2146011

Rensburg Sheppards

Report & Financial Statements 2008

What We Do

Investment Management

Rensburg Sheppards Investment Management provides investment management services for private clients, charities, pension schemes and trusts, and independent financial planning advice for private clients and businesses

Fund Management

Rensburg Fund Management manages a range of eight unit trusts and provides specialist fund management services for segregated portfolios The trusts cover the spectrum of UK investment and each has its own clearly defined investment objectives

	Investment Management	**Fund Management**
Trading name	Rensburg Sheppards Investment Management	Rensburg Fund Management
Funds under management	£11 48 billion	£1 47 billion
	Total £12 95 billion	

Investment Management

Fund Management

62 1% 26 6% 8 3% 3 0%

Discretionary £8 04bn Non Discretionary £3 44bn Unit Trusts £1 08bn Segregated Mandates £0 39bn

Rensburg Sheppards

Financial Highlights

Adjusted profit before tax*

2008	£41 5m
2007	£35 9m
2006**	£29 1m

Net revenue

2008	£121 3m
2007	£112 9m
2006**	£109 4m

Profit before tax

2008	£31 2m
2007	£25 7m
2006**	£13 0m

Net assets

2008	£186 1m
2007	£169 7m
2006	£157 8m

Funds under management

2008	£12 95bn
2007	£14 4bn
2006	£13 1bn

Total ordinary dividend per share***

2008	25 5p
2007	22.5p
2006**	26 4p

* Before amortisation of the client relationships intangible asset, share-based payments relating to the Employee Benefit Trust ('EBT'), reorganisation costs and profit on disposal of available-for sale investments

** 16 month period

*** Excluding special dividend of 45p per share paid in 2006

Basic earnings per share

	2008 £m	2007 £m	% change
Revenue (net of fees and commissions payable)	**121.3**	**112.9**	**+7.4%**
Adjusted profit before tax*	**41.5**	**35.9**	**+15.6%**
Profit before tax	**31.2**	**25.7**	**+21.4%**
Net assets	**186.1**	**169.7**	**+9.7%**
	Pence	**Pence**	
Total dividends per share	**25.5**	**22.5**	**+13.3%**
Final dividend per share	**17.0**	**15.0**	**+13.3%**
Adjusted basic earnings per share*	**65.4**	**57.1**	**+14.5%**
Basic earnings per share	**47.9**	**37.5**	**+27.7%**

* Before amortisation of the client relationships intangible asset and share-based payments relating to the EBT

Financial Calendar

Ex-dividend date	16 July 2008
Annual General Meeting	29 July 2008
Final dividend paid	8 August 2008
Half year results announced	November 2008
Interim dividend paid	February 2009

Group Information

Rensburg Sheppards

Investment Management

Investments and savings
- *Discretionary and advisory portfolio management services for private clients*
- *Specialist investment management services for charities, pension schemes and trusts*
- *Independent financial planning advice for private clients and businesses*

Pensions and retirement
- *Discretionary investment management for company pension and Self Invested Personal Pension (SIPP) schemes*
- *Advice and guidance on pension schemes, life assurance and income protection schemes*

Tax planning and mitigation
- *Individual and corporate tax planning services, including PEPs, ISAs and Venture Capital Trusts*
- *Inheritance tax planning*

Fund Management

Unit trust management
- *Management of eight unit trusts, each with its own investment objectives covering a wide range of UK investment sectors*
  - *UK Managers' Focus Trust*
  - *UK Smaller Companies Trust*
  - *UK Blue Chip Growth Trust*
  - *UK Equity Income Trust*
  - *Corporate Bond Trust*
  - *UK Mid Cap Growth Trust*
  - *UK Select Growth Trust*
  - *UK Micro Cap Growth Trust*

Segregated mandates
- *Specialist fund management services for segregated portfolios*

Rensburg Sheppards provides high quality professional advice and services to private investors, trustees, charities and pension funds.

Over 600 staff operate from offices across the UK With £13 billion of funds under management, Rensburg Sheppards is one of the UK's leading private client investment management and fund management businesses.

Advisers

Auditor
KPMG Audit Plc

Principal bankers
Bank of Scotland PLC
Lloyds TSB Bank plc
HSBC
The Royal Bank of Scotland

Financial adviser
Fenchurch Advisory Partners

Principal solicitor
Hammonds

Stockbroker
Numis Securities Limited

Company Details

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Paula M Watts FCIS, MPMI

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Company registration number
2146011 in England and Wales

Chairman's Statement

"I am pleased to be able to report another set of strong results for the group. This is a robust performance considering the environment in which we have been operating since our last report to shareholders."

I am pleased to be able to report another set of strong results for the group for the year ended 31 March 2008 This is a robust performance considering the environment in which we have been operating since our last annual report to shareholders in the early summer of 2007, with every company operating in the financial services industry affected to some extent by what was originally known as the 'sub-prime' problem

The year started well, with the financial markets continuing to rise during the first quarter It then gradually dawned on the investment community that not just Northern Rock but many other companies involved in property financing and related products, whether here or overseas, had been less than prudent in their pursuit of growth With the banking sector representing approximately 20% of the FTSE 100 index (and smaller but still considerable percentages of the leading indices in North America and Europe) it was inevitable that all leading markets weakened overall, yet despite the consequent modest reduction in overall funds under management between 1 April 2007 and 31 March 2008, we have achieved an increased level of profitability

Although markets remain volatile and we are cautious because there may be further shocks that affect the financial markets, strong measures taken by those in charge of major economies, and indeed by individual companies, have enabled markets to begin to re-focus on the fundamental issues and drivers, i e profit and dividend growth Last year was more challenging than many, but looking at the results achieved I believe I can say that we have met and responded to this challenge and for this I would like to record my considerable thanks to all the executives and the group's employees

Results and dividend

For the year ended 31 March 2008, reported profit before tax increased by 21 4% to £31 2 million (2007 £25 7 million) and basic earnings per share increased by 27 7% to 47 9p (2007 37 5p)

Adjusting for amortisation of the client relationships intangible asset and share-based charges relating to the Employee Benefit Trust ('EBT'), together with their associated tax consequences, gives underlying profit before tax of £41 5 million (2007 £35 9 million) and underlying basic earnings per share of 65 4p (2007 57 1p) representing increases of 15 6% and 14 5% respectively This strong growth in underlying earnings for the group derives from solid growth of income and profits in each of the group's operating segments of investment management and fund management

Given the strength both of the group's results for the year and our overall financial situation, the board took the decision soon after the year end to repay ahead of schedule the outstanding balance of £5m on the group's floating rate subordinated debt This repayment was made on 6 May 2008

The directors are now recommending a final dividend of 17p (2007 15p) per ordinary share payable on 8 August 2008 to all shareholders on the register at the close of business on 18 July 2008 When added to the interim dividend of 8 5p per ordinary share (2007 7 5p), this brings the total dividends in respect of the year to 25 5p per ordinary share (2007 22 5p), representing an overall increase of 13 3%

Board

As we announced in our half-yearly report, during October 2007 a number of changes in the executive membership of the board took place David Bulteel and Jon Seal, who in their respective roles are the investment directors in day-to day charge of the London and Liverpool offices, joined the board and have brought with them a wealth of experience Ian Maxwell Scott, who was originally due to retire from the board on reaching 62 years of age in December 2007, agreed to continue as an executive director and I am delighted both with this and the two new appointments Finally, Nick Lane Fox resigned from the board after five years service and I should like also to thank him

After six years service as a non-executive director, including the last five years as the senior independent non-executive director, Andrew Tyrie is to step down from the board with effect from the conclusion of the forthcoming Annual General Meeting on 29 July 2008 On behalf of the board, I would like to take this opportunity to thank Andrew for his significant contribution during a period of major change for the group After reviewing carefully the overall size and composition of the board, we have agreed to appoint two new independent non-executive directors This search is progressing well and announcements will follow in due course

Outlook

As alluded to earlier in this report, the financial markets appear to have stabilised somewhat since 31 March 2008 Whilst the outlook for the short term remains uncertain, we remain optimistic regarding the medium to longer term prospects for the wealth management industry and for this group's ability to share in its success

C G Clarke
Chairman
10 June 2008

Chief Executive's Report

"Despite the difficult trading conditions, we have produced excellent results which have been underpinned by high quality assets and earnings, coupled with the considerable efforts of all of our staff and the continued support of our clients."

The first quarter of the financial year was influenced by strong markets and positive sentiment The next three quarters have reflected the opposite, with weak and volatile markets and negative sentiment originating from the sub-prime problem, which led to the banking and liquidity crises experienced over recent months

Despite the difficult trading conditions, we have produced excellent results which have been underpinned by high quality assets and earnings, coupled with the considerable efforts of all of our staff and the continued support of our clients

Rensburg Sheppards Investment Management ('RSIM')

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 RSIM's 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%

With regard to growth in funds under management, 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 focused 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 RSIM 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 FTSE All-Share index 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 RSIM's 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

RSIM 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 the communities where our employees work and will contribute to a greener world through our processes and behaviour

Chief Executive's Report

Rensburg Fund Management ('RFM')

Against the challenging operating environment already described, RFM has delivered a strong financial performance for the year However, in common with many of its peers, as the year progressed the business started to experience rising withdrawals of funds under management, which peaked in the final quarter of the year as investor sentiment turned further against UK equities and particularly against equity investment into the smaller and mid-cap areas where RFM has exposure

Unit trust sales for the year totalled £440 million (2007 £434 million) and there was a net inflow into the trusts of £12 million (2007 £205 million) for the year, representing 0 9% of the value of the opening funds under management Despite this creditable net inflow of unit trust funds, the value of RFM's retail unit trust funds under management declined by 16 3% over the year to £1 08 billion (2007 £1 29 billion) This reflected investment under-performance when compared against the corresponding fall of 10 8% in the FTSE All-Share index ('the All-Share')

There were three major contributors to this under-performance against the All-Share First, after five years of consistently strong performance, the UK Select Growth trust performed poorly in the first quarter of the year, it is pleasing to note however that performance started to recover in the final quarter of the year when this trust outperformed the All-Share by 1 5% In addition, RFM's blue-chip based funds had overweight exposure to higher yielding equities which, as already referred to under RSIM, have under-performed Finally, RFM suffered from its higher level of exposure (when compared to the composition of the All-Share) in overall terms to smaller and mid-cap stocks which significantly under-performed against the All-Share

At 31 March 2008, RFM managed £392 million in a single segregated mandate This compared with the £472 million managed at 31 March 2007, which comprised the current mandate and one other small segregated mandate which RFM ceased to manage shortly before the end of this financial year

Taking both the unit trusts and the segregated mandate arrives at total assets managed by RFM of £1 47 billion (2007 £1 76 billion), a decrease of 16 5% Of RFM's total net income for the year almost 85% was recurring in nature, equal to that achieved in the prior year

In the last month of the year, RFM migrated to a new outsourced administrator This was a major operational project, which, thanks to careful planning and considerable hard work, progressed smoothly
The benefits of this, both financial and otherwise, are already being felt

Group funds under management

Combining RSIM and RFM brings the group's total funds under management as at 31 March 2008 to £12 95 billion (2007 £14 40 billion), a decrease of 10 1%

Regulation

Major new regulation became effective during the year, the most significant being the Markets in Financial Instruments Directive ('MiFID') The requirements of MiFID, which applied from November 2007, required careful planning and preparation involving many of our employees and additionally our clients, who were asked *en masse* to review new documentation
In addition, the second and final phase of the Capital Requirements Directive ('CRD') took effect and considerable resources were invested in preparing for both this and also the merging of PEPs and ISAs, which became effective during April 2008
I am pleased to record that all of these significant new regulatory requirements were successfully met and implemented, testament to the hard work and dedication of everyone involved

Outlook

The year going forward will in our view remain unpredictable due to the slowing down of the broader economy influenced in part by rising costs of commodities, energy and food prices, which will have an adverse effect on inflation, this in turn will have an impact on the savings ratio in the country Whilst taking into account this uncertainty, we remain cautiously positive in our outlook With an established business model, experienced management and a strong control environment, this group is able to weather difficult conditions and is well positioned for any upturn

S M Elliott
Chief Executive
10 June 2008

Mission Statement

The group is committed to the enhancement of shareholder value through the provision of high quality professional advice and services to clients.

Financial Review

"From net revenue of £121.3 million, the group's adjusted profit before tax increased by 15.6% to £41.5 million."

Financial results

From revenue (net of fees and commissions payable to introducers) of £121 3 million (2007 £112 9 million), the group's reported profit before tax for the year ended 31 March 2008 was £31 2 million (2007 £25 7 million) After removing a net charge totalling £10 3 million (2007 £10 2 million) in respect of the amortisation of the client relationships intangible asset and share-based charges relating to the Employee Benefit Trust ('EBT'), the resulting adjusted profit before tax increased by 15 6% to £41 5 million (2007 £35 9 million) It is the directors' opinion that this adjusted measure of profit before tax and that of earnings given below represent better measures of the group's underlying financial performance

Reported basic earnings per share were 47 9p (2007 37 5p) and on the basis of adjusting for the items detailed in the above paragraph, together with the associated tax consequences of these adjustments, the adjusted basic earnings per share increased by 14 5% to 65 4p (2007 57 1p)

Key performance indicators ('KPIs')

The principal KPIs used by management for the group as a whole, and also for each of the two individual business segments that make up the group, are stated below Where figures are described as 'underlying', this is after adjusting, where appropriate, for the items referred to in the opening paragraph of this financial review

The group	Year ended 31 March 2008	Year ended 31 March 2007	% change
Total funds under management*	**£12 95 billion**	£14 40 billion	-10 1%
FTSE/APCIMS Balanced Index*	**2,801 8**	2,977 6	-5 9%
Underlying rate of net organic growth in total funds under management**	**-0 5%**	+4 9%	-110 2%
Underlying operating profit	**£42 0 million**	£37 7 million	+11 4%
Underlying operating profit as a % of net revenue	**34 6%**	33 4%	+3 6%
Underlying basic earnings per share	**65 4 pence**	57 1 pence	+14 5%

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

Investment management	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 8 million**	£33 2 million	+7 8%
Underlying operating profit as a % of net revenue	**33 4%**	32 7%	+2 1%

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

Fund management	Year ended 31 March 2008	Year ended 31 March 2007	% change
Total funds under management*	**£1 47 billion**	£1 76 billion	-16 5%
FTSE All-Share Index*	**2,927 1**	3,283 2	-10 8%
Underlying rate of net organic growth in funds under management**	**-1 7%**	++35 9%	-104 7%
Underlying operating profit	**£6 2 million**	£4 5 million	+37 8%
Underlying operating profit as a % of net revenue	**44 0%**	39 1%	+12 5%

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

Tax

The effective tax rate for the year is 33 0% (2007 36 2%) calculated as the total tax charge of £10 3 million (2007 £9 3 million) divided by the profit before tax of £31 2 million (2007 £25 7 million) With effect from 1 April 2008, the UK standard rate of corporation tax has been reduced by 2% to 28% This reduction in the rate of tax for the forthcoming and future financial years has reduced the group's net deferred tax liability at 31 March 2008, which has resulted in a non-recurring credit to the tax charge for the year of £0 8 million A full reconciliation of the tax charge, which explains why the effective rate of tax is higher than the UK standard rate of 30%, is set out in note 7

Financial Review

Dividend

An interim dividend of 8 5p per share (2007 7 5p) was paid to shareholders on 1 February 2008 and the board is recommending a final dividend of 17p per share (2007 15p) payable on 8 August 2008 This results in a total payment in respect of the year of 25 5p (2007 22 5p), an increase of 13 3% In determining the dividend, the directors consider, in particular, the requirement for the group to ensure that it retains adequate levels of working capital and regulatory capital for the foreseeable future, the group's commitment to repay its subordinated loan and the need to retain adequate reserves for re-investment towards the future growth of the business In accordance with current accounting standards, the final dividend of 17p has not been recognised in these financial results, but has been disclosed as a post balance sheet event in note 29

Cash flow

During the year the business enjoyed a strong net cash inflow from its operating activities, after corporation tax payments, of £45 8 million (2007 £16 0 million) This increase reflects certain non-recurring cash outflows that occurred during 2007, including the payment of expenses relating to the integration of Carr Sheppards Crosthwaite ('CSC') into the group, in addition to the increase in the profitability of the group during 2008 However, the increase also includes the short-term benefit of movements in market settlement balances and other timing differences

The group's investing and financing cash flows for the year, which principally included dividend payments of £10 3 million (2007 £9 1 million), subordinated loan interest and capital repayments of £14 0 million (2007 £4 3 million) and capital expenditure of £1 0 million (2007 £1 6 million), amounted to a net cash payment of £25 3 million (2007 £16 2 million), resulting in an overall increase in the group's cash balances during the year of £20 5 million (2007 £0 2 million decrease)

Capital structure and treasury management

At 31 March 2008 the group had net assets of £186 1 million (2007 £169 7 million), which included £181 8 million (2007 £187 6 million) of intangible assets, principally comprising goodwill of £136 4 million (2007 £136 4 million) and client relationships of £44 9 million (2007 £50 5 million)

Throughout the year, the group was financed by equity shareholders' funds which at 31 March 2008 were £186 1 million (2007 £169 7 million), together with debt which comprised a subordinated loan of £50 million (2007 £60 million) The loan was originally scheduled to be repayable in equal annual instalments of £7 5 million commencing May 2008 and ending May 2015 The group maintained the bulk of its cash balance which, net of an overdraft of £1 2 million at 31 March 2008, totalled £70 2 million (2007 £49 8 million) within its regulated trading subsidiaries Cash was placed on deposit with highly rated banks and was available on instant access, thus minimising credit and liquidity risk The nature of the group's business has been such that currency risk was insignificant

Repayments of capital in relation to the subordinated loan that was entered into as a part of the consideration for the acquisition of CSC, were due to commence on 6 May 2008 However, given the subsequent stronger financial performance of the group than was anticipated at the point of acquiring CSC in May 2005, the board announced that on 8 May 2007 an early repayment of £10 million of this debt had been made In addition, given a continuation of the stronger than expected performance, on 6 May 2008 an additional £5 million was repaid ahead of schedule together with £5 625 million scheduled to be repaid on that date Full details of this are provided in note 29 of the financial statements

Regulatory capital

The group's principal trading subsidiaries are all FSA regulated and hence are required at all times to hold certain minimum levels of regulatory capital The Capital Requirements Directive ('CRD'), which is a European Directive, came into effect on 1 January 2007, although, due to a staged implementation, the full impact of this was not felt until 1 January 2008 The introduction of CRD led to a modest increase in the minimum amount of regulatory capital required from 1 January 2007 and, as expected, this was further modestly increased from 1 January 2008

Risks and uncertainties

The potentially significant risks faced by the group and the controls operating over such risks are kept under regular review by the group's risk committee, the audit committee and the subsidiary and group boards These risks have been faced by the group 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 group

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 group'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 group'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 group'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 dependent upon the level of income they produce Except as disclosed below under credit risk, the group does not undertake any significant principal account trading and hence the risk to the group'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 group's business This arises as under the rules of LIFFE such trades are required to be transacted by the group 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 group Modest short term advances to clients are sometimes made, subject to being secured against suitable portfolios managed by the group 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 group 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 group has a dedicated compliance department and invests substantial resources into ensuring that the group and its employees maintain compliance on an ongoing basis in respect of all regulatory obligations

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 group'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 group'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 group

J P Wragg
Finance Director
10 June 2008

Directors' Report

The directors present their report together with the audited financial statements for the year ended 31 March 2008.

