REXITER

Rexiter Capital Management Limited

Consolidated Report and Financial Statements

31 December 2009

Directors
K King (Chairman)
A Akkemik
J Chase
H Coles
A Cowell
M Davey
C James
S Johnson
G MacLachlan
J Morton
N Payne
C Vale

Secretary
G MacLachlan

Auditors
Ernst & Young LLP
1 More London Place
London SE1 2AF

Registered Office
80 Cannon Street
London EC4N 6HL

Directors' report

The directors present their report and the audited financial statements for the year ended 31 December 2009

Results and dividends

The consolidated profit for the year after taxation amounted to £4,302,751 (2008 – £6,089,710) Dividends totalling £5,000,000 were paid during 2009 (2008 – nil)

Principal activities and review of the business

The group's principal activities during the year were the provision of financial and investment advice and fund management The group continues to actively seek new fund management business, through its London office, Boston branch and Singapore subsidiary

The group's key financial and other performance indicators during the year were as follows

	2009	*2008*	*Change*
	£000	*£000*	*%*
Group turnover	15,944	21,185	-25%
Operating profit	4,231	8,229	-49%
Profit before tax	5,619	9,092	-38%
Profit after tax	4,303	6,090	-29%
Shareholders' funds	21,560	22,464	-4%
Current assets as % of current liabilities	452%	363%	+25%
Assets under management (£million)	2,876	2,725	+6%
Average number of employees	30	29	+3%

Group turnover fell by 25% due to significant market falls during the last quarter of 2008, followed by net client redemptions, partly offset by strong market moves within emerging markets during 2009 Although year end funds under management increased by 6% from £2 7 billion (US$ 3 9 billion) at the end of 2008 to £2 9 billion (US$ 4 6 billion) at the end of 2009, on an average basis over each year, funds under management fell from £3 6 billion in 2008 to £2 7 billion in 2009

The group continues to have a substantial institutional client base broadly spread between public and corporate pension funds, foundations, endowments and collective investment schemes More than half of Rexiter's client base is located in the United States of America, the remainder being well distributed across Europe, Australia, Asia, and the Middle East

The core Global Emerging Markets and Asian equity products have remaining capacity Therefore, the group continues to actively market these strategies together with the fixed income and single country equity strategies

The challenging market conditions from late 2008 materially impacted the profits of the group As a result all measures of profitability were down from 2008 levels

Shareholders' funds decreased by 4% due to a dividend distribution of £5,000,000 and reduced retained earnings

The group's "quick ratio" (current assets as a percentage of current liabilities) increased, due to a reduction in current liabilities

There was little change to the average number of employees over the year It is not expected that there will be a significant change in employee numbers during 2010

Directors' report

Other income

The company has recognised a receivable from State Street Corporation in the amount of £1,214,674 in connection with the settlement of a trading error paid to a client pursuant to the terms of an Inter-Company Funding Agreement

The company entered into some forward contracts as a way of mitigating its foreign exchange exposure to the US dollar Gains arising on this activity amounted to £61,155

Principal risks and uncertainties

The principal risks and uncertainties facing the group are broadly categorised as

Market risk

Market risk is the current or prospective risk to earnings and impact upon the firm's capital arising from changes in equity prices, interest rates, foreign exchange rates or commodity prices Market risk can arise from client portfolio positions that expose the revenues of the firm to any of the above risk factors The emerging markets asset class in which the group specialises has historically been particularly volatile Given the relatively specialised nature of the group's asset strategies, the group revenues remain vulnerable to sharp downswings in the relevant stock markets as evident during 2008

Operational risk

Management of operational risk is becoming a key measure used by regulators to assess regulatory capital and risk monitoring programmes for regulated firms Rexiter actively manages the operational risks inherent in day to day functions and activities Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events Rexiter regularly monitors and reports losses to senior management An efficient and robust internal risk management framework leads to the embedding of a corporate risk culture within the organisation

