 April 2009	10,906	120	11,026
Transferred to the profit and loss account	-	(120)	(120)
At 31 March 2010	**10,906**	**-**	**10,906**
Amortisation			
At 1 April 2009	4,972	-	4,972
Charge for the year	545	-	545
At 31 March 2010	**5,517**	**-**	**5,517**
Net book value			
At 31 March 2010	**5,389**	**-**	**5,389**
Net book value			
At 31 March 2009	5,934	120	6,054

RENSBURG SHEPPARDS INVESTMENT MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11. Tangible fixed assets

	Computer hardware £'000	Computer Software £'000	Fixtures and fittings £'000	Total £'000
Cost				
At 1 April 2009	3,390	2,996	2,241	8,627
Additions	282	815	132	1,229
At 31 March 2010	**3,672**	**3,811**	**2,373**	**9,856**
Depreciation				
At 1 April 2009	2,397	2,224	1,166	5,787
Charge for the year	579	460	336	1,375
At 31 March 2010	**2,976**	**2,684**	**1,502**	**7,162**
Net book value				
At 31 March 2010	**696**	**1,127**	**871**	**2,694**
Net book value				
At 31 March 2009	993	772	1,075	2,840

12. Investments

Investment in subsidiary undertakings

	£'000
At 1 April 2009	63
Disposals	(50)
At 31 March 2010	**13**

On 30 December 2009, the company disposed of Mayflower Management Company Limited, a wholly owned subsidiary

The principal trading subsidiary company is as shown below

Name of company	Class of share capital	Proportion held	Principal Activity
CFC Partners Limited	Ordinary	100%	Venture Fund advice

The above company is incorporated and operates in Great Britain

12. Investments (continued)

Other investments

	Listed equities £'000	Unlisted equities £'000	Total £'000
At 1 April 2009	477	487	964
Additions	-	16	16
Revaluation during the year	122	295	417
At 31 March 2010	**599**	**798**	**1,397**

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

13. Debtors

	2010 £'000	2009 £'000
Trade debtors	**120,494**	108,882
Amounts owed by group undertakings	-	45
Other debtors	**1,539**	533
Deferred tax asset	**1,525**	1,584
Prepayments and accrued income	**10,911**	10,248
	134,469	121,292

The movement on deferred tax during the year was as follows

	£'000
At 1 April 2009	1,584
Charged to the profit and loss account	(59)
At 31 March 2010	**1,525**

The deferred tax asset at 31 March 2010 comprises	£'000
Accelerated capital allowances	453
Short term timing differences	1,072
	1,525

RENSBURG SHEPPARDS INVESTMENT MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

14. Creditors: amounts falling due within one year

	2010	2009
	£'000	£'000
Trade creditors	**112,149**	99,152
Bank loans and overdrafts – unsecured	**645**	180
Corporation tax payable	**3,890**	4,893
Other tax and social security costs	**8,488**	2,812
Amounts owed to group undertakings	**801**	709
Other creditors	**224**	441
Accruals and deferred income	**9,420**	12,362
	135,617	120,549

15. Creditors: amounts falling due after one year

	2010	2009
	£'000	£'000
Accruals and deferred income	**1,301**	2,247

16. Obligations under operating leases

At 31 March 2010 the company had annual commitments under non-cancellable operating leases as follows

	Property		**Motor Vehicles**	
	2010	2009	**2010**	2009
	£'000	£'000	**£'000**	£'000
Expiring within one year	**1,111**	1,060	**14**	41
Expiring between one and five years	**499**	471	**139**	132
Expiring over five years	**411**	500	**-**	-
	2,021	2,031	**153**	173

17. Provisions for liabilities and charges

	Deferred contingent consideration	Onerous leases	Dilapidations	Total
	£'000	£'000	£'000	£'000
At 1 April 2009	120	297	297	714
Released/(charged) to the profit and loss account	(120)	214	-	94
Utilised in the year	-	(111)	-	(111)
At 31 March 2010	**-**	**400**	**297**	**697**

The onerous leases provision represents future rentals and running costs of unoccupied leasehold premises to the end of the lease term All such leases are due to expire during or before 2015

The provision for property dilapidation costs reflects the obligations that the company has to reinstate leasehold properties to their original condition prior to the expiry of the relevant lease The leases held on these properties expire in the period up to 2018

18. 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 outstanding at 31 March 2009 and 31 March 2010 were granted under the SAYE scheme in December 2006 and December 2008 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

