Rathbone Laurence Keen Limited

(Company Number 2483921)

Report and Financial Statements

31st December 2000



RATHBONE LAURENCE KEEN LIMITED

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RATHBONE LAURENCE KEEN LIMITED

DIRECTORS' REPORT

The directors submit their report and the audited financial statements for the year ended 31st December 2000.

Principal activity

The principal activity of the company is now to provide agency broking services to its fellow group company, Rathbone Investment Management Ltd.

Dividends and transfers to reserves

The results of the company for the year are set out in detail on page 4. The profit for the year, before dividends, was £300,504 (1999: £1,581,808). The directors recommend the payment of a total dividend of £1,200,000 (1999: £2,500,000). Retained losses of £899,496 have been transferred to reserves (1999: a loss of £918,192).

Review of the business

Since the transfer of client agreements to Rathbone Investment Management Limited on 1st October 1999, the Company has acted as agency broker for Rathbone Investment Management Limited.

Future Prospects

Current arrangements will continue for the short term until a review and rationalisation of the Rathbone Group's broking arrangements is completed.

Charitable Donations

During the year the company made charitable donations of £ Nil (1999: £550).

Directors and directors' interests

The directors serving during the year and at the year end were as follows:

G. M. Powell (Chief Executive)
C. M. Gore Langton
R. E. Loader
R. A. Morris
R. I. Smeeton

Directors and directors' interests (continued)

No director holds any direct interest in the shares of the company.

The interests of the directors at the year end in the shares of Rathbone Brothers Plc were as follows:

	At 1st January 2000 or later appointment Rathbone Brothers Plc Ordinary 5p Shares		At 31st December 2000 Rathbone Brothers Plc Ordinary 5p Shares	
	Beneficial	**Non Beneficial**	**Beneficial**	**Non Beneficial**
G. M. Powell	325,922	-	309,922	10,000
C. M. Gore Langton	233,975	-	233,975	-
R. E. Loader	72,000	-	69,000	-
R. A. Morris	303,000	14,250	300,000	14,250
R. I. Smeeton	128,000	7,925	120,000	7,925

The ultimate parent company has also granted options to subscribe for 5p Ordinary Shares under the terms of the Rathbone Employee Share Option Schemes as follows:

	Number of options at 01.01.00	at 31.12.00	Exercise Price	Date from which exercisable	Expiry date
C.M. Gore Langton	-	12,000	932.5p	10.04.03	10.04.10
R.I. Smeeton	9,300	-	305p	02.05.98	02.05.05
R.I. Smeeton	-	12,000	932.5p	10.04.03	10.04.10

Directors' options exercised during the year were as follows:

	Date	Number	Cost	Market Value
R.I. Smeeton	29.06.00	9,300	£28,365	£88,908

The market price of the shares in Rathbone Brothers Plc was 956p at 31st December 2000. The range in the year to 31st December 2000 was 822.5p to 1097.5p.

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss for the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed;
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Approved by the board on 28th March 2001
and signed on its behalf

.....

R.E. Loader
Secretary

159 New Bond Street
London
W1S 2UD

AUDITORS' REPORT TO THE MEMBERS OF RATHBONE LAURENCE KEEN LIMITED

We have audited the financial statements on pages 4 to 12.

Respective responsibilities of directors and auditors

The Directors are responsible for preparing the directors' report and, as described on page 2, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if 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 transactions with the company is not disclosed.

We read the other information accompanying the financial statements and consider whether it is consistent with those statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31st December 2000 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor
London

28th March 2001

RATHBONE LAURENCE KEEN LIMITED

PROFIT AND LOSS ACCOUNT
For the year ended 31st December 2000

	Note	2000 £	1999 £
Turnover – continuing activities	2	1,732,851	192,987
- discontinued activities	2	-	11,621,836
		1,732,851	11,814,823
Staff costs	3	-	(3,405,199)
Depreciation		-	(57,299)
Other operating charges		(1,562,065)	(6,293,634)
		(1,562,065)	(9,756,132)
Operating profit – continuing operations		170,786	-
- discontinued operations		-	2,058,691
		170,786	2,058,691
Interest receivable on firm's money		132,116	129,704
Interest payable	6	-	(32,529)
Profit on ordinary activities before taxation	5	302,902	2,155,866
Tax on profit on ordinary activities	7	(2,398)	(574,058)
Profit on ordinary activities after taxation		300,504	1,581,808
Dividends	8	(1,200,000)	(2,500,000)
Retained (loss) for the period		(899,496)	(918,192)
Retained profit brought forward		1,032,930	1,951,122
Retained profit carried forward		£133,434	£1,032,930

Recognised gains and losses

There were no other recognised gains or losses in the current or preceding period.