Business risk

Any risk to the firm arising from changes in its business, including the risk that the firm may not be able to carry out its business plan and its desired strategy Rexiter considers that there are various manifestations of balance sheet risk that would result in the business being unable to carry out its business plan or envisaged strategy This includes the loss of key senior staff or investment managers, the risks associated with its concentration of business strategies or the concentration risk with regards to its business distribution channels

Competitive risk

Rexiter operates in an intensive and competitive market with competitors able to offer competing product and strategy solutions to clients To maintain its competitive position, the company needs to ensure that it continually delivers on its investment management performance, relative to the appropriate benchmarks and to its competitors

Reputational risk

The company's reputation and the trust placed in it by existing and potential clients are key factors in its ability to retain existing business and win new business Central is the need to ensure its actions are always in the best interests of its clients To deliver on this, Rexiter needs to ensure that it has appropriate systems, controls and risk practices in place to manage the business in an efficient manner to the benefit of its clients

Directors' report

Pillar 3 Disclosure Statement

The Pillar 3 Disclosure Statement can be found on the company's website www rexiter com

Going concern

The group's business activities, together with the factors likely to affect its future development, its financial position, financial risk management objectives, details of its financial instruments and derivative activities and its exposures to market, operation, business, competitive and reputational risks are described in this report on pages 2 and 3

We have a reasonable expectation that the company and the group have adequate resources to continue in operational existence for the foreseeable future Accordingly, we continue to adopt the going concern basis in preparing the annual report and financial statements

Directors

The directors during the year were as follows

K King (Chairman)
A Akkemik
J Chase
H Coles
A Cowell
M Davey
C James
S Johnson
G MacLachlan
J Morton
N Payne
C Vale

Indemnity insurance for the directors was maintained during year

Disclosure of information to the auditors

So far as each person who was a director at the date of approving the financial statements is aware, there is no relevant audit information, being information needed by the auditors in connection with preparing their report, of which the company's auditors are unaware and they have taken all the steps that they ought reasonably have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information

Auditors

In accordance with section 485 of the Companies Act 2006, a resolution to re-appoint Ernst & Young LLP as the company's auditor will be put to the members at the Annual General Meeting

By order of the Board

G MacLachlan

Secretary

26 April 2010

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the group and of the profit or loss of the group 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 UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping proper accounting records that are sufficient to show and explain the group's and company's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group to enable them to ensure that the financial statements comply with the Companies Act 2006 They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

ERNST & YOUNG

Independent auditors' report

to the members of Rexiter Capital Management Limited

We have audited the financial statements of Rexiter Capital Management Limited for the year ended 31 December 2009 which comprise the Group Profit and Loss Account, Group and parent company's Balance Sheets, the Group Cash Flow Statement, the Group Statement of Total Recognised Gains and Losses and the related notes 1 to 20 The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

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

As explained more fully in the Directors' Responsibilities Statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's [(APB's)] Ethical Standards for Auditors

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the group's and parent company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the group's and parent company's affairs as at 31 December 2009 and of the group's profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

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

ERNST & YOUNG

Independent auditors' report

to the members of Rexiter Capital Management Limited

Matters on which we are required to report by exception

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

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

Ernst & Young LLP

Michael-John Albert (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
26 April 2010

Group profit and loss account

for the year ended 31 December 2009

	Notes	2009 £	2008 £
Turnover	2	15,943,726	21,184,800
Staff costs	5	(6,841,312)	(9,468,407)
Other operating charges		(4,871,505)	(3,487,036)
Operating profit	3	4,230,909	8,229,357
Other income	6	1,275,829	-
Interest receivable		112,450	862,268
Profit on ordinary activities before taxation		5,619,188	9,091,625
Tax on profit on ordinary activities	7	(1,316,437)	(3,001,915)
Profit on ordinary activities after taxation		4,302,751	6,089,710

