REXITER

Rexiter Capital Management Limited

Consolidated Report and Financial Statements

31 December 2008

Registered No: 3302709

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 2008.

Results and dividends

The consolidated profit for the year after taxation amounted to £6,089,710 (2007: £8,997,972). Preference dividends totalling £439,178 were paid during 2007. All the preference shares were fully redeemed in 2007.

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, newly opened Boston branch and Singapore subsidiary.

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

	2008	*2007*	*Change*
	£'000	*£'000*	*%*
Group Turnover	21,185	24,458	-13%
Operating Profit	8,229	11,682	-30%
Profit after tax	6,090	8,998	-32%
Shareholders' Funds	22,464	15,952	+41%
Current assets as % of current liabilities	363%	241%	+51%
Assets under Management (£million)	2,725	4,690	-42%
Average number of employees	29	28	+4%

Group turnover fell by 13% during the year, due primarily to the significant fall in the markets. As a consequence of these market moves and of client net redemptions, funds under management fell 42% from £4.7 billion (US$ 9.3 billion) at the end of 2007 to £2.7 billion (US$ 3.9 billion) at the end of 2008.

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 predominantly based in Europe and Australia.

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.

Despite challenging market conditions, the group reported strong operating profits and profits after tax for the year. Nevertheless both measures of profitability were down from 2007 levels.

Shareholders' funds increased by 41% due to retained earnings as no distributions were made during the year.

The group's "quick ratio" (current assets as a percentage of current liabilities) increased, due to the increased cash balances as a result of earnings retention.

The total average number of employees increased marginally during the year. It is not expected that there will be significant growth in employee numbers during 2009.

Directors' report

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 remains 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

Cancellation of authorised preference shares

The company cancelled all of its £7,600,000 of authorised "A" and "B" non-cumulative preference shares on 2 December 2008.

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.

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 (appointed 19 December 2008)
J Lyons (resigned 1 December 2008)
G MacLachlan
J Morton
N Payne
C Vale

Indemnity insurance for the directors was maintained during year.

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

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

22 April 2009

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and financial statements in accordance with applicable United Kingdom law and United Kingdom Generally Accepted Accounting Practice.

Company law requires the directors to prepare financial statements for each financial year which are required by law to 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 confirm that the financial statements comply with the above requirements.

The directors are responsible for keeping proper accounting records that 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 1985. 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF REXITER CAPITAL MANAGEMENT LIMITED

We have audited the group and parent company financial statements (the "financial statements") of Rexiter Capital Management Limited for the year ended 31 December 2008 which comprise the Group Profit and Loss Account, the Group and Company Balance Sheets, the Group Cash Flow Statement, the Group Statement of Total Recognised Gains and Losses and the related notes 1 to 17. These financial statements have been prepared under the accounting policies set out therein.

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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements 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 are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements.

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 read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' report. 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. 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 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF REXITER CAPITAL MANAGEMENT LIMITED

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's and the parent company's affairs as at 31 December 2008 and of the group's profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements.

Ernst & Young LLP

Ernst & Young LLP

Registered auditor

London

27 April 2009

Group profit and loss account

for the year ended 31 December 2008

	Notes	2008 £	2007 £
Turnover	2	21,184,800	24,457,724
Staff costs	3	(9,468,407)	(10,057,131)
Other operating charges		(3,487,036)	(2,718,188)
Operating profit	4	8,229,357	11,682,405
Interest receivable		862,268	649,754
Profit on ordinary activities before taxation		9,091,625	12,332,159
Tax on profit on ordinary activities	6	(3,001,915)	(3,334,187)
Profit on ordinary activities after taxation		6,089,710	8,997,972

All amounts are in respect of continuing activities.

Group statement of total recognised gains and losses

for the year ended 31 December 2008

	2008 £	2007 £
Profit for the year	6,089,710	8,997,972
Exchange differences on retranslation of net assets of subsidiary	421,969	37,696
	6,511,679	9,035,668

A reconciliation of movements in shareholders' funds is given in note 13.