Directors' Report

Board of Directors

C G Clarke FCA*+# (aged 63) Non-Executive Chairman Christopher Clarke was appointed to the board in 1999 and became Chairman in March 2003 Since qualification as a chartered accountant he has spent over 35 years in the investment management industry He currently acts as an independent advisor to several charitable funds His previous directorships include Witan Investment Trust PLC, one of the UK's largest investment trusts, of which he was Managing Director from 1992 to 2000, and Henderson Group plc

S M Elliott BCom (aged 54) Chief Executive Steve Elliott joined Investec from Firstcorp (formerly Citibank South Africa) in 1989 and held various roles including Group Treasurer, Chief Operating Officer of Investec Bank (UK) as well as Head of the UK Finance and Treasury Group He was responsible for the integration of Investec's South African stockbroking operations and joined Carr Sheppards Crosthwaite ('CSC') as a director in March 2002, becoming Chief Executive of CSC in May 2004 Upon CSC's acquisition by Rensburg, he became Managing Director of Rensburg Sheppards plc on 6 May 2005, prior to becoming Chief Executive on 1 April 2007

J P Wragg BSc (Hons), ACA (aged 40) Finance Director Jonathan Wragg graduated in mathematics and physics and then qualified as a chartered accountant He gained post-qualification experience with Arthur Andersen and SIG plc prior to joining the group in 1997 as Financial Controller and held the position of Company Secretary from 1999 to March 2007 He was appointed Finance Director on 1 December 2000

A Tyrie MP*+# (aged 51) Senior Independent Non-Executive Director Andrew Tyrie has been the Member of Parliament for Chichester since 1997 and was appointed to the board on 23 July 2002 His previous experience includes four and a half years as a Special Adviser to Nigel Lawson and John Major during their respective periods as Chancellor of the Exchequer, and subsequently five years as a Senior Economist at the European Bank for Reconstruction and Development He is currently the senior independent non-executive director of Rugby Estates PLC

D J H Bulteel (aged 53) Executive Director David Bulteel is a Divisional Investment Director of Rensburg Sheppards Investment Management Limited ('RSIM') based in the London office After graduating with a business degree, David started his career in private client portfolio management at Quilter Hilton Goodison in 1981 He joined Capel Cure Myers in 1983 and took responsibility for the international team in 1988, subsequently overseeing a major expansion in the firm's overseas business In 2001 David moved to Carr Sheppards Crosthwaite and, following the merger with Rensburg in 2005, he joined the Executive Committee of RSIM David is the director responsible day to day for the London office He was appointed to the board on 16 October 2007

M R Haan FCA*+# (aged 63) Non-Executive Director Michael Haan was appointed to the board on 14 November 2005 A qualified accountant, Michael was a Senior Partner with BDO Stoy Hayward, from whom he retired in July 2004, having joined them some 33 years earlier He had led and managed one of its primary business units and served on its Management Executive Committee with responsibility for regulatory matters He currently acts as Chairman of a significant pension scheme and its investment sub-committee and also of the principal Advisory Committee of a substantial charity He is also a founder member of Auditchair, a body set up to enable chairs of audit committees to consider issues and exchange views During his professional career, Michael managed a broad and varied portfolio of clients, including some in the financial services arena

B Kantor (aged 58) Non-Executive Director Bernard Kantor joined the Investec group in 1980 He has had varied experience within Investec as a Manager of the Trading Division, Marketing Manager and Chief Operating Officer, before being appointed as the Managing Director of the Investec group He was appointed to the board of Rensburg Sheppards plc on 6 May 2005

S Koseff BCom CA(SA), H Dip BDP, MBA (aged 56) Non-Executive Director Stephen Koseff joined the Investec group in 1980 Prior to becoming the Chief Executive of the Investec group, he had diverse experience within Investec as Chief Accounting Officer and General Manager of Banking, Treasury and Merchant Banking He was appointed to the board of Rensburg Sheppards plc on 6 May 2005

I Maxwell Scott (aged 62) Executive Director Ian Maxwell Scott spent 17 years at Scrimgeour Kemp Gee, where he was Head of Fund Management, Private Clients, Unit Trusts and Financial Planning He joined Sheppards in 1987 and was appointed to the board of Rensburg Sheppards plc on 6 May 2005

J D Seal (aged 48) Executive Director Jon Seal is a Divisional Investment Director of RSIM based in the Liverpool office Jon joined Rensburg in 1988, having previously served in the Royal Navy and the Sultan of Oman's Navy Jon has been a member of the RSIM Executive Committee since 2005 and is the director responsible on a day to day basis for the Liverpool office He was appointed to the board on 16 October 2007

* Member of the audit committee
\+ Member of the remuneration committee
\# Member of the nomination committee

Directors' Report

Activities

Rensburg Sheppards plc is the holding company of a group of companies operating in the financial services industry The group's activity during the year was the provision of investment management and fund management services, details of which are set out at the front of this report

Business review

A review of the business is set out in the chairman's statement, chief executive's report and financial review at the front of this report

Directors' interests

The table below shows the interests in the ordinary shares of the company held by the directors at the end of the financial year and at the date of this report The changes that have arisen since 31 March 2008 relate to the vesting of potential future entitlements to shares of the company on 6 May 2008 The potential future entitlements were conferred by Investec 1 Limited under the terms of the Employee Benefit Trust that was established by Investec under the conditions of its sale of Carr Sheppards Crosthwaite to the company on 6 May 2005 Further details of these entitlements, and details of all options over shares and potential future entitlements, to shares held by directors who held office during the year, are set out in the directors' remuneration report on page 30

D J H Bulteel and J D Seal were appointed as directors of the company on 16 October 2007 and offer themselves for election at the forthcoming Annual General Meeting In accordance with the articles of association, S M Elliott, I Maxwell Scott and J P Wragg retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election A Tyrie will be standing down as a director of the company at the forthcoming Annual General Meeting G C N Lane Fox resigned as a director of the company on 16 October 2007 Details of all directors' contracts are provided in the directors' remuneration report on page 28 and biographical details of all directors are provided on page 17 of this report

No director had any interest in a contract of significance (other than service contracts) with the company or any subsidiary undertaking during the period nor any beneficial interests in shares of the company's subsidiary undertakings

The service contracts of certain directors contain provisions for liquidated damages should their contract be subject to early termination in the event of a change of control of the company Details of directors' service contracts are set out in the directors' remuneration report on page 28

Notifiable interests

At 10 June 2008 the company had been notified of the interests shown overleaf in the voting rights of the company

Share capital

Details of the company's share capital, including the rights and obligations attaching to shares, restrictions on the transfer of shares and changes in share capital during the year, are set out in note 22 of the financial statements

Appointment and replacement of directors

The Nomination Committee, in accordance with the recommendations of the Combined Code, leads the process for board appointments and makes recommendations to the board The board determines the appointment or replacement of directors in accordance with the articles of association

Amendments to articles of association

Amendment to the company's articles of association requires a special resolution of shareholders A resolution to adopt new articles of association is to be proposed at the forthcoming annual general meeting Further details are set out in the notice of meeting on pages 83 to 88

Issue and repurchase of shares

The directors currently have authority to allot unissued shares up to a maximum

Interest in ordinary shares of $10\frac{90}{91}$ pence each	At 10 June 2008 Beneficial	At 10 June 2008 Non-Beneficial	**At 31 March 2008 Beneficial**	**At 31 March 2008 Non-Beneficial**	At 31 March 2007* Beneficial	At 31 March 2007* Non-Beneficial
D J H Bulteel	37,129	–	–	–	–	–
C G Clarke	20,000	–	**20,000**	–	20,000	–
S M Elliott	147,100	–	**1,500**	–	1,500	–
M R Haan	–	–	–	–	–	–
B Kantor	–	–	–	–	–	–
S Koseff	–	–	–	–	–	–
I Maxwell Scott	145,600	–	–	–	–	–
J D Seal	33,743	–	**33,743**	–	–	–
A Tyrie	4,550	–	**4,550**	–	4,550	–
J P Wragg	14,959	–	**14,959**	–	14,959	–

*or date of appointment if later

Notifiable interests	Interest in ordinary shares of $10\frac{10}{11}$p each	% of voting rights
Investec 1 Limited	20,657,000	47 1
Schroders plc	4,207,485	9 6
Trustees of the Employee Benefit Trust*	2,548,000	5 8
Rensburg Sheppards Investment Management Limited	2,248,872	5 1

* Includes 328,329 shares held for the benefit of D J H Bulteel, S M Elliott and I Maxwell Scott following the vesting of the EBT awards on 6 May 2008, details of which are set out on page 30

nominal amount of £1,117,870, of which they may allot shares for cash other than to existing shareholders in proportion to their shareholdings up to a maximum nominal amount of £241,106 In addition, the company currently has authority to purchase up to a maximum of 4,388,138 of its own shares Each of these authorities is subject to renewal each year at the annual general meeting

Financial instruments and risk management

Details of risks and risk management arising from the group's financial instruments are set out in note 19 of the financial statements

Annual General Meeting ('AGM')

Resolutions are to be proposed as special business to enable the directors to allot unissued shares and, subject to the limits therein contained, to allot shares for cash other than to existing shareholders in proportion to their shareholdings The resolution enabling directors to allot unissued shares will be limited to the allotment of shares up to a maximum nominal amount of £1,177,637, which represents the difference between the company's authorised and issued share capital at 10 June 2008 The directors do not have any present intention of exercising such authority and the authority will expire at the conclusion of the next AGM after the passing of the proposed resolution The resolution enabling the directors to allot shares other than to existing shareholders in proportion to their shareholdings is limited to the allotment of shares up to a maximum nominal value of £241,118, which represents 5% of the total ordinary share capital in issue as at 10 June 2008 Both of these resolutions seek authorities which are in accordance with the current guidelines issued by the Investment Committees of the Association of British Insurers and the National Association of Pension Funds ('Guidelines')

In addition, a resolution is to be proposed to authorise the company to purchase its own shares, subject to certain specific limits The maximum and minimum prices that may be paid for ordinary shares in exercise of such powers is as set out in resolution 13 of the Notice of Annual General Meeting on pages 83 to 88 The directors undertake to shareholders that they will not exercise the company's authority to purchase its own shares unless to do so would result in an increase in earnings per share and be in the best interest of shareholders generally The directors do not have any present intention to exercise such authority Again, this resolution seeks an authority which is in accordance with the Guidelines As at 10 June 2008 there were 423,778 options outstanding over the ordinary share capital of the company which may result in the issue of new shares, representing 0 97% of the company's issued share capital In the event that the company's proposed authority to purchase own shares were to be exercised in full, such outstanding options would then represent 1 07% of the company's issued share capital

Results and dividend

The group profit after taxation for the year ended 31 March 2008 amounted to £20,889,000 A first interim dividend of 8 5p per ordinary share (2007 7 5p) was paid on 1 February 2008 A final dividend of 17 0p (2007 15 0p) is proposed and, if approved, will be paid on 8 August 2008 to shareholders on the register at the close of business on 18 July 2008

Creditor payment policy

It is the company's policy to comply with the terms of payment agreed with its suppliers Where payment terms are not negotiated, the company endeavours to adhere to suppliers' standard terms As at 31 March 2008, the company's trade creditors represented 16 days (2007 12 days) of purchases

Donations

The group has made charitable donations amounting to £23,802 during the year (2007 £15,000)

Employees

The directors recognise that the group'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 The group operates a number of share and share option schemes, details of which are set out in note 23 to the financial statements Details of directors' share and share option awards and long term incentive awards are set out in the directors' remuneration report on pages 30 and 31

The group 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 group, including providing appropriate training where relevant

Community involvement

The group continues to recognise the importance of supporting the local community and our offices actively contribute to a wide range of initiatives, organisations and good causes in their local areas

The city of Liverpool became the European Capital for Culture for 2008 and the group has become a sponsor of the Tate Liverpool Community Foundation, to support the educational work of Tate Liverpool, which it provides to children and

Directors' Report

families through its workshops and community-based activity programmes

We have established a permanent endowment fund with the South Yorkshire Community Foundation This charitable foundation raises funds and awards grants to community initiatives throughout the South Yorkshire area We are actively involved in the operation of the Foundation through our representation on the Foundation's Development Committee, and we support our employees in their efforts to raise funds through a variety of events

We also provide direct financial support to a number of other charities, events and organisations In particular, we are supporters of the Royal Liverpool Philharmonic Orchestra through the Arts and Business initiative and have recently renewed our role as a principal partner for a further four years We have also continued our support for the Huddersfield Philharmonic Orchestra and the Leeds Festival Chorus We are sponsors of the National Garden Scheme Yellow Book and website Our employees are also involved in organisations to support local businesses, such as the Chamber of Commerce

We provide support to under-graduates through 'Student Weeks' which are run by a number of our larger offices These weeks aim to help under-graduates gain a better understanding of a range of financial issues within a commercial environment We also aim to use our expertise to help younger generations develop an understanding of the financial world Our offices regularly run share races, in which teams of students from local schools manage an imaginary portfolio of shares with the objective of achieving the greatest return on their investment Our investment managers offer advice, administer portfolios and provide information on market developments, to help teams with their investment decisions and to learn from their experiences

Environmental matters

The group's main activity is the provision of investment management services Whilst businesses such as ours generally have a lower impact on the environment than those in other sectors, such as manufacturing or distribution, we recognise that all business activity has an environmental impact and we endeavour to reduce this impact wherever possible

Within any office environment, paper represents one of the largest individual areas of consumption Most of the paper used by the group for written communications has been certified by the Forest Stewardship Council ('FSC') These papers are manufactured from fibres that are sourced from sustainable sources, where the principles of FSC forest management are applied The paper on which this Report & Financial Statements is printed comprises 80% recycled fibre and 20% from sustainable sources This report is also made available publicly in electronic format in order to minimise the quantity printed The group operates an electronic document management system across its offices and an increasing volume of client records and correspondence are stored electronically

Where we are able, we donate IT equipment to charitable organisations, where it is no longer compatible with our system requirements but remains in working order Other IT equipment, printer cartridges and mobile phones are sent to recycling organisations at the end of their useful lives

Our offices, clients and employees are located throughout the United Kingdom Employee travel is, therefore, an essential part of our business and it is therefore necessary for us to provide certain of our employees with company cars However, we do encourage our employees to use public transport wherever possible In order to mitigate the environmental impact of our car fleet, we operate a flexible car scheme to enable employees to choose smaller and more fuel-efficient cars, without sacrificing the financial value of their benefit package In addition, we do not provide a private fuel benefit Our video conferencing facilities have been expanded further during the year and this facility is used extensively for meetings across all areas of the business that would otherwise necessitate travel between offices

Post balance sheet events

On 6 May 2008, £10 625 million of the subordinated loan, which was entered into with Investec 1 Limited on 6 May 2005 as part of the consideration for the acquisition of Carr Sheppards Crosthwaite Limited, was repaid Further details are set out in notes 21 and 29

Disclosure of information to the independent auditor

The directors who held office at the date of approval of this 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 Each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information

Auditor

KPMG Audit Plc has expressed its willingness to continue in office as independent auditor and a resolution to re-appoint KPMG Audit Plc will be proposed at the Annual General Meeting

By order of the board

P M Watts FCIS, MPMI
Secretary
10 June 2008

Corporate Governance

The board of directors is responsible to shareholders for the strategic direction, management and control of the company's activities and is committed to a high standard of corporate governance in delivering in these areas The board confirms that it has complied throughout the year with the majority of the recommendations of the revised Combined Code on Corporate Governance ('the Code'), as published by the Financial Reporting Council in June 2006

The following statement, and the directors' remuneration report on pages 26 to 31, describe how the principles set out in the Code have been applied by the company and detail the company's compliance with the Code provisions for the year ended 31 March 2008 ('the year')

Composition of the board

At the beginning of the year, the board comprised a non-executive chairman, chief executive, finance director, two operational executive directors and four non-executive directors From 16 October 2007, following the resignation of G C N Lane Fox and the appointment of D J H Bulteel and J D Seal as executive directors, the board is comprised of a non-executive chairman, chief executive, finance director, three operational executive directors and four non-executive directors Each of the directors, save Messrs G C N Lane Fox, D J H Bulteel and J D Seal, served throughout the year Biographical details of all the directors are given on page 17 The board considers that for the year ended 31 March 2008 its composition has been of sufficient size and that the balance between executive and non-executive directors allows it to exercise objectivity in decision making and proper control of the company's business, and that the balance of skills and experience is appropriate to the requirements of the business

The roles of the chairman and chief executive

The roles of the chairman and chief executive are separate, clearly defined in writing and have been agreed by the board The chairman is responsible for organising the business of the board, ensuring its effectiveness and setting its agenda The chairman has no involvement in the day-to-day business of the group

The chief executive has direct charge of the group on a day-to-day basis and is accountable to the board for its operational and financial performance

Independence of the chairman on appointment

The non-executive chairman on appointment to the board met with the independence criteria set out in the Code However he is assumed in accordance with the Code, following appointment to the chair, not to be independent, whilst recognising the reasoning in the Code behind this assumption, the board reviews the independence of the chairman annually and has concluded that he is independent, being independent in character and judgement and being free from any relationships or circumstances which are likely to affect, or could appear to affect, his judgement The chairman has regular informal meetings with the non-executive directors without the executive directors being present There have been no material changes in his other professional commitments (as previously disclosed) during the year

Directors' independence

The board has also reviewed the independence of its four non-executive directors and has concluded that Messrs Tyrie and Haan remain independent A Tyrie is the senior independent non-executive director other than the chairman to whom concerns can be conveyed Two of the non-executive directors, Messrs Kantor and Koseff are (in accordance with the formal relationship agreement entered into between the company and Investec 1 Limited ('Investec')) nominees of Investec, the company's largest shareholder and are not considered independent Under the terms of the relationship agreement they are obliged not to vote on specified issues for which there may be a conflict of interest However, the board considers that they bring a valuable view to its deliberations

The non-executive directors contribute wide-ranging business and financial experience They participate fully with their executive colleagues at board meetings and have access to any information they need to perform their duties The non-executive directors meet informally from time to time without the chairman or the chief executive being present

Board meetings

The board met seven times during the year to review strategy and to monitor and control operating and financial performance The board has a formal schedule of matters reserved to it for decision, including corporate strategy, approval of an annual budget and financial results, new board appointments, approving policies relating to directors' remuneration, proposals for dividend payments and the approval of all major transactions and capital expenditure, this schedule is reviewed annually The responsibilities that the board has delegated to the executive management of the business include the implementation of the strategies and policies of the group as determined by the board, monitoring of the operating and financial results against plans and budgets, prioritising the allocation of capital, technical and human resources, and developing and implementing risk management systems

Corporate Governance

Board papers, comprising an agenda, formal board reports and briefing papers, are sent to the directors in advance of each meeting All directors have access to the advice and services of the company secretary and external professional advice, if required, at the company's expense

Appointments, re-appointment and retirement of executive and non-executive directors

After serving for six years as a non-executive director, A Tyrie will be stepping down from the board at the forthcoming Annual General Meeting The board is looking to refresh its composition, as recommended by the Code, and is actively seeking to recruit two new independent non-executive directors S M Elliott, I Maxwell Scott and J P Wragg retire by rotation and, being eligible, offer themselves for re-election In addition, D J H Bulteel and J D Seal, having been appointed to the board since the last Annual General Meeting, require election by the members

Performance evaluation

The board has established a formal questionnaire based process, led by the chairman, for the evaluation of the performance of the board and its committees to ensure that they continue to act effectively and efficiently Formal reports were presented and discussed by the board during the year

Individual director appraisals have been carried out through the completion of a self-assessment questionnaire by each director, followed by a formal interview to assess performance Performance assessments were conducted by either the chairman, in the case of the chief executive and the non-executive directors, or the chief executive in the case of the executive directors The chairman's own evaluation was carried out by the senior independent non-executive director

Board training

Appropriate training and induction is made available to any newly appointed director, having regard to any previous experience they may have as a director of a public company or otherwise On an on-going basis directors are encouraged to devote an element of their time to self development through available training This is in addition to any guidance that may be given from time to time from the company secretary

Company secretary

All directors are able to consult with the company secretary The appointment and removal of the company secretary is a matter for the board The company secretary is secretary to all of the board committees

Insurance

The company has arranged appropriate insurance cover in respect of any potential litigation against the directors

Board committees

The board has established audit, nomination and remuneration committees to assist in the execution of its duties Each of these committees operates on written terms of reference and the chairman of each committee reports to the board The constitution and terms of reference of each committee are reviewed annually to ensure that the committees are operating effectively and any changes considered necessary are recommended to the board for approval The terms of reference of each committee are available by visiting the company's website at www rensburgsheppards plc uk, or upon request from the company secretary

The attendance record over the year of each of the directors at scheduled board and committee meetings was as set out below

Board committees	Scheduled Board	Audit Committee	Remuneration Committee	Nomination Committee
D J H Bulteel, Executive Director	2 (2)	–	–	–
C G Clarke, Non-Executive Chairman	7 (7)	4 (4)	4 (4)	3 (3)
S M Elliott, Chief Executive	7 (7)	–	–	–
M R Haan, Non-Executive Director	7 (7)	4 (4)	4 (4)	3 (3)
B Kantor, Non-Executive Director	4 (7)	–	–	–
S Koseff, Non-Executive Director	3 (7)	–	–	–
G C N Lane Fox, Executive Director	2 (5)	–	–	–
I Maxwell Scott, Executive Director	5 (7)	–	–	–
J D Seal, Executive Director	2 (2)	–	–	–
A Tyrie, Senior Independent Non-Executive Director	5 (7)	4 (4)	4 (4)	3 (3)
J P Wragg, Finance Director	7 (7)	–	–	–

The figures in brackets in the table above indicate the maximum number of meetings in the year for which the individual was a board/committee member

Where a director is unable to attend a board/committee meeting, then they still receive all the meeting papers and an opportunity to comment on these is provided

Audit committee

Membership of the committee comprises M R Haan (chairman) together with C G Clarke and A Tyrie The board is satisfied that M R Haan has recent and relevant financial experience, as referred to in the Smith Report M R Haan, C G Clarke and A Tyrie served on the committee throughout the year On invitation, the senior executive management including the chief executive, finance director and head of compliance, and the internal auditor and external auditor attend meetings to assist the committee in fulfilling its duties The audit committee met four times during the year Each year the committee meets separately with the internal auditor and with the external auditor, without an executive director or any other member of the company's senior management being present

The role of the audit committee is to assist the board in discharging its duties and responsibilities for financial reporting, corporate governance and internal control, the committee is also primarily responsible for making recommendations to the board in relation to the appointment, re-appointment and removal of the external auditor and to approve their remuneration and terms of engagement The committee's duties include keeping under review the scope and results of the audit work, its cost effectiveness and the independence and objectivity of the auditor The committee also monitors the volume and nature of non-audit services provided by the auditor to ensure that a balance is maintained between objectivity and value added (see below) The committee is also responsible for monitoring and reviewing the effectiveness of the outsourced internal audit function on an ongoing basis

During the year the audit committee discharged its responsibilities by

- monitoring the integrity of and reviewing significant areas of judgement in the group's draft financial statements and half-yearly financial report prior to board approval and reviewing the external auditor's detailed reports thereon,
- reviewing the appropriateness of the group's accounting policies,
- reviewing and approving the audit fee and reviewing non-audit fees payable to the group's external auditor,
- carrying out an internal in-depth review of the performance of the external auditor,
- overseeing the company's relationship with the external auditor and reviewing the external auditor's plan for the audit of the group's accounts, including key risks on the accounts and confirmations of auditor independence,
- reviewing the group's systems of internal control (including risk management) and its effectiveness, reporting to the board on the results of the review,
- reviewing and approving the internal auditor's annual plan and reviewing all reports from the internal auditor,
- receiving regular reports from the group's head of compliance,
- receiving regular reports from the group's risk management committee, and
- reviewing the committee's own terms of reference