All amounts are in respect of continuing activities

Group statement of total recognised gains and losses

for the year ended 31 December 2009

	2009 £	2008 £
Profit for the year	4,302,751	6,089,710
Exchange differences on translation of net assets of subsidiary	(206,417)	421,969
	4,096,334	6,511,679

A reconciliation of movements in shareholders' funds is given in note 14

The accompanying notes are an integral part of this profit and loss account

Group balance sheet

at 31 December 2009

	Notes	2009 £	2008 £
Fixed assets			
Tangible fixed assets	8	470,690	808,782
Current assets			
Debtors	10	5,961,947	4,179,592
Cash at bank		21,122,648	25,705,924
		27,084,595	29,885,516
Creditors: amounts falling due within one year	11	(5,994,900)	(8,230,247)
Net current assets		21,089,695	21,655,269
Total assets less current liabilities		21,560,385	22,464,051
Capital and reserves			
Equity shareholders' funds			
Called up share capital	13	2,000	2,000
Share premium account	14	598,000	598,000
Profit and loss account	14	20,960,385	21,864,051
		21,560,385	22,464,051

The group and company financial statements on pages 8 to 23 were approved by the Board of Directors and are signed on its behalf by

Kenneth King

K King
Chairman 26 April 2010

G MacLachlan
Director 26 April 2010

The accompanying notes are an integral part of this balance sheet

Company balance sheet

at 31 December 2009

	Notes	2009 £	2008 £
Fixed assets			
Tangible fixed assets	8	317,007	450,286
Investment in subsidiary	9	324	324
		317,331	450,610
Current assets			
Debtors	10	5,579,295	4,223,667
Cash at bank		17,337,929	22,875,190
		22,917,224	27,098,857
Creditors amounts falling due within one year	11	(6,031,603)	(7,661,059)
Net current assets		16,885,621	19,437,798
Total assets less current liabilities		17,202,952	19,888,408
Capital and reserves			
Equity shareholders' funds			
Called up share capital	13	2,000	2,000
Share premium account	14	598,000	598,000
Profit and loss account	14	16,602,952	19,288,408
		17,202,952	19,888,408

The accompanying notes are an integral part of this balance sheet

Group cash flow statement

for the year ended 31 December 2009

	2009	2008
	£	£
Group reconciliation of net cash inflow from operating activities		
Operating profit	4,230,909	8,229,357
Depreciation	343,020	196,063
(Increase)/decrease in debtors	(1,788,951)	3,565,781
(Decrease)/increase in creditors	(1,130,508)	(2,320,131)
Net cash inflow from operating activities	1,654,470	9,671,070
Group cash flow statement		
Net cash inflow from operating activities	1,654,470	9,671,070
Other income	1,214,674	–
Gain from forward contracts	61,155	–
Interest received	112,450	862,268
Taxation		
UK tax paid	(1,852,288)	(2,542,395)
Overseas tax paid	(562,392)	(557,192)
Capital expenditure		
Payment to acquire tangible fixed assets	(4,928)	(109,738)
Equity dividends paid	(5,000,000)	–
Decrease in cash and cash equivalents	(4,376,859)	7,324,013

The accompanying notes are an integral part of this cash flow statement

Reconciliation of net cash flow to movement in net funds

	2009	2008
	£	£
Decrease in cash and cash equivalents	(4,376,859)	7,324,013
Foreign exchange differences	(206,417)	421,969
Decrease in net funds	(4,583,276)	7,745,982
Net funds at 1 January 2009	25,705,924	17,959,942
Net funds at 31 December 2009	21,122,648	25,705,924

Notes to the financial statements

at 31 December 2009

1. Accounting policies

Basis of preparation

The financial statements are prepared under the historical cost convention and in accordance with UK applicable accounting standards

Basis of consolidation

The group financial statements consolidate the financial statements of the company and its subsidiary undertaking, Rexiter Capital Management Singapore Pte Limited, drawn up to 31 December 2009 No profit and loss account is presented for the company as permitted by Section 408 of the Companies Act 2006 The profit after tax for the company is £2,314,544 (2008 £8,722,058) The subsidiary has been part of the group since its inception and consequently, no goodwill arises on consolidation

