

The logo consists of the word "RECORD" in white, uppercase, sans-serif font, centered within a dark blue square. A white diagonal line with a circular node at its intersection crosses the text from the top-left to the bottom-right.

RECORD

Prospectus

Sponsor and Sole Bookrunner
JPMorgan Cazenove

This document comprises a prospectus relating to Record plc (the “Company”) prepared in accordance with the Prospectus Rules of the Financial Services Authority (the “FSA”) made under Section 73A of the Financial Services and Markets Act 2000, as amended (“Prospectus Rules” and “FSMA” respectively), and has been filed with, and approved by, the FSA pursuant to Section 85 of FSMA.

Application has been made to the FSA for the entire issued ordinary share capital of the Company to be admitted to the official list of the FSA (the “Official List”). Application has also been made to London Stock Exchange plc (the “London Stock Exchange”) for all such shares to be admitted to trading on the London Stock Exchange’s main market for listed securities. Conditional dealings in the ordinary shares in the capital of the Company (the “Ordinary Shares”) are expected to commence on the London Stock Exchange on 28th November 2007. It is expected that Admission will become effective and that unconditional dealings in the Ordinary Shares will commence on the London Stock Exchange at 8.00 a.m. on 3rd December 2007. **All dealings in Ordinary Shares prior to the commencement of unconditional dealings will be of no effect if Admission does not take place and will be at the sole risk of the parties concerned. No application has been, or is currently intended to be, made for the Ordinary Shares to be admitted to listing or dealt with on any other exchange.**

Record plc

(Incorporated in England and Wales under the Companies Act 1985 with registered number 01927640)

**Offer of 55,345,200 Ordinary Shares of £0.00025 each
and admission to the Official List and to
trading on the London Stock Exchange
at an Offer Price of 160 pence per Ordinary Share**

Sponsor and Bookrunner

JPMorgan Cazenove Limited

Share capital immediately following Admission
Ordinary Shares of £0.00025 each

Authorised		Issued	
Number	Amount	Number	Amount
400,000,000	£100,000	221,380,800	£55,345.20

The directors of the Company, whose names are set out under the heading “Directors, Registered Office, Secretary and Advisers” in Part III of this document (the “Directors”), and the Company accept responsibility for this document. To the best of the knowledge and belief of the Directors and the Company (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

Prospective Investors should read the whole of this document and should be aware that an investment in the Company is speculative and involves a degree of risk. In particular, the attention of prospective Investors is drawn to the section entitled “Risk factors” contained in Part II of this document for a discussion of certain risks and other factors that should be considered in connection with an investment in the Ordinary Shares.

This document does not constitute or form part of an offer to sell, or the solicitation of an offer to buy, Ordinary Shares in any jurisdiction in which such offer or solicitation is unlawful or restricted by law. The Ordinary Shares have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the “Securities Act”), and may not be offered or sold other than pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act, including outside the United States in offshore transactions in reliance on Regulation S under the Securities Act (“Regulation S”). For a description of these and certain further restrictions on offers, sales and transfers of the Ordinary Shares and the distribution of this document, see the section of this document entitled “Notice to Investors” contained in Part VI of this document and the section headed “Selling restrictions” contained in Part X of this document.

J.P. Morgan Securities Ltd (“JPMSL” or the “Underwriter”) is acting for the Company and no one else in connection with the Offer and will not regard any other person (whether or not a recipient of this document) as its client in relation to the Offer and will not be responsible to anyone other than the Company for providing the protections afforded to its clients or for providing advice in relation to the Offer or the contents of this document or any transaction, or arrangement referred to in this document. JPMorgan Cazenove Limited (“JPMC”, “JPMorgan Cazenove”, the “Sponsor” and “Bookrunner”) is acting for the Company and for the Selling Shareholders and no one else in connection with the Offer and will not regard any other person (whether or not a recipient of this document) as its client in relation to the Offer and will not be responsible to anyone other than the Company and the Selling Shareholders for providing the protections afforded to its clients and will not be responsible to anyone other than the Company for providing advice in relation to the Offer or the contents of this document or any transaction, or arrangement referred to in this document.

The distribution of this document and the offering or purchase of Ordinary Shares may be restricted by law in certain jurisdictions. This document does not constitute or form part of an offer to sell, or the solicitation of an offer to buy, Ordinary Shares in any jurisdiction in which such offer or solicitation is unlawful or restricted and, subject to certain exceptions, is not for distribution in or into the United States, Australia, Canada or Japan. Subject to certain exceptions, the Ordinary Shares may not, directly or indirectly, be offered or sold within the United States, Australia, Canada or Japan or to, or for the account or benefit of, any national, resident or citizen of the United States, Australia, Canada or Japan. No action has been taken by the Company, the Selling Shareholders, JPMC or the Underwriter that would permit a public offer of Ordinary Shares or possession or distribution of this document (or other offer or publicity material or application form relating to the Ordinary Shares) in any jurisdiction where action for that purpose is required, other than the United Kingdom. Accordingly, neither this document nor any advertisement or other offering material may be distributed or published in any jurisdiction except under circumstances that will result in compliance with any applicable laws and regulations. This document does not constitute an offer of or invitation or solicitation to acquire any Ordinary Shares in any jurisdiction where it is unlawful to do so. Any persons receiving a copy of this document in any such jurisdiction may not treat this document as constituting an offer, invitation or solicitation to them to acquire Ordinary Shares in the relevant jurisdiction notwithstanding that such an offer, invitation or solicitation could lawfully be made to them without compliance with any registration or other legal requirement.

It is the responsibility of any persons in possession of this document and any persons wishing to apply for Ordinary Shares to inform themselves of, and to observe, all applicable laws and regulations of any relevant jurisdiction. Any failure to comply with these restrictions may constitute a violation of the securities laws of such jurisdictions. Prospective Investors should inform themselves as to the legal requirements of so applying and any applicable exchange control regulations and taxes in the countries of their respective citizenship, residence or domicile. Further information with regard to restrictions on offers and sales of the Ordinary Shares and the distribution of this document is set out in Part X of this document.

Save as required by Section 85 of FSMA, neither the Ordinary Shares nor the Offer have been approved, disapproved or recommended by any governmental or regulatory authority of any country or jurisdiction, nor has any such governmental or regulatory authority passed upon or endorsed the merits of the Company or an investment in the Ordinary Shares.

The Ordinary Shares offered by this document have not been approved or disapproved by the US Securities and Exchange Commission or any other US federal or state securities commission or regulatory authority nor have such authorities confirmed the accuracy or adequacy of this document. Any representation to the contrary is a criminal offence in the United States.

For more information on these and certain further restrictions see the section headed “Selling Restrictions” contained in Part X of this document.

Other important information

Other important information is set out in the section entitled “Notice to Investors” contained in Part VI of this document.

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Part I Summary Information

PROSPECTUS DIRECTIVE WARNING

The following information should be read as an introduction to this document. Any decision by a prospective Investor to invest in Ordinary Shares should be based on a consideration of this document as a whole and not solely on this summary information. Where a claim relating to the information contained in this document is brought before a court where English is not the language in which proceedings are conducted, the claimant Investor might, under national legislation of the EEA states, be required to bear the costs of translating this document before the legal proceedings are initiated. Civil liability attaches to the person(s) responsible for this summary, but only if this summary is misleading, inaccurate or inconsistent when read together with all other parts of this document.

BUSINESS OVERVIEW

Record is a specialist currency investment manager and provider of currency hedging services for institutional clients. The Group, founded over 20 years ago, has a leading position in managing currency for absolute return for institutional clients, which the Directors expect to continue to increase in popularity as an asset class for institutional investors, including defined benefit pension schemes, both in the United Kingdom and overseas.

Record has three principal product lines:

- currency for absolute return, whereby clients instruct Record to enter into currency contracts with the objective of generating positive returns;
- active hedging, whereby clients instruct Record to seek to eliminate the impact of currency movements on elements of investment portfolios that are denominated in currencies other than the client's base currency when these movements are expected to result in an economic loss to the client, but not to do so when movements are expected to produce a beneficial economic impact for the client; and
- passive hedging, whereby clients instruct Record to seek to eliminate fully the economic impact of currency movements on elements of investment portfolios that are denominated in currencies other than the client's base currency.

Record managed \$54.7 billion in AuME as at 30th September 2007. Of this total, \$28.5 billion was in respect of currency for absolute return, \$4.2 billion in respect of active hedging and \$18.6 billion in respect of passive hedging. As at 30th September 2007, Record also managed \$3.4 billion of client cash and futures positions held by clients' custodians and/or banks to support currency management activity for those clients.

KEY STRENGTHS

The Directors believe the Group's key strengths to be the following:

- its position as a leading currency asset manager;
- a highly experienced management team;
- an institutional client base with long-term focus;
- a proven, institutionalised and highly disciplined investment process;
- amongst the longest investment performance track records in the institutional currency for absolute return industry;
- strong distribution capabilities and relationships with investment consultants;
- efficient and scalable business model;
- strong financial performance and controls;
- the presence of barriers to entry; and
- a strong corporate culture.

GROUP STRATEGY

Currency for absolute return is a relatively new asset class, and the Directors see considerable scope for its continued adoption by institutional investors. Record's strategy is to continue to exploit the growth in currency for absolute return as an asset class, whilst managing the overall growth rate of the business at a level which maintains the high levels of investment performance and client service achieved to date.

SUMMARY FINANCIAL INFORMATION

Financial information for the three financial years ended 31st March 2007 plus additional six month periods ended 30th September 2006 and 30th September 2007 is summarised below.

	SUMMARY FINANCIAL INFORMATION			Six months ended 30th Sep	
	2005	Year ended 31st Mar	2007	2007	2006
	£'000	2006	£'000	£'000	£'000
Revenue	5,453	11,453	35,244	42,557	12,315
Operating profit	1,325	4,393	19,375	26,179	7,211
Profit attributable to shareholders	908	3,132	14,145	18,349	5,088
Dividends	260	—	4,916	4,151	1,071
Net current assets	1,979	4,033	14,219	28,620	9,098
Net assets	2,062	4,500	14,883	29,255	9,514
	pence	pence	pence	pence	pence
Basic earnings per share	0.45	1.70	6.67	8.33	2.55
Dividend per share	0.13	—	2.32	1.89	0.54

Source: Record

On 15th November 2007, the Shareholders passed a written resolution pursuant to which, conditional on Admission, each ordinary share of 10 pence is divided into 400 new ordinary shares of £0.00025.

The weighted average number of shares used in the calculation of basic and diluted earnings per share reflects the number of shares that would have been in issue if the share split described above had occurred on 1st April 2004.

INVESTMENT STRATEGY

The management of all of the Group's products is governed by the following underlying principles:

Nature of the foreign exchange market: the foreign exchange market is the largest marketplace in the world with rising trading volumes and low dealing costs. It is also a market in which the majority of participants are not seeking to make investment returns from their trading, but are pursuing other goals. Record believes that the currency markets exhibit persistent price-change inefficiencies that arise from this market structure.

Systematic processes: Record believes that the optimal way to exploit inefficiencies that are persistent and structural in nature is through quantitative and systematic processes.

Specialisation: Record believes that specialist focus is required to generate sustainable returns from the currency market. Record specialises in currency investment management and has concentrated on this activity for 24 years.

Active risk management: Record seeks to create significant absolute returns across all of the Group's active mandates within a highly disciplined, risk-controlled environment.

DISTRIBUTION AND CLIENT BASE

Record's core distribution strategy is to maintain a focus on investment consultant relationships supplemented by direct marketing by an in-house client team and existing client referrals. This approach reflects the central role of investment consultants in most markets for Record's institutional clients and the leverage provided to Record through reaching a wide base of potential investors through maintaining a relatively small number of consultant relationships.

CURRENT TRADING AND PROSPECTS

Record's trading in the six months to 30th September 2007 has been strong, and remains so to date. Investment performance over the period from 31st March 2007 has had two distinct phases: a strongly positive one from 31st March to mid-July; and a weaker one since mid-July. Growth in AuME and client numbers has however continued throughout the period, and has continued since 30th September.

The Directors are confident of the Group's ability to continue to attract additional absolute return AuME.

MANAGEMENT

Neil Record established the Group 24 years ago and has been active in currency markets for 27 years. In addition, the three Managing Directors have an average of over 10 years employed at Record and 17 years employed in currency markets and related areas.

The Group is managed by the Chairman and three Managing Directors collectively, and has enjoyed low levels of staff turnover. All key employees hold shares in the Company, which has helped Record to maintain the depth and breadth of talent required to create a sustainable and market-leading currency investment management franchise.

REASONS FOR THE OFFER

Record has enjoyed strong growth over the past four years, which has allowed the Group to generate increased returns for existing Shareholders. The Directors are determined to continue to grow the business in a controlled manner which is in line with the growth in currency as an asset class, and which maintains the Group's corporate culture.

In light of this anticipated growth, the Directors are also determined to allow new employees to become Shareholders in the business, and to allow longer-standing employees to realise value from their shareholdings. To do so will require a more liquid market in the Company's shares, and hence the Directors have resolved to pursue Admission to the Official List. Admission is also expected to enhance the Group's profile and status with existing and potential clients.

No new Ordinary Shares will be issued under the Offer. Record will not receive any of the proceeds from the Offer. All proceeds, net of deductions, will be for the benefit of the Selling Shareholders.

SUMMARY OF THE OFFER

The Offer comprises an offer by the Selling Shareholders of 55,345,200 Ordinary Shares (assuming the Over-allotment Option is not exercised), representing 25 per cent. of the issued share capital of the Company following completion of the Offer.

All Ordinary Shares sold pursuant to the Offer will be sold at the Offer Price. The Offer Price and the numbers of Ordinary Shares allocated under the Offer have been announced on 28th November 2007.

In connection with the Offer, the Selling Shareholders have granted to JPMC, as the Stabilising Manager, an Over-allotment Option to purchase up to a maximum of 10 per cent. of the total number of Ordinary Shares comprised in the Offer to cover over-allotments (if any) made in connection with the Offer and to cover short positions resulting from stabilisation transactions. The Over-allotment Option will be exercisable in whole or in part at any time on or before the 30th day following the commencement of conditional trading of the Ordinary Shares on the London Stock Exchange. In order to facilitate such stabilisation transactions JPMC has entered into a stock lending agreement with Neil Record.

LOCK-UP ARRANGEMENTS

Each of the Executive Directors (other than Michael Timmins) and all other employee Shareholders (including the shareholding spouses of certain employee Shareholders) have agreed to certain lock-up arrangements contained within the terms of the Underwriting Agreement or, in certain cases, separate lock-up deeds pursuant to which such Executive Directors and other employee Shareholders and certain of their spouses have undertaken to the Sponsor, the Underwriter and the Company that, for a period of two years following the date of the Underwriting Agreement or lock-up deed as applicable (the “First Lock-In Period”), they will not, subject to certain limited exceptions, sell or otherwise dispose of, or agree to sell or otherwise dispose of, any shares (or any interest therein) in the capital of the Company held by them, except with the prior written consent of the Sponsor and the Company. Furthermore, each of the Executive Directors (other than Michael Timmins) and the employee Shareholders and certain of their spouses have agreed not to sell more than one-third of such Ordinary Shares for a period of one year from the end of the First Lock-In Period (the “Second Lock-In Period”) and have agreed not to sell more than two-thirds of such Ordinary Shares for a period of one year from the end of the Second Lock-In Period.

Les Halpin (a former director of the Company) and Michael Timmins have also agreed to the lock-up arrangement contained within the terms of the Underwriting Agreement for a period of one year following the date of the Underwriting Agreement (or, in the case of Michael Timmins, for the period up until the date on which his employment with the Group ceases, if longer).

DIVIDEND POLICY

The Directors intend to adopt a progressive dividend policy that will reflect the long-term earnings and cash generation of Record, whilst maintaining an appropriate level of dividend cover. The Directors intend that the amount of any dividend declared will be between two and four times covered by profit after taxation.

If Record accumulates capital which the Directors believe is surplus to that required to meet its continuing trading obligations and to fund future growth, the Directors will give due consideration to returning surplus capital to Shareholders in an appropriate manner.

An interim dividend of £20 million was declared by the Board on 1st November 2007 for payment on 9th November 2007 to Shareholders on the register as at 1st November 2007.

It is intended that, in the absence of unforeseen circumstances, the first dividend to be declared by Record following Admission will be a final dividend paid in 2008 in respect of the six months ending 31st March 2008, determined in accordance with the policy set out above applied to that period. There is, however, no assurance that dividends will be declared or paid in respect of that or any future period. Thereafter, it is envisaged that interim dividends will be paid in December and final dividends will be paid in July of each year.

SUMMARY OF RISKS

Record’s business is subject to certain risks including, but not limited to:

Risks relating to the Group’s business

- there may be a decline in demand for, or the price of, Record’s products or services;
- the analysis on which Record bases the generation of its investment decisions may cease to be appropriate, resulting in a loss of revenue;
- Record’s proprietary investment management software may fail, resulting in a loss of revenue;
- Record may fail to compete effectively with its existing and potential future competitors;
- Record could fail to retain existing clients and/or to attract new clients;
- unsatisfactory investment returns for the Group, loss of business reputation or negative publicity may lead to a loss of future opportunities;

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Summary Information

- the performance fees received by the Group are subject to investment performance and this may increase the volatility of the Group's earnings;
- Record's continued growth may result in its experiencing greater difficulty executing client transactions;
- Record's recent growth may not continue and its planned expansion may not be successful;
- Record could fail to attract and/or retain highly-skilled employees and a senior management team;
- Record's results of operations could be adversely affected by a change in personnel or investment philosophy at an investment consultancy;
- Record's business may be adversely affected by legislative and regulatory changes;
- foreign exchange fluctuations may adversely affect the Group's results of operations;
- a slowdown in the economy or financial markets could adversely affect Record's business and the results of its business operations; and
- Record's business may be adversely affected by economic and political instability.