The audit committee also monitors the group's whistle blowing procedures, ensuring that appropriate arrangements are in place for employees to be able to raise matters of possible impropriety in confidence, with suitable subsequent follow up action An alternative reporting channel exists whereby perceived wrongdoing may be reported via telephone, email or post

Auditor's independence and objectivity

The external auditor provides some non-audit services, primarily in the provision of taxation and regulatory advice and in relation to corporate transactions that may arise from time to time In order to ensure that auditor objectivity and independence are safeguarded the following controls have been implemented

- a formal policy on the use of the auditor for non-audit work has been agreed by the committee In summary this ensures that work would usually only be awarded when, by virtue of the auditor's knowledge, skills or experience, the auditor is clearly to be preferred over alternative suppliers,
- the committee receives and reviews each year an analysis of all non-audit work awarded to the auditor over the previous financial year,
- the committee receives each year a report from the external auditor as to any matters that the auditor considers bear on its independence and which need to be disclosed to the audit committee

In accordance with the terms of reference, the committee formally assesses on an annual basis the independence and objectivity of the auditor Details of the fees paid to the auditor for non-audit services during the year are provided in note 4 on page 51

Nomination committee

The nomination committee considers and makes recommendations to the board for the appointment of directors (this includes recommending directors appointed during the year for election by shareholders at the first opportunity after their appointment), the board itself decides

Corporate Governance

upon any such appointment Members of the nomination committee are C G Clarke (chairman), A Tyrie and M R Haan All members served on the committee throughout the year

During the year the nomination committee met three times, the meetings included the consideration of the following principal items

- a review of the current structure, size and composition of the board,
- the time commitment expected of non-executive directors,
- leadership and succession planning,
- the appointment of two new executive directors, Messrs Bulteel and Seal,
- the proposed re-election of directors at the Annual General Meeting

Remuneration committee

Full details of the composition and work of the remuneration committee are provided in the directors' remuneration report on pages 26 to 31

Relationships with shareholders

The chief executive and the finance director meet with institutional shareholders on a regular basis and are available for additional meetings where requested Should they consider it appropriate, institutional shareholders are able to meet with the chairman and/or other non-executive directors The chairman is responsible for ensuring that appropriate channels of communication are established between the chief executive (and the other executive directors) and shareholders and ensuring that the views of the shareholders are made known to the board, this includes feedback prepared by the group's broker on meetings held with institutional shareholders

The company recognises the importance of ensuring effective communication with all of its shareholders Annual and half-yearly financial reports are distributed to all shareholders and to other parties, who may have an interest in the group's performance and these reports, together with a wide range of other information, including regulatory announcements and current details of the company's share price, are made available on the company's website Private investors are encouraged to attend the Annual General Meeting ('AGM') at which an opportunity is provided to ask questions on each resolution proposed, the chairmen of the board committees are available at the AGM to answer such questions as appropriate Details of the resolutions to be proposed at the Annual General Meeting on 29 July 2008 can be found in the notice of meeting on pages 83 to 88

Internal control

The board is ultimately responsible for the group's system of internal control and for reviewing its effectiveness Such a system is designed to manage rather than eliminate the risk of failure to achieve its business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss

Following publication of guidance for directors on internal control 'Internal Control Guidance for Directors on the Combined Code' ('the Turnbull Guidance'), the board confirms that there is an ongoing process for identifying, evaluating and managing the significant risks faced by the group that has been in place for the period under review and up to the date of approval of the Report & Financial Statements, and that this process is regularly reviewed by the board and accords with the guidance

A risk management committee with its own terms of reference has been in operation throughout the year The primary role of this committee is to review, on behalf of the board, the key risks inherent in the business and the system of control necessary to manage such risks and to present its findings to the board, which retains responsibility in accordance with paragraph 26 of the Turnbull Guidance Detailed control procedures exist throughout the group's operations and compliance is monitored by management, the group's compliance department, internal audit and, to the extent they consider necessary to support their audit report, the external auditor The key elements of the group's overall control systems include regular meetings of subsidiary company boards together with annual budgeting, monthly financial and operational reporting for all businesses within the group

On behalf of the board, the audit committee confirms that through discharging its responsibilities under its terms of reference as described on page 23 and also undertaking a formal annual review, it has reviewed the effectiveness of the group's system of internal controls and was able to confirm that necessary actions have been or are being taken to remedy any significant failings or material weaknesses identified from that review for the year ended 31 March 2008 and up to the date of approval of the Report & Financial Statements

Compliance with the Code

The directors consider that the company has been in full compliance with the provisions set out in the Code throughout the year ended 31 March 2008 except as described below

- B 1 1 – In designing schemes of performance-related remuneration, the remuneration committee does not fully follow the provisions in Schedule A to the Code in that in respect of annual bonus payments paid to executive directors upper limits are not set, nor are predetermined performance criteria applied This reflects the culture of the group which is to pay to income-producing and senior management employees a significant element of their remuneration by way of incentive and not to dis-incentivise any employee through the capping of potential incentives It also recognises that the application of predetermined performance criteria is not practical for all executive directors, given the nature of both the business and their individual roles
- C 3 1 – The audit committee has not over the year, and does not presently, comprise solely non-executive directors considered independent under the Code To achieve compliance with this Code provision, the company could simply appoint its two non-executive directors considered independent under the Code to the committee However, the board is of the view that in order to allow the committee the resources, experience and knowledge necessary to properly carry out its duties, a committee of three individuals is more appropriate Therefore the non-executive chairman, whom the board considers to be independent, continues to serve on the committee
- B 2 4 – Shareholders will continue to be invited to approve any new long-term incentive schemes (as defined in the Listing Rules) in which the directors are eligible to participate However, given the potential commercial sensitivity the board does not consider it appropriate to extend this requirement to such schemes that may be operated within the group where directors are not eligible to participate
- D 1 1 – Under normal circumstances the chief executive and the finance director lead the discussions with major shareholders However, should a major shareholder request to meet with the non-executive chairman, or any other non-executive director, or vice-versa, then the board would be pleased to arrange this

Going concern

After making enquiries, the directors have reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future For this reason, they continue to adopt the going concern basis in preparing financial statements

Model Code

The company has its own internal dealing rules which extend the FSA Listing Rules Model Code provisions to all employees

Directors' Remuneration Report

This report has been prepared in accordance with the Directors' Remuneration Report Regulations 2002 ('the Regulations') The report also meets the requirements of the Listing Rules of the Financial Services Authority In accordance with the Regulations, a resolution will be proposed at the forthcoming Annual General Meeting of the company to approve this report

The Regulations require the independent auditor to report to the members of the company on certain information contained in the report and to state whether, in the auditor's opinion, that information has been properly prepared in accordance with the Companies Act 1985, as amended by the Regulations The report has therefore been prepared in two sections, showing the audited and unaudited information separately

UNAUDITED INFORMATION

Composition and operation of the remuneration committee

The members of the remuneration committee are A Tyrie (chairman), C G Clarke and M R Haan, all of whom served throughout the year ended 31 March 2008 and are considered by the board to be independent The chief executive is consulted by the committee regarding the remuneration of the other executive directors The committee met on four occasions during the year and is scheduled to meet four times during the forthcoming financial year Additional meetings may be held during the forthcoming financial year should any matters arise that require the consideration of the committee outside of the scheduled meeting dates

Remuneration policy for executive directors

The board is responsible for setting the remuneration policy The remuneration of individual executive directors is determined by the remuneration committee within the framework of this policy Both the board and the committee recognise the importance of the effectiveness of the remuneration policy in the achievement of the group's successful financial performance The aim of the policy is to provide overall remuneration to the executive directors which is competitive and will attract, motivate and retain individuals of the quality required to continue to deliver successful performance The policy for the forthcoming and subsequent financial years is set out below

The remuneration of executive directors comprises both fixed and variable elements The fixed elements comprise a basic salary, pension entitlements and benefits in kind The variable elements comprise an annual bonus and the potential to participate in certain share-based incentive schemes operated by the company An intention of the policy is that the variable elements of remuneration should represent a significant proportion of overall remuneration, dependent upon the performance of both the company and the individual This policy is considered appropriate to align the interests of the directors, the shareholders and the company and seeks to maximise shareholder value on a sustainable basis

Components of remuneration

The separate components of remuneration of the executive directors are set out below

Basic salary

The basic salary of each director is set by the committee on an annual basis, unless there is a need for a more frequent review following a significant change in a director's role or level of responsibility In setting the basic salary of each executive director, the committee considers, for comparison, salary levels paid by listed companies of a similar size and/or in the same industry sector as the group

Pension arrangements

The group contributes to a defined contribution pension scheme on behalf of each executive director up to, but not beyond, the earlier of their actual date of retirement or 65 years of age Executive directors' service contracts provide for retirement upon reaching 60 years of age, however, retirement may be deferred at the option of the director for any period up to their attaining 65 years of age The company will consider requests made by directors to defer their retirement beyond 65 years of age The normal pension contribution payable is 12% of basic salary and is payable to a scheme of each director's choosing until retirement At the discretion of the committee, directors may receive an equivalent amount, less an adjustment for the cost of employer's National Insurance Contributions, as additional non-pensionable salary in lieu of a contribution to a pension scheme The choice of scheme may include the Rensburg Sheppards plc Group Pension Scheme, which is a defined contribution scheme, with all costs relating to the management of the scheme being borne by the group Executive directors are eligible for a separately insured dependant's pension of 25% of their basic salary, should they die prior to the earlier of their retirement or attaining 65 years of age

Notwithstanding the normal policy on pension arrangements for executive directors set out above, D J H Bulteel and I Maxwell Scott have continued to retain, by agreement with the committee, the contractual arrangements that applied during their employment with Carr Sheppards Crosthwaite Limited prior to their appointments as directors of Rensburg Sheppards plc For D J H Bulteel, these arrangements provide for an employer pension contribution of 13% of basic salary For I Maxwell Scott, these arrangements provide for additional non-pensionable salary, in lieu of a contribution to a pension scheme, of 11 7% of basic salary, payable to the earlier of his actual date of retirement or attaining 65 years of age No dependant's pension is provided in respect of either D J H Bulteel or I Maxwell Scott

Benefits in kind

Each executive director is entitled to certain benefits in kind, which may include a company car or a cash allowance in lieu of a company car Private medical and permanent health insurances are provided up to, but not beyond, the earlier of their actual date of retirement or attaining 65 years of age Executive directors are also entitled to death in service cover equivalent to four times the level of annual salary D J H Bulteel and I Maxwell Scott have retained, by agreement with the committee, the level of cover that applied at the time they joined the board of six times the level of annual salary, which was applicable under the terms of their employment with Carr Sheppards Crosthwaite Limited

Discretionary bonus

A discretionary bonus is payable to executive directors on an annual basis The level of bonus paid to each director, which is not subject to an upper limit or linked to a predetermined formula and is not pensionable, is determined by the committee each year, taking into account the financial performance of the group for the relevant year and the performance of the individual director A proportion of the annual discretionary bonus may be awarded as a pension contribution, at the discretion of the committee

Where a director undertakes a role that is primarily client-facing in a specific business unit, he may also be eligible to participate in the incentive schemes of that business unit Such schemes comprise two elements The first element is a bonus pool which is calculated based on a formula that is directly related to the profitability of the business unit The entire bonus pool, which is not subject to an upper limit, is distributed to the employees of the business unit on a discretionary basis The second element rewards participating employees on an individual basis for new business that is gained and then retained for a period of three years following the end of the year in which the new business is gained The amount payable is based on a formula which is directly related to the income generated as a result of the new business and is not subject to an upper limit

Where a director is eligible to participate in an incentive scheme of a specific business unit in addition to being eligible for a discretionary bonus, the committee takes into account amounts earned under business-unit schemes when considering discretionary bonus awards In all cases, the total bonus awarded to a director is subject to the approval of the committee and is reported in the table on page 29

Share and share option schemes

Full details of the share and share option schemes operated by the group are set out in note 23 of the financial statements Full details of directors' current share options are set out on page 30 of this report and the eligibility of the executive directors to participate in the schemes are set out below

Savings Related Share Option Scheme ('SAYE') All employees of the group, including the executive directors, are eligible to participate in the SAYE scheme Options were granted under this scheme during December 2006 at an option price of 660 pence per share, representing a discount of 20% to the market value at that time The scheme is not subject to any performance criteria

2007 Employee Share Plan The rules of this scheme require that awards may only be granted to employees who are not directors of the company Existing awards held under this scheme by employees at the time they are appointed as a director of the company may be retained

Employee Share Ownership Plan No executive directors have held awards under this scheme during the year and it is not expected that any new awards will be made under this scheme

Employee Benefit Trust D J H Bulteel, S M Elliott and I Maxwell Scott held potential future entitlements during the year to ordinary shares of the company under the terms of an employee benefit trust ('EBT') The EBT was established by Investec 1 Limited ('Investec') following its sale of Carr Sheppards Crosthwaite Limited to Rensburg Sheppards plc on 6 May 2005 The EBT is independent from the company and no new awards can be made, nor existing awards amended, by the company under this scheme

Directors' Remuneration Report

Service contracts

The policy of the company is to appoint executive directors on one year rolling service contracts Appointments may be made for an initial period of more than one year, reverting to a one year rolling contract thereafter, where it is considered commercially necessary in order to recruit individuals of the appropriate quality The company's Articles of Association require a director to stand for election by the shareholders at the first annual general meeting following their initial appointment In addition, all directors, including non-executive directors, are required by the Articles of Association to retire by rotation at least every three years The contractual arrangements for certain executive directors include provisions for liquidated damages should their contract be subject to early termination in the event of a change of control of the company The actual arrangements in place are set out below It is the intention of the committee that, whilst such existing contractual arrangements will remain in place, all new appointments will exclude any provisions for liquidated damages

There are no service agreements for non-executive directors However, a formal letter of appointment is issued to all non-executive directors to confirm the terms and conditions of their appointment

The details of contracts with the executive directors who served during the year are set out below In all cases directors were, and continue to be, entitled to receive salary, benefits and pension contributions throughout their period of notice, should their contract have been terminated early, or be subject to early termination in the future Any additional contractual arrangements relating to early termination are set out in the table below

The service contracts of G C N Lane Fox, up to the date of his resignation from the board on 16 October 2007, and J P Wragg contain a provision that entitles them to liquidated damages in the event of their employment being terminated as a direct result of a change of control of the company Under this provision, liquidated damages would be payable to these individuals in the event of their resignation within six months of a change of control occurring In either case, the amount payable would be equal to the value of the director's gross annual salary and benefits in kind (including pension contributions) and the average annual value of bonuses paid to the director over the preceding three financial years

For the purpose of these provisions, a change of control is deemed to occur if the company becomes a subsidiary of another company (other than for the purposes of amalgamation or reconstruction), or if 50% or more of the voting rights of the company, or the right to appoint or remove a majority of the board, become vested with any individual or body or group acting in concert, or if all or substantially all of the business, assets or undertaking of the company become owned by any person, firm or company, other than an associated company

Non-executive directors

Non-executive directors receive a fixed fee for their services to the group These fees are set for each individual non-executive director by the board on an annual basis Non-executive directors are not entitled to

Service contracts	Date of contract	Unexpired term	Notice period	Contractual termination payments
D J H Bulteel	16 October 2007	Rolling one year	One year	None
S M Elliott	23 March 2005	Rolling one year	One year	None
G C N Lane Fox	26 June 2002	Rolling one year	One year	May only be payable where there is a change of control of the company (see above)
I Maxwell Scott	23 March 2005	Rolling one year	One year	None
J D Seal	16 October 2007	Rolling one year	One year	None
J P Wragg	4 January 2001	Rolling one year	One year	May only be payable where there is a change of control of the company (see above)

any other benefits or pension arrangements, nor to participate in the group's share or share option schemes Non-executive appointments are made on specific terms of engagement, which provide for an initial period of appointment of twelve months and on a rolling basis thereafter, normally terminable on three months' notice (six months' notice in respect of the chairman) Non-executive directors are included in the requirement for all directors to stand for election by the shareholders at the first annual general meeting following their initial appointment and to stand for re-election on a three year rolling basis thereafter With regard to the current non-executive directors, C G Clarke was appointed on 28 October 1999, A Tyrie was appointed on 23 July 2002, B Kantor and S Koseff were both appointed on 6 May 2005 and M R Haan was appointed on 14 November 2005

Total shareholder return

Total shareholder return ('TSR') is a measure of the overall return that the company has provided to its shareholders TSR reflects the movements in the company's share price over a period of time and assumes that dividends are re-invested in the company's shares The graph above compares total shareholder return over the past five years against the total return of the FTSE All Share General Financials index The board has chosen this particular index for comparison as it is representative of a broad range of companies in the same sector with a similar risk profile

AUDITED INFORMATION

The remuneration payable to each director in respect of their services for the year is set out in the table below The amounts shown in respect of B Kantor and S Koseff represent amounts payable to Investec plc for the provision of their

Directors' remuneration

	Basic salary or fee £'000	Basic pension contributions £'000	Benefits in kind £'000	Annual bonus awarded as Salary £'000	Annual bonus awarded as Pension contributions £'000	Other payments[3] £'000	2008 Year ended 31 March £'000	2007 Year ended 31 March £'000
Executive								
D J H Bulteel[1]	75	10	1	97	–	–	**183**	–
S M Elliott	250	30	2	95	120	–	**497**	544
G C N Lane Fox[2]	57	7	5	–	–	179	**248**	229
I Maxwell Scott	165	21	2	314	–	–	**502**	417
J D Seal[1]	62	7	4	52	25	–	**150**	–
J P Wragg	163	20	10	161	–	–	**354**	353
Non-Executive								
C G Clarke	75	–	–	–	–	–	**75**	68
M R Haan	38	–	–	–	–	–	**38**	30
B Kantor	25	–	–	–	–	–	**25**	23
S Koseff	25	–	–	–	–	–	**25**	23
A Tyrie	38	–	–	–	–	–	**38**	30
	973	**95**	**24**	**719**	**145**	**179**	**2,135**	1,717

1 Remuneration relates to the period from appointment as a director on 16 October 2007
2 Remuneration relates to the period to cessation of appointment as a director on 16 October 2007
3 Other payments made to G C N Lane Fox shown above comprise amounts paid upon the cessation of his appointment as a director, comprising £120,000 in lieu of his contractual notice period and £59,300 as compensation for loss of office

Directors' Remuneration Report

Potential future entitlements to shares	At 1 April 2007 or date of appointment and 31 March 2008
D J H Bulteel	37,129
S M Elliott	145,600
I Maxwell Scott	145,600
J D Seal	11,184

services The benefits in kind set out in the table on page 29 include the provision of company cars, or cash allowances in lieu of company cars, to eligible directors Company cars are fully expensed except for private fuel Other benefits include private medical and permanent health insurance The group's policy is to allow employees, including directors, the choice to include their spouse and children in the private medical insurance cover

Share options and potential future awards and entitlements to shares

Details of options over shares and potential future entitlements to shares held by directors who held office at any time during the year are shown in the tables above and below No options were granted to any director during the year No options were exercised or lapsed during the year The future exercise of the share options is not subject to any performance criteria and no amounts were payable in respect of the awards at the time the awards were made There have not been any changes during the year to the terms and conditions of the awards previously made

Potential future entitlements to shares in respect of D J H Bulteel, S M Elliott and I Maxwell Scott held at 31 March 2008 represent interests conferred by Investec 1 Limited ('Investec') under the terms of an employee benefit trust ('EBT') The EBT was established by Investec under the conditions of its sale of Carr Sheppards Crosthwaite Limited to the company on 6 May 2005 The interests conferred under the EBT vested on 6 May 2008 and, in accordance with the terms of the EBT, the independent trustee transferred the number of shares shown above into sub-trusts of the EBT for the benefit of each of the relevant directors on that date The provision of these awards was not subject to any performance criteria or consideration No amounts were payable at the time the potential entitlement was conferred or vested The market price of the shares at 6 May 2008 was 540 0 pence per share

Potential future entitlements to shares held by J D Seal represent interests awarded under the 2007 Employee Share Plan, prior to his appointment as a director of the company The award, which comprises 11,184 shares of the company and cash of £69,700, will vest on 31 March 2010 and will be transferred to J D Seal on 30 June 2010, subject to him remaining an employee of the group for the period until 30 June 2010

The market price of the shares at 31 March 2008 was 525 0 pence per share and the range during the year was 480 0 pence to 952 5 pence

Long term incentive scheme

D J H Bulteel, I Maxwell Scott and J D Seal undertake client-facing roles within Rensburg Sheppards Investment Management Limited and, as such, are eligible to participate in the incentive schemes of that business As set out within the discretionary bonus section on page 27, incentive awarded under these schemes includes an element which rewards new business that is gained and then retained for a period of three years following the end of the year in which the new business is gained All amounts awarded under this scheme are paid in cash and the interests of the directors in the scheme during the year are as follows

Share options	Held at 1 April 2007 and 31 March 2008[1]	Exercise price	Range of exercisable dates of options held at 31 March 2008
D J H Bulteel	1,431[2]	660p	02/2010–07/2010
S M Elliott	1,431[2]	660p	02/2010–07/2010
G C N Lane Fox	1,431[2]	660p	02/2010–07/2010
I Maxwell Scott	1,431[2]	660p	02/2010–07/2010
J D Seal	1,431[2]	660p	02/2010–07/2010
J P Wragg	1,431[2]	660p	02/2010–07/2010

[1] Or date of appointment or cessation as a director where applicable during the year
[2] Amounts relate to Save As You Earn ('SAYE') savings related share option scheme