Depreciation

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost of each asset evenly over its useful life, as follows

Furniture & fixtures	–	over 7 years
Leasehold improvements	–	over 3 to 5 years
Office equipment	–	over 4 years

Deferred taxation

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or right to pay less, tax, with the following exceptions

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date

Foreign currencies

Assets and liabilities in foreign currencies are expressed in Sterling at the closing rates of exchange ruling at the balance sheet dates Results of the subsidiary undertaking reporting in foreign currency are translated into Sterling at average rates of exchange Exchange differences arising on consolidation of the subsidiary reporting in foreign currency are taken directly to reserves All other differences are taken to the profit and loss account

Interest income

Interest income is recognised on the accrual basis

Operating leases

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term Lease incentives are recognised over the shorter of the lease term and the date of the next rent review

Investments

Investments are held at cost less provision for any permanent diminution in value

Notes to the financial statements

at 31 December 2009

1. Accounting policies (continued)

Pension

The company participates in a defined contribution scheme and a group personal pension scheme The defined benefit pension scheme closed to future accrual of benefits on 30 April 2008 The pension cost is assessed in accordance with the advice of qualified actuaries so as to recognise the cost of pensions on a systematic basis over employees' service lives The cost associated with the defined contribution scheme and group personal pension scheme represents contributions payable

2. Turnover

Turnover, which is stated net of value added tax, represents fees for the provision of fund management and investment advisory services and is recognised to the extent that the group obtains the right to consideration in exchange for its performance

An analysis of turnover by geographical market is given below

	2009	*2008*
	£	*£*
United States of America	9,408,420	13,059,363
Europe	2,826,772	4,205,056
Australia	1,803,920	2,216,633
Rest of the World	1,904,614	1,703,748
	15,943,726	21,184,800

3. Operating profit

This is stated after charging

		2009	*2008*
		£	*£*
Auditors' remuneration	– audit	64,569	59,196
	– taxation	71,887	27,345
	– other services	24,500	-
Operating lease rentals	– property	322,252	339,684
Depreciation		343,020	196,063

Notes to the financial statements

at 31 December 2009

4. Directors' emoluments

Directors' emoluments were

	2009	2008
	£	£
Emoluments	3,766,752	5,502,336
Company contribution to money purchase pension schemes	214,076	191,961

	2009	2008
	No	No
Members of defined benefit pension schemes (closed to future accrual of benefits on 30 April 2008)	6	6

The amounts in respect of the highest paid director were as follows

	2009	2008
	£	£
Emoluments	619,988	996,426

5. Staff costs

Staff costs including directors' emoluments were

	2009	2008
	£	£
Wages and salaries	5,789,625	7,406,582
Social security costs	668,919	845,129
Other pension costs	382,768	1,216,696
	6,841,312	9,468,407

The average weekly number of employees during the period was 30 (2008 – 29)

6. Other income

Included in other income is a receivable from State Street Corporation in the amount of £1,214,674 in connection with the settlement of a trading error paid to a client pursuant to the terms of an Inter-Company Funding Agreement and foreign exchange gains on forward contract of £61,155

Notes to the financial statements

at 31 December 2009

7. Tax

(a) Tax on profit on ordinary activities

	2009	2008
	£	£
UK corporation tax		
UK corporation tax on profits for the period	905,772	2,467,960
Adjustments in respect of previous periods	9,956	10,287
	915,728	2,478,247
Overseas taxation on profits for the period	424,839	-
Adjustments in respect of previous periods	16	474,108
Total current tax	1,340,583	2,952,355
Deferred tax (note 12)	(24,146)	49,560
Tax on profit on ordinary activities	1,316,437	3,001,915

Notes to the financial statements

at 31 December 2009

7. Tax (continued)

(b) Factors affecting the tax charge for the year

The tax assessed on the profit on ordinary activities for the year is lower than the standard rate of corporation tax in the United Kingdom The differences are explained below