Risks relating to the Ordinary Shares

- the market price of the Ordinary Shares may fluctuate significantly in response to a number of factors, many of which will be out of Record's control;
- the level of any dividends payable to Shareholders may fluctuate;
- exchange rate fluctuations may impact on the price of the Ordinary Shares;
- there has been no prior market for the Ordinary Shares and an active trading market may not develop;
- substantial future sales of Ordinary Shares (including sales by Selling Shareholders following the expiry of the terms of the lock-up arrangements) could impact on their market price;
- Neil Record's substantial shareholding in the Company (which immediately following Admission will amount to 32.5 per cent. of the Company's issued share capital (assuming no exercise of the Over-allotment Option)) together with his influence over the Company may impact on the corporate activities of the Company; and
- a decrease in Neil Record's shareholding in the Company to 25 per cent. or below or another shareholder owning a beneficial interest in greater than 25 per cent. of the shares of the Company may adversely affect the retention, or the terms, of mandates with clients based in the US.

Part II

Risk Factors

Before making an investment decision with respect to the Ordinary Shares, prospective Investors should consider carefully all of the information set out in this document. Prospective Investors should have particular regard to, amongst other matters, the risk factors set out in this Part II. The risk factors set out in this document, alone or collectively, may reduce the value of the Ordinary Shares and could result in a loss of all, or a portion, of an Investor's investment in the Ordinary Shares. The risk factors set out in this document are not exhaustive and do not necessarily comprise all the risks associated with an investment in the Ordinary Shares. There may be other risks that a prospective Investor should consider that are relevant to its own particular circumstances or which are not presently known to the Directors, or which the Directors currently deem immaterial, which may also have an adverse effect on the Group's business, financial condition and results of operations.

An investment in the Ordinary Shares involves complex financial risks and is suitable only for Investors who (either alone or in conjunction with an appropriate financial or other adviser) are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses that may result therefrom. Prospective Investors should consider carefully whether an investment in the Company is suitable for them in light of all the information in this document and the financial resources available to them. References in this Part II to the Group include, where applicable and as the context may require, references to all members of the Group or any individual member of the Group.

RISKS RELATING TO THE GROUP

The Group's revenue is derived primarily from a single group of similar and related products and services, and a decline in demand for, or the price of, these products or services could substantially adversely affect the Group's results of operations.

The Group is solely dependent on currency investment management and hedging services for its revenue. Record categorises its investment services into three products: currency for absolute return, active hedging and passive hedging. Of the three products, currency for absolute return has been developed most recently. Record's currency for return product accounted for 80 per cent. of its revenues in the year to 31st March 2007. If the demand for, or the price of, this service declines, it could substantially affect the Group's results and negatively affect the price of Ordinary Shares.

The Group is dependent on its proprietary investment process, which is systematic in nature, to generate investment decisions. Should the analysis on which the systematic process is based cease to be appropriate for any reason, investment performance could suffer and performance and management fees received by Record could be reduced.

Record has developed a systematic investment process based on statistical analysis of the behaviour of currency markets over time. If this analysis of the currency markets should prove to be erroneous, or if the currency markets were to evolve in a manner which undermined the conclusions of that analysis, the investment process could suffer reduced effectiveness and the investment returns generated for clients could be eroded or eliminated. As a result, Record could experience a loss of clients and therefore of fee income and difficulty in attracting new clients.

The Group is dependent on its proprietary investment management software (the Record Overlay Management Program "ROMP") and other information systems and software to prompt investment activity and to administer client portfolios. Should ROMP or other information systems fail for any reason, Record's ability to provide currency management services to clients would be severely limited and performance and management fees received by Record would be reduced.

Record's systematic currency investment process is encapsulated in ROMP and ROMP prompts investment activity for all clients. A technical fault with, or other damage or disruption to, ROMP could

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Risk Factors

impair or eliminate Record's ability to provide its services. Faults with other information systems and software could also impair or eliminate Record's ability to administer client investment portfolios. Record's disaster recovery plans could prove inadequate and so undermine or destroy the Group's ability to continue its investment operations following an information systems failure or their inaccessibility.

If the Group does not compete effectively with its existing and potential future competitors and, in particular, if the Group's competitors develop products and services that are, or are perceived to be, better than the Group's products and services, the Group's growth, revenue and operating margins may decline.

The market for currency management is competitive. The Group's business and operating results may suffer if the Group does not maintain sufficiently distinct currency management products and marketing strategies. A competitive market environment may also result in increased pressure on revenue margins. Equally, the Group may experience material adverse change if there is a failure to keep up with rapid market or infrastructural change.

A failure to retain existing clients and/or to attract new clients would adversely affect the Group's revenue, growth and results of operations.

Record generates a significant proportion of its revenue from a relatively small number of clients pursuant to the terms of investment management agreements. Typically, Record's investment management agreements are terminable by the client for any reason on no or relatively little notice. For the six months ended 30th September 2007, Record's top five clients accounted for 28 per cent. of total revenues, 13 per cent. of management fee income and 41 per cent. of performance fee income. The loss of all or a substantial proportion of the business provided by one or more of these key clients or the termination of a substantial number of investment management agreements would have a material adverse effect on Record's financial results. A failure by Record to attract new clients may have an adverse impact on the development of the Group's business.

Unsatisfactory investment returns, loss of business reputation, negative publicity, the loss of key senior managers or the failure to maintain the investment process may lead to a loss of future opportunities.

Record's reputation in the currency management markets is key to the retention of existing and the attraction of new clients. If Record's business reputation in the currency management market is diminished or degraded the Group may experience a reduction in its client base and a difficulty in attracting new clients. This may have an adverse effect on the development of Record's business and an adverse effect on its results of operations.

The standing of a currency manager with investors and investment consultants is based on the continuity of key personnel at the currency manager combined with a continuity of investment philosophy and process. A loss of key senior managers or a failure to continue the investment process in the manner in which it is currently conducted could result in fewer investment consultants recommending Record which in turn may contribute to a loss of future opportunities for the Group.

Equally, investors and investment consultants take account of the historical investment performance of the currency manager. If the funds managed by Record do not provide satisfactory or appropriate investment returns relative to the Group's competitors, investment consultants are unlikely to recommend the Group and clients are unlikely to involve the Group in the management of investments. There can be no assurance that the growth or historical performance that Record has experienced will continue. If Record under-performs its competitors or any relevant benchmarks, the Group may be removed from short lists maintained by investment consultants, giving rise to a loss of business and/or a failure to win new mandates, any of which could result in a material adverse effect on the Group's business, results of operations and/or financial condition.

Performance fees receivable by members of the Group are subject to investment performance and this may increase the volatility of the Group's earnings.

Performance fees constitute a significant proportion of the Group's revenue. In contrast to management fees which are not directly dependent upon the underlying performance of the AuME, performance fees

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vary between periods depending upon investment performance and in most cases future performance fees will be payable only upon investment performance exceeding previous “high water marks”. As a result, Record’s total earnings could decline over consecutive periods despite an increase in AuME and management fees. Failure to accrue performance fees will have a material adverse effect on the Group’s results of operations and is likely negatively to affect the price of Ordinary Shares.

As the Group continues to grow and it becomes a more substantial participant in foreign exchange markets, it may experience greater difficulty executing (fulfilling) client transactions.

The continued growth of Record’s business may result in the Group becoming a more substantial participant in the foreign exchange markets. Record’s increased presence in these markets may lead to a difficulty in finding counterparties for client transactions and therefore in obtaining sufficient liquidity in the currency market. A growth in Record’s trading volumes may enable counterparty banks to anticipate Record’s position and price contracts accordingly.

There can be no assurance that the growth Record has experienced will continue or that its planned expansion will be successful.

The ability of Record to expand its business will depend upon Record’s ability to deal with an increased volume of currency management work as well as the ability of the Group’s management to identify extensions to the Group’s existing business and to establish new products. Without increasing the specialisation of support functions, hiring additional staff members and further development of information technology support to reduce the administrative burden on Record, the Group may have difficulties increasing its client base, dealing with an increased volume of work and effecting sustainable long-term growth. If the Group’s management is not able to expand the Group’s business by improving scalability, there may be a material adverse effect on Record’s results of operations and/or financial condition. Equally, implementing the Group’s growth strategy may lead to increased costs and lower profitability. Expansion may include new routes to market such as (i) marketing arrangements with selected individuals or firms based in the relevant markets; and (ii) third party marketing/distribution arrangements with local institutions. Such routes have not previously been adopted by Record.

If the Group fails to attract and/or retain highly-skilled employees or to retain its senior management team, the Group’s ability to maintain strong relationships with investment consultants, execute its business strategy successfully and to provide quality services to its clients may be adversely affected.

Record’s business is heavily dependent on its employees and its success depends to a significant extent on the skill, experience and dedication of its employees. If the Group is unable to retain and attract sufficiently experienced and capable personnel, especially in investment research, client development and service, and trading and operations, the Group’s ability to develop high quality products and provide high quality client service may be impaired. Specifically, Record is reliant on the technical expertise of the trading systems programmers and a failure to retain these highly-skilled individuals may have a material adverse effect on the development of the Group.

From the perspective of client relationship management and new business development, the performance and results of Record’s business are dependent on its senior management team. There can be no guarantee that such persons will remain with the Group. The loss of any of these individuals could lead to an adverse effect on the operation of the Group’s business and its ability to retain existing, and develop new, investment consultant relationships, particularly if an appropriate replacement cannot be found within a suitable time period. Accordingly, the loss of senior management could have a material adverse effect on Record’s business, results of operations and financial condition.

The Group’s results of operations could be adversely affected by a change of personnel at, or investment philosophy by, the investment consultants with whom it has a relationship.

Record’s ability to attract new and retain existing clients depends significantly on its relationships with a small number of investment consultants. Three investment consultants originated 58 per cent. of Record’s combined currency for absolute return and active hedging AuME at 30th September 2007. A change in

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management at an investment consultancy or a change in that consultancy's investment philosophy or currency strategy may harm Record's business if, for example, the investment consultancy endorses a different asset class or shifts its alignment away from Record's own philosophy or to another competitor. Each circumstance could have a material adverse effect on the Group's client base and results of operations.

Record's business may be adversely affected by legislative and regulatory changes.

RCML is authorised and regulated by the FSA in the United Kingdom, by the S.E.C. in the United States and by the Ontario Securities Commission in Canada. RCML also prepares Part B of Derivative Risk Statements for a client that is regulated by the Australian Prudential Regulatory Authority in order to enable the client to comply with its regulatory reporting requirements. RCML is the investment manager and distributor of the Record Umbrella Fund which is an open-ended umbrella unit trust authorised by the Irish Financial Regulator. RCML is authorised by the Irish Financial Regulator as a promoter to establish Irish investment funds. Changes to regulatory requirements in the above mentioned jurisdictions or in any other jurisdiction in which Record undertakes business may require RCML or other members of the Group to obtain additional or new authorisations or permissions and/or make it more onerous financially, legally or otherwise for RCML to carry on its business in a manner substantially similar to the way in which it conducts business currently. Specifically, the FSA's attitude to matters such as regulatory capital requirements and control requirements could change in light of the introduction of MiFID and the full implementation of the CRD and ICAAP. As a result, Record's administrative burden could increase and its financial condition could be adversely affected.

The Group's results of operations could be adversely affected by foreign exchange fluctuations.

The Group is exposed to exchange rate changes in respect of its foreign currency denominated AuME, as such changes will affect the Sterling value of the AuME on which ad valorem fees are calculated. Changes in the exchange rates adversely affecting the Sterling value of the AuME may adversely affect the results of Record's business operations.

Record's financial statements are prepared in accordance with IFRS and are stated in Sterling; however the Company's revenues and expenses are also earned and paid in several other currencies, including Euros, Swiss Francs and US Dollars. Revenues and expenses are then translated into Sterling at the applicable exchange rates for inclusion in the Company's consolidated financial statements. The exchange rate between, for example, Pounds Sterling and US Dollars can fluctuate substantially. In respect of revenues, Record eliminates the risk of adverse foreign exchange movements occurring between the date an invoice is raised and the date on which an invoice is paid by hedging the amount invoiced on the date the invoice is generated. Record does not operate such a policy in respect of expenses. Therefore, either failure to put in place hedging contracts in respect of revenues or adverse foreign exchange fluctuations in relation to expenses could have a material adverse effect on the Group's results of operations and financial condition.

Record's business depends largely on the economy and financial markets, and a slowdown in the economy or financial markets could adversely affect the Group's business and results of operations.

The currency management sector is and is expected to remain, Record's primary industry. If there is a slowdown or downturn in the economy, a drop in stock market levels or foreign exchange trading volumes or a disruption in credit markets or a terrorist attack, military action or any other event that disrupts the financial markets, the size of mandates obtained by Record may reduce. As a result the Group's business, financial condition and results of operations may suffer.

Part II

Risk Factors

Record does business internationally and its business may be adversely affected by economic and political instability.

A significant proportion of the Group's revenue is generated outside the United Kingdom. Accordingly, the Group's business and financial results could be adversely affected due to a variety of factors, including:

- changes in a specific country's or region's political and cultural climate or economic conditions;
- changes in foreign laws and regulatory requirements or the Group's ability to comply with such laws and regulations; and
- the difficulty of effective enforcement of contractual provisions in local jurisdictions.

RISKS RELATING TO THE ORDINARY SHARES

The market price of the Ordinary Shares may fluctuate significantly in response to a number of factors, many of which will be out of the Company's control.

Publicly traded securities from time to time experience significant price and volume fluctuations that may be unrelated to the operating performance of the company that has issued them. The market price of the Ordinary Shares may prove to be highly volatile and may fluctuate significantly in response to a number of factors, many of which are beyond the Company's control, including variations in operating results in the Group's reporting periods, changes in financial estimates by securities analysts, changes in market valuation of similar companies, announcements by the Group of significant contracts, acquisitions, strategic alliances, joint ventures or capital commitments, loss of a major client, additions or departures of key personnel, any shortfall in turnover or net profit or any increase in losses from levels expected by securities analysts, and future issues or sales of Ordinary Shares. Any or all of these events could result in a material decline in the price of the Ordinary Shares.

Exchange rate fluctuations may impact on the price of Ordinary Shares.

The Ordinary Shares will be quoted in Pounds Sterling. An investment in Ordinary Shares by an Investor in a jurisdiction whose principal currency is not Pounds Sterling exposes the Investor to foreign currency rate risk. Any depreciation of the Pound Sterling in relation to such foreign currency will reduce the value of the investment in the Ordinary Shares in foreign currency terms.

The level of any dividends payable to Shareholders may fluctuate.

The ability of the Company to pay any dividends in respect of Ordinary Shares will depend on the level of the earnings, reserves and any ongoing regulatory capital requirements of the Company as well as its cash position and the judgement of the Directors. Accordingly, the amount of any dividends paid to Shareholders may fluctuate. Any change in tax or accounting treatment of any dividends may also affect the level of dividends received by Shareholders.

There has been no prior market for the Ordinary Shares and an active trading market may not develop.

Prior to the Offer there has been no public trading market for the Ordinary Shares. The Company has applied to the UK Listing Authority for admission to the Official List and to the London Stock Exchange for admission to trading on its main market for listed securities. However, there is no assurance that an active trading market for the Ordinary Shares will develop or, if developed, be sustained following the closing of the Offer. If an active trading market is not developed or maintained, the liquidity and trading price of the Ordinary Shares could be adversely affected. Even if an active trading market develops, the market price for the Ordinary Shares may fall below the Offer Price, perhaps substantially. As a result of fluctuations in the market price of the Ordinary Shares, Investors may not be able to sell their Ordinary Shares at or above the Offer Price, or at all.

Substantial future sales of Ordinary Shares (including sales by Selling Shareholders following the expiry of the terms of the lock-up arrangements) could impact on the market price of Ordinary Shares.

The Company cannot predict what effect, if any, future sales of Ordinary Shares, or the availability of Ordinary Shares for future sale, will have on the market price of Ordinary Shares. Sales of substantial

Part II Risk Factors

numbers of Ordinary Shares in the public market following the Offer, or the perception or any announcement that such sales could occur, during the period immediately prior to the expiration of any lock-up arrangements, could adversely affect the market price of Ordinary Shares and may make it more difficult for Investors to sell their Ordinary Shares at a time and price which they deem appropriate.

Immediately following the Offer, approximately 221,380,800 Ordinary Shares will be in issue. Certain of the holders of Ordinary Shares have agreed to certain lock-up arrangements in respect of Ordinary Shares held by them prior to Admission. During the periods immediately prior to and following the end of the periods of sales restriction provided for by these lock-up arrangements, the market price of the Ordinary Shares may fall in anticipation of a sale of Ordinary Shares. Following the expiration of these arrangements, there will be no contractual restriction on the sale of the Ordinary Shares owned by the Shareholders who were previously subject to them. Furthermore, the Company and the Sponsor may, in their sole discretion, and at any time or from time to time, without notice release all or any portion of the Ordinary Shares subject to these lock-up arrangements.

Approximately 63 per cent. of the Ordinary Shares in issue after Admission will be subject to these lock-up arrangements (excluding separate lock-up arrangements for Les Halpin and Michael Timmins). See the section headed “The Underwriting Agreement” in Part X of this document for further information relating to these lock-up arrangements.

Neil Record’s substantial shareholding in the Company (which immediately following Admission will amount to 32.5 per cent. of the Company’s issued share capital (assuming no exercise of the Over-allotment Option)) together with his influence over the Company may impact on the corporate activities of the Company.

Following the Offer, Neil Record will retain a significant shareholding in the Company (which immediately following Admission will amount to 32.5 per cent. of the Company’s issued share capital (assuming no exercise of the Over-allotment Option)) which may impact on the outcome of those decisions and activities of the Company which require Shareholder approval or ratification. Neil Record will continue to exert substantial influence over the direction of the Company in his capacity as Chairman and Chief Executive Officer of Record and this, again, may affect the Company’s activities.

A decrease in Neil Record’s shareholding in the Company to 25 per cent. or below or another shareholder owning a beneficial interest in greater than 25 per cent. of the shares of the Company may adversely affect the retention, or the terms, of mandates with clients based in the US.