Long term incentive scheme	D J H Bulteel £'000	I Maxwell Scott £'000	J D Seal £'000	Total £'000
At 1 April 2007 or date of appointment	–	–	25	25
Interests awarded during the year	6	1	30	37
Interests vesting and paid during the year	–	–	(23)	(23)
At 31 March 2008	**6**	**1**	**32**	**39**
The qualifying period for interests held at 31 March 2008 will end on 30 November				
2008	–	–	23	23
2009	–	–	5	5
2010	6	1	4	11
At 31 March 2008	**6**	**1**	**32**	**39**

No variations have been made to the terms and conditions of the scheme interests during the year

Approval of report

The committee considers that the various components of the directors' remuneration set out above combine to produce an overall package that achieves an appropriate alignment between the interests of the directors and those of the shareholders and the company An ordinary resolution will be proposed at the forthcoming Annual General Meeting to seek shareholders' approval of this report The Notice of Annual General Meeting is on pages 83 to 88

The directors' remuneration report was approved by the board on 10 June 2008 and signed on its behalf by

A Tyrie
Chairman of the Remuneration Committee
10 June 2008

Statement of Directors' Responsibilities

in respect of the Annual Report and the Financial Statements

The directors are responsible for preparing the annual report and the group and parent company financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare group and parent company financial statements for each financial year Under that law they are required to prepare the group financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the parent company financial statements on the same basis

The group and parent company financial statements are required by law and IFRSs as adopted by the EU to present fairly the financial position of the group and the parent company and the performance for that period, the Companies Act 1985 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation

In preparing each of the group and parent company financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether they have been prepared in accordance with IFRSs as adopted by the EU, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the parent 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 parent 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 group and to prevent and detect fraud and other irregularities

Under applicable law and regulations the directors are also responsible for preparing a directors' report, directors' remuneration report and corporate governance statement that comply with that law and those regulations

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

The directors confirm that to the best of their knowledge

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit of the company and the undertakings included in the consolidation taken as a whole, and
- the directors' report includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face

By order of the board

S M Elliott BCom
Chief Executive

J P Wragg BSc (Hons), ACA
Finance Director

10 June 2008

Independent Auditor's Report to the Members of Rensburg Sheppards plc

We have audited the group and parent company financial statements (the 'financial statements') of Rensburg Sheppards plc for the year ended 31 March 2008 which comprise the consolidated income statement, the consolidated and company balance sheets, the consolidated and company cash flow statements, the consolidated and company statements of recognised income and expense, and the related notes These financial statements have been prepared under the accounting policies set out therein We have also audited the information in the directors' remuneration report that is described as having been audited

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 annual report, the directors' remuneration report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU are set out in the statement of directors' responsibilities on page 32

Our responsibility is to audit the financial statements and the part of the directors' remuneration report to be audited 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 whether the financial statements and the part of the directors' remuneration report to be audited have been properly prepared in accordance with the Companies Act 1985 and, as regards the group financial statements, Article 4 of the IAS Regulation We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements The information given in the directors' report includes that information presented in the chairman's statement, chief executive's report and financial review that is cross referred from the business review section of the directors' report

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 review whether the corporate governance statement reflects the company's compliance with the nine provisions of the 2006 Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the group's corporate governance procedures or its risk and control procedures

We read the other information contained in the annual report and consider whether it is consistent with the audited financial statements We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements Our responsibilities do not extend to any other information

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 and the part of the directors' remuneration report to be audited 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 group's and 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 and the part of the directors' remuneration report to be audited 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 and the part of the directors' remuneration report to be audited

Opinion

In our opinion

- the group financial statements give a true and fair view, in accordance with IFRSs as adopted by the EU, of the state of the group's affairs as at 31 March 2008 and of its profit for the year then ended,
- the parent company financial statements give a true and fair view, in accordance with IFRSs as adopted by the EU as applied in accordance with the provisions of the Companies Act 1985, of the state of the parent company's affairs as at 31 March 2008,
- the financial statements and the part of the directors' remuneration report to be audited have been properly prepared in accordance with the Companies Act 1985 and, as regards the group financial statements, Article 4 of the IAS Regulation, and
- the information given in the directors' report is consistent with the financial statements

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor
Leeds
10 June 2008

Consolidated Income Statement

for the year ended 31 March 2008

	Note	2008 Year ended 31 March £'000	2007 Year ended 31 March £'000
Revenue		**132,928**	122,297
Fees and commissions payable		**(11,646)**	(9,360)
Net revenue	3	**121,282**	112,937
Share-based payments – EBT	23	**(4,653)**	(4,653)
Amortisation of intangible assets – client relationships	11	**(5,603)**	(5,603)
Other operating expenses		**(79,326)**	(75,225)
Operating expenses		**(89,582)**	(85,481)
Operating profit	4	**31,700**	27,456
Finance income	5	**3,284**	2,694
Finance expenses	5	**(3,771)**	(4,483)
Profit before tax		**31,213**	25,667
Taxation	7	**(10,324)**	(9,289)
Profit for the year attributable to the equity holders of the company		**20,889**	16,378
Earnings per share	10		
Basic		**47 9p**	37 5p
Diluted		**47 8p**	37 4p

Consolidated Balance Sheet

at 31 March 2008

	Note	2008 £'000	2007 £'000
Assets			
Non-current assets			
Intangible assets	11	**181,772**	187,601
Property, plant and equipment	12	**5,197**	5,422
Available-for-sale investments	13	**2,827**	2,562
Deferred tax assets	15	**1,372**	1,280
		191,168	196,865
Current assets			
Trade and other receivables	16	**123,953**	130,452
Cash and cash equivalents	17	**71,464**	49,775
		195,417	180,227
Total assets		**386,585**	377,092
Liabilities			
Current liabilities			
Trade and other payables	18	**(127,981)**	(124,359)
Loan notes		**–**	(72)
Provisions	20	**(56)**	(641)
Current tax liabilities		**(6,820)**	(4,672)
		(134,857)	(129,744)
Non-current liabilities			
Accruals and deferred income		**(1,373)**	(798)
Subordinated loan	21	**(50,000)**	(60,000)
Provisions	20	**(551)**	(517)
Deferred tax liabilities	15	**(13,689)**	(16,341)
		(65,613)	(77,656)
Total liabilities		**(200,470)**	(207,400)
Net assets		**186,115**	169,692
Equity attributable to the equity holders of the company			
Share capital	22,24	**4,822**	4,822
Share premium	24	**10,617**	10,603
Capital redemption reserve	24	**100**	100
Available-for sale reserve	24	**1,460**	1,234
Revaluation reserve	24	**973**	959
Other reserves	24	**130,601**	130,601
Retained earnings	24	**37,542**	21,373
Total equity		**186,115**	169,692

The financial statements on pages 34 to 81 were approved by the board of directors on 10 June 2008 and were signed on its behalf by

S M Elliott BCom
Chief Executive

J P Wragg BSc (Hons), ACA
Finance Director

Consolidated Cash Flow Statement

for the year ended 31 March 2008

	Note	2008 Year ended 31 March £'000	2007 Year ended 31 March £'000
Cash flows from operating activities			
Profit before taxation		**31,213**	25,667
Adjustments for			
– Amortisation of intangible assets		**6,198**	6,219
– Finance expenses		**3,771**	4,483
– Finance income		**(3,284)**	(2,694)
– Depreciation		**900**	672
Share-based payments		**5,557**	4,815
Loss on disposal of property, plant and equipment and intangible assets		**–**	102
Decrease in trade and other receivables		**6,440**	36,901
Increase/(decrease) in trade payables and provisions		**2,674**	(55,116)
Cash generated from operations		**53,469**	21,049
Interest received		**3,261**	2,318
Dividends received		**82**	280
Interest paid		**(44)**	(221)
Taxation paid		**(10,964)**	(7,446)
Net cash inflow from operating activities		**45,804**	15,980
Cash flows from investing activities			
Purchase of property, plant and equipment		**(675)**	(1,407)
Purchase of intangible software		**(369)**	(223)
Net cash outflow from investing activities		**(1,044)**	(1,630)
Cash flows from financing activities			
Dividends paid to shareholders		**(10,258)**	(9,073)
Proceeds from issue of ordinary share capital		**14**	1,390
Costs associated with issue of shares		**–**	(1)
Purchase of own shares		**–**	(1,815)
Repayment of subordinated loan		**(10,000)**	–
Redemption of loan notes		**(72)**	(768)
Interest paid on subordinated loan		**(3,987)**	(4,266)
Net cash outflow from financing activities		**(24,303)**	(14,533)
Net increase/(decrease) in cash and cash equivalents		**20,457**	(183)
Cash and cash equivalents at start of year		**49,775**	49,958
Cash and cash equivalents at end of year	17	**70,232**	49,775

Consolidated Statement of Recognised Income and Expense

for the year ended 31 March 2008

	2008 Year ended 31 March £'000	2007 Year ended 31 March £'000
Revaluation of available-for-sale investments		
– gain arising from changes in fair value	**265**	374
Deferred tax on revaluation of available-for-sale investments		
– on gain arising from changes in fair value	**(80)**	(112)
– movement in deferred tax arising from change of tax rate	**46**	–
Deferred tax on revalued property		
– movement in deferred tax arising from change of tax rate	**27**	–
Net income recognised directly in equity	**258**	262
Profit for the year	**20,889**	16,378
Total recognised income and expense for the year attributable to the equity holders of the company	**21,147**	16,640

Company Balance Sheet

for the year ended
31 March 2008

	Note	2008 £'000	2007 £'000
Assets			
Non-current assets			
Intangible assets	11	**3**	-
Property, plant and equipment	12	**3,265**	3,341
Available-for-sale investments	13	**1,134**	1,005
Investments in subsidiaries	14	**211,133**	210,233
Deferred tax assets	15	**2**	-
		215,537	214,579
Current assets			
Trade and other receivables	16	**2,940**	3,257
Cash and cash equivalents	17	**4,663**	12,156
		7,603	15,413
Total assets		**223,140**	229,992
Liabilities			
Current liabilities			
Trade and other payables	18	**(2,472)**	(2,674)
Loan notes		**-**	(72)
Provisions	20	**-**	(254)
Current tax liabilities		**(14)**	-
		(2,486)	(3,000)
Non-current liabilities			
Subordinated loan	21	**(50,000)**	(60,000)
Deferred tax liabilities	15	**(620)**	(639)
		(50,620)	(60,639)
Total liabilities		**(53,106)**	(63,639)
Net assets		**170,034**	166,353
Equity attributable to the equity holders of the company			
Share capital	22,24	**4,822**	4,822
Share premium	24	**10,617**	10,603
Capital redemption reserve	24	**100**	100
Available-for-sale reserve	24	**467**	364
Revaluation reserve	24	**973**	959
Other reserves	24	**131,219**	131,219
Retained earnings	24	**21,836**	18,286
Total equity		**170,034**	166,353

The financial statements on pages 34 to 81 were approved by the board of directors on 10 June 2008 and were signed on its behalf by

S M Elliott BCom
Chief Executive

J P Wragg BSc (Hons), ACA
Finance Director

Company Cash Flow Statement

for the year ended 31 March 2008

	Note	2008 Year ended 31 March £'000	2007 Year ended 31 March £'000
Cash flows from operating activities			
Profit before taxation		**11,899**	8,995
Adjustments for			
– Amortisation of intangible assets		**1**	–
– Finance charges		**3,739**	4,323
– Finance income		**(15,509)**	(13,301)
– Depreciation		**76**	79
Share-based payments		**4**	2
Decrease in trade and other receivables		**1,288**	956
(Decrease)/increase in trade payables and provisions		**(196)**	7
Cash generated from operations		**1,302**	1,061
Interest received		**178**	278
Dividends received		**15,346**	13,015
Interest paid		**(12)**	(31)
Net cash inflow from operating activities		**16,814**	14,323
Cash flows from investing activities			
Purchase of intangible software		**(4)**	–
Net cash outflow from investing activities		**(4)**	–
Cash flows from financing activities			
Dividends paid to shareholders		**(10,258)**	(9,073)
Proceeds from issue of ordinary share capital		**14**	1,390
Costs associated with issue of shares		**–**	(1)
Purchase of own shares		**–**	(1,815)
Contribution from subsidiary for share awards		**–**	1,815
Repayment of subordinated loan		**(10,000)**	–
Redemption of loan notes		**(72)**	(768)
Interest paid on subordinated loan		**(3,987)**	(4,266)
Net cash outflow from financing activities		**(24,303)**	(12,718)
Net (decrease)/increase in cash and cash equivalents		**(7,493)**	1,605
Cash and cash equivalents at start of year		**12,156**	10,551
Cash and cash equivalents at end of year	17	**4,663**	12,156

Company Statement of Recognised Income and Expense

for the year ended 31 March 2008

	2008 Year ended 31 March £'000	2007 Year ended 31 March £'000
Revaluation of available-for-sale investments		
– gain arising from changes in fair value	**129**	187
Deferred tax on revaluation of available-for-sale investments		
– on gain arising from changes in fair value	**(39)**	(56)
– movement in deferred tax arising from change of tax rate	**13**	–
Deferred tax on revalued property		
– movement in deferred tax arising from change of tax rate	**27**	–
Net income recognised directly in equity	**130**	131
Profit for the year	**12,891**	10,188
Total recognised income and expense for the year attributable to the equity holders of the company	**13,021**	10,319

Notes to the Financial Statements

1 Principal accounting policies

Basis of preparation and statement of compliance

Rensburg Sheppards plc ('the company') is a public company incorporated in the United Kingdom The shares of the company are listed on the London Stock Exchange The group financial statements represent the consolidated financial statements of the company and its subsidiaries The financial statements were approved by the board of directors on 10 June 2008

The financial statements of the group and the company have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the European Union ('adopted IFRS')

The financial statements are reported in sterling and have been prepared on the historical cost basis, with the following exceptions

- Non-current assets available-for-sale are stated at fair value, and
- Freehold property is carried at a revalued amount, being its fair value at the date of revaluation, less any accumulated depreciation and subsequent accumulated impairment losses

The accounting policies applied during the year are consistent with the prior year, except that the group has adopted the amendment to IAS 1 on capital disclosures during the year Accordingly, disclosures regarding the management of capital have been made The group has also adopted IFRIC 10 *Interim Financial Reporting and Impairment* during the year

The following standards, interpretations and amendments have been issued, but are not yet effective for the year ended 31 March 2008

- Amendment to IAS 23 *Borrowing costs*
- IAS 27 (revised) *Consolidated and separate financial statements*
- IFRS 3 (revised) *Business combinations*
- IFRS 8 *Operating segments*

On publishing the parent company financial statements here together with the group financial statements, the company is taking advantage of the exemption in s230 of the Companies Act 1985 not to present its individual income statement and related notes that form a part of these approved financial statements

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported values of assets and liabilities, income and expenses The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances and they are reviewed on an ongoing basis Actual results may differ from these estimates

1 Principal accounting policies (continued)

Basis of consolidation

The financial information contained in the group financial statements represents the results, cash flows, assets and liabilities of the company and its subsidiaries made up to 31 March each year Subsidiaries are those entities controlled by the company and their results are included from the date that control passes to the company until the date that the company ceases to exercise control The company is considered to exercise control when it has the power, either directly or indirectly, to govern the financial and operating policies of an entity such that the company may benefit from the entity's activities Generally, control of an entity is accompanied by the ownership of more than 50% of the entity's voting rights The results of subsidiaries acquired or disposed of are included in the consolidated financial statements from or to the date on which control changes

Business combinations are accounted for using the purchase method The cost of business combinations is measured based on the fair value of the equity or debt instruments issued and cash or other consideration paid, plus any directly attributable costs Consideration that is deferred or contingent upon future events or performance is included in the cost of a business combination at the date of acquisition to the extent that it is probable that the consideration will become payable and can be measured reliably Consideration payable at a future date is discounted using a discount rate appropriate to the circumstances where the effect is material Where the amount of deferred or contingent consideration that actually becomes payable differs to the estimate made at the date of the business combination, the cost of the business combination is adjusted accordingly

The identifiable net assets of the entity acquired in a business combination, comprising identifiable assets, liabilities and contingent liabilities, are measured at their fair value at the date of acquisition The amount by which the cost of the acquisition exceeds the fair value of the group's share of the identifiable net assets acquired is recorded as goodwill

All income and expenses and unrealised gains and losses arising on transactions between entities within the group, and balances between entities within the group that exist at the balance sheet date, are eliminated on consolidation

Revenue

Revenue comprises fees and commissions arising from the provision of investment management and fund management services, interest receivable in the course of ordinary investment management business and profit arising on the sale of units of unit trusts 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 using the effective interest rate method Fees and commissions payable are recognised in the period in which the obligation to pay the amount arises Profit on the sale of units of unit trusts represents the net profit earned after deducting the cost of the unit (being either the creation cost or the cost of repurchase)

1 Principal accounting policies (continued)

Gains and losses on financial assets

Gains and losses on financial assets held as available-for-sale investments are initially recognised in the available-for-sale reserve through the statement of recognised income and expense When the asset is sold or otherwise no longer recognised, the cumulative gain or loss on the asset, including any gain or loss previously recognised directly in the available for-sale reserve, is recognised in the income statement

Finance income and expenses

Finance income comprises interest earned on cash deposits, dividends received from equity investments and other income arising from financial assets Finance expenses comprise interest payable on bank loans and debt instruments, and other costs arising in respect of financial liabilities Finance income and expenses are recognised in the income statement in the period to which they relate

Pension costs

The group operates only defined contribution pension schemes and contributions to the schemes are charged to the income statement in the period to which they relate

Employee benefits

Short-term employee benefits are those that fall due for payment within 12 months of the end of the period in which employees render the related service The cost of short-term benefits is not discounted and is recognised in the period in which the related service is rendered Short-term employee benefits provided by the group include cash-based incentive schemes and annual bonuses Where amounts have been earned under such schemes but not paid at the balance sheet date, the liability recognised is based on the amount that is expected to be payable

Long-term employee benefits are those that fall due for payment after 12 months of the end of the period in which employees render the related service The cost of long term benefits, which is discounted where the effect of discounting is material, is recognised over the period in which the related service is rendered

Taxation

Tax comprises both current and deferred taxation Tax is charged or credited to the income statement, except where it relates to items charged or credited directly to equity, in which case the tax is also recognised within equity Current tax represents the expected tax payable on profits chargeable to corporation tax, using the rates of taxation enacted or substantively enacted at the balance sheet date, net of any adjustments to tax payable in respect of prior years

Deferred tax reflects the tax that is anticipated to be payable or recoverable in the future as a result of differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the calculation of taxable profits Deferred tax is accounted for using the balance sheet liability method Deferred tax liabilities are generally recognised for all temporary differences giving rise to tax and deferred tax assets are recognised only to the extent that the directors consider it to be probable that there will be suitable taxable profits in the future against which the deductible temporary difference can be utilised Deferred tax assets and liabilities are not recognised if the temporary difference relates to the initial recognition of goodwill, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to

1 Principal accounting policies (continued)

the extent that they will probably not reverse in the foreseeable future The carrying amounts of deferred tax assets and liabilities are reviewed at each balance sheet date Deferred tax assets and liabilities are not discounted Deferred tax is calculated using the rates of taxation enacted or substantively enacted at the balance sheet date

Segmental information

The group determines its business and geographical segments by reference to the nature of business risks and returns, the group's internal organisational and management structure and the group's system of internal financial reporting The primary reporting segments of the group are its two principal operating divisions, being the Investment Management division and the Fund Management division All of the group's operations are based in the United Kingdom and are considered to represent a single geographical segment

Intangible assets

(i) Goodwill

Goodwill arising on the acquisition of subsidiary undertakings represents the excess of the cost of a business combination over the fair value of the group's share of the identifiable net assets acquired Goodwill is recognised as an asset and is not amortised, but is reviewed for impairment in accordance with the policy on impairment set out below

Goodwill arising on acquisitions before the date of transition to IFRS has been retained at the value as previously stated under UK GAAP, subject to a review for impairment at that date Goodwill arising on acquisitions in the year ended 30 November 1998 and earlier periods, which was written off to reserves in accordance with the accounting standards then in force, has not been restated

(ii) Computer software and software development costs

Computer software development costs incurred until the time the software is brought into use are capitalised and amortised over the expected useful economic life of the software Subsequent development costs are capitalised only to the extent that the expenditure increases the economic benefits expected to be derived from the asset Maintenance costs are expensed to the income statement as incurred

Costs to acquire computer software licences are capitalised based on the cost of purchase plus any direct costs of bringing the software into use The capitalised cost is amortised on a straight-line basis over the term of the licence

(iii) Client relationships

Costs to acquire client relationships and contracts are capitalised where the client relationships and contracts represent an identifiable asset, in accordance with IAS 38, and their value can be measured reliably Such assets acquired as part of a business combination are recognised at their fair value at the date of acquisition Where the client relationships and contracts are expected to have a finite economic life, the cost is amortised on a straight-line basis over the estimated economic life Client relationships and contracts recognised as intangible fixed assets at 31 March 2008 are being amortised over a total period of between four and 12 years

1 Principal accounting policies (continued)

Impairment

Impairment reviews are carried out annually in respect of goodwill and are carried out in respect of property, plant and equipment and other tangible and intangible assets considered to have a finite economic life should events or circumstances indicate that the carrying value of an asset may not be recoverable

The purpose of an impairment review is to establish whether the carrying value of an asset exceeds the estimated recoverable amount, which is the greater of an asset's value in use and its fair value less selling costs In order to estimate the recoverable amount of goodwill and intangible assets, it is necessary to allocate the asset to the cash generating unit ('CGU') of the business to which it relates An impairment loss is recognised whenever the carrying value of an asset or its CGU exceeds its recoverable amount Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the relevant CGU, and then to reduce the carrying amount of the other assets in the CGU on a pro-rata basis

Impairment losses relating to assets carried at valuation are first allocated against any valuation surplus directly in reserves, with the balance of the impairment loss being recognised in the income statement Impairment losses relating to assets carried at depreciated historic cost are recognised in the income statement immediately