The notes on pages 6 to 12 form part of these financial statements

RATHBONE LAURENCE KEEN LIMITED

BALANCE SHEET
31st December 2000

	Note	£	2000 £	£	1999 £
Fixed assets					
Investments	9		14		13
			14		13
Current assets					
Investment	10	-		297,058	
Debtors	11	7,033,489		9,879,300	
Cash at bank and in hand	12	3,775,477		3,759,970	
		10,808,966		13,936,328	
Creditors: amounts falling due within one year	13	(9,575,546)		(11,803,411)	
Net current assets			1,233,420		2,132,917
Net assets			£1,233,434		£2,132,930
Capital and reserves					
Called up share capital	14		1,100,000		1,100,000
Profit and loss account			133,434		1,032,930
Equity shareholders' funds	15		£1,233,434		£2,132,930

These financial statements were approved by the Board on 28th March 2001 and signed on their behalf

R.I. Smeeton)
) Directors
R.E. Loader)

The notes on pages 6 to 12 form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS
31st December 2000

1. **Accounting policies**

These financial statements are prepared in accordance with applicable accounting standards. The following is a summary of the significant accounting policies adopted by the company.

Accounting convention

These financial statements are prepared in accordance with the historical cost convention. No cash flow statement is presented as allowed by FRS1. A group statement is presented in the financial statements of the ultimate holding company.

Turnover

Turnover represents the gross commission from acting as agent in investment business for clients of Rathbone Investment Management Limited. Turnover is stated after deduction of value added tax (where applicable).

Balances with clients and counterparties

In accordance with market practice, certain balances with clients and market counterparties are included in debtors and creditors gross for their unsettled bought and sold transactions.

Foreign currency translation

Assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date and any gains or losses arising are dealt with through the profit and loss account.

Taxation

The charge for taxation is based on the profit for the year as adjusted for disallowable and non taxable items. Tax deferred or accelerated is accounted for in respect of all material timing differences to the extent that it is probable that a liability or asset will crystallise. Provision is made at the rate which is expected to be applied when the liability or asset is expected to crystallise.

There was no provision for deferred taxation liabilities at either 31st December 1999 or 31st December 2000.

Pension costs

The Laurence Keen Retirement Benefits Scheme was closed for future service benefits with effect from 1 October 1999. Any funding shortfall arising in future, as calculated by professional qualified actuaries, will be met by the Company's ultimate holding company, Rathbone Brothers Plc.

Segmental information

In the opinion of the directors, the company operates in one geographical and business segment.

Clients' deposits

The company holds money on behalf of clients in accordance with the Client Money Rules of The Securities and Futures Authority Limited. Such monies and the corresponding liability to clients are not shown on the face of the balance sheet as the company is not beneficially entitled thereto. The amount held on behalf of clients at the financial year end is stated in note 19.

2. **Turnover**

	2000 £	1999 £
All the company's turnover arose in the United Kingdom and comprised:		
Agency dealing commissions	1,732,851	4,569,430
Fee income	-	5,133,122
Other income	-	77,815
Interest receivable on client money	-	2,034,456
	£1,732,851	£11,814,823

All agency dealing commissions in 2000 (1999: £192,987) were generated from agency broking services for Rathbone Investment Management Limited.

3. **Staff numbers and costs**

	2000 No.	1999 No.
The average number of staff employed by the company, including directors, during the period was:	-	64
The costs incurred in respect of these employees were:	£	£
Wages and salaries	-	2,842,056
Social security costs	-	275,682
Other pension costs (see note 19)	-	287,461
	£ -	£3,405,199

On 1st October 1999 employment contracts of all Rathbone Laurence Keen Limited staff were transferred to Rathbone Brothers Plc, the ultimate holding company.

4. **Directors**

Emoluments of directors of the company were:	2000 £	1999 £
Emoluments for qualifying services	-	2,383,871
Pension contributions to money purchase schemes	-	94,283
	£ -	£2,478,154

The emoluments, excluding pension contributions, of directors were as follows:	2000 £	1999 £
Highest paid director:		
Emoluments for qualifying services	-	216,247
Pension contributions to money purchase schemes	-	16,000
	£ -	£232,247

Since 1st October 1999, directors have been employed by Rathbone Brothers Plc, the ultimate parent undertaking. Their remuneration is disclosed in the accounts of that Company and of other fellow subsidiaries. Directors of Rathbone Laurence Keen Limited do not receive emoluments for services to the Company.

Directors' transactions in securities

Directors are entitled to deal in securities through Rathbone Investment Management Limited in accordance with the personal account dealing rules. These provide that directors receive the same terms as clients except that they are entitled to reduced commission rates.

Directors' interests in shares

Directors' interests in shares of the ultimate parent undertaking are set out in the Directors' Report on page 1 and 2.

5. **Profit on ordinary activities**

	2000 £	1999 £
Profit on ordinary activities is arrived at after charging:		
Auditors' remuneration – audit	-	32,322
Depreciation	-	57,299
Operating lease rentals	-	18,460

Auditors' remuneration is borne by Rathbone Investment Management Limited, a fellow subsidiary undertaking.

