Rathbone Stockbrokers Limited

(formerly Rathbone Laurence Keen Limited)

(Company Number 2483921)

Report and Financial Statements

31st December 2002



RATHBONE STOCKBROKERS LIMITED

CONTENTS

PAGE NOS	
1 - 2	Directors' report
3	Auditors' report
4	Profit and loss account
5	Balance sheet
6 - 13	Notes to the financial statements

RATHBONE STOCKBROKERS LIMITED

DIRECTORS' REPORT

The directors submit their report and the audited financial statements for the year ended 31st December 2002. The Company changed its name from Rathbone Laurence Keen Limited to Rathbone Stockbrokers Limited on 1st November 2002.

Principal activity

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

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 £83,434 (2001: £231,138). The directors do not recommend the payment of a dividend (2001: £nil). Retained profits of £83,434 have been transferred to reserves (2001: £231,138).

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

The company is now the in-house broker for all Rathbone Investment Management Ltd offices.

Charitable Donations

During the year the company made no charitable donations. (2001: £Nil).

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

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 2002 or later appointment Rathbone Brothers Plc Ordinary 5p Shares		At 31st December 2002 Rathbone Brothers Plc Ordinary 5p Shares	
	Beneficial	**Non Beneficial**	**Beneficial**	**Non Beneficial**
G. M. Powell	298,166	10,000	298,647	10,000
C. M. Gore Langton	232,219	-	230,850	-
R. E. Loader	66,644	-	66,125	-
R. A. Morris	300,244	14,250	297,725	14,250
R. I. Smeeton	121,026	7,925	122,343	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		Exercise Price	Date from which exercisable	Expiry date
	at 01.01.02 or appointment	at 31.12.02			
C. M. Gore Langton	12,000	12,000	932.5p	10.04.03	10.04.10
C. M. Gore Langton	2,011	2,011	915.8p	09.05.04	09.05.11
C. M. Gore Langton	-	666	810.0p	24.04.05	24.04.12
R. E. Loader	5,000	5,000	985.0p	16.01.04	16.01.11
R. E. Loader	7,500	7,500	827.5p	24.04.04	24.04.11
R. E. Loader	-	4,000	810.0p	24.04.05	24.04.12
R. I. Smeeton	12,000	12,000	932.5p	10.04.03	10.04.10

The market price of the Company's shares at 31st December 2002 was 555p (2001: 892p) and the range during the year was 532p to 895p.

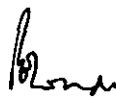
Statement of directors' responsibilities

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 5th March 2003
and signed on its behalf



.....

R.E. Loader
Secretary

159 New Bond Street
London
W1S 2UD

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF RATHBONE STOCKBROKERS LIMITED

We have audited the financial statements on pages 4 to 13.

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 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 1985. 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.

Basis of audit 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 that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31st December 2002 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

5th March 2003

RATHBONE STOCKBROKERS LIMITED

PROFIT AND LOSS ACCOUNT
For the year ended 31st December 2002

	Note	2002 £	2001 £
Turnover	2	1,200,000	1,380,000
Other operating charges		(1,224,635)	(1,171,530)
Operating (loss)/profit		(24,635)	208,470
Dividend receivable		38,000	43,000
Interest receivable on firm's money		89,541	86,564
Profit on ordinary activities before taxation	5	102,906	338,034
Tax on profit on ordinary activities	6	(19,472)	(106,896)
Profit on ordinary activities after taxation		83,434	231,138
Dividend payable		-	-
Retained profit for the period		83,434	231,138
Retained profit brought forward		364,572	133,434
Retained profit carried forward		448,006	364,572

Recognised gains and losses

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

Continuing operations

The results for the periods reflect continuing operations.

The notes on pages 6 to 13 form part of these financial statements

RATHBONE STOCKBROKERS LIMITED

BALANCE SHEET
31st December 2002

	Note	£	2002 £	£	2001 £
Fixed assets					
Investments	7		3		14
			3		14
Current assets					
Debtors	8	3,671,076		3,354,950	
Cash at bank and in hand	9	4,220,292		4,492,262	
		7,891,368		7,847,212	
Creditors: amounts falling due within one year	10	(6,343,365)		(6,382,654)	
Net current assets			1,548,003		1,464,558
Net assets			1,548,006		1,464,572
Capital and reserves					
Called up share capital	11		1,100,000		1,100,000
Profit and loss account			448,006		364,572
Equity shareholders' funds	12		1,548,006		1,464,572

These financial statements were approved by the Board on 5th March 2003 and signed on their behalf

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

The notes on pages 6 to 13 form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS
31st December 2002

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 2001 or 31st December 2002.

Pension costs

The Laurence Keen Retirement Benefits Scheme was closed for future service benefits with effect from 1st 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 Financial Services Authority. 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 16.

2. **Turnover**

	2002 £	2001 £
All the company's turnover arose in the United Kingdom and comprised:		
Agency dealing commissions	1,200,000	1,380,000

All agency dealing commissions were generated from agency broking services for Rathbone Investment Management Limited.

3. **Employees**

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

4. **Directors**

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 Stockbrokers Limited are not remunerated 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**

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

6. **Tax on profit on ordinary activities**

	2002 £	2001 £
Taxation is based on the profit for the period and comprises:		
UK corporation tax at 30% (2001: 30%)	18,062	103,429
Prior year tax adjustment	1,410	3,467
	19,472	106,896

7. **Fixed asset investments**

	2002 £	2001 £
Shares in group companies		
Listed investments	1	1
Investment in subsidiaries	2	13
	3	14

The company owns 100% of the ordinary shares of Laurence Keen Nominees Limited which is incorporated and registered in England. The company's other subsidiary company, L.P. Nominees Limited was dissolved on 12th March 2002.