	2009	*2008*
	£	*£*
Profit on ordinary activities before tax	5,619,188	9,091,625
Profit on ordinary activities multiplied by the standard rate of corporation tax in the United Kingdom of 28% (2008 – 28 5%)	1,573,373	2,591,113
Effect of		
Disallowed expenses and non-taxable income	(19,663)	74,234
Depreciation in excess of capital allowances	35,382	26,829
Other timing differences	5,302	56,342
Lower tax rate on overseas earnings	(274,896)	(276,788)
Relief for foreign tax on overseas on overseas dividend income	–	(790,621)
Prior period adjustment	9,971	9,900
Intra-group transactions eliminated upon consolidation	11,114	1,261,346
Current tax charge for the year	1,340,583	2,952,355

(c) Factors that may affect future tax charges

HMRC clearance was obtained under the controlled foreign companies (CFC) motive test exemption in respect of the subsidiary company Rexiter Capital Management Singapore Pte Ltd

This clearance was approved for the period ended 31 December 2008 and will apply so long as the company's trading activities and circumstances remain the same and there is no change to the relevant legislation

Under the exemption, profits arising in the Singapore subsidiary should not be subjected to UK corporation tax

Notes to the financial statements

at 31 December 2009

8. Tangible fixed assets

Group

	Leasehold improvements	*Office equipment*	*Furniture fixtures*	*Total*
	£	*£*	*£*	*£*
Cost				
At 1 January 2009	880,099	233,016	9,320	1,122,435
Additions	-	4,928	-	4,928
At 31 December 2009	880,099	237,944	9,320	1,127,363
Depreciation				
At 1 January 2009	(252,956)	(59,477)	(1,220)	(313,653)
Charge for the year	(252,069)	(89,619)	(1,332)	(343,020)
At 31 December 2009	(505,025)	(149,096)	(2,552)	(656,673)
Net book value				
At 31 December 2009	375,074	88,848	6,768	470,690
At 1 January 2009	627,143	173,539	8,100	808,782

Company

	Leasehold improvements	*Office equipment*	*Furniture fixtures*	*Total*
	£	*£*	*£*	*£*
Cost				
At 1 January 2009	614,947	52,258	9,320	676,525
Additions	–	4,928		4,928
At 31 December 2009	614,947	57,186	9,320	681,453
Depreciation				
At 1 January 2009	(204,333)	(20,686)	(1,220)	(226,239)
Charge for the year	(122,989)	(13,886)	(1,332)	(138,207)
At 31 December 2009	(327,322)	(34,572)	(2,552)	(364,446)
Net book value				
At 31 December 2009	287,625	22,614	6,768	317,007
At 1 January 2009	410,614	31,572	8,100	450,286

Notes to the financial statements

at 31 December 2009

9. Investment in subsidiary

Company

	2009	*2008*
	£	*£*
Cost		
At 1 January 2009	324	324
At 31 December 2009	324	324

The investment represents Rexiter Capital Management Limited's holding in the subsidiary undertaking Rexiter Capital Management Singapore Pte Limited Rexiter Capital Management Limited holds 100% of the ordinary share capital of the subsidiary, a Singapore based investment manager The subsidiary is consolidated in the financial statements

10. Debtors

	Group	*Company*	*Group*	*Company*
	2009	*2009*	*2008*	*2008*
	£	*£*	*£*	*£*
Trade debtors	309,770	309,770	43,339	43,339
Amounts due from other group undertakings	1,214,674	1,214,674	32,345	413,962
Other debtors	165,290	40,313	165,966	32,009
Prepayments and accrued income	4,206,272	3,934,919	3,865,405	3,661,820
Deferred tax asset (see note 12)	65,941	79,619	72,537	72,537
	5,961,947	5,579,295	4,179,592	4,223,667