Under the US Investment Advisers Act of 1940 (the “IAA”), every investment advisory contract between an investment adviser registered under the IAA and its clients must provide that it may not be assigned by the investment adviser without the consent of the client. In addition, under the US Investment Company Act, each contract with an investment company registered under the US Investment Company Act must provide that it terminates upon its assignment. Under both the IAA and the US Investment Company Act, an investment advisory contract is deemed to have been assigned in the case of a direct “assignment” of the contract as well as in the case of a sale, directly or indirectly, of a “controlling block” of the adviser’s voting securities. The provisions relating to the “controlling block” are triggered, amongst other circumstances, when a shareholder who owns a beneficial interest in more than 25 per cent. of the shares of a relevant company reduces their interest to 25 per cent. or below and when a shareholder who owns a beneficial interest in 25 per cent. or less of the shares of a relevant company increases their interest to more than 25 per cent.

Neil Record is the only shareholder in the Company who holds in excess of a 25 per cent. beneficial interest in the Company. In the event that he chooses to reduce his shareholding to the 25 per cent. level or below or in the event that a current or future shareholder increases its interest to more than the 25 per cent. level or in the event that the provisions relating to the “controlling block” are otherwise triggered or that an assignment of the relevant contracts are otherwise made, certain investment advisory contracts may automatically terminate and other contracts will require the clients’ consent to be obtained. Such contracts contributed 4 per cent. of the Group’s revenues for the six months ended 30th September 2007. In such circumstances there is a risk that Record may not be able to obtain the necessary consents or agree to enter into new investment advisory contracts with the relevant clients or retain the revenues from such contracts or enter into new investment advisory contracts on the same terms as those previously entered into. The proportion of the Group’s revenues generated from US clients may increase in the future.

Part III

Directors, Registered Office, Secretary and Advisers

DIRECTORS

Neil Record	Chairman and Chief Executive Officer (“CEO”)
Leslie Hill	Client Team Head (“CTH”)
Peter Wakefield	Chief Operating Officer (“COO”)
Bob Noyen	Chief Investment Officer (“CIO”)
Michael Timmins	Chief Financial Officer (“CFO”)
Cees Schrauwers	Senior Non-Executive Director
Andrew Sykes	Non-Executive Director

COMPANY SECRETARY

Michael Timmins

REGISTERED AND HEAD OFFICE

Morgan House
Madeira Walk
Windsor
Berkshire SL4 1EP

SPONSOR & BOOKRUNNER

JPMorgan Cazenove Limited

LEGAL ADVISERS TO THE COMPANY

Macfarlanes
10 Norwich Street
London EC4A 1BD

LEGAL ADVISERS TO THE SPONSOR & BOOKRUNNER AND UNDERWRITER

Travers Smith
10 Snow Hill
London EC1A 2AL

AUDITORS

Grant Thornton UK LLP
Grant Thornton House
Melton Street
Euston Square
London
NW1 2EP

REPORTING ACCOUNTANTS

KPMG LLP
Arlington Business Park
Theale
Reading RG7 4SD

REGISTRARS

Capita Registrars Limited
The Registry
34 Beckenham Road
Kent
BR3 4TU

Part IV

Offer Statistics

The Offer statistics in this document are subject to change at the determination of the Company and the Bookrunner.

Offer Price	160 pence
Number of Offer Shares being offered	55,345,200
Number of Ordinary Shares subject to the Over-allotment Option ⁽¹⁾	5,534,520
Number of Ordinary Shares in issue immediately following completion of the Offer	221,380,800
Market capitalisation at the Offer Price	£354.2 million
Estimated net proceeds of the Offer receivable by the Selling Shareholders ⁽²⁾	£84.8 million

(1) The maximum number of Ordinary Shares subject to the Over-allotment Option will be 10 per cent. of the total number of Ordinary Shares available under the Offer.

(2) The proceeds receivable by the Selling Shareholders are stated after deduction of estimated underwriting commissions and stamp duty, assuming that there is no exercise of the Over-allotment Option and that the full discretionary fee is paid to the Bookrunner. The Company will not receive any of the net proceeds from the sale of the Ordinary Shares in the Offer.

Part V

Expected Timetable of Principal Events

	2007
Announcement of Offer Price and allocation ⁽¹⁾	28 th November
Publication of this document (with pricing information) ⁽²⁾	28 th November
Conditional dealings commence ⁽³⁾	8.00 a.m. on 28 th November
Admission and commencement of unconditional dealings	8.00 a.m. on 3 rd December
Crediting of Ordinary Shares to CREST accounts ⁽⁴⁾⁽⁵⁾	3 rd December
Where required, definitive share certificates available for despatch by	10 th December

(1) Each of the times and dates in the above timetable is subject to change. All times are London times.

(2) This document will be made available for collection from the Company's registered office and from the offices of Macfarlanes.

(3) It should be noted that, if Admission does not occur, all conditional dealings will be of no effect and any such dealings will be at the sole risk of the parties concerned.

(4) Or as soon as possible thereafter. No temporary documents of title will be issued.

(5) Save in respect of conditional dealings, settlement will be on T+3 basis.

Part VI Notice to Investors

OVER-ALLOTMENT AND STABILISATION

In connection with the Offer, JPMC, as Stabilising Manager, may, for stabilisation purposes, over-allot Ordinary Shares up to a maximum of 10 per cent. of the total number of Ordinary Shares comprised in the Offer. For the purposes of allowing it to cover short positions resulting from any such over-allotments and/or from sales of Ordinary Shares effected by it during the stabilisation period, the Stabilising Manager has entered into the Over-allotment Option with the Selling Shareholders pursuant to which the Stabilising Manager may purchase or procure purchasers for additional Ordinary Shares up to a maximum of 10 per cent. of the total number of Ordinary Shares comprised in the Offer at the Offer Price. The Over-allotment Option will be exercisable in whole or in part, upon notice by the Stabilising Manager, at any time on or before 30 days after the commencement of conditional trading of the Ordinary Shares on the London Stock Exchange. There is no assurance that stabilising transactions will be undertaken and stabilisation may be stopped at any time. Any Ordinary Shares made available pursuant to the Over-allotment Option will rank *pari passu* in all respects with the Ordinary Shares being sold in the Offer and will be purchased on the same terms and conditions as the Ordinary Shares being sold in the Offer and will form a single class for all purposes with the other Ordinary Shares.

In connection with the Offer, JPMC, as Stabilising Manager, or any of its agents, may (but will be under no obligation to), to the extent permitted by applicable law, over-allot or effect other transactions intended to enable it to support the market price of the Ordinary Shares at a level higher than that which might otherwise prevail in the open market. The Stabilising Manager is not required to enter into such transactions and such transactions may be effected on any stock market, over-the-counter market or otherwise. Such stabilising measures, if commenced, may be discontinued at any time and may only be taken during the period from commencement of conditional trading of the Ordinary Shares on the London Stock Exchange and ending no later than 30 days thereafter.

Save as required by law or regulation, neither the Stabilising Manager nor any of its agents intend to disclose the extent of any over-allotments and/or stabilisation transactions under the Offer.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Record's accounts are drawn up to 31st March each year. The periods analysed in this document are for the three years ended 31st March 2007, plus an additional audited six months to 30th September 2007. Record prepares its financial statements in accordance with IFRS.

The accountants' report included in Part IX of this document has been prepared in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom and the related consent to its inclusion in this document appearing in Part IX has been included as required by the FSA and solely for that purpose. Such report and consent were not prepared in accordance with standards generally accepted in the United States.

The report on the IFRS pro forma financial information in Part IX of this document is included solely to comply with the requirements of the FSA. All pro forma financial information is extracted without adjustment from the IFRS pro forma net asset statements in Part IX of this document as referred to.

The financial information contained in this document relating to Record does not constitute full statutory accounts within the meaning of Section 240 of the 1985 Act. Grant Thornton has audited Record's accounts for each of the three financial years ended 31 March 2007 and has issued audit reports in respect of each such accounts. Such reports were unqualified and did not include any statement made under Section 237(2) or (3) of the 1985 Act. Statutory accounts for each financial period have been delivered to the Registrar of Companies in England and Wales pursuant to Section 242 of the 1985 Act.

MARKET, ECONOMIC AND INDUSTRY DATA

Where information has been sourced from a third party, the Company confirms that such information has been accurately reproduced and as far as the Company is aware and is able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

CURRENCY PRESENTATION

Unless otherwise indicated, all references in this document to “£”, “Pounds Sterling”, “Pounds”, “Sterling”, “pence” or “p” are to the lawful currency of the United Kingdom, all references to “\$”, “US\$” or “US Dollars” are to the lawful currency of the United States and all references to “€” “Euro” or “Euros” are to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Community, as amended. The rates of exchange used for currency translations reflect the prevailing rate on the date to which the relevant amount relates.

FORWARD-LOOKING STATEMENTS

This document includes statements that are, or may be deemed to be, “forward-looking statements”. These forward-looking statements can be identified by the use of forward-looking terminology, including the terms “believes”, “estimates”, “forecasts”, “plans”, “prepares”, “anticipates”, “expects”, “intends”, “may”, “will”, “could” or “should” or, in each case, their negative or other variations or comparable terminology. These forward-looking statements include all matters about future events and developments and with respect to future financial results as well as other statements that do not relate to historical facts and events. They appear in a number of places throughout this document and include statements regarding the intentions, beliefs or current expectations of the Group and the Directors concerning, amongst other things, financing strategies, results of operations, financial condition, liquidity, prospects and dividend policy of the Group and the markets in which it operates. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Forward-looking statements are not guarantees of future performance. The Group’s actual results of operations, financial condition, liquidity, dividend policy and the development of its financing strategies may differ materially from the impression created by the forward-looking statements contained in this document. In addition, even if the results of operations, financial condition, liquidity and dividend policy of the Group, and the development of its financing strategies, are consistent with the forward-looking statements contained in this document, those results or developments may not be indicative of results or developments in subsequent periods. Important factors that could cause these differences include, but are not limited to those factors set out in Part II of this document.

Prospective Investors are advised to read this document in its entirety for a further discussion of the factors that could affect the Group’s future performance. In light of these risks, uncertainties and assumptions, the events described in the forward-looking statements in this document may not occur.

Consequently, neither the Company nor the Directors, nor the Selling Shareholders, nor the Sponsor, nor the Underwriter can give any assurances regarding the accuracy of the opinions set out in this document or the actual occurrence of the predicted developments.

Subject to their legal and regulatory obligations (including under the Listing Rules, Prospectus Rules and Disclosure and Transparency Rules), the Company, the Sponsor and the Underwriter expressly disclaim any obligations to update or revise any forward-looking statement contained herein to reflect any change in expectations with regard thereto or any change in events, conditions or circumstances on which any statement is based. All subsequent forward-looking statements that can be attributed either to the Company or to individuals acting on its behalf (including the Directors and Senior Managers) are expressly qualified in their entirety by this paragraph.

REFERENCES TO DEFINED TERMS

Certain terms used in this document, including certain capitalised terms and certain technical and other terms, are defined and explained in Part XV of this document. A glossary of key asset management terms is included in Part XIV of this document.

NO INCORPORATION OF WEBSITE INFORMATION

The content of any of the websites of the Company or any of its subsidiaries (the “Group” or “Record”) does not form part of this document and prospective Investors should not rely on it.

Apart from the responsibilities and liabilities, if any, which may be imposed on the Sponsor or the Underwriter by FSMA or the regulatory regime established thereunder, none of the Sponsor or the Underwriter accepts any responsibility whatsoever for the contents of this document or for any other statement made or purported to be made by it, or on its behalf, in connection with the Company, the Ordinary Shares or the Offer. The Sponsor and the Underwriter accordingly each disclaim all and any liability whether arising in tort, contract or otherwise (save as referred to above) which they might otherwise have in respect of such document or any such statement.

Prospective Investors must rely only on the information contained in this document and any supplementary prospectus produced to supplement the information contained in this document. No broker or dealer or any other person has been authorised to issue any advertisements or to give any information or to make any representations in connection with the Offer other than those contained in this document and, if issued, given or made, such advertisement, information or representation may not be relied upon as having been authorised by or on behalf of the Company, the Selling Shareholders, the Sponsor or the Underwriter.

In connection with the Offer, the Underwriter and any of its affiliates, acting as an Investor for its or their own account(s), may take up Ordinary Shares and in that capacity may retain, purchase, sell, offer to sell or otherwise deal for its or their own account(s) in such Ordinary Shares and other securities of the Company or related investments in connection with the Offer or otherwise. Accordingly, references in this document to the Ordinary Shares being issued, offered, subscribed, acquired, purchased, placed or otherwise dealt in should be read as including any issue or offer to, or subscription, purchase, acquisition, dealing or placing by the Underwriter and any of its affiliates acting as an Investor for its or their own account(s). The Underwriter does not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligations to do so.

GENERAL

This document describes the Company and the Group and provides general information about the Offer. Without prejudice to any obligation of the Company to publish a supplementary prospectus pursuant to Section 87G of FSMA and paragraph 3.4 of the Prospectus Rules, neither the delivery of this document at any time nor any purchase or sale made under this document shall, under any circumstances, create any implication that there has not been a change in the business or affairs of the Company or of the Group taken as a whole since the date of this document or that the information contained herein is correct as of any time subsequent to its date.

All references are to London time, unless otherwise stated.

Prospective Investors should not treat the contents of this document as advice relating to legal, taxation, investment or any other matters. Prospective Investors should inform themselves as to: (a) the legal requirements for the purchase, holding, transfer or other disposal of Ordinary Shares; (b) any foreign exchange restrictions applicable to the purchase, holding, transfer or other disposal of Ordinary Shares which they might encounter; and (c) the income and other tax consequences which may apply as a result of the purchase, holding, transfer or other disposal of Ordinary Shares. Prospective Investors must rely upon their own representatives, including their own legal advisers and accountants, as to legal, tax, investment or any other related matters concerning the Company and an investment therein. Statements made in this document are based on the law and practice currently in force in England and Wales and are subject to changes therein. All Shareholders are entitled to the benefit of, and are bound by and are deemed to have notice of, the provisions of the memorandum of association of the Company and the Articles of Association.

Part VII

Information about Record

Before making an investment decision with respect to the Ordinary Shares, prospective Investors should consider carefully all of the information set out in this document. Prospective Investors should have particular regard to, amongst other matters, the risk factors set out in Part II. An investment in the Ordinary Shares involves complex financial risks and is suitable only for Investors who (either alone or in conjunction with an appropriate financial or other adviser) are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses that may result therefrom. Prospective Investors should consider carefully whether an investment in the Company is suitable for them in light of all the information in this document and the financial resources available to them.

1. INTRODUCTION TO RECORD

Overview

Record is a specialist currency investment manager and provider of currency hedging services for institutional clients. The Group, founded over 20 years ago, has a leading position in managing currency for absolute return for institutional clients, which the Directors expect to continue to increase in popularity as an asset class for institutional investors, including defined benefit pension schemes, both in the United Kingdom and overseas.

Record has three principal product lines:

- currency for absolute return, whereby clients instruct Record to enter into currency contracts with the objective of generating positive returns;
- active hedging, whereby clients instruct Record to seek to eliminate the impact of currency movements on elements of investment portfolios that are denominated in currencies other than the client's base currency when these movements are expected to result in an economic loss to the client, but not to do so when movements are expected to produce a beneficial economic impact for the client; and
- passive hedging, whereby clients instruct Record to seek to eliminate fully the economic impact of currency movements on elements of investment portfolios that are denominated in currencies other than the client's base currency.

Bespoke products can be constructed for clients from a combination or elements of the product lines set out above.

Record managed aggregate client risk exposures totalling \$54.7 billion in AuME as at 30th September 2007. Of this total, \$28.5 billion of AuME was in respect of currency for absolute return, \$4.2 billion in respect of active hedging and \$18.6 billion in respect of passive hedging. In addition to these AuME, as at 30th September 2007 Record also managed \$3.4 billion of client cash and futures positions held by clients' custodians and/or banks as part of the mechanisms put in place to support currency management activity for those clients. Currency for absolute return clients can invest with Record either through a segregated mandate, or through one of Record's pooled funds. As at 30th September 2007, Record had AuME of \$12.6 billion in segregated mandates for absolute return and \$15.9 billion in pooled funds.

Record targets institutional clients in the United Kingdom, continental Europe, North America and elsewhere, such as the Sainsbury's pension fund, the Boeing pension fund, the City of Zurich pension fund, the London Pensions Fund Authority, and SEI. Record had 115 clients as at 30th September 2007, including 79 investors in the pooled funds of which the Group is the promoter, investment manager, and distributor. In addition to these, 27 clients had one or more segregated absolute return mandates, and eight had hedging mandates only. The Record Umbrella Fund, to which the Group provides cash and futures management services in addition to its core currency management activity, brings the total to 115.

Part VII Information about Record

The Group employs a systematic investment decision making process, with daily trades identified by a quantitative model based on the analysis of Record's extensive proprietary data on the currency markets. The process has been built and evolved over 23 years, and is now supported by the judgement of Record's Investment Committee who have 65 years of experience of currency markets between them.

Record was established in 1983 and is based in Windsor, England. It currently has 52 employees, of whom 7 are employed in the Investment and Research function, 8 in the Client function, and 18 in the Trading and Operations function. The business is managed by the Chairman and three Managing Directors.

Record predominantly manages risk exposures on behalf of its clients through entering into multiple currency forward contracts on clients' behalf. Because clients' risk exposures are managed through forward contracts, Record does not need to hold client funds in order to undertake currency investments on their behalf. These forward contracts are entered into directly between Record's client and the forward contract counterparty, or through the client's prime broker; Record is not a party to these contracts on its own behalf and is not exposed to risk in respect of them.