Should the recoverable amount of an asset that has previously been impaired subsequently exceed its carrying value, the impairment loss previously recognised may only be reversed in respect of assets other than goodwill, and only where there has been a change in the estimates used to determine the asset's recoverable amount Such impairment losses would only be reversed to the extent that the asset's recoverable amount exceeds its carrying value, net of depreciation and amortisation, that would have applied had no impairment loss originally have been recognised Impairment losses in respect of goodwill are not reversed

Property, plant and equipment

Freehold property is stated at revalued amount less accumulated depreciation and accumulated impairment losses Freehold property is subject to a formal independent valuation when, in the opinion of the directors, there is evidence to indicate that the fair value of the property is materially different to the carrying value Plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses

The cost of property, plant and equipment represents expenditure that is directly related to the purchase of the asset and is capitalised on initial recognition Subsequent expenditure is only capitalised when it is probable that future economic benefits will arise as a result of the expenditure, otherwise it is expensed through the income statement at the time it is incurred

Depreciation has been calculated to write off the cost or revalued amount of property, plant and equipment over the assets' expected useful economic lives on a straight-line basis to their residual values at the following annual rates

Freehold land	Nil
Freehold buildings	2%
Fixtures, fittings and office equipment	Between 7% and 25%
Computer equipment	Between 20% and 33%

Where assets are revalued, depreciation is charged prospectively based on the revalued amount

1 Principal accounting policies (continued)

Investments in subsidiary undertakings

Investments in subsidiary undertakings are initially recognised in the financial statements of the company at cost and subsequently at cost less accumulated impairment losses Dividends paid by subsidiaries to the company are recognised as income of the company in the period in which they are paid, to the extent that the dividend is paid from the subsidiary's post-acquisition reserves Dividends paid from a subsidiary's pre-acquisition reserves are recognised by the company as a reduction in the cost of investment relating to the subsidiary

Trade receivables

Trade receivables are measured on initial recognition at fair value Appropriate allowances for estimated irrecoverable amounts are recognised in the income statement when there is objective evidence that the asset is impaired

Provisions

Provisions are recognised when a present obligation exists at the balance sheet date, either legal or constructive, that can be reliably measured and is the result of a past event, and where it is probable that a transfer of economic benefits will result The estimated value of a provision at the balance sheet date is established by discounting the expected future cash flows at a pre-tax discount rate appropriate to the circumstances where the effect of discounting is material

Leases

Leases are categorised as operating leases where the lessor retains substantially all the risks and rewards of ownership of the leased asset All leased assets held by the group at 31 March 2008 are categorised as operating leases Rental payments made in respect of operating leases are charged to the income statement on a straight-line basis over the term of the lease Incentives received to enter into operating lease arrangements, including rent-free periods, are recognised on a straight-line basis over the term of the lease

Financial assets

Financial assets are initially recognised at their fair value Financial assets are categorised into one of the following categories at the time of initial recognition, being assets that are

- Available-for-sale,
- Held-to-maturity,
- Held 'at fair value through profit and loss',
- Loans and receivables

Equity investments, other than those in subsidiary undertakings, that are to be held for an indefinite period of time are categorised as available-for-sale assets They may be sold at any time that is considered to be in the best interests of the company and the group, taking into account the prevailing market value of the asset, the liquidity of the market in which the asset may be traded, and the group's cash requirements Purchases and sales of available-for-sale investments are recognised at the time that the company or group becomes committed to the purchase or sale transaction

1. Principal accounting policies (continued)

The carrying value of available-for-sale assets at each balance sheet date is based on fair value In the case of listed investments, the fair value represents the quoted bid value of the investment on the balance sheet date The fair value of unlisted investments is estimated by reference to recent arm's length transactions Where no such information is available, the fair value of an unlisted investment is estimated using established valuation techniques Changes in fair values are recognised directly in equity in the available-for-sale reserve When an available-for-sale asset is sold, impaired or otherwise derecognised, the cumulative gain or loss relating to the asset, which has previously been recognised in the available-for-sale reserve, is transferred to the income statement

Financial liabilities

Bank loans and debt instruments are recognised as financial liabilities at the fair value of the consideration received Subsequent to initial recognition, loans and borrowings are measured at amortised cost using the effective interest rate method

Share-based payments

The fair value of share and share option awards made to the group's employees since 7 November 2002 is estimated using an established valuation model, normally the Black-Scholes model The fair value is calculated at the date of grant of the award and is charged to the income statement over the period during which the employee becomes unconditionally entitled to the award (the 'vesting period'), with a corresponding increase recognised in retained earnings within equity The fair value charged to the income statement is adjusted during the vesting period to take account of the difference between the estimated and actual number of awards that will vest, except where the lapse of the award is the result of market conditions

On transition to IFRS, the group opted not to apply IFRS 2 to share and share option awards granted before 7 November 2002 and hence no charge has been, or will be, recognised in the income statement in respect of these awards The cost of the shares related to these awards was recognised directly in retained earnings at the time the awards were exercised

Where the company grants rights to its equity instruments to the employees of a subsidiary, the award is treated as an equity-settled transaction by the company The fair value of the awards granted by the company to the employees of the subsidiary is treated as a contribution from the company This contribution is recognised as an increase in the cost of the company's investment in the subsidiary, with a corresponding credit recognised directly in equity Amounts paid by the subsidiary to the company in respect of awards granted by the company are recognised by the company as a reduction in the cost of the investment in the subsidiary

The policy set out above is applied to all share-related awards granted to the employees of the group that comprise shares of the company, and not only to those awards that are actually granted by the group As a result, the awards granted by Investec 1 Limited ('Investec') to certain employees of Carr Sheppards Crosthwaite Limited ('CSC') upon the company's acquisition of CSC fall to be treated in accordance with this policy by virtue of the awards comprising shares of the company

1 Principal accounting policies (continued)

Share capital
Ordinary shares of the company are classified as equity Share capital represents the nominal value of shares issued Where shares are issued at an amount greater than their nominal value, the surplus is credited to the share premium account or, where merger relief is available, the merger reserve Costs directly incurred in respect of shares issued are recognised as a deduction from the issue proceeds

The consideration paid in respect of shares purchased by the group and held in trust for the purposes of satisfying awards under the group's share and share option schemes is recognised directly within equity as a deduction from retained earnings Transactions of the company-sponsored Employee Share Ownership Trust are treated as being those of the company and are therefore reflected in the company's and group's financial statements Purchases of shares of the company by the trust are debited directly to equity The policy of recognition and measurement of the charge to the income statement in respect of the group's share and share option schemes is set out in the share-based payments section above

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

Cash and cash equivalents
For the purpose of the cash flow statement, cash and cash equivalents comprise cash in hand, deposits with banks and financial institutions with a maturity of up to three months and bank overdrafts repayable on demand

2 Critical accounting judgements and key sources of estimation and uncertainty

Impairment of goodwill and intangible assets
The group's intangible fixed assets, which are analysed in note 11, include goodwill and client relationships that have arisen as a result of acquisitions made in previous accounting periods During the year, the directors have reconsidered the recoverability of these assets This process requires a calculation to be made of the value in use of the cash generating units ('CGUs') to which the intangible assets relate The value in use calculation requires that the future cash flows of the CGUs be estimated and then discounted by an appropriate discount rate, in order to estimate their present value The estimation of the future cash flows and appropriate discount rate require certain key assumptions to be made Details of the value in use calculations and the assumptions made are set out in note 11

Share based payments
The calculation of the fair value of equity-settled share-based awards and the resulting charge to the income statement require assumptions to be made regarding future events and market conditions These assumptions include the future volatility of the share price of the company, future dividend yield and the rate at which awards will lapse or be forfeited These assumptions are then applied to a recognised valuation model, within which further assumptions are inherent, in order to calculate the fair value of the awards The assumptions made are based on relevant historical data, where available, and take into account any knowledge of future market expectations The fair value attributed to the awards, and hence the charge made to the income statement, could be materially affected should different assumptions be made to those applied by the group Details of these assumptions are set out in note 23

2 Critical accounting judgements and key sources of estimation and uncertainty (continued)

Available-for-sale investments

The carrying values of available-for-sale investments are based on open market values when available In certain cases, investments are not traded on a quoted market In such cases, valuations are estimated by reference to recent transactions

3 Revenue and segmental information

For management purposes, the group is organised into two business segments, being Investment Management and Fund Management This organisation reflects the differing nature of each segment's services, client base and risk profile The principal activity of the investment management segment is the provision of investment management services to private clients, pension funds and charities The fund management segment manages unit trusts and segregated mandates Transactions between the two business segments are undertaken on an arm's length basis on normal commercial terms All of the group's activities are undertaken in the United Kingdom and hence relate to a single geographical segment

Year ended 31 March 2008

	Investment Management £'000	Fund Management £'000	Eliminations £'000	Group £'000
Revenue				
External	110,546	22,382	–	132,928
Inter-segment	716	–	(716)	–
	111,262	22,382	(716)	132,928
Fees and commissions payable	(4,082)	(8,280)	716	(11,646)
Segmental net revenue	**107,180**	**14,102**	**–**	**121,282**
Share-based payments – EBT	(4,653)	–	–	(4,653)
Amortisation of intangible assets – client relationships	(5,603)	–	–	(5,603)
Other operating expenses	(71,412)	(7,914)	–	(79,326)
Segmental expenses	**(81,668)**	**(7,914)**	**–**	**(89,582)**
Segmental operating profit	**25,512**	**6,188**	**–**	**31,700**
Finance income	2,578	706	–	3,284
Finance expenses	(3,771)	–	–	(3,771)
Profit before tax	**24,319**	**6,894**	**–**	**31,213**
Segmental net revenue is derived from.				
Investment management services	107,180	–	–	107,180
Fund management services	–	12,013	–	12,013
Profit on sale of units of unit trusts	–	2,089	–	2,089
	107,180	**14,102**	**–**	**121,282**
Other segmental items				
Segmental assets (excluding taxation)	362,900	22,313	–	385,213
Segmental liabilities (excluding taxation)	(164,752)	(15,209)	–	(179,961)
Capital expenditure	675	–	–	675
Acquisition of intangible assets	369	–	–	369
Depreciation and amortisation	7,095	3	–	7,098

3 Revenue and segmental information (continued)

Year ended 31 March 2007

	Investment Management £'000	Fund Management £'000	Eliminations £'000	Group £'000
Revenue				
External	104,602	17,695	–	122,297
Inter-segment	598	–	(598)	–
	105,200	17,695	(598)	122,297
Fees and commissions payable	(3,783)	(6,175)	598	(9,360)
Segmental net revenue	**101,417**	**11,520**	**–**	**112,937**
Share-based payments – EBT	(4,653)	–	–	(4,653)
Amortisation of intangible assets – client relationships	(5,603)	–	–	(5,603)
Other operating expenses	(68,206)	(7,019)	–	(75,225)
Segmental expenses	**(78,462)**	**(7,019)**	**–**	**(85,481)**
Segmental operating profit	**22,955**	**4,501**	–	**27,456**
Finance income	2,284	410	–	2,694
Finance expenses	(4,483)	–	–	(4,483)
Profit before tax	**20,756**	**4,911**	**–**	**25,667**
Segmental net revenue is derived from				
Investment management services	101,417	–	–	101,417
Fund management services	–	9,822	–	9,822
Profit on sale of units of unit trusts	–	1,698	–	1,698
	101,417	**11,520**	**–**	**112,937**
Other segmental items				
Segmental assets (excluding taxation)	333,432	42,380	–	375,812
Segmental liabilities (excluding taxation)	(170,946)	(15,441)	–	(186,387)
Capital expenditure	1,404	3	–	1,407
Acquisition of intangible assets	223	–	–	223
Depreciation and amortisation	6,888	3	–	6,891

4 Operating profit

	2008 Year ended 31 March £'000	2007 Year ended 31 March £'000
Operating profit is stated after charging		
Depreciation of property, plant and equipment	**900**	672
Amortisation of intangible assets	**6,198**	6,219
Loss on disposal of property, plant and equipment	**–**	88
Loss on disposal of intangible assets	**–**	14
Operating lease rentals – property	**1,543**	1,866
Operating lease rentals – vehicles	**394**	324
Staff costs (note 6)	**59,380**	57,009
The analysis of the auditor's remuneration is as follows		
Audit of these financial statements	**69**	64
Fees payable to the company's auditor and its associates for other services		
The audit of the company's subsidiaries pursuant to legislation	**99**	88
Other services pursuant to legislation	**61**	131
Tax advisory services	**41**	30
Other services	**48**	–

Amounts paid to the company's auditor in respect of services to the company, other than the audit of the company's financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis

5 Finance income and expenses

	2008 Year ended 31 March £'000	2007 Year ended 31 March £'000
Interest receivable on bank deposits	**3,202**	2,414
Dividends receivable	**82**	280
Finance income	**3,284**	2,694
Interest payable on bank overdrafts and loan notes	**43**	178
Interest payable on subordinated loan	**3,728**	4,305
Finance expenses	**3,771**	4,483

None of the finance income and expenses shown above relate to impaired assets

Notes to the Financial Statements

6 Staff costs

The group

	2008 Year ended 31 March £'000	2007 Year ended 31 March £'000
Staff costs, including directors' emoluments		
Wages and salaries	**45,587**	44,276
Social security costs	**5,465**	5,362
Pension contributions	**2,771**	2,556
Share-based payments – EBT (note 23)	**4,653**	4,653
Share-based payments – other (note 23)	**904**	162
	59,380	57,009

The company

	2008 Year ended 31 March £'000	2007 Year ended 31 March £'000
Staff costs, including directors' emoluments		
Wages and salaries	**1,343**	1,380
Social security costs	**160**	105
Pension contributions	**68**	45
Share-based payments – other	**4**	2
	1,575	1,532

The staff costs of certain employees of the company are borne by subsidiary companies, in respect of which their services principally relate

Non-contractual bonus payments to staff, including directors, included in wages and salaries amount to £19,213,000 (2007 £19,786,000) for the group and £400,000 (2007 £571,000) for the company The bonuses are not pensionable

The group contributes to a number of defined contribution pension schemes on behalf of its employees These comprise the Rensburg Sheppards plc Group Pension Scheme, three group personal pension schemes and various self-invested personal pension ('SIPP') schemes In all cases, the assets of the schemes are held separately from those of group companies The pension contribution charge shown above represents contributions payable by group companies to the funds No contributions were payable to the funds by the group or the company at 31 March 2008 (2007 nil)

The average number of persons (including directors) employed during the year was

The group

	2008 Year ended 31 March No	2007 Year ended 31 March No
Investment management	**622**	638
Fund management	**14**	13
	636	651

The average number of persons (including directors) employed by the company during the year was 9 (2007 9)

6 Staff costs (continued)

The actual number of persons (including directors) employed at the end of the year was

The group	**2008** **No**	2007 No
Investment management	**620**	611
Fund management	**15**	13
	635	624

The actual number of persons (including directors) employed by the company at the end of the year was 9 (2007 9)

The number of persons employed by the company shown above relates to those persons contractually employed by the company The employment costs of certain employees of the company are borne by subsidiary companies, in respect of which their services principally relate

7 Taxation

	2008 **Year ended** **31 March** **£'000**	2007 Year ended 31 March £'000
Current tax expense		
United Kingdom corporation tax at 30% (2007 30%)	**13,098**	9,950
Adjustments in respect of prior periods	**14**	88
	13,112	10,038
Deferred tax expense (note 15)		
Origination and reversal of timing differences	**(2,646)**	(560)
Adjustments in respect of prior periods	**(142)**	(189)
Total tax expense in the income statement	**10,324**	9,289

The tax charge for the year and the amount calculated by applying the standard United Kingdom corporation tax rate of 30% (2007 30%) to the profit before tax per the income statement can be reconciled as follows

	2008 **Year ended** **31 March** **£'000**	2007 Year ended 31 March £'000
Profit before tax	**31,213**	25,667
Tax expense using the United Kingdom corporation tax rate of 30%	**9,364**	7,700
Effects of		
Share-based payments	**1,600**	1,396
Other expenses not tax deductible	**321**	378
Income not chargeable to tax	**(27)**	(84)
Adjustments to current tax in respect of prior periods	**14**	88
Adjustments to deferred tax in respect of prior periods	**(142)**	(189)
Effect of change of tax rate	**(806)**	-
Total tax expense in the income statement	**10,324**	9,289

7 Taxation (continued)

The following amounts of deferred tax have been recognised directly in equity

	2008 Year ended 31 March £'000	2007 Year ended 31 March £'000
Property, plant and equipment	**27**	-
Available-for-sale investments	**(34)**	(112)
Share-based payments	**(37)**	(762)
	(44)	(874)

8 Profit of the parent company

The profit after taxation of the parent company, Rensburg Sheppards plc, shown in the accounts of that company, was £12,891,000 (2007 £10,188,000)

9. Dividends

The final dividend proposed for the year ended 31 March 2008 of 17 0p per share is payable on 8 August 2008 to shareholders on the register as at the close of business on 18 July 2008 In accordance with the group's accounting policies and the requirements of IAS 10 *Events after the balance sheet date*, this dividend has not been recognised as a liability at 31 March 2008 Dividends have been recognised in the periods set out below

	2008 Year ended 31 March £'000	2007 Year ended 31 March £'000
Final dividend for the 16 months ended 31 March 2006 of 13 2p per share	-	5,783
Interim dividend for the six months ended 30 September 2006 of 7 5p per share	-	3,290
Final dividend for the year ended 31 March 2007 of 15 0p per share	**6,548**	-
Interim dividend for the six months ended 30 September 2007 of 8 5p per share	**3,710**	-
	10,258	9,073

10 Earnings per share

Basic earnings per share is calculated with reference to earnings for shareholders of £20,889,000 (2007 £16,378,000) and the weighted average number of shares in issue during the year of 43,651,919 (2007 43,723,007) Adjusted earnings per share before amortisation of the client relationships intangible asset and share-based payments relating to the EBT is calculated with reference to earnings for shareholders of £28,567,000 (2007 £24,953,000)

Diluted earnings per share is the basic earnings per share, adjusted for the effect of the conversion into fully paid shares of the weighted average number of all employee share options outstanding during the year
The number of additional shares used for the diluted calculation is 50,972 shares (2007 112,337) Details of contingently issuable shares, that are not included in the calculation of basic or diluted earnings per share, are given in note 21

10 Earnings per share (continued)

The directors believe that the provision of additional earnings per share figures, in particular before amortisation of the client relationships intangible asset and share-based payments relating to the EBT better represent underlying business performance The effect of these adjustments on earnings and basic earnings per share is as follows

	Year ended 31 March 2008			Year ended 31 March 2007		
	Earnings £'000	**Basic EPS pence**	**Diluted EPS pence**	Earnings £'000	Basic EPS pence	Diluted EPS pence
Unadjusted earnings and EPS	**20,889**	**47 9**	**47 8**	16,378	37 5	37 4
Share-based payments – EBT	**4,653**	**10 7**	**10 6**	4,653	10 6	10 6
Amortisation of intangible assets – client relationships	**5,603**	**12.8**	**12 8**	5,603	12 8	12 7
Tax arising on adjusted items at 30%	**(1,681)**	**(3 9)**	**(3 8)**	(1,681)	(3 8)	(3 8)
Effect on tax arising on adjusted items following change in rate of taxation	**(897)**	**(2 1)**	**(2 0)**	–	–	–
Adjusted earnings and EPS	**28,567**	**65 4**	**65 4**	24,953	57 1	56 9

11 Intangible assets

The group	Goodwill £'000	Client relationships £'000	Software £'000	Total £'000
Cost				
At 1 April 2006	136,385	61,138	1,728	199,251
Additions	–	–	223	223
Disposals	–	–	(91)	(91)
At 31 March 2007	136,385	61,138	1,860	199,383
Additions	–	–	369	369
At 31 March 2008	**136,385**	**61,138**	**2,229**	**199,752**
Amortisation and impairment				
At 1 April 2006	–	5,066	574	5,640
Disposals	–	–	(77)	(77)
Charged during the year	–	5,603	616	6,219
At 31 March 2007	–	10,669	1,113	11,782
Charged during the year	–	5,603	595	6,198
At 31 March 2008	**–**	**16,272**	**1,708**	**17,980**
Net book value				
At 31 March 2008	**136,385**	**44,866**	**521**	**181,772**
At 31 March 2007	136,385	50,469	747	187,601
At 1 April 2006	136,385	56,072	1,154	193,611

11 Intangible assets (continued)

	Software £'000	Total £'000
The company		
Cost		
At 1 April 2006 and 31 March 2007	–	–
Additions	4	4
At 31 March 2008	**4**	**4**
Amortisation and impairment		
At 1 April 2006 and 31 March 2007	–	–
Charged during the year	1	1
At 31 March 2008	**1**	**1**
Net book value		
At 31 March 2008	**3**	**3**
At 31 March 2007	–	–
At 1 April 2006	–	–

The client relationships intangible asset for the group comprises amounts at cost of £58,087,000 relating to private client business and £3,051,000 relating to charities business These amounts are being amortised on a straight-line basis over the estimate of their useful economic lives of 12 and four years respectively

Amortisation of software is recognised in the income statement within other operating expenses

Goodwill of the group is allocated to the cash generating unit ('CGU') to which it relates and the goodwill shown above has been allocated to the group's London, Cheltenham, Farnham and Reigate offices (collectively referred to as the 'London and Southern offices') and the group's Sheffield office The London and Southern offices and the Sheffield office each represent separate CGUs The allocation of all intangible assets to CGUs is summarised below