11. Creditors: amounts falling due within one year

	Group	*Company*	*Group*	*Company*
	2009	*2009*	*2008*	*2008*
	£	*£*	*£*	*£*
Other creditors	154,288	129,253	197,121	178,931
Amounts owed to other group undertaking	95,253	96,839	195,634	186,670
Social security and PAYE	476,935	–	332,965	–
Corporation tax payable	845,974	402,884	1,950,813	1,339,445
Accruals	4,422,450	5,402,627	5,553,714	5,956,013
	5,994,900	6,031,603	8,230,247	7,661,059

Notes to the financial statements

at 31 December 2009

12. Deferred tax asset

The movements in deferred taxation during the current and previous years are as follows

	2009 £	*2008* £
Deferred tax asset at start of year	72,537	122,097
Adjustment to opening deferred tax liability through reserves	17,550	-
Deferred tax (charge)/credit in profit and loss account for year	(24,146)	(51,505)
Effect of changes in tax rate on opening liability	–	1,945
Deferred tax asset at end of year (see note 10)	65,941	72,537
The balance at the year end comprises		
Accelerated capital allowances	(24,151)	(15,681)
Short term timing differences	90,092	88,218
Provision for deferred tax	65,941	72,537

The deferred tax asset has been recognised at the corporate tax rate of 28% and 17% (2008 – 28% and 18%) respectively for Rexiter London and Singapore

13. Issued share capital

Allotted, called up and fully paid	*2008* No	*2007* No	*2008* £	*2007* £
"A" ordinary shares of £1 each	750	750	750	750
"B" ordinary shares of £5 each	250	250	1,250	1,250
			2,000	2,000

The rights and restrictions attaching to the ordinary shares are as follows

Income

To the extent that there are distributable profits, the directors will pay and declare dividends to the holders of the "A" and "B" ordinary shares as if they constituted one class of share

Capital

On a return of capital on winding up, the company's remaining assets available for distribution will be applied to "A" and "B" ordinary shareholders as if they constituted one class of share, in accordance with the amount paid up, including any share premium

Voting

Each holder of the "A" and "B" ordinary shares is entitled to receive notice of and attend any general meeting of the company and shall have one vote in respect of each share

Notes to the financial statements

at 31 December 2009

14. Reconciliation of movement in shareholders' funds and reserves

Group

	Share capital £	*Share premium account* £	*Capital redemption reserve* £	*Profit and loss account* £	*Total Share holders' funds* £
Balance at 1 January 2008	2,000	598,000	5,400,000	9,952,372	15,952,372
Reclassification of reserve			(5,400,000)	5,400,000	–
Retained profit for the year	–	–	–	6,089,710	6,089,710
Exchange differences on translation of net assets of subsidiary	–	–	–	421,969	421,969
Balance at 31 December 2008	2,000	598,000	–	21,864,051	22,464,051
Retained profit for the year	–	–	–	4,302,751	4,302,751
Dividend paid	–	–	–	(5,000,000)	(5,000,000)
Exchange differences on translation of net assets of subsidiary	–	–	–	(206,417)	(206,417)
Balance at 31 December 2009	2,000	598,000	–	20,960,385	21,560,385

Company

	Share capital £	*Share premium account* £	*Capital redemption reserve* £	*Profit and loss account* £	*Total Share holders' funds* £
Balance at 1 January 2008	2,000	598,000	5,400,000	5,166,350	11,166,350
Reclassification of reserve	–	–	(5,400,000)	5,400,000	–
Retained profit for the year	–	–	–	8,722,058	8,722,058
Balance at 31 December 2008	2,000	598,000	–	19,288,408	19,888,408
Retained profit for the year	–	–	–	2,314,544	2,314,544
Dividend paid	–	–	–	(5,000,000)	(5,000,000)
Balance at 31 December 2009	2,000	598,000	–	16,602,952	17,202,952