18. 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 was 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 Following changes to rates of taxation which took effect on 6 April 2010, the board took the decision to bring forward the vesting date of all awards outstanding under this scheme from 31 March 2010 to 8 March 2010, as this was considered to be in the best interests of both the award holders and the company Following vesting, the transfer of shares to employees was completed prior to 31 March 2010 The provision of these shares was 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 Awards granted under this scheme were transferred to the participants on 6 May 2008, in accordance with the terms of the scheme No consideration was payable by the participants at the time the awards were conferred or transferred to them No future awards can be made by the company under this scheme

Employee Share Ownership Plan

At 31 March 2010 all options in respect of this scheme had been exercised (2009 8,000 outstanding) These options were granted by Rensburg Sheppards plc to certain of the company's employees under the Employee Share Ownership Plan 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 options were not subject to any performance criteria or consideration

RENSBURG SHEPPARDS INVESTMENT MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

18. Share-based payments (continued)

Fair value of equity settled share-based payments

The fair value of 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

	Save-As-You-Earn 2006	Save-As-You-Earn 2008	2007 Employee Share Plan	Employee Benefit Trust	Employee share Ownership Plan		
Nature of scheme	Share options	Share options	Potential future entitlement to shares	Potential future entitlement to shares	Share options	Share options	Share options
Grant date	18 Dec 2006	12 Dec 2008	9 Mar 2007	6 May 2005	7 Apr 1999	7 Apr 2000	8 Apr 2002
Share price at grant date	£8 45	£3 75	£8 92	£4 99*	£4 10	£5 84	£4 91
Exercise price	£6 60	£3 03	Nil	Nil	Nil	Nil	Nil
Shares under option or potential future entitlement at date of grant	444,463	1,106,185	202,350	2,548,000**	122,250	108,000	95,750
Expected volatility	24 0%	31 6%	n/a	n/a	n/a	n/a	n/a
Expected life (years)	3 12	3 14	3 30	3 00	n/a	n/a	n/a
Remaining contractual life (years)	-	1 84	-	-	n/a	n/a	n/a
Risk free rate	4 8%	2 4%	n/a	n/a	n/a	n/a	n/a
Expected dividends expressed as a dividend yield	2 9%	4 0%	2 8%	n/a	n/a	n/a	n/a
Expected forfeiture rate	4%	5%	0%	n/a	n/a	n/a	n/a
Fair value at grant date	£2 42	£0 95	£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

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

18. Share-based payments (continued)

As set out on page 23, the terms of the 2007 Employee Share Plan were modified during the year, which reduced the contractual life of the awards The modification occurred on 8 February 2010 and at this date the incremental fair value granted (as a result of the modification) was calculated The additional charge taken to the profit and loss account during the year was £10,000 No earlier periods were affected by this modification

The incremental fair value was calculated using a Black-Scholes model using the inputs of a share price of £5 75 on 8 February 2010, a risk free rate of 2 4% and a dividend yield of 4 0% The contractual life at 8 February 2010 on the original options was 0 38 years and on the modified options 0 12 years This resulted in additional incremental value granted of £0 05 per share

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

	Save-As-You-Earn 2006	Save-As-You-Earn 2008	2007 Employee Share Plan	Employee Benefit Trust	Employee Share Ownership Plan
	No	No	No	No	No
Outstanding at 1 April 2008	406,606	-	202,350	2,548,000	27,250
Granted	-	1,106,185	-	-	-
Forfeited	(400,601)	(11,404)	-	-	-
Exercised/vested	-	-	-	(2,548,000)	(19,250)
Outstanding at 31 March 2009	6,005	1,094,781	202,350	-	8,000
Forfeited	(572)	(79,492)	(5,002)	-	-
Exercised/vested	-	(11,862)	(197,348)	-	(8,000)
Outstanding at 31 March 2010	**5,433**	**1,003,427**	**-**	**-**	**-**

The weighted average share price during the year was £5 72 (2009 £4 64) With the exception of 5,433 options outstanding under the Save-As-You-Earn 2006 scheme, no options were exercisable at 31 March 2010 The total charge for the period relating to employee share-based payment schemes was £927,000 (2009 restated £1,658,000), all of which related to equity-settled share-based payment transactions The effect on the financial statements of the amendment to FRS 20 Share-based payment – vesting conditions and cancellations is detailed in note 1 (j)

RENSBURG SHEPPARDS INVESTMENT MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

19. Called up share capital

	2010		2009	
	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

20. Reserves

	Share premium £'000	Profit & loss £'000	Revaluation reserve £'000
At 1 April 2009	14,066	40,171	934
Profit for the financial year	-	22,650	-
Gain on revaluation of investments	-	-	417
Share-based payments	-	777	-
Dividends	-	(14,000)	-
At 31 March 2010	**14,066**	**49,598**	**1,351**