The company has taken advantage of the exemption allowed by section 228 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 £1,000,000 London Stock Exchange Plc ordinary shares of 5p each, which are recorded at their cost of £1.

Shares in London Stock Exchange plc were listed on the main market of the Exchange on 20th July 2001. At that time, there was a bonus issue of shares on the basis of nine new ordinary shares for each share held. This increased the Company's shareholding from 100,000 to 1,000,000 shares. At 31st December 2002, their market value was £3,145,000 (2001: £4,207,500).

8. **Debtors**

	2002 £	2001 £
Market debtors	1,987,104	2,797,376
Amount owed by group undertaking	1,535,117	417,136
Other debtors	135,495	52,557
Prepayments and accrued income	13,360	87,881
	3,671,076	3,354,950

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

Included within cash at bank is £nil (2001: £500,000) held on deposit with a fellow subsidiary of the ultimate parent undertaking.

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

	2002 £	2001 £
Market creditors	2,072,215	2,260,494
Amount owed to group undertakings	4,204,987	4,042,815
Accruals and deferred income	66,163	68,735
Other creditors	-	10,610
	6,343,365	6,382,654

11. **Called up share capital**

	2002 £	2001 £
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

12. Reconciliation of movements in shareholders' funds	2002 £	2001 £
Balance at 1st January	1,464,572	1,233,434
Profit for the year	83,434	231,138
Dividends payable	-	-
Balance at 31st December	1,548,006	1,464,572

13. 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.

14. Pensions

Prior to 1st October 1999, the company operated a defined benefit pension scheme for all qualifying employees. The assets of that 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 £7,536,000. Liabilities in the form of benefits which had accrued to members, allowing for expected future increase in earnings were also £7,332,000, giving a funding level of 103%.

From 1st October 1999 former Rathbone Stockbroker Limited staff became employees of Rathbone Brothers Plc and were given the opportunity to join the Rathbone Group 1987 Pension Scheme. Details of the last actuarial valuation of that Scheme are disclosed in the Rathbone Brothers Plc financial statements.

14. **Pensions (continued)**

FRS17 Disclosure
Whilst the Company and Rathbone Group continue to account for pension costs in accordance with SSAP24 'Accounting for Pension Costs' under FRS17 'Retirement Benefits' the following transitional disclosures are required.

The pension costs are assessed on the advice of the scheme actuary using the projected unit method which looks at the value of benefits accruing over the years following the valuation date based on projected salary to date of termination of service. The actuarial valuation at 1st April 2000 has been updated to 31st December 2002 by the scheme's qualified independent actuary. The major assumptions used in this valuation were as follows:-

	2002	2001
Rate of increase in salaries	3.00%	4.70%
Rate of increase of pensions in payment	2.25%	2.70%
Rate of increase of deferred pensions	2.25%	2.70%
Discount rate	5.80%	5.70%
Inflation assumption	2.25%	2.70%

The assumptions used by the actuary are the best estimates chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice. The fair value of the scheme's assets which are not intended to be realised in the short term and which may be subject to significant change before they are realised, and the present value of the schemes liabilities which are derived from cash flow projections over long periods and are thus inherently uncertain, and the related tax effects are set out below:-

	Long term rate of expected return		Value at 31 December	
	2002	2001	2002	2001
			£	£
Equities	7.50%	8.00%	2,457,066	2,587,345
Bonds	4.90%	5.25%	2,734,134	3,044,942
Other (cash)	2.00%	4.00%	87,608	196,293
Total market value of assets			5,278,808	5,828,580
Present value of scheme liabilities			(7,940,000)	(8,000,000)
Scheme deficit			(2,661,192)	(2,171,420)
Related deferred tax asset			798,300	651,426
Net pension liability			(1,862,892)	(1,519,994)

14. **Pensions (continued)**

If the above amounts had been recognised in the financial statements, the Company's net assets and profit and loss reserve at 31 December 2001 would have been as follows:-

	2002 £	2001 £
Net assets		
Net assets excluding pension liability	1,548,006	1,464,572
Pension liability	(1,862,700)	(1,519,994)
Net liabilities including pension liability	(314,694)	(55,422)
Reserves		
Profit and loss reserve excluding pension liability	448,006	364,572
Pension liability	(1,862,700)	(1,519,994)
Profit and loss reserve	(1,414,694)	(1,155,422)

Contributions of £8,250 were made into the scheme in the year ended 31st December 2002. The Rathbone Group has agreed to pay contributions of £33,000 per annum with effect from 1st October 2002.

The actuarial loss can be analysed as follows:-

	£
Actual return less expected return on pension scheme assets	(700,000)
Percentage difference between expected and actual return	13%
Experience gains and losses arising on the scheme liabilities	(725,000)
Percentage of the present value of the scheme liabilities	9%
Total amount recognised in statement of recognised gains and losses	(415,000)
Percentage of the present value of the scheme liabilities	5%

15. Financial commitments

Operating leases

At 31st December 2002 the company had no annual commitments under non-cancellable operating leases.

16. Clients' deposits

At 31st December 2002 amounts held by the company on behalf of clients in accordance with the Client Money Rules of The Financial Services Authority amounted to £nil (2001: £nil).

17. 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.

18. Related party transactions

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