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

Group Balance Sheet

at 31 December 2008

	Notes	*2008* £	*2007* £
Fixed assets			
Tangible fixed assets	7	808,782	895,107
Current assets			
Debtors	9	4,179,592	7,794,933
Cash at bank		25,705,924	17,959,942
		29,885,516	25,754,875
Creditors: amounts falling due within one year	10	(8,230,247)	(10,697,610)
Net current assets		21,655,269	15,057,265
Total assets less current liabilities		22,464,051	15,952,372
Capital and reserves			
Equity shareholders' funds:			
Called up share capital	12	2,000	2,000
Share premium account	13	598,000	598,000
Capital redemption reserve	13	–	5,400,000
Profit and loss account	13	21,864,051	9,952,372
		22,464,051	15,952,372

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

K King

Chairman 22 April 2009

G MacLachlan

Director 22 April 2009

The accompanying notes are an integral part of this balance sheet.

Company Balance Sheet

at 31 December 2008

	Notes	2008 £	2007 £
Fixed assets			
Tangible fixed assets	7	450,286	578,241
Investment in subsidiary	8	324	324
		450,610	578,565
Current assets			
Debtors	9	4,223,667	7,145,978
Cash at bank		22,875,190	13,306,844
		27,098,857	20,452,822
Creditors: amounts falling due within one year	10	(7,661,059)	(9,865,037)
Net current assets		19,437,798	10,587,785
Total assets less current liabilities		19,888,408	11,166,350
Capital and reserves			
Equity shareholders' funds:			
Called up share capital	12	2,000	2,000
Share premium account	13	598,000	598,000
Capital redemption reserve	13	-	5,400,000
Profit and loss account	13	19,288,408	5,166,350
		19,888,408	11,166,350

The accompanying notes are an integral part of this balance sheet.

Group cash flow statement

for the year ended 31 December 2008

	2008	2007
	£	£
Group reconciliation of net cash inflow from operating activities		
Operating profit	8,229,357	11,682,405
Depreciation	196,063	127,130
Loss on disposal of fixed assets	–	7,981
Decrease/(increase) in debtors	3,565,781	(2,097,706)
(Decrease)/increase in creditors	(2,320,131)	2,363,589
Net cash inflow from operating activities	9,671,070	12,083,399

	2008	2007
Group cash flow statement		
Net cash inflow from operating activities	9,671,070	12,083,399
Interest received	862,268	649,754
Preference dividend paid	–	(439,178)
Redemption of preference shares	–	(5,400,000)
Taxation		
UK tax paid	(2,542,395)	(2,823,909)
Overseas tax paid	(557,192)	(375,596)
Capital expenditure		
Payment to acquire tangible fixed assets	(109,738)	(1,002,840)
Increase in cash	7,324,013	2,691,630

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

Reconciliation of net cash flow to movement in net funds

	2008	2007
	£	£
Increase in cash	7,324,013	2,691,630
Foreign exchange differences	421,969	37,696
Increase in net funds	7,745,982	2,729,326
Net funds at 1 January 2008	17,959,942	15,230,616
Net funds at 31 December 2008	25,705,924	17,959,942

Notes to the financial statements

at 31 December 2008

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 2008. No profit and loss account is presented for the company as permitted by Section 230 of the Companies Act 1985. The profit after tax for the company is £8,722,058 (2007: £5,953,735). The subsidiary has been part of the group since its inception and consequently, no goodwill arises on consolidation.

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.

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 -5 years
Office equipment:	over 4 years

Investments

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

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.

Notes to the financial statements

at 31 December 2008

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:

	2008	*2007*
	£	*£*
United States of America	13,059,363	14,901,675
Europe	4,205,056	5,924,562
Australia	2,216,633	2,049,245
Rest of the World	1,703,748	1,582,242
	21,184,800	24,457,724

3. Staff costs

Staff costs including directors' emoluments were:

	2008	*2007*
	£	*£*
Wages and salaries	7,406,582	8,719,397
Social security costs	845,129	846,676
Other pension costs	1,216,696	491,058
	9,468,407	10,057,131

The average weekly number of employees during the period was 29 (2007 - 28).