21. Reconciliation of movements in shareholder's funds

	2010 £'000	2009 £'000 Restated
Profit for the financial year	**22,650**	23,391
Gain/(loss) on revaluation of investments	**417**	(715)
Share-based payments	**777**	1,658
Dividends	**(14,000)**	(19,200)
Net increase to shareholder's funds	**9,844**	5,134
Opening shareholder's funds	**65,626**	60,492
Closing shareholder's funds	**75,470**	65,626

22. Financial risk management

The company operates a formal risk management process to identify, evaluate and manage the risks to which the company is exposed A standard risk management framework is used across the company to assess exposure to risks and the controls that are in place to manage those risks

For the purposes of the risk management process, the company is divided into separate business units which share common risk characteristics Each business unit has a designated risk owner, who is normally the person with management responsibility for the particular unit

The risks identified for each business unit are recorded on a centralised system, which is used to consolidate risks across the company in order to provide a company-wide view of risk Where a risk relates to a single business unit, the risk is managed within the relevant business unit through its control procedures Where risks are common to more than one business unit, the risks are managed in a centralised manner through the company's risk management structure, which is led by the risk management committee The company's attitude towards the acceptance of risk is set out in a formal risk appetite policy, which is reviewed and approved by the board

The financial risks to which the company is exposed comprise credit risk, liquidity risk, interest rate risk and price risk The management of these financial risks is set out below

Credit risk

Credit risk is the risk of financial loss arising from a client or other counterparty failing to meet their obligations to repay outstanding amounts as they fall due For the company, credit risk principally arises from the settlement of market transactions, amounts receivable from clients, and cash deposited with banks relating to its investment management activities

The settlement risk in respect of client counterparties is mitigated by virtue of the high proportion of client portfolios being managed on a discretionary basis, with relatively little business undertaken on an execution only basis Normally, the purchase of securities on behalf of clients is undertaken only once cleared funds are available Sales of securities are normally undertaken only once the related securities are held within the company's nominee company Any transactions undertaken prior to the receipt of cleared funds or securities are subject to close monitoring as part of the company's internal control procedures The company's exposure to large trades is also limited, as the nature of the business determines that individual trades are generally relatively small in value and any trades greater than £250,000 are monitored on a daily basis The settlement risk in respect of market counterparties is mitigated as a result of transactions normally being undertaken on recognised exchanges and standard platforms, and delivered through major settlement systems

22. Financial risk management (continued)

The company undertakes investment business only on behalf of its clients and does not trade on its own account A small proportion of the company's investment management service involves options trading The settlement risk in respect of options business differs to that of the core investment management activity by virtue of the requirement that derivative business undertaken on behalf of clients must be transacted by the company as principal, under the rules of LIFFE, however, such transactions are only undertaken on a matched basis to ensure that the exposure to the company is maintained within acceptable limits In addition, the company requires collateral, which must meet certain quality criteria, to be pledged by clients who hold option positions, in order to mitigate the risk of adverse market movements affecting the company

The mitigation of credit risk relating to cash deposited with banks is achieved as a result of deposits being held across a spread of major banks that possess a high credit rating Deposits are managed by the company's dedicated treasury function in accordance with the company's treasury policy, which is set by the company's cash and credit management committee ('CCMC')

Modest short-term advances to clients are occasionally made, subject to these being secured against suitable portfolios managed by the company

Liquidity risk

Liquidity risk is the risk that the company will be unable to meet its financial obligations as they fall due For the company, exposure to liquidity risk comprises two elements The first is in respect of the company's own cash resources, and the sufficiency of those resources to meet the company's financial obligations as they become due for payment. Secondly, the company manages the cash resources of its investment management clients, where client portfolios include an element of cash assets The management of clients' cash assets must retain a sufficient amount of liquidity in order that this cash is available for investment in non-cash assets within clients' portfolios at the relevant time, or repaid to clients upon demand

The CCMC is responsible for setting and monitoring the company's policy for the management of both the company's cash assets and those of clients The management of these assets principally involves placing cash deposits with banks and holding other liquid assets that can readily be realised into cash The policy for cash management specifies the institutions with which deposits may be made and sets out the criteria regarding the maximum deposit that may be made with a single institution, the proportion of cash that may be held on call and fixed term deposits, and the maximum term of deposits The day-to-day management of cash assets within the parameters of the policy is the responsibility of a dedicated treasury team, which reports to the CCMC

22. Financial risk management (continued)

In accordance with the company's current policy, the majority of the company's own cash assets are deposited on call and a smaller proportion are held on fixed term deposits with a maturity of up to three months The deposits are with a wide selection of highly-rated banks