In respect of currency for absolute return, the maximum aggregate nominal amount outstanding on forward contracts on behalf of any one client is referred to as the "assets under management equivalents" (or AuME). In respect of active hedging mandates, the total amount of a client's investment portfolio denominated in liquid foreign currencies, and hence capable (under the terms of the relevant mandate) of being hedged, is referred to as "assets under management equivalents". In respect of passive hedging mandates, the aggregate nominal amount of passive hedges actually outstanding at any one point in time on behalf of any one client is referred to as "assets under management equivalents".

In addition to currency management, Record also manages cash and futures for clients to support its currency management activity. Although it is not necessary for Record to hold client funds in order to manage currency for clients, currency management generates cash flow when currency forward contracts mature, and some of Record's clients hold cash specifically to support this aspect of currency management activity. In many cases, Record manages the cash set aside for this purpose, and in some cases Record generates an equity or fixed income exposure on this cash by buying and holding appropriate futures contracts.

With respect to currency management, decisions as to which contracts to enter into (in respect of both currency for absolute return and active hedging) are made through a formal investment process based on a quantitative model developed and refined over the past 25 years. Experience has shown that application of this process to seeking absolute returns is expected to produce an annual return of approximately 3 per cent. of AuME gross of fees. The variability (or "volatility") of the returns generated by Record's investment process, expressed as the annualised standard deviation of the monthly returns generated in each calendar month, is expected to be approximately 4 per cent. over rolling three — year periods. The statistical measure of 'standard deviation' makes certain assumptions about the way in which returns are distributed around the average level, and based on those assumptions, indicates that approximately 68 per cent. of the time annual returns are expected to be in a range of plus or minus 4 per cent. around the average level of 3 per cent. (i.e. in a range from minus 1 per cent. to plus 7 per cent. per annum); and that approximately 95 per cent. of the time, they are expected to be in a range of plus or minus 8 per cent. around the average level (i.e. in a range from minus 5 per cent. to plus 11 per cent. of AuME).

From inception at 1st February 2003 to 31st October 2007, the Record Currency Alpha Composite demonstrates an absolute return of 2.25 per cent. of AuME per year gross of fees at a volatility of 2.97 per cent. The investment performance figures for the Cash Plus Fund, for which clients' subscriptions as at 30th September 2007 amount to 17.5 per cent. of AuME, are an absolute return of 18 per cent. per year of the fund's net asset value gross of fees and a volatility of 20.2 per cent. since inception in August 2005.

RCML's activities are regulated by the FSA in the United Kingdom, by the S.E.C. in the United States and by the Ontario Securities Commission in Canada. RCML also prepares Part B of Derivative Risk

Part VII Information about Record

Statements for a client that is regulated by the Australian Prudential Regulatory Authority to enable the client to comply with its regulatory reporting requirements. RCML is the investment manager and distributor of the Record Umbrella Fund which is an open-ended umbrella unit trust authorised by the Irish Financial Regulator. RCML is authorised by the Irish Financial Regulator as a promoter to establish Irish investment funds.

History

Record was established in 1983 by Neil Record, the current Chairman and Chief Executive Officer. Record's principal product from 1983 until 2002 was currency hedging. Through the 1980s, the Group was predominantly focused on providing hedging services for corporate clients for whom foreign exchange exposures arose through the cross-border nature of their businesses.

During the 1990s, Record developed a currency hedging service for institutional investors, whereby Record would seek to eliminate the currency risk on those elements of its clients' portfolios denominated in currencies other than the client's base currency. Record would undertake both passive hedging (whereby Record would provide a full elimination of risk), and active hedging (whereby Record would implement only those hedging contracts which the model indicated would be more likely to result in a gain for the client than a loss).

From 2001, Record developed the currency for absolute return product. The catalysts for the development of this product included an expectation that institutional investors' and investment consultants' acceptance of alternative asset classes would grow as equity markets fell in value. For United Kingdom-based institutions, and particularly for defined benefit pension funds, the weakening US Dollar compounded the declines in equity markets, and reinforced the requirement to seek enhanced investment returns through alternative asset classes. Against this background, investment consultants and fund trustees both in the United Kingdom and elsewhere increasingly accepted currency for absolute return as an investment tool for institutional investors.

Record was able to take advantage of these changes to build its currency for absolute return product. In doing so, Record marketed those qualities that the Directors still consider to be key differentiating factors as compared to other providers of such services, namely the historic stability of the Group's management team, the experience and track record demonstrated by the use of the same underlying model since 1983, and Record's status and recognition in the market as a specialist currency investment manager.

Since 2002, the Group has taken advantage of increasing demand for currency for absolute return products from United Kingdom and international institutional investors to grow this product line rapidly, such that Record is now one of the world's leading dedicated currency investment management specialists. From 31st March 2005 to 30th September 2007, the Group has increased its number of clients from 31 to 115, its AuME from \$17 billion to \$54.7 billion and its number of employees from 30 to 48.

Summary financial information

INCOME STATEMENT

	Year ended 31 st Mar			Six months ended 30 th Sep	
	2005	2006	2007	2007	2006
Total fees receivable	5,453	11,453	35,244	42,557	12,315
Operating profit	1,325	4,393	19,375	26,179	7,211
% of total fees	24	38	55	62	59
Net profit for the period (after tax)	908	3,132	14,145	18,349	5,088
% of total fees	17	27	40	43	41

The table above demonstrates that between 1st April 2004 and 30th September 2007 total fees receivable increased by a compound annual growth rate of 127 per cent. During the same period the operating profit increased by a compound annual growth rate of 230 per cent, resulting in the improvement in operating profit margin from 24 per cent. for the year ended 31st March 2005 to 55 per cent. for the year to 31st March 2007. For the six months to 30th September 2007 the operating profit margin was 62 per cent.

The net profit after tax increased from £0.9 million in the year ended 31st March 2005 to £3.1 million in the year ended 31st March 2006 (a year on year increase of 245 per cent.). In the year to 31st March 2007 net profit after tax increased to £14.1 million (a year on year increase of 352 per cent.). For the six months ended 30th September 2007 the net profit after tax was £18.3 million, an increase of 261 per cent. over the same period last year.

2. KEY STRENGTHS

The Directors believe the Group's key strengths to be the following:

A leading currency asset manager

Record is one of the world's leading dedicated currency investment management specialists. The Directors believe Record to be the largest independently-owned specialist currency management firm, measured by AuME. Furthermore, the Directors believe the Group has the leading share of the market in the United Kingdom for currency for absolute return for defined benefit pension fund clients. As at 30th September 2007, Record's United Kingdom defined benefit pension fund clients had total assets under management representing approximately 11.4 per cent. of the total United Kingdom defined benefit pension fund market (source: Record; UBS Pensions Funds Indicators 2007).

Management team is highly experienced

Neil Record established the Group 24 years ago and has been active in currency markets for 27 years. In addition, the three Managing Directors have an average of over 10 years employed at Record and 17 years employed in currency markets and related areas, and the Group's other directors also have an average of 10 years employed at Record and 17 years employed in currency markets. Neil Record is a member of the Outreach subgroup of the Foreign Exchange Joint Standing Committee established under the auspices of the Bank of England. Other Record employees (in particular Peter Wakefield, COO and Bob Noyen, CIO) are contributors to journals and regular conference speakers, and one is a member of the FTSE European Index Committee.

The Group is managed by the Chairman and three Managing Directors collectively, and has enjoyed low levels of staff turnover. All key employees hold shares in the Company, which has helped enable Record to maintain the depth and breadth of talent required to create a sustainable and market-leading currency investment management franchise.

Institutional client base with long-term focus

Record has consistently focused on developing and marketing its product to institutional clients. This strategy has been pursued deliberately in recognition of the disciplined and rigorous process that institutional clients typically undertake in advance of making investment decisions, since these decisions typically reflect long-term strategic asset allocation. Whilst this may create a lead time in advance of client commitments, the Directors expect that this is also likely to make clients more measured in considering whether to terminate mandates or redeem pooled fund units.

This is reflected in the low levels of client redemptions seen: from 31st March 2004 to 30th September 2007 the absolute return product saw only one client loss, representing \$102 million of AuME as at the end of the month prior to termination. In the same period, client losses from the active hedging product have amounted to \$3.8 billion from four clients; a further four clients have terminated active hedging mandates with Record but retained Record with mandates in respect of other products (absolute return and/or passive). The Directors attribute this low level of client loss to the Group's efforts in educating clients as to the anticipated outcome, including potential volatility, of Record's investment strategies.

Investment process is proven, institutionalised and highly disciplined

Investment decisions at Record are made by a formal process that is encapsulated in a computerised system which controls day-to-day trading decisions. Management retains the formal ability to over-ride the process

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under certain circumstances, but this ability is rarely exercised. The Directors believe the nature of this process benefits Record's clients by enhancing the predictability of investment returns over the medium and long term, and by eliminating risk associated with one or more critical investment individuals.

The investment process is structured so as to take a large number of currency positions in circumstances where there is a slightly higher, but statistically significant, probability of making a profit than a loss. Positions taken are then managed using a process that is substantially the same as that established at Record in 1983, with the aim of achieving, on average, significantly higher profits from the profitable positions than the average losses suffered on the unprofitable positions. Applied across a sufficiently diverse and large number of positions, this process is expected to generate both more frequent and larger profits than losses. Group data on the absolute return product supports the effectiveness of this approach: from 1st February 2003 to 31st October 2007, the process has generated net gains in 58 per cent. of the months in the period; and the average gain per profitable month has been 29 per cent. higher than the average loss per losing month.

Amongst the longest investment performance track records in the institutional currency for absolute return industry

Record has externally-validated track records for currency for absolute return mandates dating back to 2003. The Directors believe these to be amongst the longest pure currency for absolute return track records available to industry participants. Record aggregates individual mandate track records for the absolute return product to form the Record Currency Alpha Composite. From inception at 1st February 2003 to 31st October 2007, the Currency Alpha Composite demonstrates an absolute return of 2.25 per cent. of AuME per year gross of fees at a volatility of 2.97 per cent.

Since clients are not required to deposit any funds with Record in respect of segregated mandates, a client's investment return expressed as a percentage of risk capital allocated against its outstanding forward contracts exposure could be many multiples of this level (achieved at a correspondingly higher volatility level). The investment performance figures for the Cash Plus Fund, one of Record's pooled funds, for which clients' subscriptions amount to 17.5 per cent. of AuME, are an absolute return of 18 per cent. per year of the fund's net asset value gross of fees and a volatility of 20.2 per cent. since inception in August 2005.

In addition to Record's actual track record for the currency for absolute return product dating back to 2003, Record has constructed a pro forma track record dating back to 1992, through the retrospective application of Record's systematic investment process to actual historic currency market data. This longer term pro forma track record demonstrates investment performance consistent with the actual track record since 2003, with an absolute return since inception of 2.9 per cent. of AuME per year gross of fees at a volatility of 4.2 per cent.

These absolute returns, whether segregated or pooled, are achieved with a relatively low level of correlation to other asset classes. Over the period since inception of the Record Currency Alpha Composite to 31st October 2007, correlations with the following indices were as set out below:

	Coefficient of monthly returns against Record Currency Alpha Composite	Coefficient of monthly returns against pro forma track record, 10 years to 30th September 2007
FTSE 100	0.21	-0.02
Gilts (FTSE Actuaries Govt Securities UK Gilts Total return Index All Stocks)	-0.06	-0.04 ⁽¹⁾
Global Equities (MSCI World in US\$, currency hedged)	0.31	0.06
Global Bonds (Lehman Global Agg in US\$, currency hedged)	0.02	-0.04
US Equities (S&P 500)	0.30	0.01
Commodities (GS Commodities Index)	-0.04	-0.13
US Bonds (Lehman Agg)	-0.01	-0.08

(1) since 31st December 1998 only

Source : Record

Strong distribution capabilities and relationships with investment consultants

Record's client base is almost entirely institutional. Given this and existing market structures, Record's key distribution mechanism in the United Kingdom, Ireland, the United States and elsewhere is through investment consultants, of whom a significant proportion recognise that active management of currency can generate absolute returns, or "alpha", as an asset class in its own right. Record has strong relationships with a number of investment consultants and these are managed by the Chairman and the three Managing Directors with support from the client team. Record also continues to win new business through existing client referrals, particularly in Switzerland, and through direct marketing.

Efficient and scalable business model

Record's quantitative model and efficient infrastructure have enabled it to grow AuME and revenues significantly whilst maintaining operating discipline. AuME increased from \$17 billion at 31st March 2005 to \$54.7 billion at 30th September 2007. Revenues increased from £5.5 million in the year ended 31st March 2005 to £35.2 million in the year ended 31st March 2007, a compound annual growth rate of 154 per cent. per year, whilst costs (including variable compensation expenses) increased by 96 per cent. per year over the same period, and hence operating profit increased at a compound annual growth rate of 282 per cent. per year. Excluding variable compensation expenses, costs increased at a compound annual growth rate of 36 per cent. per year over the same period.

Record is continuing to implement enhancements to systems, particularly with respect to automated client reporting and enhanced trading flexibility, to maintain the efficiency and improve the scalability of the business model. The Group is also exploring the use of online trading to enhance efficiency and has adopted continuous linked settlement arrangements, where available from its clients' custodians, to eliminate settlement risk and to reduce administration costs. Within Record, further specialisation of roles has been and will continue to be pursued in order to maintain efficiency and scalability.

Strong financial performance and controls

Record has grown its business significantly in recent years whilst maintaining a high standard of financial and regulatory controls. Revenues and operating profit have grown at an annual compound growth rate of 154 per cent. and 282 per cent. per year respectively from the year ended 31st March 2005 to the year ended 31st March 2007, and profit after tax has grown from £0.9 million to £14.1 million, an increase of 295 per cent. per year over the three years. Within revenues, over the same period management fees grew from £5.0 million to £21.5 million, an annual growth rate of 107 per cent., and performance fees increased from £0.2 million to £13.6 million, an average increase of 711 per cent. per annum. Record's operating margin increased from 24 per cent. to 55 per cent.

The presence of barriers to entry

The Directors believe that the relatively small number of experienced currency asset management professionals worldwide, the difficulty of establishing a credible investment track record, and the absence of off-the-shelf trading and currency asset management systems, represent barriers to entry into the currency asset management business, and give managers already established in this sector such as Record a degree of protection from new entrants to the market.

Strong corporate culture

The Directors believe that the Group benefits from a strong corporate culture, including wide participation by the Group's staff in its financial fortunes. Of the 30 staff who have been with the Group for more than two years, 22 own shares in the Company. After Admission, the Directors will encourage all staff to acquire shares in the Company, supported by the bonus arrangements set out in section 10 of Part XIII.

3. STRATEGY

Currency for absolute return

Currency for absolute return is a relatively new asset class, and the Directors see considerable scope for its continued adoption by institutional investors. Record's strategy is to continue to exploit the growth in currency for absolute return as an asset class, whilst managing the overall growth rate of the business at a level which maintains the high levels of investment performance and client service achieved to date.

Growth from further adoption in the United Kingdom

The United Kingdom defined benefit pension fund market totals approximately £835 billion in assets under management (source: UBS Pensions Funds Indicators 2007). The Directors believe that the Group has the leading share of the market in the United Kingdom for currency for absolute return for defined benefit pension fund clients. At 30th September 2007 Record's clients accounted for £95 billion, or 11.4 per cent. of this market, and invest \$30.4 billion in currency AuME with Record.

The Directors believe that Record is in a strong position to capture a significant proportion of the growth from future adoption of currency for absolute return by institutional investors due to its high standing with certain investment consultants, its long investment performance track record, and its reputation as a specialist currency investment manager.

Further expansion into continental Europe, North America and elsewhere

The institutional investor base across continental Europe varies significantly between countries. In general terms, Switzerland and the Benelux countries provide the more promising opportunities for Record, as they are the markets in which substantial asset pools (primarily, but not exclusively, funded pension funds) are managed by external investment managers. Record's approach to these markets follows two routes: (i) to take advantage of the good relationships it maintains with its existing clients to receive introductions to new clients; and (ii) to develop relationships with key local investment consultancy firms so as to promote an understanding and acceptance of the Group's products.

The Directors believe that the most effective route for development of the Group's business in other parts of Europe will be through a combination of (i) marketing arrangements with selected individuals or firms based in the relevant markets; and (ii) third party marketing/distribution arrangements with local institutions. Such third party marketing/distribution arrangements have not been adopted by Record before, and are currently under active research and development.

The United States defined benefit pension fund market totalled more than \$4,777 billion in assets under management as at 2006 (source: Pensions & Investments 22nd January 2007). In addition, the United States foundations and endowments market is estimated to exceed \$1,100 billion in assets under management (source: Chapel and York: University endowment websites). Whilst these client segments have made significant allocations to other alternative asset classes, the Directors believe that relatively little investment has been allocated to currency for absolute return.

Should allocation to currency for absolute return become more widespread amongst North American institutional investors, the scale of total assets under management is such that the allocations to currency for absolute return could be very significant. The Directors are closely observing trends amongst United States and Canadian institutional investors, and will continue to strengthen the Group's relationships with the major U.S. and Canadian investment consultants, so as to remain in a position to respond appropriately as these markets show signs of a concerted move into currency for absolute return.

The Middle East is also a region of potential significance to Record. The Directors believe that, like some parts of continental Europe, the Group is most likely to extend its business in this region through introductions and referrals from existing clients. The Directors expect to be able to build on existing Middle East client relationships as these mature.

Active hedging

Active currency hedging is the form of currency management that dominated the industry through the 1990s. With the recent growth of currency for absolute return, active hedging has attracted less interest from Record's institutional investor client base. Nevertheless, the Group continues to offer its active hedging product, which continues to prove attractive to clients who are either (a) unwilling to accept the regular and uncontrollable cash flow implications of passive hedging, and so adopt active hedging as a risk-reduction exercise; or (b) unable or unwilling for regulatory or policy reasons to undertake the management of currency without any link to the client's underlying international assets, and so adopt active hedging as a form of restricted absolute return mandate.

The Group plans to continue to offer the active hedging product on this basis.

Passive hedging

Record now offers passive hedging only to clients who also award either active hedging or absolute return mandates to the Group, or who are expected to do so. The Directors consider that this approach to this product is the appropriate balance between providing a full currency management service and maximising the profitability of the Group.