Directors' emoluments were:

	2008	*2007*
	£	*£*
Emoluments	5,502,336	6,373,490
Company contribution to money purchase pension schemes	191,961	19,690

	2008	*2007*
	No.	*No.*
Members of defined benefit pension schemes (closed to future accrual of benefits on 30 April 2008)	6	6

Notes to the financial statements

at 31 December 2008

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

	2008	2007
	£	£
Emoluments	996,426	1,266,319

4. Operating profit

This is stated after charging:

		2008	2007
		£	£
Auditors' remuneration -	audit	36,000	36,000
-	taxation	20,000	13,815
-	other services	–	1,980
Operating lease rentals -	property	339,684	106,766
Depreciation		196,063	127,130
Loss on sale of fixed assets		–	7,981

5. 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 £899,013 (2007 - £784,513) and as at 31 December 2008 £nil (2007 - £nil) was owed in respect of these transactions. The total amount of reimbursements made to State Street Bank and Trust Company was £8,864,019 (2007 - £6,803,192) and as at 31 December 2008 £nil (2007 - £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 £8,037,980 and from State Street Global Advisors group companies was £1,793,688 (2007 - £7,652,166 and £1,533,085 respectively) and as at 31 December 2008 £1,723,900 and £351,373 (2007- £3,174,700 and £556,868) 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 £193,848 (2007 - £329,057) and as at 31 December 2008 £193,848 (2007 - £329,057) was outstanding in respect of these transactions.

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.

6. Tax on profit on ordinary activities

(a) Tax on profit on ordinary activities

	2008	2007
	£	£
UK Corporation Tax		
UK Corporation tax on profits for the period	2,467,960	2,681,784
Adjustments in respect of previous periods	10,287	-
	2,478,247	2,681,784
Overseas taxation	474,108	652,987

Notes to the financial statements

at 31 December 2008

Total current tax charge (note 6(b))	2,952,355	3,334,771
Deferred tax	49,560	(584)
Tax on profit on ordinary activities	3,001,915	3,334,187

6. Tax on profit on ordinary activities (continued)

(b) Factors affecting current tax charge:

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:

	2008 £	*2007* £
Profit on ordinary activities before tax	9,091,625	12,332,159
Profit on ordinary activities multiplied by the standard rate of corporation tax in the United Kingdom of 28.5% (2007: 30%)	2,591,113	3,699,648
Effect of:		
Disallowed expenses and non-taxable income	74,234	26,382
Depreciation in excess of capital allowances	26,829	(39,210)
Other timing differences	56,342	72,719
Lower tax rate on overseas earnings	(276,788)	(431,102)
Relief for foreign tax on overseas on overseas dividend income	(790,621)	–
Prior period adjustment	9,900	6,334
Intra-group transactions eliminated upon consolidation	1,261,346	–
Current tax charge for the year	2,952,355	3,334,771

(c) Factors that may affect future tax charges:

The company set up a Singapore subsidiary in 2005 which could be classified as a controlled foreign company and therefore result in additional UK tax liability in the future. No liability has been recognised as it is expected that the company will obtain exemption under the acceptable distribution policy (ADP) test.

Deferred tax has not been recognised in respect of potential dividends paid by the Singapore subsidiary to the company as no binding agreement existed at the balance sheet date.

Notes to the financial statements

at 31 December 2008

7. Tangible fixed assets

Group

	Leasehold improvements £	*Office equipment* £	*Furniture fixtures* £	*Total* £
Cost:				
At 1 January 2008	866,462	146,235	–	1,012,697
Additions:	13,637	86,781	9,320	109,738
At 31 December 2008	880,099	233,016	9,320	1,122,435
Depreciation:				
At 1 January 2008	(99,125)	(18,465)	–	(117,590)
Charge for the year	(153,831)	(41,012)	(1,220)	(196,063)
At 31 December 2008	(252,956)	(59,477)	(1,220)	(313,653)
Net book value:				
At 31 December 2008	627,143	173,539	8,100	808,782
At 1 January 2008	767,337	127,770	–	895,107

Company

	Leasehold improvements £	*Office equipment* £	*Furniture fixtures* £	*Total* £
Cost:				
At 1 January 2008	614,947	52,258	–	667,205
Additions:	–	–	9,320	9,320
At 31 December 2008	614,947	52,258	9,320	676,525
Depreciation:				
At 1 January 2008	(81,343)	(7,621)	–	(88,964)
Charge for the year	(122,990)	(13,065)	(1,220)	(137,275)
At 31 December 2008	(204,333)	(20,686)	(1,220)	(226,239)
Net book value:				
At 31 December 2008	410,614	31,572	8,100	450,286
At 1 January 2008	533,604	44,637	–	578,241

Notes to the financial statements

at 31 December 2008

8. Investment in subsidiary

Company

	2008	2007
	£	£
Cost		
At 1 January 2008	324	324
At 31 December 2008	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.