	Goodwill £'000	Client relationships £'000	Software £'000	Total £'000
Cash generating unit				
London and Southern offices	129,637	44,866	209	174,712
Sheffield office	6,748	–	58	6,806
Other	–	–	254	254
	136,385	**44,866**	**521**	**181,772**

The recoverable amounts of the group's CGUs are determined from value-in-use calculations The key assumptions for the value-in-use calculations are those regarding discount rates, future income growth rates, changes in the cost base of the business and future market conditions The basis of the value-in-use calculations is the budget for the financial year ending 31 March 2009, which has been approved by the board This budget has been established based on management's experience and future expectations of the business and the market in which it operates Projections beyond 31 March 2009 are extrapolated using a growth rate of 2 25%, which represents the historic long-term UK economic growth rate The future cash flows are discounted using the cost of capital applicable to the CGUs, which has been calculated at 12% per annum

11 Intangible assets (continued)

To establish whether any impairment exists, the value-in-use of each CGU to which goodwill and intangible assets have been allocated has been compared with the present carrying value of the CGU's assets In each case, the value-in-use exceeds the carrying value of the assets and it has therefore been concluded that no impairment exists

12 Property, plant and equipment

	Freehold property £'000	Office eqpt fixtures and fittings £'000	Computer equipment £ 000	Total £'000
The group				
Cost or valuation				
At 1 April 2006	3,272	2,079	2,923	8,274
Additions	–	876	531	1,407
Disposals	–	(662)	(1,080)	(1,742)
At 31 March 2007	3,272	2,293	2,374	7,939
Additions	–	62	613	675
Disposals	–	(134)	(131)	(265)
At 31 March 2008	**3,272**	**2,221**	**2,856**	**8,349**
Depreciation				
At 1 April 2006	64	1,350	2,085	3,499
Disposals	–	(574)	(1,080)	(1,654)
Charged during the year	48	223	401	672
At 31 March 2007	112	999	1,406	2,517
Disposals	–	(134)	(131)	(265)
Charged during the year	48	285	567	900
At 31 March 2008	**160**	**1,150**	**1,842**	**3,152**
Net book value				
At 31 March 2008	**3,112**	**1,071**	**1,014**	**5,197**
At 31 March 2007	3,160	1,294	968	5,422
At 1 April 2006	3,208	729	838	4,775

12 Property, plant and equipment (continued)

	Freehold property £'000	Office eqpt fixtures and fittings £'000	Computer equipment £'000	Total £'000
The company				
Cost or valuation				
At 1 April 2006 and 31 March 2007	3,272	578	22	3,872
Disposals	–	(172)	(22)	(194)
At 31 March 2008	**3,272**	**406**	**–**	**3,678**
Depreciation				
At 1 April 2006	64	366	22	452
Charged during the year	48	31	–	79
At 31 March 2007	112	397	22	531
Disposals	–	(172)	(22)	(194)
Charged during the year	48	28	–	76
At 31 March 2008	**160**	**253**	**–**	**413**
Net book value				
At 31 March 2008	**3,112**	**153**	**–**	**3,265**
At 31 March 2007	3,160	181	–	3,341
At 1 April 2006	3,208	212	–	3,420

The company's freehold property was revalued at 1 December 2004 by independent qualified valuers The valuation was undertaken in accordance with the Appraisal and Valuation standards issued by the Royal Institution of Chartered Surveyors The valuation was on a market value basis

The valuation has been incorporated into the financial statements and the resulting revaluation adjustment has been taken to the revaluation reserve The revaluation surplus at 31 March 2008 amounted to £973,000 (2007 £959,000) This revaluation surplus is not distributable

At 31 March 2008, had the freehold property been carried at historic cost less accumulated depreciation, the carrying amount would have been £1,759,000 (2007 £1,789,000)

13 Available-for-sale investments

	2008 £'000	2007 £'000
The group		
At 1 April	**2,562**	2,188
Net gains from changes in fair value	**265**	374
At 31 March	**2,827**	2,562

13 Available-for-sale investments (continued)

	2008 £'000	2007 £'000
The company		
At 1 April	**1,005**	818
Net gains from changes in fair value	**129**	187
At 31 March	**1,134**	1,005

Available-for-sale financial assets comprise

	2008 £'000	2007 £'000
The group		
Equity securities		
Listed	**1,507**	1,588
Unlisted	**1,320**	974
	2,827	2,562

	2008 £'000	2007 £'000
The company		
Equity securities		
Listed	**474**	518
Unlisted	**660**	487
	1,134	1,005

Unlisted available-for-sale investments for both the group and the company represent ordinary equity shares of Euroclear plc The fair value attributed to these shares represents the directors' estimate of the value that could be obtained in an arm's length disposal of the shares, taking into account recently published market transaction information

14 Investment in subsidiaries

	Subsidiary companies £'000
At 1 April 2006	213,697
Contribution from parent to subsidiary share schemes	161
Contribution from subsidiary for share awards	(1,815)
Replacement of subordinated loan with intercompany debt	(1,810)
At 31 March 2007	210,233
Contribution from parent to subsidiary share schemes	900
At 31 March 2008	**211,133**

14 Investment in subsidiaries (continued)

The principal trading subsidiary companies, both of which are included in the consolidated financial statements, are shown below

Name of company	Country of incorporation and operation	Class of share capital	Proportion held	Principal activity
Rensburg Sheppards Investment Management Limited	Great Britain	Ordinary	100%	Investment management services
Rensburg Fund Management Limited	Great Britain	Ordinary	100%	Management of unit trusts and segregated mandates

The interest in Rensburg Sheppards Investment Management Limited is held through subsidiary undertakings

15 Deferred tax assets and liabilities

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 28% (2007 30%) Deferred tax assets have been recognised in respect of all temporary timing differences giving rise to deferred tax assets as it is considered to be probable that these assets are recoverable in full

Deferred tax asset and liabilities are attributed to the following

	Assets		Liabilities		Net	
	2008 £'000	2007 £'000	**2008 £'000**	2007 £'000	**2008 £'000**	2007 £'000
The group						
Intangible assets	**–**	–	**(12,563)**	(15,141)	**(12,563)**	(15,141)
Property, plant and equipment	**454**	566	**(438)**	(484)	**16**	82
Available-for-sale investments	**–**	–	**(643)**	(609)	**(643)**	(609)
Trade and other receivables	**–**	–	**(45)**	(107)	**(45)**	(107)
Share-based payments	**114**	91	**–**	–	**114**	91
Provisions, accruals and other payables	**804**	623	**–**	–	**804**	623
Net deferred tax assets/(liabilities)	**1,372**	1,280	**(13,689)**	(16,341)	**(12,317)**	(15,061)

15 Deferred tax assets and liabilities (continued)

	Assets		Liabilities		Net	
	2008 £'000	2007 £'000	**2008 £'000**	2007 £'000	**2008 £'000**	2007 £'000
The company						
Property, plant and equipment	**–**	–	**(438)**	(483)	**(438)**	(483)
Available-for-sale investments	**–**	–	**(182)**	(156)	**(182)**	(156)
Provisions, accruals and other payables	**2**	–	**–**	–	**2**	–
Net deferred tax assets/(liabilities)	**2**	–	**(620)**	(639)	**(618)**	(639)

The movement on the deferred tax account is as shown below

	At 1 April 2006 £'000	Recognised in income statement £'000	Recognised in equity £'000	At 31 March 2007 £'000	Recognised in income statement £'000	Recognised in equity £'000	**At 31 March 2008 £'000**
The group							
Intangible assets	(16,822)	1,681	–	(15,141)	2,578	–	**(12,563)**
Property, plant and equipment	157	(75)	–	82	(93)	27	**16**
Available-for-sale investments	(497)	–	(112)	(609)	–	(34)	**(643)**
Trade and other receivables	(169)	62	–	(107)	62	–	**(45)**
Share-based payments	1,069	(216)	(762)	91	60	(37)	**114**
Provisions, accruals and other payables	1,326	(703)	–	623	181	–	**804**
	(14,936)	749	(874)	(15,061)	2,788	(44)	**(12,317)**

	At 1 April 2006 £'000	Recognised in income statement £'000	Recognised in equity £'000	At 31 March 2007 £'000	Recognised in income statement £'000	Recognised in equity £'000	**At 31 March 2008 £'000**
The company							
Property, plant and equipment	(432)	(51)	–	(483)	18	27	**(438)**
Available-for-sale investments	(100)	–	(56)	(156)	–	(26)	**(182)**
Share-based payments	12	(2)	(10)	–	–	–	**–**
Provisions, accruals and other payables	–	–	–	–	2	–	**2**
	(520)	(53)	(66)	(639)	20	1	**618**

16 Trade and other receivables

Current assets

	2008 £'000	2007 £'000
The group		
Trade receivables	**106,682**	113,767
Other receivables	**1,931**	3,100
Prepayments and accrued income	**15,340**	13,585
	123,953	130,452
The company		
Trade receivables	**3**	–
Amounts due from group companies	**2,796**	3,182
Prepayments and accrued income	**141**	75
	2,940	3,257

Trade receivables that relate to market transactions are considered to be past due once the date for settlement has passed Fees and charges owed by clients are considered to be past due where they remain unpaid 7 days after the relevant billing date At 31 March 2008, the analysis of trade receivables was as follows

	2008 £'000	2007 £'000
Not past due	**92,841**	86,536
Up to 15 days past due	**7,240**	20,084
16 to 30 days past due	**3,197**	2,477
31 to 45 days past due	**481**	853
More than 45 days past due	**2,923**	3,817
	106,682	113,767

Trade and other receivables that are not past due, or are past due but not impaired, principally relate to market transactions The date of settlement of market transactions is set at the time that the relevant sale or purchase order is placed with the market It is expected that, in the normal course of business, certain transactions may not have completed by the recorded settlement date Circumstances that may give rise to an extended settlement period include a shortage of the relevant stock in the market, in which case the order remains outstanding until all of the required quantity of stock has become available, and those relating to share placings, in which case the delivery of the related stock from the market occurs once the placement period has ended and the allocation of stock to individual investors has been completed Whilst the balances that remain outstanding after the settlement date are classified as past due in the table above, the extended settlement period does not give rise to an adverse impact on the credit quality of the balances, particularly as the related cash or stock to which the balances relate are retained by the group until settlement occurs

16 Trade and other receivables (continued)

At 31 March 2008, £206,000 of the group's trade receivable balances were impaired and provided for (2007 £296,000) All of these balances relate to fees and charges that have remained unpaid for over 100 days Movements on the provision for impairment of the group are as follows

	2008 £'000	2007 £'000
At 1 April	**296**	108
(Released)/charged to the income statement	**(90)**	188
At 31 March	**206**	296

No other financial assets of the group, other than those set out above, and no financial assets of the company, are impaired

The carrying value of the group's trade and other receivable balances are denominated in the following currencies

	2008 £'000	2007 £'000
Sterling	**117,192**	125,070
Euro	**2,619**	708
Australian dollar	**1,616**	793
South African rand	**1,106**	419
US dollar	**1,030**	2,291
Other currencies	**390**	1,171
	123,953	130,452

All of the trade and other receivable balances of the company are denominated in sterling

The maximum exposure to credit risk at 31 March 2008 is the carrying value of each class of receivable set out above

17 Cash, cash equivalents and bank overdrafts

For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand, deposits with banks and financial institutions with a maturity of up to three months and bank overdrafts repayable on demand

The group

	Note	2008 £'000	2007 £'000
Cash and cash equivalents		**71,464**	49,775
Bank overdrafts	18	**(1,232)**	-
		70,232	49,775

The cash and cash equivalents of the company at 31 March 2008 and 31 March 2007 are comprised entirely of cash at bank and in hand

Cash balances earn a floating rate of interest based on the daily bank deposit rate of the bank with which the deposit is held All deposits are repayable on demand The carrying value of cash, cash equivalents and bank overdrafts approximates to their fair value

18 Trade and other payables

Current liabilities

	2008 £'000	2007 £'000
The group		
Bank overdrafts	**1,232**	-
Trade payables	**103,626**	100,692
Subordinated loan – interest	**1,459**	1,718
Other taxation	**3,496**	4,298
Accruals and deferred income	**18,168**	17,651
	127,981	124,359
The company		
Trade payables	**35**	32
Subordinated loan – interest	**1,459**	1,718
Amounts owing to subsidiaries	**398**	392
Other taxation	**119**	-
Accruals and deferred income	**461**	532
	2,472	2,674

19 Financial instruments

The financial assets and financial liabilities are categorised as follows

The group — 2008

	Available for-sale financial assets £'000	Financial liabilities at amortised cost £'000	Loans and receivables £'000	Total book value £'000	Fair value £'000
Financial assets					
Available-for-sale investments	2,827	–	–	2,827	2,827
Trade and other receivables	–	–	123,953	123,953	123,747
Cash and cash equivalents	–	–	71,464	71,464	71,464
	2,827	**–**	**195,417**	**198,244**	**198,038**
Financial liabilities					
Bank overdrafts	–	(1,232)	–	(1,232)	(1,232)
Trade payables	–	(103,626)	–	(103,626)	(103,626)
Subordinated loan – capital	–	(50,000)	–	(50,000)	(49,891)
Subordinated loan – interest	–	(1,459)	–	(1,459)	(1,459)
Accruals and deferred income	–	(19,541)	–	(19,541)	(19,541)
	–	**(175,858)**	**–**	**(175,858)**	**(175,749)**

The company — 2008

	Available-for-sale financial assets £'000	Financial liabilities at amortised cost £'000	Loans and receivables £'000	Total book value £'000	Fair value £'000
Financial assets					
Available-for-sale investments	1,134	–	–	1,134	1,134
Trade and other receivables	–	–	2,940	2,940	2,940
Cash and cash equivalents	–	–	4,663	4,663	4,663
	1,134	**–**	**7,603**	**8,737**	**8,737**
Financial liabilities					
Trade payables	–	(35)	–	(35)	(35)
Subordinated loan – capital	–	(50,000)	–	(50,000)	(49,891)
Subordinated loan – interest	–	(1,459)	–	(1,459)	(1,459)
Accruals and deferred income	–	(461)	–	(461)	(461)
Amounts owing to subsidiaries	–	(398)	–	(398)	(398)
	–	**(52,353)**	**–**	**(52,353)**	**(52,244)**

19 Financial instruments (continued)

The group

2007	Available-for sale financial assets £'000	Financial liabilities at amortised cost £'000	Loans and receivables £'000	Total book value £'000	Fair value £'000
Financial assets					
Available-for-sale investments	2,562	–	–	2,562	2,562
Trade and other receivables	–	–	130,452	130,452	130,156
Cash and cash equivalents	–	–	49,775	49,775	49,775
	2,562	–	180,227	182,789	182,493
Financial liabilities					
Trade payables	–	(100,692)	–	(100,692)	(100,692)
Loan notes	–	(72)	–	(72)	(72)
Subordinated loan – capital	–	(60,000)	–	(60,000)	(59,282)
Subordinated loan – interest	–	(1,718)	–	(1,718)	(1,718)
Accruals and deferred income	–	(18,449)	–	(18,449)	(18,449)
	–	(180,931)	–	(180,931)	(180,213)

The company

2007	Available-for sale financial assets £'000	Financial liabilities at amortised cost £'000	Loans and receivables £'000	Total book value £'000	Fair value £'000
Financial assets					
Available-for-sale investments	1,005	–	–	1,005	1,005
Trade and other receivables	–	–	3,257	3,257	3,257
Cash and cash equivalents	–	–	12,156	12,156	12,156
	1,005	–	15,413	16,418	16,418
Financial liabilities					
Trade payables	–	(32)	–	(32)	(32)
Loan notes	–	(72)	–	(72)	(72)
Subordinated loan – capital	–	(60,000)	–	(60,000)	(59,282)
Subordinated loan – interest	–	(1,718)	–	(1,718)	(1,718)
Accruals and deferred income	–	(532)	–	(532)	(532)
Amounts owing to subsidiaries	–	(392)	–	(392)	(392)
	–	(62,746)	–	(62,746)	(62,028)

The subordinated loan may become convertible into ordinary shares of the company This equity component of the loan represents an embedded derivative Details of the circumstances in which the loan may become converted into ordinary shares of the company are set out in note 21 The purpose of the conversion clause within the terms of the loan is to protect the potential regulatory capital position of the group should circumstances arise in which the group, as a single entity, became subject to the consolidated capital requirements of the Financial Services Authority The conversion would only occur under the circumstances specified in the loan agreement, and not at the option of either the lender or the borrower in the absence of those specific circumstances As a result, the embedded derivative does not have any material intrinsic value

19 Financial instruments (continued)

None of the financial assets or financial liabilities shown above have been renegotiated during the year and no defaults of their terms have occurred The impairment of trade and other receivables is set out in note 16, no other financial assets of the group or the company are impaired On 6 May 2008, the company repaid £10 625 million of the subordinated loan, £5 million of which was in advance of the normal repayment date Further details are set out in note 29

Exposure to interest rate, credit, liquidity and price risk, which arise in the normal course of business, is set out below

All of the group's and the company's interest income and interest expense is calculated using the effective interest rate method and relates to financial assets and financial liabilities that are not at fair value through profit and loss No interest income has accrued in respect of impaired financial assets

Basis for determining fair values

The significant methods and assumptions used in estimating the fair values of financial instruments reflected in the table above are set out below

Investments in equity securities
The fair value of available-for-sale financial assets is determined by reference to their quoted bid price at the reporting date in respect of listed investments and by reference to recent market transactions in respect of unlisted investments

Trade and other receivables and payables
The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date

Subordinated loan
The fair value of the subordinated loan capital outstanding is calculated as the present value of the future principal and future interest cash flows, discounted at the market rate of interest at the reporting date

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 group and the company are subject to interest rate risk, principally with regard to the effect that a change in interest rates would have on amounts payable on outstanding debt and amounts receivable on cash deposits This risk applies to the subordinated loan and to all of the group's cash and cash equivalents

Interest rate risk is mitigated in respect of the subordinated loan by virtue of £45 million of the original loan facility being at a fixed rate of interest The interest payable on the remaining portion of the loan and the interest receivable on all of the group's cash and cash equivalents are subject to floating rates of interest In order to mitigate exposure to interest rate risk, all cash deposits are repayable on demand Based on the net floating rate cash balance at 31 March 2008, it is estimated that an increase in market interest rates of one percentage point would result in an increase in profit before tax of approximately £652,000 (2007 £347,000) for the group and £3,000 (2007 £29,000) for the company, a fall in interest rates of the same amount would have the opposite effect on profit before tax Further details of the subordinated loan are set out in note 21

19 Financial instruments (continued)

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 group, credit risk principally arises from the settlement of market transactions, amounts receivable from clients, and cash deposited with banks

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 group's nominee company Any transactions undertaken prior to the receipt of cleared funds or securities are subject to close monitoring as part of the group's internal control procedures The group's exposure to large trades is also limited, as the nature of the business determines that 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

The group undertakes investment business only on behalf of its clients and does not trade on its own account A small proportion of the group'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 group as principal, under the rules of LIFFE, however, such transactions are only undertaken on a matched basis to ensure that the exposure to the group is maintained within acceptable limits In addition, the group 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 group

The mitigation of credit risk relating to cash deposited with banks is achieved as a result of deposits being held at major banks that possess a high credit rating Deposits are managed by the group's dedicated treasury function and are subject to regular review by the group's Cash and Credit Management Committee

Liquidity risk

Liquidity risk is the risk that the group will be unable to meet its financial obligations as they fall due

The group maintains sufficient cash resources to meet its obligations at all times and all cash deposits of the group are repayable on demand At 31 March 2008, the group had overdraft facilities of £10 million, £7 million and £3 million which are due for renewal on 31 December 2008, 31 August 2008 and 1 November 2008 respectively At 31 March 2008, the group had drawn on £1 2 million of these facilities and all conditions necessary for the group to be able to draw on the remainder of these facilities were satisfied at 31 March 2008

19 Financial instruments (continued)

Price risk

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

Whilst the group does not undertake principal account trading, it does hold certain available-for-sale investments that are subject to price risk Available-for-sale investments are recognised at their fair value and are set out in note 13 The carrying value of the assets at 31 March 2008 of £2,827,000 significantly exceeds their original cost, giving rise to the available-for-sale reserve of £1,460,000 at 31 March 2008 Any fall in the value of available-for-sale investments would be first offset against this reserve prior to the fall giving rise to a reduction in reported profit after taxation

Concentration of risks

The business of the group is that of investment management and fund management undertaken within the UK It is therefore inherent within the business that risk arising from the group's financial instruments are concentrated within these business and geographical sectors

The following are the contractual maturities of financial liabilities, including interest payments

The group

	At 31 March 2008			
	Total contractual cash flows £'000	**Payable within one year £'000**	**Payable in second to fifth years £'000**	**Payable in sixth to tenth years £'000**
Bank overdrafts	1,232	1,232	–	–
Trade and other payables	123,167	121,794	1,373	–
Subordinated loan	65,682	9,067	32,241	24,374
	190,081	**132,093**	**33,614**	**24,374**

	At 31 March 2007			
	Total contractual cash flows £'000	Payable within one year £'000	Payable in second to fifth years £'000	Payable in sixth to tenth years £'000
Trade and other payables	119,141	118,343	798	–
Subordinated loan	81,776	4,355	43,066	34,355
Loan notes	73	73	–	–
	200,990	122,771	43,864	34,355

The company

	At 31 March 2008			
	Total contractual cash flows £'000	**Payable within one year £'000**	**Payable in second to fifth years £'000**	**Payable in sixth to tenth years £'000**
Trade and other payables	894	894	–	–
Subordinated loan	65,682	9,067	32,241	24,374
	66,576	**9,961**	**32,241**	**24,374**