Maintain high levels of investment performance and client service

The Directors consider it imperative to maintain the high levels of investment performance and client service enjoyed by existing clients. For this reason, opportunities to exploit the growth prospects outlined above will only be pursued in a manner which is consistent with maintaining current standards for both existing and new clients. Record is continuing to implement enhancements to maintain its efficiency and scalability, and the Directors expect these enhancements to enable the Group to capitalise on growth opportunities in a controlled manner.

Consider further development of existing products

Record continues to explore means by which to develop and expand on its existing product range, without losing its specialised focus. Within currency management, Record is considering opportunities to increase the number of currency pairs that Record uses for its trades, based on liquidity and transaction costs within those pairs. Similarly evaluation is underway of adding further currencies to this universe, particularly as liquidity in these currencies improves. Further enhancements to the existing model could include taking account of a broader range of statistical data in reaching investment decisions, and of using a wider range of currency instruments in addition to forward contracts, such as options. Also within currency management, Record is evaluating the prospects for applying its existing investment approach, with appropriate adaptations, to emerging market currencies.

Beyond currency management, the Directors will consider evaluating the application of Record's proven quantitative techniques and approach to other asset classes that may be appropriate for such techniques, but do not intend to undertake any steps that would prejudice the success of Record's focus on currency investment management or its current perception as a specialist currency investment manager.

4. INDUSTRY BACKGROUND

Hedging currency risk in institutional investment portfolios, or "currency overlay", gained in prominence during the 1990s as institutional investors in the UK and overseas made increasing allocations to assets denominated in currencies other than the investor's base currency. The impact of currency market movements on asset values, when translated into the investor's base currency, encouraged institutional investors to consider ways to mitigate this impact through hedging.

Models were developed to exploit inefficiencies in currency markets, as more fully described in Record's case in section 6 below. These enabled currency overlay managers to predict which hedging positions

would be expected to protect investors from a loss, and which would be expected to eliminate a gain. By only entering into those hedging positions that are expected to eliminate a loss, and not hedging exposures that are expected to generate a gain, currency overlay managers can seek to add value to clients' investment portfolios in addition to the elimination of currency risk — i.e. active currency hedging.

The next development in the currency investment management industry took place at the beginning of the present decade. From 2000, an increasing number of investment consultants publicised their views that active management of currency could generate absolute returns, or “alpha”, as an asset class in its own right (e.g. Watson Wyatt Investment Consulting article in *Global Pensions* in February 2000 entitled ‘Active Managers Generating Positive Excess Returns Over Benchmarks’; Frank Russell Company performance review of overlay managers entitled *Capturing Alpha Through Active Currency Overlay* in May 2000; and a Mercer Investment Consulting paper entitled *Discussion Paper on Currency Management Issues* in October 2000). This emergence of the recognition of currency for absolute return coincided with Record's development of absolute return products, based on the investment strategy and model developed by the Group for its active hedging products (as described in more detail in section 6 below).

Record's competitors are a mixture of independent specialist firms, divisions of larger investment managers, and divisions of other financial service firms such as investment banks and custodian banks. These competitors employ a variety of strategies to seek to generate absolute returns from currencies, some of which are similar to those pursued by Record, and others of which are significantly different — e.g. certain managers attempt to identify perceived valuation discrepancies between currencies on fundamental economic grounds, exercise qualitative judgement as to future currency movements, or seek to identify future movements based on technical analysis of prior movements.

The Directors believe that the Group's continuous track record as a specialist currency investment manager, and the Group's commitment to this sector of investment management, are significant competitive advantages compared to many of its competitors.

5. PRODUCT OVERVIEW

Record has three principal product lines:

- currency for absolute return;
- active hedging; and
- passive hedging,

each of which are described in more detail below. Bespoke products can be constructed for clients from a combination or elements of the product lines set out above. Record also provides cash and futures management services to support its currency management activities, but these services are not marketed or remunerated separately.

Currency for absolute return

Currency for absolute return products accounted for \$28.5 billion of the Group's AuME as at 30th September 2007. These products are intended to generate absolute investment returns for a given level of risk (i.e. volatility) through the active management of currency positions in accordance with Record's quantitative currency model (as described in more detail in section 6 below). The Group's model generates investment instructions on a daily basis; these instructions are then implemented by the Group's Trading and Operations team entering into forward contracts on the client's behalf. Each forward contract is marked-to-market daily, and then cash settled at maturity (typically up to six months), with the resultant credits or deficits (of both cash and marked-to-market value) to the client generating the investment return.

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These products are directed at institutional investors seeking absolute returns uncorrelated with those of equity and/or fixed income investments. Typical clients include corporate and public sector pension funds. Over rolling three-year periods, Record's model is expected to generate an absolute annual return of 3 per cent. of AuME (gross of fees) at a volatility of 4 per cent. Because clients' risk exposures are managed through forward contracts, Record does not need to hold client funds in order to undertake currency investments on their behalf. Therefore currency for absolute return clients can instruct Record to seek a higher level of return, at correspondingly higher anticipated volatility levels, on a lower notional sum than the AuME — e.g. a client instructing Record to seek a 9 per cent. return on \$100 million would expect to observe 12 per cent. volatility, and would benefit from an economic outcome equivalent to a client investing \$300 million AuME at an expected 4 per cent. volatility. In this instance the Group would record AuME of \$300 million.

Currency for absolute return products are offered on either a segregated mandate basis, where the client has a direct investment management agreement with a Record group company, or through pooled funds, where clients subscribe for units in funds for which Record is the promoter and/or investment manager. As at 30th September 2007, Record had \$12.6 billion of AuME in currency for absolute return segregated mandates and \$15.9 billion in pooled funds.

Segregated mandates

Record has externally validated track records for currency for absolute return mandates dating back to February 2003. The Directors believe these to be amongst the longest pure absolute return track records available to industry participants. Individual mandate track records are included within GIPS-certified composite track records that have a common base currency, benchmark and investment objectives. The track records of all mandates with terms that do not restrict the full application of Record's absolute return investment process are aggregated by Record to form the Record Currency Alpha Composite track record. From inception at 1st February 2003 to 31st October 2007, the Currency Alpha Composite demonstrates an absolute return of 2.25 per cent. of AuME per year (gross of fees) at a volatility of 2.97 per cent. In respect of the three years and one year ended 31st October 2007, the Currency Alpha Composite demonstrates an absolute return of 2.83 per cent. and 1.48 per cent. respectively of AuME per year (gross of fees), at a volatility of 2.82 per cent. and 3.96 per cent.

Since clients are not required to deposit any funds with Record in respect of segregated mandates, a client's return expressed as a percentage of risk capital allocated against its outstanding forward contracts exposure could be many multiples of this level (achieved at a correspondingly higher volatility level).

Segregated mandate clients enter into forward contracts with the contract counterparty or through a prime broking arrangement; Record is not a party to these contracts and is not exposed to risk in respect of them. Clients have credit or margin arrangements directly with counterparties or through a prime broking arrangement. Record acts as administrator and agent for segregated mandates and clients appoint their own custodians.

Pooled funds

Record has seven pooled funds established as sub-funds of the Record Umbrella Fund, an open-ended umbrella unit trust authorised in Ireland. The sub-funds vary by base currency, benchmark return (which may include an equity return, such as that on the S&P 500 equity index¹), and level of gearing (i.e. the maximum anticipated aggregate nominal amount outstanding on currency forward contracts at any one point in time as a multiple of the cash subscribed, set as a matter of policy by Record and subject to a maximum permitted level specified in each individual fund's documentation). Furthermore each sub-fund has various share classes, which offer different combinations of fee structures and in some cases minimum subscription amounts.

¹ In these cases, Record enters into equity futures contracts to generate the index return on subscribed funds, in addition to currency forward contracts.

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The following table sets out summary details of each sub-fund with the gearing levels in each case reflecting Record's policy:

SUMMARY OF THE RECORD
UMBRELLA FUND SUB-FUNDS

Name	Investment objective	Benchmark	Gearing	Base currency	Absolute return AuME¹
Cash Plus	To realise appreciation of its capital and to conserve capital over the long term through the active management of positions in currency markets.	1-month GBP LIBOR — 0.10%	7x	GBP	\$9.7 billion
Equity Plus	To achieve returns equal to the hedged total return on the S&P 500 equity index plus the returns generated from the active management of positions in currency markets.	S&P 500 total return, 100% hedged into GBP	6x	GBP	\$2.8 billion
Euro I	To realise appreciation of its capital and to conserve capital over the long term through the active management of positions in currency markets.	1-month EURIBOR — 0.10%	3.5x	Euro	\$0.8 billion
US Equity Plus	To achieve returns equal to the unhedged total return on the S&P 500 equity index plus the returns generated from the active management of positions in currency markets.	S&P 500 total return	6x	USD	\$1.9 billion
US Cash Plus	To realise appreciation of its capital and to conserve capital over the long term through the active management of positions in currency markets.	1-month USD LIBOR — 0.10%	7x	USD	\$0.007 billion
Sterling 10	To realise appreciation of its capital and to conserve capital over the long term, based on a targeted volatility of 10% through the active management of positions in currency markets.	1-month GBP LIBOR — 0.10%	2.5x	GBP	\$0.1 billion
Sterling 20	To realise appreciation of its capital and to conserve capital over the long term, based on a targeted volatility of 20% through the active management of positions in currency markets.	1 month GBP LIBOR — 0.10%	5x	GBP	\$0.6 billion

Source: Record

¹ As at 30th September 2007

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The tables below set out the annualised investment performance of each sub-fund, gross of fees, measured as both a percentage of AuME and of fund net asset value (i.e. subscriptions plus investment performance less expenses chargeable to the fund), since inception and for the one year ended 31st October 2007:

As annualised percentage of fund net asset value

Name	Inception	Since inception				One year to 31 st October 2007			
		Fund Return %	Benchmark return %	Fund value-added %	Volatility %	Fund Return %	Benchmark return %	Fund value-added %	Volatility %
Cash Plus	5-Aug-2005	18.0	5.1	13.0	20.2	9.9	5.7	4.2	24.4
Equity Plus	31-Aug-2005	25.1	13.7	11.4	17.7	16.8	14.7	2.2	20.9
Euro I	8-Jul-2005	11.5	3.1	8.4	11.1	8.5	3.9	4.6	14.7
US Equity Plus	19-Jun-2006	24.3	9.2	15.1	18.3	13.1	5.1	8.0	20.0
US Cash Plus	19-Jun-2006	24.0	5.2	18.8	22.0	16.2	5.4	10.8	24.1
Sterling 10	20-Apr-2007	0.4	3.1	(2.7)	n/a	n/a	n/a	n/a	n/a
Sterling 20	30-Apr-2007	2.2	1.1	1.1	n/a	n/a	n/a	n/a	n/a

Source: Record

Equivalent annualised value-added as per cent. of AuME

Name	Inception	Since inception			One year to 31 st October 2007		
		Fund value-added %	AuME equivalent value-added %	AuME equivalent Volatility %	Fund value-added %	AuME equivalent value-added %	AuME equivalent Volatility %
Cash Plus	5-Aug-2005	13.0	2.0	2.9	4.2	0.9	3.5
Equity Plus	31-Aug-2005	11.4	2.1	3.0	2.2	0.7	3.5
Euro I	8-Jul-2005	8.4	2.5	3.2	4.6	1.5	4.2
US Equity Plus	19-Jun-2006	15.1	2.7	3.1	8.0	1.6	3.4
US Cash Plus	19-Jun-2006	18.8	2.8	3.1	10.8	1.8	3.4
Sterling 10	20-Apr-2007	(2.7)	(1.1)	n/a	n/a	n/a	n/a
Sterling 20	30-Apr-2007	1.1	0.2	n/a	n/a	n/a	n/a

Source: Record

Notes:

Performance of Sterling 10 is GBP share class B, net of management and performance fees.

Performance of Sterling 20 is GBP share class C, net of management and performance fees.

Cumulative return only presented for Sterling 10 and Sterling 20 as the track records are less than one year; all other returns annualised.

Clients who choose to implement currency for absolute return by investing in pooled funds benefit from limiting their maximum liability to the amount invested and from simplified administration in comparison to segregated mandates. In a pooled fund, an investor cannot lose more than its initial investment, even if leveraged. In the extreme circumstance where a fund is in a net liability position, the fund counterparty or counterparties (and not clients or Record) would have to bear any losses to the extent that the fund could not cover the shortfall.

Since June 2007, Record has been transferring the significant majority of its pooled fund clients to newly-created unit classes in each sub-fund. The newer unit classes differ from the older unit classes in that under the newer classes, investment management fees are paid directly out of the relevant fund, while under the older classes Record invoices clients directly outside the funds. A third party acts as the trustee, custodian and administrator of all of the funds and unit classes. Record monitors the outsourcing arrangements for custody and administration services to ensure appropriate data quality and integrity.

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Fees for currency absolute return mandates

Record charges fees to its clients based upon the AuME consistent with an annual return of 3 per cent. of AuME and a volatility of 4 per cent., irrespective of the actual target return or volatility for that client. Record typically offers all absolute return clients the choice of paying a management fee and a performance fee, or a management fee only. Guideline fee levels, which may vary by mandate, are between 0.15 and 0.25 per cent. of AuME per annum as a management fee plus between 15 and 25 per cent. of absolute return generated as a performance fee (with higher performance fee rates typically accompanying lower management fee rates, and *vice versa*), or between 0.4 and 0.6 per cent. of AuME per annum as a management fee only.

Both management fees and performance fees are typically invoiced on a quarterly basis, although Record invoices management fees for some of its larger clients on a monthly basis. Performance fees are subject to a “high water mark” clause that states that cumulative performance, typically since inception of the mandate, must be above the previous performance high point on which performance fees were charged before performance fees are charged again.

In cases where a client is seeking a different return and volatility target, the fee is scaled to be equivalent to that charged on AuME. For example a client instructing Record to seek an annual return of 9 per cent. would pay a management fee three times as large as a client instructing Record to seek an annual return of 3 per cent. Performance fees, expressed as a percentage of the returns actually generated, have a built-in gearing effect reflecting the return target set, so are not variable in the same way. Record charges similar fees for both segregated and pooled currency absolute return mandates.

The table below sets out the development of Record’s AuME and revenues from currency for absolute return products for the three years ended 31st March 2007 and the six months ended 30th September 2007:

	Year ended 31 st March			Six months ended 30 th September	
	2005	2006	2007	2007	2006
AuME (\$ billion)					
— Segregated mandates	1.4	4.4	10.8	12.6	7.6
— Pooled funds	—	2.0	9.2	15.9	4.8
Revenues (£ million)					
— Management fees	0.8	4.2	14.5	17.8	5.0
— Performance fees	0.1	1.8	13.6	22.0	3.7

Source: Record

Active hedging

Active hedging products accounted for \$4.2 billion of the Group’s AuME as at 30th September 2007. These products are intended to eliminate the impact of currency movements on elements of investment portfolios that are denominated in currencies other than the client’s base currency when these movements are expected to result in an economic loss to the client, but not to do so when movements are expected to produce a beneficial economic impact for the client. The Group uses its quantitative currency model to seek to anticipate which currency positions are expected to result in an economic loss, and hence should be hedged, versus those that are expected to result in a gain, and hence are not hedged.

These products are directed at institutional investors seeking to hedge elements of portfolios denominated in foreign currencies and who are prepared to accept a limited degree of volatility for a limited amount of incremental absolute return. The application of Record’s model to active hedging is expected to deliver approximately 50 per cent. of the volatility reduction of a full (i.e. passive) hedging product and to generate approximately 1 per cent. of the total amount of a client’s investment portfolio denominated in liquid foreign currencies (i.e. AuME) per year gross in added value.

Record charges an advisory fee to its active hedging clients, with a guideline level of between 0.20 and 0.25 per cent. of AuME per annum. Fees charged to active hedging clients in the six months ended 30th September 2007 were equivalent to 0.23 per cent. per annum of the active hedging AuME. All active hedging is effected through segregated mandates.

Part VII Information about Record

The table below sets out the development of Record's AuME and revenues from active hedging products for the three years ended 31st March 2007 and the six months ended 30th September 2007:

	Year ended 31 st March			Six months ended 30 th September	
	2005	2006	2007	2007	2006
AuME (\$ billion)					
— Active hedging	6.5	7.3	4.2	4.2	7.8
Revenues (£ million)					
— Management fees	3.7	4.5	6.1	2.4	3.2
— Performance fees	0.1	—	—	—	—

Source: Record

Passive hedging

Passive hedging products accounted for \$18.6 billion of the Group's AuME as at 30th September 2007. These products are intended to eliminate fully the impact of currency movements on elements of investment portfolios that are denominated in currencies other than the client's base currency.

These products are only offered to clients who also enter into currency for absolute return mandates or funds or active hedging mandates, or who are expected to do so. Record charges an advisory fee to its passive hedging clients, with a current guideline level for new passive hedging mandates of between 0.03 and 0.04 per cent. of AuME per annum. Fees charged directly to passive hedging clients (where these are charged separately from fees for other mandates from those clients) in the six months ended 30th September 2007 were equivalent to 0.022 per cent. per annum of the related passive hedging AuME. All passive hedging is effected through segregated mandates.

The table below sets out the development of Record's AuME and revenues from passive hedging products for the three years ended 31st March 2007 and the six months ended 30th September 2007:

	Year ended 31 st March			Six months ended 30 th September	
	2005	2006	2007	2007	2006
AuME (\$ billion)					
— Passive hedging	9.0	12.2	15.2	18.6	15.5
Revenues (£ million)					
— Management fees	0.5	0.8	0.9	0.4	0.4

Source: Record

Note: certain of the fees for passive management are bundled into those charged for absolute return assignments. In such cases, the relevant fees have been included above in the table setting out AuME and revenues from currency for absolute return.