9. Debtors

	Group 2008	*Company 2008*	*Group 2007*	*Company 2007*
	£	£	£	£
Trade debtors	43,339	43,339	440,580	440,580
Amounts due from other group undertakings	32,345	413,962	22,684	44,987
Other debtors	165,966	32,009	642,209	93,503
Prepayments and accrued income	3,865,405	3,661,820	6,567,363	6,444,811
Deferred tax asset (see note 11)	72,537	72,537	122,097	122,097
	4,179,592	4,223,667	7,794,933	7,145,978

10. Creditors: amounts falling due within one year

	Group 2008	*Company 2008*	*Group 2007*	*Company 2007*
	£	£	£	£
Other creditors	197,121	178,931	136,047	140,862
Amounts owed to other group undertaking	195,634	186,670	329,057	219,410
Social security and PAYE	332,965	–	469,594	–
Corporation tax payable	1,950,813	1,339,445	2,098,045	1,403,593
Accruals	5,553,714	5,956,013	7,664,867	8,101,172
	8,230,247	7,661,059	10,697,610	9,865,037

Notes to the financial statements

at 31 December 2008

11. Deferred tax asset

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

	2008	2007
	£	£
Deferred tax asset at start of year	122,097	121,513
Deferred tax (charge)/credit in profit and loss account for year	(51,505)	584
Effect of changes in tax rate on opening liability	1,945	
Deferred tax asset at end of year (see note 9)	72,537	122,097

	2008	2007
The balance at the year end comprises:		
Accelerated capital allowances	(15,681)	(10,052)
Short term timing differences	88,218	132,149
Provision for deferred tax	72,537	122,097

The deferred tax asset has been recognised at the corporate tax rate of 28% which comes into effect on 1 April 2008 (2007: 28%).

12. Called up share capital

Capital classified as equity:

Authorised

	2008	2007
	No.	No.
"A" ordinary shares of £1 each	750	750
"B" ordinary shares of £5 each	250	250

Allotted, called up and fully paid

	2008	2007	2008	2007
	No.	No.	£	£
"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.

Notes to the financial statements

at 31 December 2008

12. Called up share capital (continued)

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.

Capital classified as debt:

Authorised

	2008	*2007*
	No.	*No.*
"A" non-cumulative preference shares of £1 each	–	5,400,000
"B" non-cumulative preference shares of £1 each	–	2,200,000

Cancellation of authorised preference shares

The company cancelled all of its £7,600,000 of authorised "A" and "B" non-cumulative preference shares on 2 December 2008.

Notes to the financial statements

at 31 December 2008

13. Reconciliation of shareholders' funds and movement on reserves

Group

	Share capital £	*Share premium account* £	*Capital redemption reserve* £	*Profit and loss account* £	*Total Share holders' funds* £
Balance at 1 January 2007	5,402,000	598,000	–	6,755,882	12,755,882
Redemption of preference shares	(5,400,000)	–	5,400,000	(5,400,000)	(5,400,000)
Retained profit for the year	–	–	–	8,997,972	8,997,972
Dividend paid	–	–	–	(439,178)	(439,178
Exchange differences on retranslation of net assets of subsidiary	–	–	–	37,696	37,696
Balance at 31 December 2007	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 retranslation of net assets of subsidiary	–	–	–	421,969	421,969
Balance at 31 December 2008	2,000	598,000	–	21,864,051	22,464,051

Company

	Share capital £	*Share premium account* £	*Capital redemption reserve* £	*Profit and loss account* £	*Total Share holders' funds* £
Balance at 1 January 2007	5,402,000	598,000	–	5,051,793	11,051,793
Redemption of preference shares	(5,400,000)	–	5,400,000	(5,400,000)	(5,400,000)
Retained profit for the year	–	–	–	5,953,735	5,953,735
Dividend paid	–	–	–	(439,178)	(439,178)
Balance at 31 December 2007	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

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 2008

14. 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.