19 Financial instruments (continued)

	At 31 March 2007			
	Total contractual cash flows £'000	Payable within one year £'000	Payable in second to fifth years £'000	Payable in sixth to tenth years £'000
Trade and other payables	956	956	–	–
Subordinated loan	81,776	4,355	43,066	34,355
Loan notes	73	73	–	–
	82,805	5,384	43,066	34,355

The group intends to publish information under Pillar 3 of the Capital Requirements Directive on the group's website at www rensburgsheppards plc uk prior to 31 December 2008

20 Provisions

The group

	Reorganisation costs £'000	Onerous leases £'000	Property dilapidations £'000	**Total £'000**
At 1 April 2007				
Current liabilities	584	57	–	641
Non-current liabilities	–	292	225	517
	584	349	225	1,158
Charged to the income statement	–	–	75	75
Utilised during the year	(584)	(39)	(3)	(626)
At 31 March 2008	**–**	**310**	**297**	**607**

The balances at 31 March 2008 are categorised as follows

	Reorganisation costs £'000	Onerous leases £'000	Property dilapidations £'000	**Total £'000**
Current liabilities	–	56	–	56
Non-current liabilities	–	254	297	551
At 31 March 2008	**–**	**310**	**297**	**607**

The company has no provisions at 31 March 2008 (2007 £254,000) The balance of £254,000 at 31 March 2007 related entirely to reorganisation costs and was fully utilised during the year

Reorganisation costs relate to the integration of Carr Sheppards Crosthwaite Limited ('CSC') into the group CSC was acquired on 6 May 2005

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 2017

The provision for property dilapidation costs reflects the obligations that the group 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 2017

21 Subordinated loan

The company entered into a £60 million subordinated loan agreement with Investec 1 Limited on 6 May 2005 The loan formed part of the consideration for the acquisition of Carr Sheppards Crosthwaite Limited A fixed rate of interest of 7 155% per annum is payable on £45 million of the loan and a floating rate, being 2 25% above LIBOR, is payable on £15 million of the loan Interest on the subordinated loan is payable every six months in May and November The total amount of the loan is repayable in equal instalments over eight years, with the first instalment becoming payable in May 2008 On 8 May 2007, £10 million of the floating rate element of loan was repaid ahead of schedule

The company has the option to redeem part or all of the floating rate debt at any point during the term of the loan Early redemption of part or all of the fixed rate debt is not permitted for five years from the date of commencement of the loan, until May 2010 Early redemption after this period is at the option of the company The company repaid £10 625 million of the loan on 6 May 2008, further details of which are set out in note 29

The loan is subordinated to all other creditors of the company For the purposes of the consolidated regulatory capital reporting requirements of the Financial Services Authority ('FSA'), the Rensburg Sheppards group is treated as being part of the Investec group, by virtue of the Investec group's holding of shares of Rensburg Sheppards plc The Rensburg Sheppards group, as a separate consolidated entity, is not itself subject to the FSA's consolidated regulatory capital requirements Should, for any reason, the Rensburg Sheppards group cease to be treated as being part of the Investec group for the purposes of consolidated regulatory capital reporting and instead be subject to the FSA's regulatory capital requirements as a separate consolidated entity, an amount of the loan may be converted into ordinary shares of the company A conversion would only occur upon the request of the company if, and only to the extent that, there is a shortfall between the actual and required consolidated regulatory capital of the Rensburg Sheppards group The rate of conversion would be based on the company's average mid-market share price during the three months prior to a conversion However, where a conversion is required as a consequence of a disposal of shares by Investec 1 Limited, or a conversion would otherwise require a member of the Investec group to make a general offer for the company, an alternative instrument, that would enable the company to satisfy the FSA's regulatory capital requirements, would be issued in place of ordinary shares

22 Share capital

The group and the company

	Number of shares	Nominal value £'000
Authorised ordinary shares of $10\frac{90}{91}$ pence each		
At 1 April 2006, 31 March 2007 and 31 March 2008	54,600,000	6,000
Allotted, called up and fully paid ordinary shares of $10\frac{90}{91}$ pence each		
At 1 April 2006	43,314,068	4,760
Exercise of share options	567,314	62
At 31 March 2007	43,881,382	4,822
Exercise of share options	2,118	–
At 31 March 2008	**43,883,500**	**4,822**

22 Share capital (continued)

During the year, 2,118 ordinary shares of $10\frac{90}{91}$ pence each were issued to certain employees of the group at £6 60 per share following the exercise of share options under the terms of the group's Savings-Related Share Option ('SAYE') Scheme The aggregate nominal value of these shares was £233 and the total consideration received was £13,979 The average market price of the shares during the year was £7 62 per share

At 31 March 2008, 229,600 ordinary shares of $10\frac{90}{91}$ pence each (2007 233,600 shares) were held by the Employee Share Ownership Trust ('the Trust') The trustee of the Trust is R S Trustees Limited, a wholly owned subsidiary of Rensburg Sheppards plc These shares are held in order to satisfy outstanding awards under the group's Employee Share Ownership Plan and 2007 Employee Share Plan Details of all of the group's employee share schemes are set out at note 23

At 31 March 2008, Investec 1 Limited ('Investec'), an associated company of the group, held 20,657,000 ordinary shares of $10\frac{90}{91}$ pence each (2007 20,657,000 shares) These shares were issued to Investec under the terms of the acquisition of Carr Sheppards Crosthwaite Limited ('CSC'), which occurred on 6 May 2005 A total of 25,500,000 shares were issued to Investec under the terms of the acquisition, prior to the effect of the share consolidation which occurred on 20 May 2005 Of the 25,500,000 shares issued, 2,800,000 of these shares were immediately transferred by Investec to an Employee Benefit Trust ('EBT') The 2,800,000 shares were subject to the share consolidation which occurred on 20 May 2005 and hence at 31 March 2008, the EBT held 2,548,000 ordinary shares of $10\frac{90}{91}$ pence each (2007 2,548,000 shares)

As set out in note 23, 423,778 new ordinary shares of $10\frac{90}{91}$ pence each are issuable in respect of outstanding options under the group's current SAYE scheme

The rights and obligations attached to the ordinary shares of $10\frac{90}{91}$ pence each are as follows

Voting

Every member who is present in person or by proxy at a general meeting of the company shall have one vote on a show of hands and one vote for every share held on a poll However, under the terms of the acquisition of Carr Sheppards Crosthwaite Limited on 6 May 2005, Investec has agreed that the number of shares in respect of which it casts a vote will not exceed 30% of the total issued share capital of the company for the period up to 6 May 2010

Dividends

All shares in issue at 31 March 2008 rank *pari passu* for dividends Shareholders shall be entitled to receive final dividends following declaration by the company in general meeting and interim dividends declared by the board No dividend shall exceed the amount recommended by the directors Dividends have been waived in respect of the 229,600 shares held by the Employee Share Ownership Trust

Return of capital on a winding up

Ordinary shareholders are entitled to participate in any surplus assets relating to the winding up of the company in proportion to their shareholdings

22. Share capital (continued)

Restrictions on the transfer of shares

The transfer of shares of the company by employees of the group that would give rise to a change in the beneficial holding of an employee is prohibited during the period between the end of the group's financial year on 31 March each year and the date on which the group announces its preliminary final results The same restriction applies during the period between the end of the group's financial half-year on 30 September each year and the date on which the group announces its half-year results Restrictions on the transfer of shares may also arise in respect of specific employees of the group from time to time in accordance with the Disclosure and Transparency rules of the Financial Services Authority

At 31 March 2008, Investec 1 Limited held 20,657,000 ordinary shares of the company as a result of the company's acquisition of Carr Sheppards Crosthwaite Limited from Investec 1 Limited on 6 May 2005 Under the terms of the acquisition, Investec 1 Limited agreed not to dispose of these shares for a period of 18 months from the date of acquisition, which ended on 6 November 2006 In addition, for a period of a further 18 months ending on 6 May 2008, Investec 1 Limited agreed not to dispose of any of these shares other than in a manner which is intended to maintain an orderly market in the ordinary shares of the company

Control

None of the company's shares carry special rights with regard to control of the company

23 Share-based payments

The total charge for the year relating to employee share-based payment schemes was £5,557,000 (2007 £4,815,000), all of which related to equity-settled share-based payment transactions This charge comprised £4,653,000 relating to the EBT (2007 £4,653,000) and £904,000 in respect of the group's other share and share option schemes (2007 £162,000) The equity settled share and share option schemes relevant to the group are as follows

Save As You Earn

The group operates a Savings-Related Share Option ('SAYE') Scheme in which all employees of the group are eligible to participate Options were granted 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 with the 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

2007 Employee Share Plan

Awards were made under the 2007 Employee Share Plan over a fixed number of shares to certain of the group's employees during March 2007 The future award is conditional on the participant remaining in the employment of the 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

23 Share-based payments (continued)

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 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 to certain of the group'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 IFRS 2 *Share based payment* The group 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

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 pricing model The assumptions used in the calculations for the group and the company are as follows

	SAYE 2003	SAYE 2006	2007 Employee Share Plan	Employee Benefit Trust
Nature of scheme	Share options	Share options	Potential future entitlements to shares	Potential future entitlement to shares
Grant date	16 Apr 2003	18 Dec 2006	9 Mar 2007	6 May 2005
Share price at grant date	£3 19	£8 45	£8 92	£4 99*
Exercise price	£2 45	£6 60	Nil	Nil
Shares under option or potential future entitlement at date of grant				
– the group	665,501	461,635	202,350	2,548,000**
– the company	7,714	5,724	–	–
Expected volatility	29 3%	24 0%	N/A	N/A
Expected life (years)	3 12	3 12	3 30	3 00
Remaining contractual life (years)	–	1 84	2 23	0 10
Risk free rate	3 9%	4 8%	N/A	N/A
Expected dividends expressed as a dividend yield	2 6%	2 9%	2 8%	N/A
Expected forfeiture rate	6%	4%	0%	N/A
Fair value at date of grant	£0 99	£2 42	£8 15	£4 99

* 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 to Investec under the terms of the acquisition did not rank

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

23 Share-based payments (continued)

In addition to the awards set out above, awards have previously been granted under the group's Employee Share Ownership Plan As these awards were granted prior to 7 November 2002, no share-based charge has been recognised in respect of these awards The details of these awards are as follows

	Employee Share Ownership Plan		
Nature of scheme	Share options	Share options	Share options
Grant date	7 April 1999	7 April 2000	8 April 2002
Share price at date of grant	£4 10	£5 84	£4 91
Exercise price	Nil	Nil	Nil
Shares under option at date of grant			
– the group	150,250	140,000	139,750
– the company	Nil	25,000	20,000

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 represents 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

The group	SAYE 2003 No	SAYE 2006 No	2007 Employee Share Plan No	Employee Benefit Trust No	Employee Share Ownership Plan No
Outstanding at 1 April 2006	567,314	–	–	2,548,000	76,660
Granted	–	461,635	202,350	–	–
Forfeited	–	(4,006)	–	–	–
Exercised	(567,314)	–	–	–	(45,410)
Outstanding at 31 March 2007	–	457,629	202,350	2,548,000	31,250
Granted	–	–	–	–	–
Forfeited	–	(31,733)	–	–	–
Exercised	–	(2,118)	–	–	(4,000)
Outstanding at 31 March 2008	**–**	**423,778**	**202,350**	**2,548,000**	**27,250**

The company	SAYE 2003	SAYE 2006
Outstanding at 1 April 2006	7,714	–
Granted	–	5,724
Exercised	(7,714)	–
Outstanding at 31 March 2007 and 31 March 2008	**–**	**5,724**

The figures stated above for the company relate only to those employees whose costs are borne entirely by the company As stated in note 6, the staff costs of certain employees of the company are borne by subsidiary companies, in respect of which their services principally relate

The weighted average share price during the year was £7 62 (2007 £7 74)

24 Reconciliation of changes in shareholders' equity

The group

	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Available-for sale reserve £'000	Revaluation reserve £'000	Other reserves £'000	Retained earnings £'000	Total equity £'000
At 1 April 2006	**4,760**	**9,276**	**100**	**972**	**972**	**130,601**	**11,103**	**157,784**
Profit after taxation	–	–	–	–	–	–	16,378	16,378
Dividends	–	–	–	–	–	–	(9,073)	(9,073)
Issue of shares	62	1,328	–	–	–	–	–	1,390
Share issue costs	–	(1)	–	–	–	–	–	(1)
Purchase of own shares by Employee Share Ownership Trust	–	–	–	–	–	–	(1,815)	(1,815)
Share-based payments	–	–	–	–	–	–	4,815	4,815
Tax relief on share-based payments	–	–	–	–	–	–	714	714
Deferred tax on share-based payments	–	–	–	–	–	–	(762)	(762)
Gain arising on available-for-sale investments	–	–	–	374	–	–	–	374
Deferred tax on available-for-sale investments	–	–	–	(112)	–	–	–	(112)
Depreciation on revalued property	–	–	–	–	(13)	–	13	–
At 31 March 2007	**4,822**	**10,603**	**100**	**1,234**	**959**	**130,601**	**21,373**	**169,692**
Profit after taxation	–	–	–	–	–	–	20,889	20,889
Dividends	–	–	–	–	–	–	(10,258)	(10,258)
Issue of shares	–	14	–	–	–	–	–	14
Share-based payments	–	–	–	–	–	–	5,557	5,557
Deferred tax on share-based payments	–	–	–	–	–	–	(37)	(37)
Gain arising on available-for-sale investments	–	–	–	265	–	–	–	265
Deferred tax on available-for-sale investments	–	–	–	(80)	–	–	–	(80)
Movement in deferred tax arising from change of tax rate	–	–	–	41	27	–	5	73
Depreciation on revalued property	–	–	–	–	(13)	–	13	–
At 31 March 2008	**4,822**	**10,617**	**100**	**1,460**	**973**	**130,601**	**37,542**	**186,115**

24 Reconciliation of changes in shareholders' equity (continued)

The company

	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Available for sale reserve £'000	Revaluation reserve £'000	Other reserves £'000	Retained earnings £'000	Total equity £'000
At 1 April 2006	**4,760**	**9,276**	**100**	**233**	**972**	**131,219**	**18,820**	**165,380**
Profit after taxation	–	–	–	–	–	–	10,188	10,188
Dividends	–	–	–	–	–	–	(9,073)	(9,073)
Issue of shares	62	1,328	–	–	–	–	–	1,390
Share issue costs	–	(1)	–	–	–	–	–	(1)
Purchase of own shares	–	–	–	–	–	–	(1,815)	(1,815)
Share-based payments								
– charge for the year	–	–	–	–	–	–	2	2
– contribution from subsidiary	–	–	–	–	–	–	161	161
Deferred tax on share-based payments	–	–	–	–	–	–	(10)	(10)
Gain arising on available-for-sale investments	–	–	–	187	–	–	–	187
Deferred tax on available-for-sale investments	–	–	–	(56)	–	–	–	(56)
Depreciation on revalued property	–	–	–	–	(13)	–	13	–
At 31 March 2007	**4,822**	**10,603**	**100**	**364**	**959**	**131,219**	**18,286**	**166,353**
Profit after taxation	–	–	–	–	–	–	12,891	12,891
Dividends	–	–	–	–	–	–	(10,258)	(10,258)
Issue of shares	–	14	–	–	–	–	–	14
Share-based payments								
– charge for the year	–	–	–	–	–	–	4	4
– contribution from subsidiary	–	–	–	–	–	–	900	900
Gain arising on available-for-sale investments	–	–	–	129	–	–	–	129
Deferred tax on available-for-sale investments	–	–	–	(39)	–	–	–	(39)
Movement in deferred tax arising from change of tax rate	–	–	–	13	27	–	–	40
Depreciation on revalued property	–	–	–	–	(13)	–	13	–
At 31 March 2008	**4,822**	**10,617**	**100**	**467**	**973**	**131,219**	**21,836**	**170,034**

24 Reconciliation of changes in shareholders' equity (continued)

The nature and purpose of each reserve can be summarised as follows

Share premium
Where shares are issued for an amount exceeding their nominal value, the excess is recorded in the share premium account, less any direct costs of issue This reserve is not considered to be distributable

Capital redemption reserve
The capital redemption reserve represents the capitalisation of amounts equal to the nominal value of shares repurchased and cancelled, in order to maintain the overall value of shareholders' capital This reserve is not considered to be distributable

Available-for-sale reserve
This reserve records changes in the fair value of available-for-sale assets, until such time as the assets are disposed of or otherwise derecognised This reserve is not considered to be distributable

Revaluation reserve
This reserve records changes in the fair value of assets other than available-for-sale assets, until such time as the assets are disposed of or otherwise derecognised This reserve is not considered to be distributable

Other reserves
Other reserves comprise the merger reserve arising following the application of merger relief, where it is available upon the issue of shares in consideration for businesses acquired Where merger relief is available, the amount credited to other reserves represents the premium arising on the issue of the shares, less any direct costs of issue This reserve is not considered to be distributable

Retained earnings
This reserve records all income, expenses, gains and losses recognised in the income statement and the statement of recognised income and expense and is net of dividends paid to shareholders This reserve is distributable The consolidated retained earnings reserve is net of goodwill previously written off directly to reserves of £9,673,000

25 Capital management

The capital of the group comprises share capital, share premium, retained earnings, other reserves and the subordinated loan The total capital at 31 March 2008 amounted to £236 1 million for the group (2007 £229 7 million) and £220 0 million for the company (2007 £226 4 million)

The objectives of the group and the company in managing its capital are to

- Provide a strong capital base to ensure that the group and the company continue as going concerns, in order to provide continuing returns for shareholders and benefits for its other stakeholders,
- Maintain an efficient capital structure to minimise the cost of capital, whilst ensuring that sufficient capital is held to meet the future strategy and development of the business

These objectives are met by setting the level of dividends paid to shareholders at a level appropriate to the performance of the business and managing the level of debt, which includes making early repayments of loan capital where sufficient funds are available to do so

Neither the group, as a single consolidated entity, nor the company, are directly subject to externally imposed capital requirements Although the company is not a regulated entity, certain subsidiaries of the company are subject to the capital requirements of the Financial Services Authority ('the FSA') These requirements do not apply to the group as a single consolidated entity, as the holding of shares of the company by Investec 1 Limited exceeds the threshold below which the group would otherwise have been subject to the consolidated capital and reporting requirements of the FSA

26 Operating lease commitments

The leasing arrangements entered into by the group and the company comprise leases for vehicles used by employees and leasehold office properties Current property leases are for periods up to 2017 Vehicles are leased for a period not exceeding four years The leases do not contain provisions for contingent rental payments, purchase options or escalation clauses, nor do they impose restrictions beyond the property to which they relate The company and the group have commitments to future minimum lease payments under non-cancellable operating leases as follows

	2008		2007	
	Vehicles £'000	**Property £'000**	Vehicles £'000	Property £'000
The group				
Within one year	**232**	**873**	218	1,643
Between one and five years	**276**	**2,826**	271	3,330
After five years	**-**	**1,974**	-	2,555
	508	**5,673**	489	7,528
The company				
Within one year	**6**	**-**	3	-
Between one and five years	**14**	**-**	-	-
After five years	**-**	**-**	-	-
	20	**-**	3	-

The figures shown above represent the total amounts payable under operating leases to the expiry of the lease term

26 Operating lease commitments (continued)

The total cost of operating lease rentals recognised as an expense in the income statement for the year ended 31 March 2008 was £1,937,000 (2007 £2,190,000) In addition, a further £39,000 (2007 £18,000) of the onerous lease provision, set out in note 20, was utilised in respect of rentals paid on empty leasehold properties

27 Capital commitments

The group had expenditure authorised and contracted but not provided for in respect of property, plant and equipment and computer software at 31 March 2008 of £145,000 (2007 nil) The company had no amounts authorised and contracted but not provided for at 31 March 2008 (2007 nil)

28 Contingent liabilities

The group 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 No material loss is considered likely to arise in respect of these matters

29 Events after the balance sheet date

On 6 May 2008, £5 million of the subordinated loan, the details of which are set out in note 21, was repaid ahead of schedule This repayment is in respect of the floating rate element of the loan and was originally scheduled for repayment in equal annual instalments commencing on 6 May 2008 The floating rate element of the loan originally amounted to £15 million and, following the repayment of the balance of £5 million, has now been repaid in full No penalty arose from the making of this early repayment In addition to the early repayment, a repayment of £5 625 million was made on 6 May 2008 in accordance with the normal repayment schedule

On 10 June 2008, the directors proposed a final dividend in respect of the year ended 31 March 2008 of 17 0 pence per share Subject to the approval of shareholders at the forthcoming annual general meeting, which is to be held on 29 July 2008, the dividend will be payable on 8 August 2008 to shareholders on the register at the close of business on 18 July 2008

30 Related party transactions

The directors of the company represent the key management of both the group and the company and the amounts paid in respect of their services are set out on page 29 The directors of the company include B Kantor and S Koseff, both of whom are also directors of Investec plc

Investec 1 Limited is an associated company of the group The parent company of Investec 1 Limited is Investec plc The transactions set out below have taken place with Investec plc or its subsidiary companies ('the Investec group') during the year

The group and the company have a subordinated loan facility with the Investec group, which was entered into on 6 May 2005 The loan formed part of the consideration for the acquisition of Carr Sheppards Crosthwaite Limited on that date The interest charged on the loan during the year amounted to £3,728,000 (2007 £4,305,000) and interest of £1,459,000 was payable at 31 March 2008 (2007 £1,718,000) Further details of the subordinated loan facility are set out in note 21

30 Related party transactions (continued)

The group leases premises at 2 Gresham Street London from the Investec group The amount payable during the year under the terms of the lease in respect of rent and service charges amounted to £1,115,000 (2007 £1,253,000) No amounts were outstanding at 31 March 2008 (2007 £321,000)