Reclassification of the capital redemption reserve

In May 2007, following the redemption of the preference shares, £5,400,000 of capital redemption reserve was created On 2 December 2008, the company effected a reclassification of the capital redemption reserve under the new Companies Act 2006 legislation, in order that the reserve or any part thereof will be capable of being treated as realised profit and distributable by the company at some future point

Notes to the financial statements

at 31 December 2009

15. Staff pension scheme

Some of the company's employees participate in a non-contributory pension scheme operated by State Street Bank and Trust Company ('SSB&T') for United Kingdom employees – the State Street UK Pension & Life Assurance Scheme ("the Scheme") The Scheme has both defined benefit and defined contribution sections The defined benefit section of the Scheme and some parts of the defined contribution section of the Scheme are closed to future accrual of benefits Others of the company's employees participate in a defined contribution non-contributory Group Personal Pension Scheme ("GPP") also operated by SSB&T

The cost to the company of the defined contribution section of the Scheme and the GPP for the year and the amount of outstanding contributions owed by the company in respect of those schemes at the year end 31 December 2009 are set out below

Defined contribution scheme costs for the year £338,677 (2008 – £324,837)

Outstanding contributions in respect of defined contribution schemes £nil (2008 – £75,267)

The defined benefit section of the Scheme provides benefits based on the final pensionable salary, all members now being deferred members The assets of the Scheme are held separately from those of SSB&T and are administered by Mercer Limited (pension consultants)

The company has been advised by the independent qualified actuaries of the Scheme that the underlying assets and liabilities of the Scheme cannot be separated by participating employer on a consistent and reasonable basis Accordingly, the effect of the Scheme surplus on the participating companies cannot be determined Under the multi-employer scheme provisions within FRS 17 certain disclosures otherwise required by FRS 17 are not provided

The defined benefit contributions to the Scheme are determined with the advice of independent qualified actuary on the basis of triennial valuations Following an agreement with the Trustees of the Scheme, after results of the 31 August 2008 actuarial valuation were known in November 2008, SSB&T and the other participating companies agreed to pay £23 7m into the Scheme to restore funding to 100% on the scheme as a whole (on a funding basis) In this respect a contribution of £19 6m was paid 30 December 2008 and a further contribution of £4 1m was paid 5 January 2009 No further contributions have been made to the Scheme since 5 January 2009

Over 2009 the company paid £nil (2008 – £913,774) into the defined benefit section of the Scheme and there were no outstanding contributions owed by the company in respect of the Scheme at the year end The overall details of the Group scheme are outlined below

In respect of the defined benefit section of the Scheme SSB&T and the other participating companies expect to pay no contributions over 2010 but will pay the expenses not met by Scheme assets under an agreement with the Trustees plus the cost of Pension Protection Fund levies

The results of the most recent actuarial valuation, which was conducted as at 31 August 2008, have been updated as at 31 December 2009 as follows

	2009	*2008*	*2007*
Main assumptions			
Discount rate applied to Group scheme liabilities (% per annum)	5 70	6 00	5 50
Rate of pensionable salary increases (% per annum)	4 80	4 50	4 50
Rate of increases of pensions in payment – 5% LPI (% per annum)	3 30	3 10	3 25
Rate of increases of pensions in payment – 2 5% LPI (% per annum)	2 50	2 50	2 50
Rate of increases of pensions in deferment (% per annum)	3 30	3 10	3 25
Price inflation (% per annum)	3 30	3 10	3 25

Notes to the financial statements

at 31 December 2009

15. Staff pension scheme (continued)

Fair value of defined benefit section Scheme assets (for SSB&T and the other participating companies)

	2009 Expected rate of return %	2009 Value £000s	2008 Expected rate of return %	2008 Value £000s	2007 Expected rate of return %	2007 Value £000s
Equities	7 45	14,750	6 35	39,071	6 25	71,878
Bonds	4 45	86,411	3 35	78,260	3 25	33,067
Other	6 61	29,369	1 00	0	4 00	63
Total value of defined benefit Scheme assets		130,530		117,331		105,008
Present value of defined benefit Scheme liabilities		(108,960)		(91,187)		(110,052)
Surplus (Deficit) in Scheme		21,570		26,144		(5,044)
Effect of paragraph 41 surplus cap limit (see below)		(21,570)		(26,144)		0
Net asset (liability)		0		0		(5,044)
Funding level before application of surplus cap		120%		129%		95%