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 contributions sections. 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 2008 are set out below:

Defined contribution scheme costs for the year; £324,837

Outstanding contributions in respect of defined contribution schemes; £75,267

During 2008 others of the company's employees participated in a defined benefit section of the Scheme; this section of the Scheme provides benefits based on the final pensionable salary. The assets of the Scheme are held separately from those of SSB&T and are administered by Mercer Limited (pension consultants).

At 30 April 2008 the defined benefit section of the Scheme and some parts of the defined contributions section of the Scheme closed to future accrual of benefits. At that time all defined benefit members of the Scheme became deferred members with leaving service pension benefit entitlements accrued to 30 April 2008. All those defined contribution section members affected left the Scheme leaving their accrued funds within the Scheme. The affected members have been enrolled into SSB&T's Group Personal Pension Scheme. Accrual of benefits does continue for some members of the defined contribution section of the Scheme.

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 deficit on the participating companies cannot be determined. Therefore we have taken advantage of the multi-employer scheme provisions within FRS 17 and on this basis 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 agreed to pay £23.7m into the Scheme to restore funding to 100%. In this respect a contribution of £19,620,699.45 was paid 30 December 2008 and a contribution of £4,079,300.55 was paid 5 January 2009. The 5 January 2009 payment is not reflected in the asset value stated below (£117,331,000 at 31 December 2008).

For the four months to 30 April 2008 the rate of contribution paid was 34.3% of pensionable salaries across all participating employers, as agreed at the previous actuarial valuation at 31 August 2005. In addition SSB&T paid £2m on 9 July 2008 in accordance with the deficit restoration plan from the 2005 actuarial valuation.

Over 2008 the company paid £913,774 into the defined benefit section of the Scheme and there were £nil of 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.

Notes to the financial statements

at 31 December 2008

15. Staff pension scheme (continued)

In respect of the defined benefit section of the Scheme State Street Bank and Trust Company expect to pay £4,079,300.55 over 2009, plus the expenses not met by Scheme assets under an agreement with the Trustees and 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 2008 as follows:

	2008	*2007*	*2006*
Main assumptions:			
Discount rate applied to Group scheme liabilities (% per annum)	6.00	5.50	5.00
Rate of pensionable salary increases (% per annum)	4.50	4.50	4.25
Rate of increases of pensions in payment – 5% LPI (% per annum)	3.10	3.25	3.00
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)	3.10	3.25	3.00
Price inflation (% per annum)	3.10	3.25	3.00

Fair value of defined benefit section Scheme assets:

	2008 Expected rate of return %	*Value £000s*	*2007 Expected rate of return %*	*Value £000s*	*2006 Expected rate of return %*	*Value £000s*
Equities	6.35	39,071	6.25	71,878	5.90	67,199
Bonds	3.35	78,260	3.25	33,067	3.40	25,015
Other	1.00	0	4.00	63	4.00	92
Total value of defined benefit Scheme assets		117,331		105,008		92,306
Present value of defined benefit Scheme liabilities		(91,187)		(110,052)		(108,381)
Surplus (Deficit) in Scheme		26,144		(5,044)		(16,075)
Effect of paragraph 41 surplus cap limit (see below)		(26,144)		0		0
Net asset (liability)		0		(5,044)		(16,075)
Funding level before application of surplus cap		129%		95%		85%

Under paragraph 41 of FRS17, 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. As the scheme is closed to future accrual of benefits, the allowance for surplus recognition is nil.

Notes to the financial statements

at 31 December 2008

16. Operating Lease commitment

At 31 December 2008 the annual rental commitments under non-cancellable operating leases are as follows:

Group

	Land and buildings	
	2008	*2007*
	£000	*£000*
Operating leases which expire:		
In two to five years	225	335
	225	335

Company

Operating leases which expire:		
In two to five years	225	225
	225	225

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 2008 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. Discussions continue as to whether the benefits from the UURBS arrangement continue to accrue post 30 April 2008.