Other products

Record provides cash management and equitisation services only in conjunction with active or passive currency management services. Cash management is the management of cash set aside by clients to support segregated currency mandates and held within pooled funds. Equitisation is the process whereby Record creates an equity or fixed income investment return profile on such cash through a series of equity or government bond futures contracts.

Income attributed to the cash management and equitisation products was, in the periods prior to 31st March 2007, charged independently of currency management. However, substantially all the relevant mandates have since been terminated by Record, and the Group has no plans to re-launch cash management and/or equitisation as a stand-alone service.

Record therefore makes no charge to clients for these services and regards them as necessary infrastructure to support currency management activities.

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The table below sets out the development of Record's AuME and revenues from cash management and equitisation products for the three years ended 31st March 2007 and the six months ended 30th September 2007:

	Year ended 31 st March			Six months ended	
	2005	2006	2007	30 th September 2007	2006
AuME (\$ billion)					
— Cash management and equitisation	0.1	0.5	1.9	3.4	1.0
Revenues (£ million)					
— Management fees	0.2	0.1	0.1	—	—

Source: Record

6. INVESTMENT STRATEGY AND PROCESS

Principles

The management of all of the Group's products is governed by the following underlying principles:

Nature of the foreign exchange market: The foreign exchange market is the largest marketplace in the world with rising trading volumes and low dealing costs. The average daily turnover in the foreign exchange market grew 23 per cent. (at constant exchange rates) on a compounded annual basis from \$1.9 trillion in April 2004 to \$3.2 trillion in April 2007 according to the latest triennial survey of the foreign exchange market from the Bank for International Settlements.

Record estimates that approximately 5 per cent. of the participants (by turnover) in the currency market are active return-seeking investors. A significant proportion of the remaining participants are 'forced players'. Examples of 'forced players' in the currency markets include corporate treasurers (for hedging or transactional purposes), commodity (particularly oil) trading companies, institutional investors and business travel and tourism related flows. Furthermore, Record believes that a majority of 'forced players' are unable to quantify results from their transactions in the currency market. Record believes that the relatively high proportion of market activity that has non-profit maximising objectives leads to structural inefficiencies in the currency market that are demonstrated by persistent price patterns. The presence of structural inefficiencies provides potentially attractive opportunities to create value from active currency management.

Systematic processes: Record believes that the optimal way to exploit inefficiencies that are persistent and structural in nature is through systematic processes. This forms the core of the Group's investment philosophy. Record seeks to create successful investment strategies through a quantitative decision making process utilising objective inputs with strict risk controls.

Specialisation: Record believes that specialist focus is required to generate sustainable returns from the currency market. Record specialises in currency investment management and has been focused on this activity for 24 years. The Directors believe that Record's management team has the experience and range of specialist skills to generate sustained returns from the currency markets.

Active risk management: Record seeks to create significant absolute returns across all of the Group's active mandates within a highly disciplined, risk-controlled environment. There are clearly defined risk management controls embedded in Record's investment process at the individual trade level and the disciplined use of triggers limits excessive losses.

Strategy

Record has a formal investment process that is driven by systematic investment decision making. Daily trades are identified by a quantitative model based on the analysis of Record's extensive proprietary data on the currency markets. These trades are largely based on the following underlying strategies:

Forward rate bias: The forward rate bias refers to the tendency of forward exchange rates to overestimate future changes in spot exchange rates. Currency forward rates are determined in accordance with interest rate parity, such that the total returns from investment in two risk-free assets in different currencies are identical. This implies that the forward rate for a higher interest rate currency would be at a discount to its spot rate (i.e. the forward rate foresees the currency falling in value). However, analysis of currency returns over time indicates that higher interest rate currencies tend to outperform expectations implied in the short to medium term forward market. Extensive academic literature on this topic includes: Bansal and Dahlquist *The Forward Premium Puzzle: Different Tales from Developed and Emerging Economies*, Journal of International Economics 51 (2000), pp 115-144; Carlson and Osler, *Determinants of Currency Risk Premiums* (February 1999) Federal Reserve Bank of New York Staff Report No. 70; Froot and Frankel *Forward Discount Bias: Is it an Exchange Risk Premium?* Quarterly Journal of Economics 104, no. 1 (February 1989) pp 139-161.

Trend analysis: Trending price movement is the tendency of a price to repeat a recent movement in one direction, rather than to reverse that movement. This is sometimes referred to as 'serial correlation' of price changes: i.e. if a price rises today, it is more likely also to rise tomorrow than it is to fall tomorrow. Expressed in terms of the volatility of prices, longer-horizon (3-24 month) price changes are under-predicted by short term (daily or monthly) volatility. Trending is a widely-observed pattern of price movement in the currency markets, and is thought to arise from the long leads and lags in the real economy's response to price changes in the currency markets. There is also extensive academic literature on this topic, including: LeBaron, B., 1999, *Technical Trading Rule Profitability and Foreign Exchange Intervention*, Journal of International Economics, 49, pp 125-43; Levich, R.M., and Thomas, L.R., 1993, *The significance of Technical Trading-Rule profits in the Foreign Exchange Market: A Bootstrap Approach*, Journal of International Money and Finance, 12 pp 451-74; Sullivan, R., Timmerman, A., and White, H., 1999, *Data-Snooping, Technical Trading Rule Performance, and the Bootstrap*, Journal of Finance, 54, pp 1647-91.

Range trading: Range-trading refers to a pattern of price movements within a relatively narrow band. In volatility terms, it is characterised by higher short-term (e.g. daily) volatility combined with relatively lower medium term (e.g. one to six month) volatility. Range-trading tends to occur between currencies of countries with strong geographic and economic ties (e.g. Canada and the U.S.), but also arises periodically amongst other currency pairs, particularly those pairs where liquidity pools are smaller.

A combination of these strategies is used to construct trades for the currency for absolute return mandates. The range-trading element of the investment process has historically generated relatively lower returns than the forward rate bias and trending elements, but is included as it has been and is expected to continue to be negatively correlated with the forward rate bias and trending elements, thereby reducing overall portfolio risk.

Active hedging mandates are managed using the trend-exploiting strategy, with selective inclusion of some aspects of the forward rate bias strategy. The range-trading strategy is not applied to active hedging mandates.

Passive hedging mandates do not use any of the strategies outlined above, but are the mechanistic implementation of hedges of the relevant client assets, without active investment decision-making of the kind underlying the strategies outlined above.

Process

Record invests in spot or in forward currency contracts with maturity of up to seven months in the currency for absolute return process, and up to 13 months in the active hedging process. Record trades only in the 11 most liquid currencies. These 11 currencies are the US Dollar, the Euro, Sterling, the Japanese yen, the Swiss franc, the Canadian dollar, the Australian dollar, the New Zealand dollar, the

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Information about Record

Singapore dollar, the Swedish krona and the Norwegian krone. Although 55 currency pairs can be constructed from this universe of 11 currencies, Record's current policy is to enter into contracts in respect of only the 36 of these pairs in which there is a sufficiently liquid market for Record's strategies to prove effective.

The Group generally transacts on clients' behalf only with counterparties who are rated at least Aa3 or equivalent by Moody's or an equivalent credit rating agency. Stringent risk controls are embedded into Record's trading systems with trading positions monitored regularly and loss-making positions closed in a disciplined, non-discretionary manner. The Group also actively manages the diversity of currencies employed for mandates with positions diversified by currency pair, start and maturity dates and entry price.

Key elements of Record's investment process have a 24 year track record of return generation and/or risk reduction, and have been subjected to the full range of market conditions that have arisen since their inception in 1983.

The investment process is structured so as to take a large number of currency positions in circumstances where there is a slightly higher, but statistically significant, probability of making a profit than a loss. Positions taken are then managed using a process that is substantially the same as that established at Record in 1983, with the aim of achieving, on average, significantly higher profits from the profitable positions than the average losses suffered on the unprofitable positions. Applied across a sufficiently diverse and large number of positions, this process is expected to generate both more frequent and larger profits than losses. Group data on the absolute return product supports the effectiveness of this approach: from 1st February 2003 to 31st October 2007, the process has generated net gains in 58 per cent. of the months in the period; and the average gain per profitable month has been 29 per cent. higher than the average loss per losing month.

The investment process at Record is centred on ROMP, the Group's proprietary IT system. ROMP has been in operation in its current format since 1998 and is used to generate all trades executed by Record. A systematic decision-making process, customised for client risk/return objectives in each mandate, is built into ROMP using a combination of the strategies identified above. ROMP also incorporates Record's extensive historical database and is able to simulate trading activity. Record monitors the investment performance of client portfolios using daily, weekly, monthly and quarterly information from ROMP.

The Investment and Research team at Record is responsible for researching and enhancing product strategies and for the ongoing monitoring and management of client investment strategies. Record currently has eight employees in the Investment and Research team which is led by the Chief Investment Officer.

Any changes to the systematic investment decision-making process or the authorisation of new strategies must be approved by Record's Investment Committee. The Investment Committee meets formally as required and makes strategic decisions on changes to the systematic investment decision-making process on a consensus basis. The Investment Committee was formed in 2005 and comprises the Chairman, Chief Operating Officer and Chief Investment Officer. Its secretary is the Head of Investments and Product Development. If approved, any changes to the investment process that require changes to ROMP are implemented through the IT team.

7 DISTRIBUTION AND CLIENT BASE

Record's core distribution strategy is to maintain a focus on investment consultant relationships supplemented by direct marketing by an in-house client team and existing client referrals. This approach reflects the central role of investment consultants in most markets for Record's institutional clients and the leverage provided to Record through reaching a wide base of potential investors through maintaining a relatively small number of consultant relationships. 81 per cent. of Record's currency for absolute return and active hedging AuME as at 30th September 2007 were originated through investment consultants, highlighting the significance of this distribution channel.

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Record has developed and maintained strong relationships with key investment consultants and these are managed by the Chairman and the three Managing Directors with support from the client team. Key investment consultant relationships include Hewitt, Hymans Robertson and Cambridge Associates which together originated 58 per cent. of Record's combined currency for absolute return and active hedging AuME at 30th September 2007. The Directors believe that Record's successful track record with investment consultants is largely attributable to the Group's specialist focus on currency management, successful track record of sustained investment performance and the stability both of its investment process and its management team.

Existing client referrals have also been a source of new mandates especially in continental Europe. Record employs eight professionals in its in-house client team for direct marketing efforts along with supporting investment consultant relationships.

The Group has maintained a strong record of client retention since inception based on a strong investment performance track record combined with a focus on improving client service. Over the period from 31st March 2004 to 30th September 2007, Record lost one absolute return client representing \$102 million of AuME as at the end of the month prior to termination, and four active hedging clients representing \$3.8 billion of AuME. Over the same period, a further four clients terminated active hedging mandates with Record but retained Record with mandates for other products (absolute return and/or passive).

The recent growth in the currency for absolute return mandates has been driven by UK-based institutional investors which represented 70 per cent. of total mandates as at 30th September 2007 compared to 15 per cent. at 31st March 2005. The Directors believe that there is significant growth potential in the UK defined benefit pension fund market and Record is planning to continue to focus on this client base through its relationships with investment consultants. The continental European markets, particularly the Benelux countries and Switzerland, operate partly through investment consultants, but also significantly through existing client referrals. Consequently, Record is focused on maintaining relationships with the major investment consultancies and on continuing to develop relationships with key local consultancy firms. This will be supplemented by efforts to deepen client relationships to support active referrals in the markets where this is a significant factor. In other continental European markets, Record plans to distribute its products via: (i) a combination of marketing arrangements with selected individuals located in the relevant markets; and (ii) third party marketing or distribution arrangements with local institutions.

In the U.S. and Canada, Record intends to focus on key investment consultant relationships. There is a significant overlap between the investment consultants with whom Record has existing relationships, and those which the Directors expect to be important to future growth in the U.S. and Canada.

Record's distribution strategy for the rest of the world rests upon a combination of direct marketing, existing client referrals, and contacts with global investment consultancy firms established in connection with UK and/or North American business development.

As at 30th September 2007 Record had 115 clients with 171 mandates. Examples of Record's clients include the Sainsbury's pension fund, the Boeing pension fund, the City of Zurich pension fund, the London Pensions Fund Authority, and SEI.

Substantially all of Record's clients are wholesale investors with corporate pension funds representing 37 per cent. of Record's AuME at 30th September 2007, public pension funds making up 40 per cent., foundations and trusts 15 per cent, government funds 5 per cent. and investment funds and others 3 per cent. The mix of clients has evolved in conjunction with the growth of the currency for absolute return product with corporate pension funds representing the majority of AuME for the currency for absolute return product. By geography, UK clients represented 77 per cent. of total revenue for the six months ended 30th September 2007, clients from continental Europe accounted for 13 per cent., with the US (including Canada) and Rest of the World accounting for 7 per cent. and 3 per cent. respectively. For the six months ended 30th September 2007, the top five clients accounted for 28 per cent. of total revenues, 13 per cent. of management fee income and 41 per cent. of performance fee income.

8 OPERATIONS AND INFORMATION TECHNOLOGY

Operations

Record's operations infrastructure, including the middle and back office and IT systems, is designed to provide scalability and to facilitate the efficient growth of the Group's business. Operating functions are partly carried out in-house by the 18 employees that form the Trading and Operations team, with the head of the team reporting directly to the Chief Operating Officer. As part of its continuing focus on improving operational scalability, Record recently reorganised the Trading and Operations team into four sub-units (trading, analysts, new client implementation, and support) each with different responsibilities.

The trading team, comprising four dedicated employees, is responsible for executing trades as generated by ROMP with mandate restrictions and compliance tests built into the system. These include restrictions on trading before the completion of the new client take-on process, restrictions on trading by unauthorised employees or trading outside investment parameters amongst others. Record executes the majority of trades by phone to endeavour to ensure best execution and typically obtains quotes from two counterparties.

The primary responsibilities of the operations analysts are to prepare monthly and quarterly client performance reporting, carry out periodic reconciliations, and to administer the rebalancing of client portfolios in ROMP. This team has eight employees who are also authorised to execute trades along with personnel from the trading team.

The support team has four members and is primarily responsible for back-office functions, including the confirmation of trades and their settlement. It does not have the authority to execute trades thereby ensuring a separation between the trade execution and processing functions.

New client implementation is undertaken by a full-time employee responsible for the establishment of new clients' strategies and portfolios, together with the implementation of client mandate amendments as and when these arise.

In line with its strategy, Record has introduced various initiatives to enhance scalability across its operating platform. The outsourcing arrangements described above for pooled funds significantly reduce the administrative burden on the Group's Trading and Operations team. Other recent steps include increasing the specialisation of support functions through the creation of dedicated compliance and human resources functions and introducing specialisation within the Trading and Operations team to improve the execution and processing of trades. The Group is exploring the use of online trading to enhance efficiency, as well as the use of continuous linked settlement services ("CLS[®]") to eliminate settlement risk and reduce administration costs. The introduction of CLS[®] has started but is not yet complete, and is reliant in large measure on the development of the necessary technology at the Group's clients' custodians. The Directors believe that Record's platform is low-risk, cost effective and well positioned to support future business growth.

Information Technology

Record's IT strategy is to provide a low-risk, efficient and secure IT environment for the Group. The Group has six IT professionals responsible for the ongoing maintenance of all of Record's systems, for the back-up and recovery plans, and for developing and improving, where possible, the current systems used to run the business. The Head of Record's IT team reports to the Chief Operating Officer and the team is split into two divisions: Network Administration (primarily responsible for providing all technical support activities to service the business), and Development (responsible for developing systems and IT solutions to meet current and anticipated future needs).

The core systems at Record include ROMP, Avant Gard integra-T and the Group's core servers. ROMP is the Group's proprietary systematic trading system developed and refined in-house. It has a complementary reporting facility and is able to simulate trading activity. Record has continuously enhanced ROMP since its inception, and the IT team spends a high proportion of its time on the

development of additional ROMP functionality. The team is currently undertaking a project to enable the system to store significantly more data, which will in turn facilitate a simplification of the code, make the program more widely accessible, enhance the scalability of the trading platform and provide additional flexibility to traders.

Avant Gard integra-T is a treasury management system that is anticipated to go into operation by the end of March 2008 to assist in the management of ancillary services such as cash and futures management. Record has five core servers including the Dealing Server, the Email Server, the File Server, the Notification/Communication Server which governs trade confirmations and custodian interactions and the Domain Controller which governs security protocols within the business.

The Group assesses IT requirements on an ongoing basis, taking into account the current and anticipated business needs. The Group has a documented disaster recovery plan in place which includes a contract for facilities to be made available within two hours in the event that access to the Windsor head office is unavailable. The Group has recovery sites in multiple locations and these are tested annually.

9 COMPLIANCE AND RISK MANAGEMENT

The Compliance Department at Record is led by the Compliance Director who reports to the Chief Operating Officer and is a member of the Operational Risk Committee. The Compliance Director is responsible for:

- ensuring that procedures and controls are in place to ensure compliance with applicable legal and other regulatory standards;
- reviewing any non-standard investment guidelines for each mandate;
- monitoring compliance with FSA rules and anti-money laundering measures;
- monitoring compliance with relevant non-UK regulation (e.g. by the S.E.C., the Irish Financial Regulator and others); and
- reviewing the “know your customer” checklist to ensure that Record complies with FSA requirements in relation to the take-on of new clients.

There is a monitoring programme in place to periodically test compliance with guidelines focusing on regulatory risks.

The systematic nature of ROMP ensures that operational errors are minimised as it prohibits trading before the completion of the new client take-on process and prevents trades from unauthorised persons or any trading outside selected investment parameters. Record has established a Risk Management Committee responsible for managing and reporting on Record’s operational risk controls. The Risk Management Committee includes the Chief Operating Officer, Chief Financial Officer, Compliance Director and the Head of the Trading and Operations and it reports to Record’s Board of Directors. The specific areas of operational risk to be monitored by the Risk Management Committee include dealing, settlement, reconciliation, payment instruction, cash management and errors and remedial action amongst others.