Under FRS17 a surplus emerging from a scheme is allowed to be recognised in the year in which it emerges, subject to a limit The surplus that can be recognised is the present value of the liabilities expected to arise in future in respect of future service by current and future members or any amount of refunds that have been agreed by the pension scheme trustees at the balance sheet date As the Scheme is closed to future accrual of benefits and no refund was agreed by the pension scheme trustees at the balance sheet date, the surplus is restricted in full

16. Operating lease commitment

At 31 December 2009 the annual rental commitments under non-cancellable operating leases are as follows

Group

	Land and buildings 2009 £000	*Land and buildings 2008 £000*
Operating leases which expire In two to five years	225	225

Company

	Land and buildings 2009 £000	*Land and buildings 2008 £000*
Operating leases which expire In two to five years	225	225

Notes to the financial statements

at 31 December 2009

17. Contingent liability

Some of the company's employees participate in the defined benefit section of a non-contributory pension scheme ("the Scheme") operated by State Street Bank and Trust Company ('SSB&T') for United Kingdom employees, the Scheme provides defined benefits based on the final pensionable salary As at 30 April 2008, the defined benefit section of the Scheme was closed to future accrual of benefits

Certain senior members of the defined benefit section of the Scheme had previously entered into an Unfunded, Unapproved Retirement Benefit Scheme ('UURBS') arrangement with the company The UURBS arrangement is designed to provide top-up benefits to the defined benefit section of the Scheme, in excess of the Scheme's capped limits

The accruals in the company's financial statements through to December 2009 have provisioned for the top-up benefits in the UURBS arrangement through to 30 April 2008, the date that the defined benefit section of the Scheme was closed to future accrual of benefits It has yet to be determined whether actual benefits from the UURBS arrangement accrue post 30 April 2008

18. Related party transactions

During the year, the company reimbursed two affiliated companies for various expenses paid by them on behalf of the company The total amount of reimbursements made to State Street Global Advisors Limited was £1,145,526 (2008 – £899,013) and as at 31 December 2009 £nil (2008 – £nil) was owed in respect of these transactions The total amount of reimbursements made to State Street Bank and Trust Company was £7,168,092 (2008 – £8,864,019) and as at 31 December 2009 £nil (2008 – £nil) was outstanding in respect of these transactions

During the year, the company also received payments from two affiliated companies for the provision of investment management services The total amount of payments received from State Street Bank and Trust Company was £5,438,754 and from State Street Global Advisors group companies was £1,142,091 (2008 - £8,037,980 and £1,793,688 respectively) and as at 31 December 2009 £1,994,152 and £74,871 (2008- £1,723,900 and £351,373) were outstanding in respect of these transactions

During the year, the company made payments to various State Street Global Advisors group companies for sales incentives The total amount expensed was £95,253 (2008 – £193,848) and as at 31 December 2009 £95,253 (2008 - £193,848) was outstanding in respect of these transactions

The company has recognised a receivable, in other income, from State Street Corporation in the amount of £1,214,674 in connection with the settlement of a trading error paid to a client pursuant to the terms of an Inter-Company Funding Agreement

The company has taken advantage of the exemption available in FRS 8 from disclosing transactions or balances between group entities that have been eliminated on consolidation

19. Ultimate parent company

The ultimate parent company is State Street Corporation, incorporated in the Commonwealth of Massachusetts, in the United States of America Copies of State Street Corporation's consolidated financial statements can be obtained from One Lincoln Street, Boston, MA 02111, United States of America

20. Subsequent event

Following the year end, a dividend payment of £10,000,000 was approved by the directors and paid on 30 March 2010