In order to mitigate the company's exposure to demands by clients for cash withdrawals from portfolios, the company's current policy is to maintain a minimum of 50% of clients' total cash deposits available either on call or subject to a maximum of seven days' notice In addition, a minimum of 65% of clients' total cash deposits are available on call or in fixed term deposits which require either notice of a period not exceeding seven days or which can be broken without penalty or notice The balance of up to 35% of clients' cash deposits is placed on rolling maturities of up to 100 days' duration The proportion of clients' cash deposited on call is considerably greater than the maximum historical demand for client cash in any single month and this policy is considered to reduce the liquidity risk in respect of clients' cash assets to an acceptable level The liquidity risk relating to non-cash investment assets held in clients' portfolios remains with the relevant client

The company's ability to generate cash from its operating activities remains strong and there continues to be a high correlation between the group's profitability and cash generation A principal reason for this is that fees, commission and other charges in respect of the company's investment management and dealing activities are usually charged to, and paid directly from, the portfolios of clients managed by the company There is therefore a minimal timeframe between charges being levied and the collection of cash

Whilst the company has considerable cash resources and continues to generate cash over a relatively short operating cycle, it is the company's policy to maintain overdraft facilities where it is efficient to do so At 31 March 2010, the company had access to separate overdraft facilities of £15 million and £3 million, which are due for renewal on 31 December 2010 and 1 November 2010 respectively At 31 March 2010, the company had drawn on £0 6 million (2009 £0 2 million) of these facilities and all conditions necessary for the company to draw on the remainder of these facilities were satisfied at 31 March 2010

22. Financial risk management (continued)

In addition to the liquidity risks set out above, the company also has exposure to liquidity risk in respect of traded option transactions As noted above, options business is transacted on a matched basis and clients with open options positions are required to lodge a minimum specified amount of collateral with the company in order to mitigate the risk of adverse market movements affecting the company This collateral must meet certain quality criteria and may comprise cash and non-cash investments As a result of the matched basis of options transactions, the company is in turn required to lodge collateral with the market in respect of clients' options positions The company has a bank guarantee facility of £16 5 million in place, which is due for renewal annually on 31 August The purpose of this facility is to satisfy the company's collateral requirement with the market, thereby negating the need for the company to lodge its own or clients cash or other assets with the market The level of this guarantee is considered to be adequate to cover the collateral requirement under most circumstances However, market conditions may arise which result in the level of the collateral requirement exceeding the guarantee facility Under these circumstances, the company has established a process to facilitate assets of the relevant clients to be lodged with the market directly to fulfil the collateral requirements, thereby avoiding the need for the company to lodge its own cash or assets should the collateral requirement exceed the level of the company's guarantee facility

Interest rate risk

Interest rate risk is the risk that future cash flows may be adversely affected as a result of changes in interest rates

The company does not hold a banking licence and does not therefore undertake banking activity The interest rate risk to which the company is exposed principally relates to the effect that a change in interest rates would have on the company's cash deposits and on other income that is determined by reference to interest rates

As explained above in the liquidity risk section, the majority of the company's cash resources are held on call deposits, which typically earn a floating rate of interest, or on deposits requiring a period of notice not exceeding seven days The smaller proportion of fixed term deposits normally earn a rate of interest that is fixed for the term of the deposit that has been agreed This combination of deposits and interest rates mitigates both interest and liquidity risks to an acceptable level and is considered to provide an overall risk profile that is appropriate for the company and its financial position

Interest rate positions are monitored on a day-to-day basis by the company's treasury team, in accordance with the policy set out by the CCMC

22. Financial risk management (continued)

Interest paid by the company to individual clients on cash balances within their portfolios is determined by reference to the prevailing UK bank base rate and the level of cash held within their portfolio Interest earned by the company on client cash deposits is expected to exceed the level payable to clients This interest rate margin is variable and is dependent upon the size of cash balances within client portfolios and the level of interest rates available to the company in the marketplace Whilst variations in the interest rate margin represent exposure to interest rate risk for the company, this risk is mitigated to acceptable levels by the company's internal control procedures and the policy set by the CCMC regarding the placing of cash deposits, set out above At 31 March 2010, the amount of cash held by clients within their portfolios was £0 86 billion (2009 £0 96 billion)

Price risk

Price risk is the risk that changes in market prices will affect the company's income from, or the value of, its holdings of financial instruments