10 CURRENT TRADING AND PROSPECTS

Record’s trading in the six months to 30th September 2007 was strong, and has remained so to date. AuME and client numbers growth have continued, with an additional net \$1,178 million of absolute return AuME and \$134 million of cash AuME between 30th September and 14th November 2007. The Company is continuing its policy of terminating stand alone passive hedging mandates, and other small and administratively burdensome assignments, and has given notice in respect of two such mandates representing \$159 million of AuME as at 30th September 2007, both of which will formally terminate on 30th November 2007.

The Directors are confident of the Group's ability to continue to attract additional absolute return AuME.

11 CORPORATE GOVERNANCE

The Board of the Company

The Board of the Company is responsible for the proper management of Record and makes decisions relating to the Group's strategic direction. It meets at least six times each year.

The Company's Board comprises five executive and two non-executive directors as detailed below:

Neil Record	Chairman and Chief Executive
Leslie Hill	Client Team Head
Peter Wakefield	Chief Operating Officer
Michael Timmins	Chief Financial Officer
Bob Noyen	Chief Investment Officer
Cees Schrauwers	Senior Non-Executive Director
Andrew Sykes	Non-Executive Director

Mr Timmins has indicated his intention to retire from the Company after the announcement of the Company's results to 31st March 2008, and after a suitable replacement has been recruited and has become familiar with the Company's business and operations.

The Board has established an audit committee and a remuneration committee both of which comprise the two non-executive directors. A nomination committee comprising Neil Record and the two non-executive directors has also been established.

Compliance with the Combined Code

The Board supports the highest standards of corporate governance. However, on Admission, the Company will not fully comply with the corporate governance requirements of the Combined Code for the following reasons:

- the roles of chairman and chief executive officer will be exercised by one individual, Neil Record. However, the Directors are satisfied that it will be the Executive Directors who will, on a practical level, operate the Company on a day-to-day basis. Further, the appointment of two independent non-executive directors to each of the Company's audit, remuneration and nomination committees, will provide additional protection against the risk of a concentration of power in one individual; and
- the Board will not comprise a majority of independent non-executive directors. However, the Board is confident that its composition is appropriate to the fast growing nature of the Company.

12 EMPLOYEES

Board of Directors

Neil Record — Chairman and Chief Executive Officer (aged 54)

Neil Record founded Record in 1983 and has been its principal shareholder and executive Chairman since then. Prior to founding Record he was an economist at the Bank of England and worked in the commodity and currency trading department at Mars, Inc.'s UK subsidiary. He is the author of *Currency Overlay*, the first book on this specialist topic (published by Wiley, 2003) and of numerous articles on currency and other risk management topics and is a frequent speaker at industry conferences and seminars worldwide.

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Drs. Cees Schraauwers — Senior Non-executive Director (aged 60)

Cees Schraauwers became a non-executive director of the Company in 2007. Cees has more than 30 years financial services experience, most recently as managing director of Aviva International and managing director of CGU Insurance. Prior to this, he was a partner with Coopers & Lybrand. Cees is currently the senior independent director of Brit Insurance Holdings PLC and chairman of Drive Assist Holdings Ltd.

Andrew Sykes — Non-executive Director (aged 50)

Andrew Sykes became a non-executive director of the Company in 2007. He was a director of Schroders plc from 1998 to 2004, having joined Schroders in 1978. He was responsible for Schroders' fixed income businesses (including Treasury and Foreign Exchange) until 2000, and subsequently for private banking and alternative investments, including hedge funds, property, private equity and structured products. He is a non-executive director of Smith & Williamson Holdings Limited and Gulf International Bank (UK) Limited, chairman of Invista Foundation Property Trust Limited and Absolute Return Trust Limited, and chairs the investment committee of the Schroder Retirement Benefits Scheme.

Leslie Hill — Managing Director and Head of Client Team (aged 51)

Leslie Hill joined Record in 1992 and was appointed Head of Sales and Marketing in 1999. She has spent 15 years at Record. Her prior experience includes working at Wells Fargo, Lloyds Bank and Merrill Lynch where she was Director and Head of Corporate Foreign Exchange Sales worldwide.

Bob Noyen — Managing Director and Chief Investment Officer (aged 45)

Bob Noyen joined Record in 1999 with responsibility for Investment & Research. He has spent eight years at Record and previously worked as Assistant Treasurer for Minorco (now part of Anglo American plc).

Michael Timmins — Director and Chief Financial Officer (aged 51)

Michael Timmins joined Record as Finance Director in 1992 and was appointed to the Board in 1995. He has spent 15 years at Record and previously worked for Cadbury Schweppes where he held various financial positions and became Group Treasurer of Premier Brands Limited when the Tea and Food division was the subject of a management buy-out.

Peter Wakefield — Managing Director and Chief Operating Officer (aged 46)

Peter Wakefield joined Record in 1999 and was appointed Director responsible for product and strategy development and consulting in 2000. He has spent eight years at Record and previously worked at Morgan Grenfell and Deutsche Bank from 1984 to 1999 in various roles in export financing, structured banking transactions, interest rate swap and options and credit derivatives.

Senior Management

Joel Sleigh — Head of Trading & Operations (aged 37)

Joel Sleigh obtained a First Class degree in Mathematics and an MSc in Statistics from Southampton University. Joel worked as a statistician at Shell and then Zeneca before joining Record in February 1996. In January 1999 he was appointed Head of Operations.

Chris Jackson — Head of Information Systems (aged 35)

Chris Jackson graduated from the University of Huddersfield, with a BSc (Hons) in Information Technology. He worked as an integration specialist on the European fighter aircraft project before joining Record in 1995 as a Network manager within the Information Systems Department. Chris is now Head of Information Systems, responsible for the IT infrastructure and development of Record's investment management systems.

Robert Bloom — Head of Investment Strategies & Product Development (aged 48)

Robert joined Record in 2004 and was appointed Head of Investments & Product Development in 2006. Prior to Record, Robert was a Director at Citigroup, where he was head of Global Foreign Exchange risk management. Earlier in his career, Robert worked in management consulting, fixed income research, and options trading.

Details of Record's employees

Record currently has 52 employees, including 7 part-time staff. The average number of staff employed by Record in each of the three years ending 31st March 2007, 31st March 2006 and 31st March 2005 was 38, 30 and 26 respectively with employee growth driven primarily by operational and client service demands to support the growth in the Group's client base over the time period.

Record has a stable management team with senior management having worked together for the last eight years. The subsidiary directors have an average tenure of over 10 years at Record. Firm-wide staff turnover is low averaging 8 per cent. in the five years to 31st March 2007. As a result of Record's growth, the middle and back office functions have become more specialised with the Trading and Operations team recently sub-divided into four units, each with different responsibilities. A Compliance Director and Human Resources Associate Director have also been recently appointed.

22 of Record's current employees are Shareholders of the Company and collectively hold 87 per cent. of the issued share capital as at the date of this document. This includes the five Executive Directors who collectively own 66 per cent. of the issued share capital as at the date of this document.

13 REASONS FOR THE OFFER AND USE OF PROCEEDS

Record has enjoyed strong growth over the past four years, which has allowed the Group to generate increased returns for existing Shareholders. The Directors are determined to continue to grow the business in a controlled manner which is in line with the growth in currency as an asset class, and which maintains the Group's corporate culture.

In light of this anticipated growth, the Directors are also determined to allow new employees to become Shareholders in the business and to allow longer-standing employees to realise value from their shareholdings. To do so will require a more liquid market in the Company's shares, and hence the Directors have resolved to pursue Admission to the Official List. Admission is also expected to enhance the Group's profile and status with existing and potential clients.

No new Ordinary Shares will be issued under the Offer. Record will not receive any of the proceeds from the Offer. All proceeds, net of deductions, will be for the benefit of the Selling Shareholders.

14 DIVIDEND POLICY

The Directors intend to adopt a progressive dividend policy that will reflect the long-term earnings and cash generation of Record, whilst maintaining an appropriate level of dividend cover. The Directors intend that the amount of any dividend declared will be between two and four times covered by profit after taxation.

If Record accumulates capital which the Directors believe is surplus to that required to meet its continuing obligations and to fund future growth, the Directors will give due consideration to returning surplus capital to Shareholders in an appropriate manner.

An interim dividend of £20 million was declared by the Board on 1st November 2007 for payment on 9th November 2007 to Shareholders on the register as at 1st November 2007.

It is intended that, in the absence of unforeseen circumstances, the first dividend to be declared by Record following Admission, will be a final dividend paid in 2008 in respect of the six months ending 31st March 2008, determined in accordance with the policy set out above applied to that period. There is, however, no assurance that dividends will be declared or paid in respect of that or any future period. Thereafter, it is envisaged that interim dividends will be paid in December and final dividends will be paid in July of each year.

Part VIII

Operating and Financial Review

The following discussion of the results of operations and financial condition of the Group should be read in conjunction with the financial statements and related notes located elsewhere in this document. The following discussion contains forward-looking statements that reflect the Group's plans, estimates and beliefs. The Group's actual results could differ materially from those discussed in these forward-looking statements. Factors that could cause or contribute to these differences include, but are not limited to, those discussed below and elsewhere in this document, particularly in "Risk Factors" in Part II and "Forward-Looking Statements" in Part VI. Any references to years in this operating and financial review are to the Group's fiscal years.

1 OVERVIEW

Record is a specialist currency investment manager with clients primarily in the pension fund, government, and other institutional sectors. The Group offers three main currency management products, together with equitisation and cash management services to support currency management activities. The main currency products are:

- (i) currency management for absolute return ("Absolute Return");
- (ii) active management of currency hedges on clients' currency exposures ("Active Hedging"); and
- (iii) passive hedging of clients' currency exposures ("Passive Hedging").

Across all currency products, at 30th September 2007 the Group managed 87 segregated mandates and 7 pooled funds (all open-ended). As at 30th September 2007, the Group had total AuME of US\$54.7 billion, including US\$3.4 billion of cash under management. Record operates from a single office in Windsor, Berkshire, and as at 15th November 2007 employed 52 staff.

2 SIGNIFICANT FACTORS AFFECTING RESULTS OF OPERATIONS AND FINANCIAL CONDITIONS

2.1 Size and mix of AuME and fee levels

The size and mix of AuME are drivers of profits, as fee income is significantly based on AuME, and margins earned vary according to, and within, each currency management product. Margins are not only affected by the different products but also by clients and their level of investment or mandate scale, and by distribution channels, and may vary over time.

At present, the highest margins are earned on Absolute Return AuME, and the lowest on Passive Hedging AuME. Equitisation and cash management are not currently remunerated separately from the related currency management activities.

2.2 Retention and attraction of AuME

The impact of client retention and of new business sales on the performance of the Group is substantial. The net gain or loss of clients, and variations in the scale of their mandates leads directly to a net gain or loss of fee income to the Group. In the two and a half years from 1st April 2005 to 30th September 2007, net new business sales at the point of inception have represented 81 per cent. of overall currency AuME growth.

For segregated Absolute Return mandates, and for Active and Passive Hedging mandates, the mandate size measured by AuME is determined in agreement with the client, either as an absolute number (in respect of some Absolute Return mandates) or by reference to an investment portfolio (in respect of certain other Absolute Return mandates and hedging mandates). The investment return accrues to the

client's benefit through custodial or prime brokerage accounts, and hence is not rolled up in AuME. Changes in US Dollar AuME between periods therefore reflect new client mandates, mandate losses (if any), changes in the size of the reference portfolio where applicable, and foreign exchange rates on AuME denominated in non-US Dollar currencies, but not investment return.

Pooled funds by contrast do accumulate the investment return as an increase (or decrease) in the fund's net asset value. Hence changes in pooled funds' US Dollar AuME between periods reflect net client subscriptions plus investment performance less expenses charged to the fund, and foreign exchange rates on funds with non-US Dollar base currencies.

2.3 Investment performance

The Group's revenues are significantly affected by the investment performance of its Absolute Return product, as this is the source of almost all its performance fees and in the case of the pooled funds, investment performance is compounded into AuME. Investment performance is affected by movements in the currency markets and their relationship with the positions adopted within the Group's Absolute Return investment process. Performance fees are earned when performance is above relevant high water marks and in a small number of cases, above defined hurdle rates.

In the year ended 31st March 2007, performance fees represented 39 per cent. of total income.

2.4 Performance of other investment markets

Approximately 46 per cent. of the total of the Group's combined Active Hedging and Absolute Return AuME (together the "Active AuME") is linked directly or indirectly to the performance of other investment markets or investment managers (whether equity, fixed income or hedge fund). Substantially all of the Group's Passive Hedging AuME is directly linked in scale to the value of clients' international equity market investments. Hence if for example the equity markets rise or fall by 10 per cent., the portions of this AuME related to the equity markets (and the associated management fees) will also rise or fall by 10 per cent. As at 30th September 2007, these external market factors had an influence on 61 per cent. of total AuME and on 39 per cent. of the Group's fee income over the prior six months.

2.5 Costs

The largest portion of the Group's operating expenses is bonuses paid to its executive directors and employees. The Group has historically made combined bonus payments equal to approximately 30 per cent. of operating profit before variable compensation costs and has recently more formally set the overall scale of variable compensation (including the cost of employer's National Insurance) to 30 per cent. of EBIT with the variable compensation costs added back. Variable compensation to directors and staff therefore increases or decreases with profitability.

Record's other operating expenses have increased more slowly than the growth of the Group's business activity. As Record grows, management will seek to capitalise further on the scalability of the Group's investment processes, operations and infrastructure in order to grow income faster than operating expenses. Total operating costs increased at a compound annual growth rate of 78 per cent. in the three and a half year period to 30th September 2007, while revenue grew at a compound annual rate of 127 per cent. over the same period. Personnel costs over the same period, including variable compensation, grew at a compound annual rate of 86 per cent.

2.6 Exchange rates

As at 30th September 2007, 39 per cent. of Record's AuME was denominated in foreign currency. As a result, the performance of Sterling against the currencies of the AuME has an impact on AuME when expressed in Sterling, and as a result, an impact on fee income. At 30th September 2007, 57 per cent. of the foreign currency AuME was denominated in Swiss francs; 15 per cent. was denominated in Euro; and 24 per cent. was denominated in US Dollars.

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In the year to 31st March 2007, 33 per cent. of Record's total revenues were invoiced in currencies other than Sterling. Swiss Francs, Euros and US dollar combined represented 90 per cent. of this total. Record's policy is to hedge the transaction exposure which arises between the points of raising invoices in these currencies and receipt of the settlement in those currencies. The exposure is hedged using spot and forward foreign exchange contracts.

Notwithstanding the hedging policy outlined above, the Group is exposed to exchange rate changes in respect of its foreign currency denominated AuME, as such changes will affect the Sterling value of the AuME on which ad valorem fees are calculated.

3 MATERIAL DEVELOPMENTS IN RECORD'S BUSINESS IN THE PERIOD 1ST APRIL 2004 TO 30TH SEPTEMBER 2007

3.1 Overview

Record's annual profits have grown at a compound annual rate of 233 per cent. between the year ended 31st March 2005 and the six month period ended 30th September 2007.

Much of this growth in profitability has arisen from sales of the Absolute Return product. This has driven growth in both AuME and revenues which have increased more rapidly than costs have increased during the same period. Sales of the Absolute Return product have themselves been supported by the increasing acceptance by pension funds (particularly, but not exclusively in the UK) and other institutional investors of the idea of using active currency management as a source of absolute investment returns. This acceptance by pension funds and other investors has itself been promoted by the investment consultancy firms who advise them.

3.2 AuME and client numbers growth

The Group's AuME growth is set out in the table below:

Table 1

ASSETS UNDER MANAGEMENT EQUIVALENTS

Smillion	2005	As at 31st Mar 2006	2007	As at 30th Sep 2007	2006
Absolute Return					
Mgmt. only	916	3,343	11,094	17,649	5,896
Mgmt. and perf.	454	3,076	8,895	10,832	6,490
Active Hedging					
Mgmt. only	6,336	7,133	3,893	3,838	7,598
Mgmt. and perf.	203	177	259	329	244
Passive Hedging	9,043	12,188	15,236	18,643	15,480
Other	64	473	1,913	3,455	964
Total	17,016	26,390	41,290	54,746	36,672
% Growth	_____	_____	_____	_____	_____

Source: Record

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Table 2 below sets out the components of the change in AuME between periods, split between new client mandates (as determined at the end of the month of inception), redemptions (in the case of pooled funds) and other factors:

Table 2

COMPONENTS OF CHANGE IN ASSETS UNDER MANAGEMENT EQUIVALENTS

Smillion	12 month periods to 31 st Mar			6-month periods to 30 th Sep	
	2005	2006	2007	2007	2006
Absolute Return					
Segregated mandates					
— AuME bop ⁽¹⁾		1,369.4	4,427.3	10,752.0	4,427.3
— New client mandates		2,570.6	5,241.4	34.7	2,801.4
— Other ⁽²⁾		487.3	1,083.3	1,812.8	338.1
— AuME eop ⁽³⁾	1,369.4	4,427.3	10,752.0	12,599.5	7,566.8
Pooled funds					
— AuME bop ⁽¹⁾		—	1,992.0	9,236.9	1,992.0
— Fund subscriptions		1,851.5	5,156.3	7,567.2	2,268.6
— Fund redemptions		(1.5)	(74.6)	(387.7)	(0.5)
— Other ⁽⁴⁾		142.0	2,163.2	(535.1)	559.3
— AuME eop ⁽³⁾	—	1,992.0	9,236.9	15,881.5	4,819.4
Active Hedging					
— AuME bop ⁽¹⁾		6,539.5	7,310.4	4,151.9	7,310.4
— New client mandates		1,771.4	846.5	—	846.5
— Other ⁽²⁾		(1,000.5)	(4,005.0)	15.5	(314.1)
— AuME eop ⁽³⁾	6,539.5	7,310.4	4,151.9	4,167.4	7,842.8
Passive Hedging					
— AuME bop ⁽¹⁾		9,043.3	12,188.0	15,235.7	12,188.0
— New client mandates		2,630.9	3,920.7	4,673.7	1,930.5
— Other ⁽²⁾		513.8	(873.0)	(1,266.7)	1,361.8
— AuME eop ⁽³⁾	9,043.3	12,188.0	15,235.7	18,642.7	15,480.3

Source: Record

(1) "bop" represents beginning of period.