6. **Interest payable**

	2000 £	1999 £
Bank loans and overdrafts repayable within five years	-	29,035
Finance charges on finance lease	-	3,494
	£ -	£32,529

7. **Tax on profit on ordinary activities**

	2000 £	1999 £
Taxation is based on the profit for the period and comprises:		
UK corporation tax at 30% (1999: 30.25%)	22,338	697,884
Prior year tax adjustment	(19,940)	(123,826)
	£2,398	£574,058

8. **Dividends**

	2000 £	1999 £
Interim Dividend paid	1,000,000	-
Second interim dividend proposed	200,000	2,500,000
	£1,200,000	£2,500,000

9. **Fixed asset investments**

	2000 £	1999 £
Shares in group companies		
Listed investments	1	-
Investment in subsidiaries	13	13
	£14	£13

The company owns 100% of the ordinary shares of Laurence Keen Nominees Limited and LP Nominees Limited which are incorporated and registered in England.

The company has taken advantage of the exemption allowed by S228 of the Companies Act 1985 and has not prepared group financial statements as it is a wholly owned subsidiary undertaking of Rathbone Brothers Plc, a company registered in England.

The company owns 100,000 London Stock Exchange ordinary shares of 5p each, which are recorded at their cost of £1. At 31st December 2000, their market value was £2,275,000.

10. **Current asset investments**

	2000 £	1999 £
Investment - listed, at cost	£ -	£297,058
Market value	£ -	£453,215

11. **Debtors**

	2000 £	1999 £
Market and client debtors	6,872,491	5,582,817
Amounts owed by group undertaking	-	4,033,716
Other debtors	2,247	18,152
Prepayments and accrued income	158,751	244,615
	£7,033,489	£9,879,300

12. **Cash at bank and in hand**

Included within cash at bank is £500,000 (1999: £500,000) held on deposit with a fellow subsidiary of the ultimate parent undertaking.

13. **Creditors: amounts falling due within one year**

	2000 £	1999 £
Bank overdraft	30,437	-
Market and client creditors	3,533,732	3,559,683
Amount owed to group undertakings	5,687,020	5,245,443
Corporation tax	18,871	184,342
Accruals and deferred income	101,149	88,544
Other creditors	4,337	225,399
Dividend payable	200,000	2,500,000
	£9,575,546	£11,803,511

14. **Called up share capital**

	2000 £	1999 £
Authorised		
2,000,000 ordinary shares of £1 each	£2,000,000	£2,000,000
Allotted and fully paid		
1,100,000 ordinary shares of £1 each	£1,100,000	£1,100,000

15. **Reconciliation of movements in shareholders' funds**

	2000 £	1999 £
Balance at 1st January	2,132,930	3,051,122
Profit for the year	300,504	1,581,808
Dividends payable	(1,200,000)	(2,500,000)
Balance at 31st December	£1,233,434	£2,132,930

16. Contingent liabilities

In the ordinary course of business, the company has given letters of indemnity in respect of lost certified stock transfers and share certificates. The contingent liability arising therefrom cannot be quantified, but it is not believed that any material liability will arise under these indemnities.

17. Pensions

The group, comprising Laurence Keen Holdings Limited and its subsidiaries, operates a defined benefit pension scheme for all qualifying employees for service to 30th September 1999. The assets of the scheme are held in separate trustee administered funds. The scheme is subject to triennial valuation by independent actuaries, the last valuation being carried out as at 1st April 2000, using the projected unit credit method. The following actuarial assumptions were applied:

Investment return (pre retirement)	-	7.0% per annum
Investment return (post retirement)	-	5.0% per annum
Salary growth	-	5.0% per annum
Pension increases	-	3.0% per annum

At the last valuation date, the market value of the assets of the scheme was £7,277,663. Liabilities in the form of benefits which had accrued to members, allowing for expected future increase in earnings were also £7,277,663. Liabilities therefore matched assets giving a funding level of 100%.

From 1st October 1999 former Rathbone Laurence Keen Ltd staff are employees of Rathbone Brothers Plc and have been given the opportunity to join the Rathbone Group 1987 Pension Scheme. Details of the last actuarial valuations of that Scheme are disclosed in the Rathbone Brothers Plc financial statements.

18. Financial commitments

Operating leases

At 31st December 2000 the company had no annual commitments under non-cancellable operating leases.

19. Clients' deposits

At 31st December 2000 amounts held by the company on behalf of clients in accordance with the Client Money Rules of the Securities and Futures Authority Limited amounted to £nil (1999: £nil).

20. Controlling parties

The company is a subsidiary of Laurence Keen Holdings Limited, which is registered in England.

The ultimate parent undertaking of the company is Rathbone Brothers Plc, a company registered in England.

Copies of the ultimate parent undertaking financial statements may be obtained from the Company Secretary, Rathbone Brothers Plc, 159 New Bond Street, London, W1S 2UD.

21. Related party transactions

Advantage has been taken of the exemption provided by Financial Reporting Standard 8 from reporting transactions with group companies.