The company's fee income is determined by reference to the value of the funds managed by the company Although these funds represent client assets and are not assets of the company, changes to the level of funds under management directly affect the level of the company's fee income To the extent that funds under management include equity investments and other traded securities, changes in market prices of investments will affect the value of the company's funds under management and hence the level of fee income earned by the company This represents exposure to price risk Whilst changes in the market prices of investments have significant influence on the value of the company's funds under management, and hence the level of its fee income, factors other than price risk also affect the level of the company's funds under management These factors include asset allocations within individual portfolios, the specific investments held within portfolios, individual investment decisions and the company's overall investment performance

Whilst the company does not undertake principal account trading, it does hold certain listed and unlisted equity investments that are subject to price risk Listed and unlisted equity investments are recognised at their fair value and are set out in note 12 The carrying value of the assets at 31 March 2010 of £1,397,000 (2009 £964,000) significantly exceeds their original cost, giving rise to the revaluation reserve of £1,351,000 at 31 March 2010 (2009 £934,000) Any fall in the value of listed and unlisted equity investments would be first offset against this reserve prior to the fall giving rise to a reduction in reported profit after taxation

22. Financial risk management (continued)

Concentration of risks

The business of the company is that of investment management undertaken within the UK It is therefore inherent within the business that the risk arising from the company's financial instruments are concentrated within this business and geographical sector

23. Contingent assets and liabilities

The company is continuing to seek to agree a basis with HM Revenue & Customs ('HMRC') on which to determine the amount of input VAT it can recover on the goods and services it purchases Once agreed, this basis of recovery of input VAT, known as a partial exemption special method ('special method') will be applied retrospectively from May 2005, being the point at which Carr Sheppards Crosthwaite Limited ('CSC') became a subsidiary of the Rensburg Sheppards group ('the group') The special methods that existed and were applied by the group and company prior to May 2005, and had been agreed with HMRC, ceased as a result of the acquisition, and it became necessary to agree a special method with HMRC for the enlarged business

The special method that the company has proposed to HMRC was formally rejected by HMRC during the year ended 31 March 2009, and this decision was upheld following an internal reconsideration of the decision within HMRC The company has appealed to the VAT tribunal against the decision to reject the proposed special method, and a date for the tribunal hearing is currently awaited Pending the outcome of the tribunal hearing and the eventual agreement of a special method, the company has applied a rate of input VAT recovery which reflects the rates that applied under the special methods of CSC and the group that were in place at the time of the acquisition of CSC (the 'historic methods') to determine the amount of input VAT that is recoverable on the goods and services it has purchased since May 2005 VAT that is not recoverable following the application of the historic methods of recovery has been charged to the profit and loss account

As noted above, once a special method has been agreed between the company and HMRC, it will be applied retrospectively from May 2005 Any difference between the input VAT recoverable under the agreed special method and that which has been treated as recoverable under the historic methods during the period since May 2005 will be payable to, or receivable from, HMRC, and will be charged or credited accordingly to the profit and loss account

The maximum amount that may become recoverable from HMRC at 31 March 2010 is estimated to be £1 5 million (2009 £1 3 million), representing the difference between the input VAT recoverable under the proposed special method and that recoverable under the historic methods since May 2005

23. Contingent assets and liabilities (continued)

The maximum amount that may become payable to HMRC at 31 March 2010 would arise if the company is not ultimately able to obtain HMRC's agreement to a special method and is required to apply the standard method of input VAT recovery The standard method is the default method of input VAT recovery, and would result in the company recovering input VAT based simply on the value of its income that is subject to VAT, relative to its income that is exempt from VAT If the standard method were to be applied retrospectively from May 2005, the additional input VAT and associated interest that would become payable to HMRC at 31 March 2010 is estimated at £3 8 million (2009 £3 3 million), representing the difference between the input VAT recoverable under the historic methods and that recoverable under the standard method

The standard method is not considered by the company to represent a fair and reasonable basis of input VAT recovery, as it does not reflect accurately the way in which the company's activities consume costs In addition, the standard method is not consistent with the rates of VAT recovery applicable previously to either CSC or the group, nor is it believed to be representative of the rates of recovery common amongst businesses that are comparable in nature to Rensburg Sheppards Investment Management For these reasons, the company will continue to pursue the agreement of its proposed special method

In addition to the matters set out above, 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

24. Capital commitments

	2010	2009
	£'000	£'000
Contracted but not provided for	-	111

25. 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 Companies House

INDEPENDENT AUDITORS' 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 2010 set out on pages 9 to 33 The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice)

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' 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

As explained more fully in the statement of directors' responsibilities set out on page 8, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at www frc org uk/apb/scope/UKNP

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 March 2010 and of its profit for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

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

J.M. Mills

J.M. Mills (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc, Statutory Auditor

Chartered Accountants

1 The Embankment
Neville Street
Leeds
LS1 4DW

8 June 2010