The Investec group provides the group with certain infrastructure services The amount payable during the year under the terms of the related agreement amounted to £781,000 (2007 £656,000) £199,000 was outstanding at 31 March 2008 (2007 £127,000)

The Investec group has provided internal audit services to the group during the year The amount payable by the group during the year in respect of these services amounted to £248,000 (2007 £98,000) No amounts were outstanding at 31 March 2008 (2007 nil)

The group and the company contribute to defined contribution pension schemes on behalf of its employees Details of these transactions are set out in note 6

The group and the company operate a number of share-based payment arrangements for the purposes of employee remuneration Details of these transactions, and transactions with the related trusts, are set out in note 23

Directors, and all employees of the group, are eligible to receive investment management services from the group at discounted staff rates

The company provides management services to its subsidiary companies, for which a management charge is levied During the current and prior financial years, the company has made a loss for the purposes of assessing its liability to United Kingdom corporation tax In accordance with UK legislation, this loss has been surrendered to its subsidiary undertakings Subsidiary companies are charged an amount for this relief equivalent to the reduction in their corporation tax liability resulting from the relief A summary of all related party transactions between the company and its subsidiaries is set out below

	Year ended 31 March 2008 £'000	Year ended 31 March 2007 £'000
Management charges	**2,350**	2,340
Lease rentals	**249**	249
Dividends	**15,306**	13,000
Amounts payable in respect of surrender of tax losses	**986**	1,227
Amounts due from subsidiaries at 31 March	**2,796**	3,182
Amounts due to subsidiaries at 31 March	**398**	392

Five Year Summary

	IFRS			UK GAAP	
	12 months 2008 £'000	12 months 2007 £'000	16 months 2006 £'000	12 months 2004 £'000	12 months 2003 £'000
Revenue	**132,928**	122,297	117,389		
Fees and commissions payable	**(11,646)**	(9,360)	(8,004)		
Net revenue	**121,282**	112,937	109,385	36,936	33,250
Reorganisation costs	**-**	-	(9,907)	-	-
Share-based payments – EBT	**(4,653)**	(4,653)	(4,226)	-	-
Amortisation of intangible assets – client relationships	**(5,603)**	(5,603)	(5,066)	-	-
Amortisation of intangible assets – goodwill	**-**	-	-	(868)	(917)
Other operating expenses	**(79,326)**	(75,225)	(79,468)	(29,866)	(27,555)
Operating expenses	**(89,582)**	(85,481)	(98,667)	(30,734)	(28,472)
Adjusted operating profit*	**41,956**	37,712	29,917	7,070	5,695
Operating expense adjustments*	**(10,256)**	(10,256)	(19,199)	(868)	(917)
Operating profit	**31,700**	27,456	10,718	6,202	4,778
Profit on disposal of available-for-sale investments	**-**	-	3,129	-	390
Profit on disposal of subsidiaries	**-**	-	-	-	10,472
Income from fixed asset investments – special dividend	**-**	-	-	490	-
Finance income	**3,284**	2,694	3,365	1,824	1,377
Finance expenses	**(3,771)**	(4,483)	(4,205)	(72)	(227)
Profit before tax	**31,213**	25,667	13,007	8,444	16,790
Taxation	**(10,324)**	(9,289)	(5,374)	(2,725)	(1,928)
Profit for the financial period	**20,889**	16,378	7,633	5,719	14,862
Dividends				(3,943)	(3,933)
Retained profit for the period				1,776	10,929
Earnings per share					
Basic	**47 9p**	37 5p	20 9p	26 1p	68 2p
Diluted	**47 8p**	37 4p	20 6p	25 6p	66 8p
Adjusted earnings per share					
Basic	**65 4p**	57 1p	55 1p	27 9p	22 6p
Diluted	**65 4p**	56 9p	54 3p	27 3p	22 1p

*Adjustments to operating profit comprise reorganisation costs, share-based payments relating to the EBT, and amortisation of the intangible assets of client relationships and goodwill

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of Rensburg Sheppards plc will be held at the Leeds Marriott Hotel, Trevelyan Square, Boar Lane, Leeds LS1 6ET on 29 July 2008 at 2 30pm for the following purposes

Ordinary Business

1 To receive and consider the Directors' Report, the Directors' Remuneration Report, the Auditor's Report and the Financial Statements for the year ended 31 March 2008

2 To approve the Directors' Remuneration Report for the year ended 31 March 2008

3 To declare a final dividend

4 To elect D J H Bulteel as a director of the company

5 To elect J D Seal as a director of the company

6 To re-elect S M Elliott as a director of the company

7 To re-elect I Maxwell Scott as a director of the company

8 To re-elect J P Wragg as a director of the company

9 To re-appoint KPMG Audit Plc as auditor of the company to hold office from the conclusion of the meeting until the conclusion of the next Annual General Meeting at which the accounts are laid before the company and to authorise the directors to agree their remuneration

Special Business

As Special Business to consider and, if thought fit, to pass the following resolutions of which resolutions 10 and 11 will be proposed as ordinary resolutions and resolutions 12, 13 and 14 will be proposed as special resolutions

10 That in accordance with Section 366 of the Companies Act 2006 the company and any company which is or becomes its subsidiary during the period to which this resolution relates, be authorised

(a) to make political donations to political parties, political organisations or independent election candidates, and

(b) to incur political expenditure

Provided that

(i) the authority covered by this resolution shall commence on the date on which it is passed and expire 15 months after the passing of this resolution or, if earlier, on the date of the next Annual General Meeting (or adjournment thereof) after the passing of this resolution,

(ii) the aggregate amount of such donations and expenditure made by the company shall not exceed £50,000, and

(iii) in this resolution, the terms 'political donation', 'political parties', 'independent election candidates', 'political organisation' and 'political expenditure' have the meanings given by Sections 363 to 365 of the Companies Act 2006

Notice of Annual General Meeting

11 That for the purposes of Section 80 of the Companies Act 1985 ('the Act') (and so that expressions defined in that Section shall bear the same meanings as in this resolution) the directors be, and they are, generally authorised to allot relevant securities up to a maximum nominal amount of £1,177,637 to such persons at such times and on such terms as they think proper during the period expiring on the date of the next Annual General Meeting after the passing of this resolution (or any adjournment thereof) save that the company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the board may allot relevant securities in pursuance of such offer or agreement as if the authority conferred hereby had not expired

12 That the directors be, and they are, hereby generally authorised to allot for cash or otherwise equity securities (as defined in Section 94 of the Act) of the company pursuant to the authority conferred by resolution 11 above as if Section 89 of the Act did not apply to such allotment provided that this power shall be limited

(a) to the allotment of equity securities in connection with a rights issue, open offer or otherwise in favour of the holders of ordinary shares of $10\frac{9}{11}$ pence each of the company ('Ordinary Shares') where the equity securities respectively attributable to the interests of all such shareholders are proportionate (as nearly as may be practicable) to the respective numbers of Ordinary Shares held by them on the record date for such allotment but subject to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to fractional entitlements or legal or practical problems under the laws of, or the requirements of, any recognised regulatory body or any stock exchange in any territory,

(b) to the allotment of equity securities pursuant to the terms of any share schemes for directors and employees of the company or any of its subsidiaries approved by the company in general meeting, and

(c) to the allotment otherwise than pursuant to subparagraphs (a) and (b) above of equity securities not exceeding in aggregate the nominal amount of £241,118,

provided further that the authority hereby granted shall expire at the conclusion of the next Annual General Meeting after the passing of this resolution (or any adjournment thereof) save that the directors shall be entitled to make at any time before the expiry of the power hereby conferred any offer or agreement which might require equity securities to be allotted after the expiry of such power

13 That the company is hereby generally and unconditionally authorised to make market purchases (within the meaning of Section 163 of the Act) of Ordinary Shares provided that

(a) the maximum number of Ordinary Shares hereby authorised to be purchased is 4,388,350 being 10% of the issued share capital of the Company,

(b) the minimum price which may be paid for Ordinary Shares is $10\frac{9}{11}$ pence per Ordinary Share exclusive of expenses,

(c) the maximum price which may be paid for an Ordinary Shares is the amount equal to 5% above the average of the middle market quotations derived from the Financial Services Authority Daily Official List for the 5 business days immediately preceding the day of purchase, exclusive of expenses,

(d) the authority hereby conferred shall expire at the conclusion of the next Annual General Meeting of the company unless such authority is renewed prior to such time, and

(e) the company may make a contract to purchase Ordinary Shares under the authority which will or may be executed wholly or partly after the expiry of such authority, and may make a purchase of Ordinary Shares in pursuance of any such contract

14 That the Articles of Association produced to the meeting marked 'A' and initialled by the chairman of the meeting for the purpose of identification be adopted as the Articles of Association of the company in substitution for, and to the exclusion of, the existing Articles of Association of the company

By order of the board

Paula M Watts FCIS, MPMI
Secretary
Rensburg Sheppards plc
Quayside House
Canal Wharf
Leeds
LS11 5PU
26 June 2008

Notes to notice of Annual General Meeting

Entitlement to attend and vote

1 Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the company specifies that only those shareholders entered on the register of members of the company as at 2 30pm on 27 July 2008 shall be entitled to attend and vote at the meeting in respect of shares registered in their name at that time Changes to the register of members after 2 30pm on 27 July 2008 shall be disregarded in determining the rights of any person to vote at the meeting

Appointment of proxies

2 If you are a member of the company at the time set out in note 1 above, you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at the meeting and you should have received a proxy form with this notice of meeting You can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form

3 If you are not a member of the company but you have been nominated by a member of the company to enjoy information rights, you do not have a right to appoint any proxies under the procedures set out in this 'Appointment of proxies' section Please read the section 'Nominated persons' below

4 A proxy does not need to be a member of the company but must attend the meeting to represent you Details of how to appoint the chairman of the meeting or another person as your proxy using the proxy form are set out in the notes to the proxy form If you wish your proxy to speak on your behalf at the meeting you will need to appoint your own choice of proxy (not the chairman) and give your instructions directly to them

5 You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares You may not appoint more than one proxy to exercise rights attached to any one share To appoint more than one proxy, each different proxy appointment form must be received by Capita Registrars no later than 48 hours before the time appointed for the meeting

6 A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution If you either select the 'Discretionary' option or if no voting indication is given, your proxy will vote or abstain from voting at his or her discretion Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the meeting

Appointment of proxy using hard copy proxy form

7 The notes to the proxy form explain how to direct your proxy, how to vote on each resolution, or withhold their vote

To appoint a proxy using the proxy form, the form must be

- completed and signed,
- sent or delivered to Capita Registrars at 34 Beckenham Road, Beckenham, BR3 4BR, and
- received by Capita Registrars no later than 48 hours before the time appointed for holding the meeting

In the case of a member which is a company, the proxy form must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company

Any power of attorney or any other authority under which the proxy form is signed (or a duly certified copy of such power or authority) must be included with the proxy form

Appointment of proxies through CREST

8 CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for the meeting and any adjournment(s) thereof by utilising the procedures described in the CREST Manual CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf

In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a CREST Proxy Instruction) must be properly authenticated in accordance with Euroclear UK & Ireland Limited's ('EUI') specifications and must contain the information required for such instructions, as described in the CREST Manual The message must be transmitted so as to be received by the issuer's agent (whose CREST ID is RA10) no later than 48 hours before the time appointed for holding the meeting For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST

CREST members and, where applicable, their CREST sponsors or voting service providers should note that EUI does not make available special procedures in CREST for any particular messages Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings

The company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001

Appointment of proxy by joint members

9 In the case of joint holders, where more than one of the joint holders purports to appoint a proxy or proxies, only the appointment(s) submitted by the most senior holder will be accepted Seniority is determined by the order in which the names of the joint holders appear in the company's register of members in respect of the joint holding (the first-named being the most senior)

Changing proxy instructions

10 To change your proxy instructions simply submit a new proxy appointment using the methods set out above Note that the cut-off time for receipt of proxy appointments (see above) also applies in relation to amended instructions, any amended proxy appointment received after the relevant cut-off time will be disregarded

Where you have appointed a proxy using the hard-copy proxy form and would like to change the instructions using another hard-copy proxy form, please contact Capita Registrars at 34 Beckenham Road, Beckenham, BR3 4BR

If you submit more than one valid proxy appointment in respect of the same shares, the appointment received last before the latest time for the receipt of proxies will take precedence

Termination of proxy appointments

11 In order to revoke a proxy instruction you will need to inform the company by sending a signed hard copy notice clearly stating your intention to revoke your proxy appointment(s) to 34 Beckenham Road, Beckenham, BR3 4BR In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of that company or an attorney for that company Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice

The revocation notice must be received by Capita Registrars no later than 48 hours before the time appointed for holding the meeting

If you attempt to revoke your proxy appointment(s) but the revocation is received after the time specified then, subject to the paragraph directly below, your proxy appointment(s) will remain valid

Appointment of a proxy or proxies does not preclude you from attending the meeting and voting in person If you have appointed a proxy or proxies and attend the meeting in person, your proxy appointment(s) will automatically be terminated

Corporate representatives

12 In order to facilitate voting by corporate representatives at the meeting, arrangements will be put in place at the meeting so that

(i) if a corporate member has appointed the chairman of the meeting as its corporate representative with instructions to vote on a poll in accordance with the directions of all the other corporate representatives for that member at the meeting, then, on a poll, those corporate representatives will give voting directions to the chairman and the chairman will vote (or withhold a vote) as corporate representative in accordance with those directions, and

(ii) if more than one corporate representative for the same corporate member attends the meeting but the corporate member has not appointed the chairman of the meeting as its corporate representative, a designated corporate representative will be nominated, from those corporate representatives who attend, who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative

Corporate members are referred to in the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives – www icsa org uk – for further details of this procedure The guidance includes a sample form of representation letter to appoint the chairman as a corporate representative as described in (i) above

Issued shares and total voting rights

13 As at 13 June 2008 (being the last practicable date prior to the printing of the Notice), the company's issued share capital comprised 43,883,500 ordinary shares of $10\frac{9}{41}$ pence each Each ordinary share carries the right to one vote at a general meeting of the company and, therefore, the total number of voting rights in the company as at 13 June 2008 is 43,883,500

Nominated persons

14 If you are a person who has been nominated under section 146 of the Companies Act 2006 to enjoy information rights ('Nominated Person')

You may have a right under an agreement between you and the member of the company who has nominated you to have information rights ('Relevant Member') to be appointed or to have someone else appointed as a proxy for the meeting

- If you either do not have such a right or if you have such a right but do not wish to exercise it, you may have a right under an agreement between you and the Relevant Member to give instructions to the Relevant Member as to the exercise of voting rights

Your main point of contact in terms of your investment in the company remains the Relevant Member (or, perhaps, your custodian or broker) and you should continue to contact them (and not the company) regarding any changes or queries relating to your personal details and your interest in the company (including any administrative matters) The only exception to this is where the company expressly requests a response from you

Documents on display

15 The following documents will be available for inspection at Quayside House, Canal Wharf, Leeds LS11 5PU from 26 June 2008 until the time of the meeting and at the Leeds Marriott Hotel, 4 Trevelyan Square, Boar Lane, Leeds LS1 6ET for at least 15 minutes prior to the meeting and during the meeting

- Copies of the service contracts of executive directors of the company

Copies of the letters of appointment of the non-executive directors of the company

- A copy of the proposed new Articles of Association of the company, together with a copy of the existing Articles of Association of the company marked to show the changes being proposed

16 Biographical details of those directors being put forward for election and re-election are contained in the Directors' Report on page 17

Explanatory notes to the resolutions

1 Resolution 10 Political donations

Section 378 of the Companies Act 2006 prohibits the company and its subsidiaries from making donations of more than £5,000 in any twelve month period to a political party or other political organisations or to an independent election candidate unless they have been authorised to make donations by the company's shareholders

The company has a policy that it does not make donations to political parties, political organisations or independent election candidates and the board will not use these authorities, if given, to do so However, the Companies Act 2006 includes broad and ambiguous definitions of political donations and expenditure, which may have the effect of covering some normal business activities, for example, funding seminars and other functions to which politicians may be invited, supporting certain bodies involved in policy review and law reform, and matching employees' donations to certain charities, and this therefore presents potential for inadvertent or technical breach The board therefore considers that it would be prudent to obtain shareholder approval for the company to make donations to political parties, political organisations and independent election candidates to incur political expenditure up to the specified limit in the forthcoming year in case any of its normal activities are caught by the legislation

2 Resolution 14 Explanatory notes of principal changes to the company's Articles of Association

It is proposed to adopt new Articles of Association in order to update the company's current Articles of Association ('the current articles') primarily to take account of changes in English company law brought about by the Companies Act 2006

Notice of Annual General Meeting

The principal changes introduced in the new articles are summarised in this note Other changes, which are of a minor, technical or clarifying nature and also some more minor changes which merely reflect changes made by the Companies Act 2006 have not been detailed in this note

The proposed Articles of Association of the company marked to show all the changes that will be made to the current articles in the event that the resolution to adopt the new articles is passed ('the new articles') are available for inspection at the company's registered office

1 Form of resolution
The current articles provide for both special and extraordinary resolutions References to extraordinary resolutions are not included in the new articles as the concept of extraordinary resolutions has not been retained under the Companies Act 2006

2 Convening extraordinary and annual general meetings
The provisions in the current articles dealing with the convening of general meetings and the length of notice required to convene general meetings have been updated The most significant consequence of these changes has been that, by virtue of the Companies Act 2006, a general meeting to consider a special resolution can be convened on 14 days' notice whereas under the previous Companies Act 21 days' notice was required

3 Votes of members
Under the Companies Act 2006 proxies are entitled to attend, speak and vote at a meeting of the company The time limits for the appointment or termination of a proxy appointment have been altered by the Companies Act 2006 so that the articles cannot provide that they should be received more than 48 hours before the meeting or in the case of a poll taken more than 48 hours after the meeting, more than 24 hours before the time for the taking of a poll, with weekends and bank holidays being permitted to be excluded for this purpose The new articles give the directors discretion, when calculating the time limits, to exclude weekends and bank holidays Multiple proxies may be appointed provided that each proxy is appointed to exercise the rights attached to a different share held by the shareholder The new articles reflect these new provisions

4 Conflicts of interest
The Companies Act 2006 sets out directors' general duties which largely codify the existing law but with some changes Under the Companies Act, from 1 October 2008 a director must avoid a situation where he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict with the company's interests The requirement is very broad and could apply, for example, if a director becomes a director of another company or a trustee of another organisation The Companies Act 2006 allows directors of public companies to authorise conflicts and potential conflicts, where appropriate, where a company's Articles of Association contain a provision to this effect The Companies Act 2006 also allows the Articles of Association to contain other provisions for dealing with directors' conflicts of interest to avoid a breach of duty The new articles give the directors authority to approve such situations and to include other provisions to allow conflicts of interest to be dealt with in a similar way to the current position

There are safeguards which will apply when directors decide whether to authorise a conflict or potential conflict First, only directors who have no interest in the matter being considered will be able to take the relevant decision, and secondly, in taking the decision the directors must act in a way they consider, in good faith, will be most likely to promote the company's success

5 Funding directors' expenditure
The Companies Act 2006 has in some areas widened the scope of the powers of a company to fund expenditure incurred in connection with certain actions against directors In particular, the existing exemption allowing a company to provide money for the purpose of funding a director's defence in court proceedings now expressly covers regulatory proceedings and applies to associated companies, and an indemnity is now available where the company is trustee of an occupational pension fund The new articles reflect these changes

6 Reasons for refusal to register transfer
The Companies Act 2006 requires the reason for a refusal by the board of directors to register a transfer of shares on the register of members to be given The current articles allow the board to refuse to register any transfer of shares 'in its absolute discretion, without any reason being given' which is no longer appropriate The new articles reflect the requirement of the Companies Act 2006

7 Electronic and web communications
Provisions of the Companies Act 2006 which came into force in January 2007 enable companies to communicate with members by electronic and/or website communications The new articles continue to allow communications to members in electronic form and, in addition, they also permit the company to take advantage of the new provisions relating to website communications Before the company can communicate with a member by means of website communication, the relevant member must be asked individually by the company to agree that the company may send or supply documents or information to him by means of a website, and the company must either have received a positive response or have received no response within the period of 28 days beginning with the date on which the request was sent The company will notify the member (either in writing, or by other permitted means) when a relevant document or information is placed on the website and a member can always request a hard copy version of the document or information

8 General
Generally the opportunity has been taken to bring clearer language into the new articles and in some areas to conform the language of the new articles with that used in the Companies Act 2006

Group Offices

St Georges House
99/101 High Street
Belfast BT1 2AG
Tel 02890 321002 Fax 02890 244852
email info belfast@rensburgsheppards co uk

The Plaza
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Liverpool L3 9AB
Tel 0151 227 2030 Fax 0151 227 2444
email info liverpool@rensburgsheppards co uk

25 Imperial Square
Cheltenham GL50 1QZ
Tel 01242 514 756 Fax 01242 583 936
email info cheltenham@rensburgsheppards co uk

2 Gresham Street
London EC2V 7QN
Tel 020 7597 1234 Fax 020 7597 1000
email info london@rensburgsheppards co uk

Forsyth House
93 George Street
Edinburgh EH2 3ES
Tel 0131 226 5000 Fax 0131 226 5700
email info edinburgh@rensburgsheppards co uk

7 Ralli Courts
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Tel 0161 832 6868 Fax 0161 832 1233
email info manchester@rensburgsheppards co uk

Clock House
Dogflud Way
Farnham
Surrey GU9 7UL
Tel 01252 733 345 Fax 01252 737 196
email info farnham@rensburgsheppards co uk

2 Castlefield Court
Church Street
Reigate
Surrey RH2 0AH
Tel 01737 224 223 Fax 01737 224 197
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Rensburg
Sheppards

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