(2) "Other" represents (in the case of segregated Absolute Return and hedging mandates) mandates losses (if any), changes in mandate scale specified by existing clients, changes in the size of the reference portfolio where applicable, and foreign exchange rates on AuME denominated in foreign currencies.

(3) "eop" represents end of period.

(4) "Other" represents (in the case of pooled funds) investment performance less expenses charged to the fund, and foreign exchange rates on funds with foreign base currencies.

The change in attitude of institutional investors towards currency as an asset class has resulted both in an increase in investors looking to invest in currency and/or manage currency risks, and a shift in appetite towards return-focused offerings rather than the mixed risk reduction and return generation of active hedging products. As a result mainly of the strong sales of the Group's Absolute Return product, client numbers have seen a four-fold increase over the three year period from 2004 to 2007. Client numbers are summarised in Table 3 below:

Table 3

NUMBER OF CLIENTS

	As at 31 st Mar			As at 30 th Sep	
	2005	2006	2007	2007	2006
Absolute Return:					
— segregated: mgmt. only		5	9	20	16
— segregated: mgmt. and perf.		4	6	7	7
— pooled: mgmt. only		0	4	14	6
— pooled: mgmt. and perf.		0	6	34	15
Active Hedging		11	11	7	10
Passive Hedging		22	27	29	29
Less: Overlapping ⁽¹⁾		(11)	(17)	(22)	(19)
Total		31	46	89	64
% Growth		—	+48	+93	+80

Source: Record

(1) Figure represents clients with mandates across the absolute return segregated, absolute return pooled, active hedging and passive hedging products.

Client retention

Client retention has been strong over the period from 31st March 2004 to 30th September 2007, with the loss of only one Absolute Return mandate and just four hedging mandates. The client losses have been predominantly the result of strategic changes by the client (for example, a shift from active to wholly passive investment management), or a management decision taken by the Group to terminate less profitable mandates (in most cases these are stand-alone Passive Hedging mandates) in order to focus on more profitable Absolute Return business.

3.3 Fees

The growth in the number of mandates and resulting increase in AuME has driven the growth in total fee income which was equal to a compound annual growth rate of 131 per cent. for the period 1st April 2005 to 30th September 2007. Management fee income has grown at a compound annual rate of 76 per cent. over the same period but the increase of Absolute Return mandates increased the contribution from performance fees within total fee income. Performance fees have grown at a compound annual rate of 547 per cent. for the period 1st April 2005 to 30th September 2007 which is illustrated in Table 4 below.

Table 4

FEE REVENUE

£000s	Management fees	% of total revenue	Performance fees	% of total revenue
Year to 31 st March 2005	5,036	92	207	4
Year to 31 st March 2006	9,526	83	1,778	16
Year to 31 st March 2007	21,497	61	13,603	39
6 months to 30 th September 2007	20,557	48	22,030	52
6 months to 30 th September 2006	8,657	70	3,683	30

Source: Record

Note: excludes Other Income

While the increase in performance fee arrangements demonstrably offers the possibility of substantial revenues, this income is also dependent upon positive investment performance and so may increase volatility of earnings.

3.4 Operations

The rapid expansion in the Group's business has naturally led to increased workloads, particularly for the Trading and Operations team. This has been addressed in a number of ways:

- the recruitment of more trading, back office and client support staff;
- the increasing use of pooled funds for delivery of Absolute Return creates a common structure for many clients, thereby enhancing efficiency;
- enhancements to the Group's IT systems, particularly with respect to reporting of investment performance to clients, have increased security and operational efficiency, and are continuing to do so;
- on-line trading facilities are used selectively to diversify trading approaches and speed up trading;
- introduction of CLS[®] with the custodians of many of the Group's clients eliminates trade settlement processing; and
- extensive use of 'prime brokerage' arrangements further reduces trade settlement requirements.

4. RESULTS OF OPERATION

Table 5

INCOME STATEMENT

	Year ended 31 st Mar			Six months ended 30 th Sep	
	2005	2006	2007	2007	2006
Revenue					
Management fees	5,036	9,526	21,497	20,557	8,657
Performance fees	207	1,778	13,603	22,030	3,683
Other revenue	210	149	144	(30)	(25)
Total fees receivable	5,453	11,453	35,244	42,557	12,315
Commission payable	(333)	(971)	(177)	(226)	(81)
Operating expenses	(3,795)	(6,089)	(15,692)	(16,152)	(5,023)
Operating profit	1,325	4,393	19,375	26,179	7,211
<i>% of total fees</i>	24	38	55	62	59
Net finance income	63	4	271	424	60
Profit before taxation	1,388	4,397	19,646	26,603	7,271
Taxation	(480)	(1,265)	(5,501)	(8,254)	(2,183)
Net profit for the period	908	3,132	14,145	18,349	5,088
<i>% of total fees</i>	17	27	40	43	41

Source: Record

4.1 Revenue analysis

4.1.1 Total revenue

The strong growth in total revenue during the period from 1st April 2004 reflects the growth in size and mix of the AuME. Table 5 shows that total revenue increased to £11.5 million in the year to 31st March 2006 (up 110 per cent. on the previous year) and to £35.2 million in the year to 31st March 2007 (up 208 per cent. on the previous year). During the six months to 30th September 2007, total revenue of £42.6 million was up 246 per cent. on the six months to 30th September 2006. The large increase during the six month period resulted from increasing management fees driven by growth in AuME plus strong absolute return performance resulting in high performance fees relative to 2006.

Table 6

TOTAL REVENUE BY PRODUCT TYPE

	2005		Year ended 31 st Mar				Six months ended 30 th Sep			
	£'000	%	2006		2007		2007		2006	
	£'000	%	£'000	%	£'000	%	£'000	%	£'000	%
Absolute return										
Mgmt. fee only	480	9	2,216	19	7,777	22	13,337	31	2,413	20
Mgmt. fee and perf.	403	7	3,840	34	20,280	58	26,454	62	6,270	51
Active Hedging										
Mgmt. fee only	3,820	70	4,304	38	5,976	17	2,319	6	3,179	26
Mgmt. fee and perf.	—	—	147	1	179	—	91	—	63	—
Passive Hedging	540	10	797	7	888	3	386	1	415	3
Other Revenue	210	4	149	1	144	—	(30)	—	(25)	—
Total Revenue	5,453	100	11,453	100	35,244	100	42,557	100	12,315	100
% Growth	—	—	+110	—	+208	—	+246	—	—	—

Source: Record

4.1.2 Product mix

Table 6 above demonstrates that the composition of the Group's fee income has changed as the number and scale of Absolute Return mandates has increased during the period from 1st April 2004 to

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30th September 2007. In the year to 31st March 2005, the major source of income was Active Hedging with fees of £3.8 million representing 73 per cent. of total revenue. In the year to 31st March 2006, although Active Hedging income had increased by 17 per cent. to £4.5 million, this represented just 39 per cent. of total revenue because during the same period Absolute Return income increased 586 per cent. to £6.1 million (54 per cent. of total revenue). In the year to 31st March 2007, Absolute Return income increased by 363 per cent. to £28.1 million and accounted for 80 per cent. of total revenue. Passive Hedging income represented 10 per cent. of total revenue in the year to 31st March 2005 and increased in absolute terms in both the following financial years although it declined in relative significance to represent just 3 per cent. of total revenue for the year to 31st March 2007. In the six months to 30th September 2007, Active Hedging income decreased to £2.4 million (down 26 per cent. from the same period 12 months earlier) and represented 6 per cent. of total revenue. During the six months to September 2007, Absolute Return income increased to £39.8 million from £8.7 million during the same period in 2006 and the proportion of Passive Hedging income declined from 3 per cent. for the six months to 30th September 2006 to 1 per cent. of total revenue for the six months to 30th September 2007.

For the year ended 31st March 2007 the five largest clients accounted for 28 per cent. of total management fee income (£6 million) and 59 per cent. of the total performance fee income (£8 million). Each of the five top clients had Absolute Return mandates, four of which were segregated accounts which included hedging strategies. The remaining one was a pooled Absolute Return client. For the six months ended 30th September 2007, the five largest clients (ignoring those pooled clients paying via deduction of units) accounted for 13 per cent. of total management fee income (£2.7 million) and 41.2 per cent. of the total performance fee income (£9.1 million).

Table 7

ABSOLUTE RETURN REVENUE BY CLIENT TYPE

	2005		Year ended 31 st Mar				Six months ended 30 th Sep			
	£'000	%	2006		2007		2007		2006	
	£'000	%	£'000	%	£'000	%	£'000	%	£'000	%
Segregated	883	100	4,151	69	16,213	58	14,889	37	5,480	63
Pooled	—	—	1,905	31	11,844	42	24,901	63	3,203	37
Total	883	100	6,056	100	28,057	100	39,790	100	8,683	100
% Growth	—	—	+586	—	+363	—	+358	—	—	—

Source: Record

The Group's initial Absolute Return mandates were managed on a segregated basis. Table 7 illustrates the rapid growth in revenue from £0.9 million in the year to 31st March 2005, to £4.2 million in the year to 31st March 2006 (+370 per cent. year on year) and to £16.2 million in the year to 31st March 2007 (+291 per cent. year on year). The creation of the pooled funds during 2006 offered benefits to clients in terms of ease of investment, transparency and risk management in addition to presenting operational efficiencies to the Group. The result was a similarly rapid growth in revenue from pooled Absolute Return mandates. In the year to 31st March 2006, pooled revenue was £1.9 million and this increased to £11.8 million in the year to 31st March 2007 (+522 per cent. year on year). In the six months to 30th September 2007, pooled revenue was £24.9 million, an increase of +677 per cent. over the same period in the prior year.

4.1.3 Performance Fees

From Table 8 below it is clear that performance fees have contributed significantly to the Group's overall growth in income during the three and a half years to 30th September 2007.

In the year ended 31st March 2005, performance fee income of £0.2 million represented 4 per cent. of total revenue. This increased to £1.8 million in 2006 (16 per cent. of total revenue) and to £13.6 million in the year ended 31st March 2007 (39 per cent. of total revenue). In the six months to 30th September 2007, performance fees of £22 million represented 52 per cent. of total revenue, up from £3.7 million (30 per cent.) for the same period in 2006.

Table 8

TOTAL REVENUE BY FEE TYPE

	2005		Year ended 31 st Mar				Six months ended 30 th Sep			
	£'000	%	2006 £'000	%	2007 £'000	%	2007 £'000	%	2006 £'000	%
Management	5,036	92	9,526	83	21,497	61	20,557	48	8,657	70
Performance	207	4	1,778	16	13,603	39	22,030	52	3,683	30
Other Revenue	210	4	149	1	144	—	(30)	—	(25)	—
Total Revenue	5,453	100	11,453	100	35,244	100	42,557	100	12,315	100
% Growth			+110		+208		+246			

Source: Record

The increase in performance fee income is the result of the increase in Absolute Return AuME and is illustrated in the table below which breaks down total Absolute Return income between management and performance fee income. The table also analyses both fee types between segregated and pooled mandates. The growth in Absolute Return income is the result of growth in both management and performance fees from both segregated and pooled mandates.

Table 9

ABSOLUTE RETURN REVENUE BY TYPE

	2005		Year ended 31 st Mar				Six months ended 30 th Sep			
	£'000	%	2006 £'000	%	2007 £'000	%	2007 £'000	%	2006 £'000	%
Management fees										
Segregated	803	91	2,911	48	8,065	29	7,481	19	3,039	35
Pooled	—	—	1,367	23	6,426	23	10,286	26	1,961	23
Total management fees	803	91	4,278	71	14,491	52	17,767	45	5,000	58
Performance fees										
Segregated	80	9	1,240	20	8,148	29	7,408	19	2,441	28
Pooled	—	—	538	9	5,418	19	14,615	36	1,242	14
Total performance fees	80	9	1,778	29	13,566	48	22,023	55	3,683	42
Total	883	100	6,056	100	28,057	100	39,790	100	8,683	100

Source: Record

In the year to 31st March 2005, Absolute Return income of £0.9 million represented 16 per cent. of total revenue. In the year ended 31st March 2006, this increased to £6.1 million (equal to 54 per cent. of total revenue) and to £28.1 million (equal to 80 per cent. of total revenue) in the year to 31st March 2007. A further increase to £39.8 million in the six months to 30th September 2007 raised the proportion of total revenue represented by Absolute Return income to 93 per cent.

Table 3 shows that by the year ended 31st March 2007 of the 68 Absolute Return clients, 40 had fee structures which included performance fees. This compares with just 13 Absolute Return clients with performance fees at the year ended 31st March 2006. As a result the proportion of total Absolute Return revenue accounted for by performance fees has increased from 9 per cent. for the year ended 31st March 2005, to 29 per cent. for the year ended 31st March 2006 and to 48 per cent. for the year ended 31st March 2007. For the six months to 30th September 2007 the figure was 55 per cent.

The contribution to Absolute Return income from segregated and from pooled mandates has also evolved during the period since 1 April 2004. The first investments into the pooled fund were during the year ended 31st March 2006. In that year pooled fund Absolute Return fees of £1.9 million represented 31 per cent. of the total Absolute Return fee income (£6.1 million). In the year ended 31st March 2007 pooled Absolute Return fees of £11.8 million presented 42 per cent. of the total Absolute Return income for the year (£28.1 million). This increased to £24.9 million, representing 63 per cent. of the total Absolute Return income for the six months period to 30th September 2007 (£39.8 million).

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In the year ended 31st March 2007, 50 per cent. of segregated account Absolute Return fees came from performance fees. For pooled fund Absolute Return fees the percentage of fee income in the same year from performance fees was 46 per cent.

Table 10

HEDGING REVENUE BY FEE TYPE

	2005		Year ended 31 st Mar				Six months ended 30 th Sep			
	£'000	%	2006	%	2007	%	2007	%	2006	%
Management	4,233	97	5,248	100	7,006	99	2,790	100	3,657	100
Performance	127	3	—	—	37	1	7	—	—	—
Total	4,360	100	5,248	100	7,043	100	2,797	100	3,657	100
% Growth			+20		+34		-24			

Source: Record

NB Hedging Revenue is the combination of Active Hedging and Passive Hedging

Table 1 shows that AuME for hedging mandates increased from \$15.6 billion at 31st March 2005, to \$19.5 billion at 31st March 2006 and to \$19.4 billion at 31st March 2007. Table 10 above shows that during the same period hedging fee income increased from £4.4 million in the year ended 30th March 2005 to £7 million, an increase of 62 per cent. over two years. Table 10 also shows that hedging income is substantially in the form of management fees.

Two large hedging clients accounted for 15 per cent. (£0.6 million) of the total hedging income in the year ended 31st March 2005. The same two clients accounted for 33 per cent. (£1.7 million) in the year ended 31st March 2006 and 53 per cent. (£3.7 million) of total hedging income in the year ended 31st March 2007. For the six months ended 30th September 2007 the same two clients accounted for 66 per cent. (£1.9 million) of total hedging income.

4.1.4 Geographical analysis

Table 11

TOTAL REVENUE BY CLIENT GEOGRAPHY

£000s	2005		Year ended 31 st Mar				Six months ended 30 th Sep			
	£'000	%	2006	%	2007	%	2007	%	2006	%
UK	1,402	26	5,695	50	23,999	68	32,855	77	7,673	62
US and Canada	1,448	27	1,032	9	2,568	7	2,870	7	803	7
Europe	2,525	46	4,576	40	8,150	23	5,422	13	3,754	30
Rest of the World	78	1	150	1	527	2	1,410	3	85	1
Total Revenue	5,453	100	11,453	100	35,244	100	42,557	100	12,315	100

Table 11 above analyses fee income by the geographical location of the investing client which includes looking through the pooled funds to the underlying investors.

Fee income from each of the geographical regions has grown during the period from 1st April 2004 to 30th September 2007. The UK has grown from the third largest region in the year ended 31st March 2005 with £1.4 million of fees which represented 26 per cent. of total revenue, to become the dominant region in the year ended 31st March 2007 with £24 million of fees equal to 68 per cent. of total revenue. Fee income from U.S. and Canada has grown by 77 per cent. from the year ended 31st March 2005 (£1.4 million) to the year ended 31st March 2007 (£2.6 million).

Europe was the largest source of fee income in the year ended 31st March 2005 with £2.5 million of fees which represented 48 per cent. of total revenue. Income from Europe increased to £4.6 million in the year ended 31st March 2006 (a year on year increase of 81 per cent.) and to £8.2 million in the year to 31st March 2007 (year on year increase of 78 per cent.) but the share of total revenue had fallen to 23 per cent.

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“Rest of the World” is a small but growing geographic classification. Fee income from “Rest of the World” was from just one client during the 2005 and 2006 financial years. An additional client increased fee income in this region for the year ended 31st March 2007 to £0.5 million. Revenue for this region was £1.4 million in the six months to 30th September 2007 compared to £0.1 million in the six months to 30th September 2006.

4.2 Operating expenditure

In summary, costs increased as the business grew during the period from 1st April 2004 but at a slower rate than income increased and in a flexible way such that if growth slowed the cost structure would adjust accordingly. As should be expected in a people business, the largest component of Record’s fixed costs is employee remuneration.

Table 12 below shows the relative size of the components of expenditure during the period from 1st April 2004.

Table 12

£000s	EXPENDITURE ANALYSIS									
	2005		Year ended 31 st Mar 2006		2007		Six months ended 30 th Sep 2007		2006	
	£'000	%	£'000	%	£'000	%	£'000	%	£'000	%
Operating costs:										
Personnel costs	2,359	62	3,279	54	4,256	27	2,359	15	1,903	38
Marketing	340	9	429	7	428	3	194	1	238	5
IT & computer	193	5	286	5	308	2	238	1	149	3
Professional	192	5	299	5	491	3	756	5	241	5
Premises	202	5	253	4	573	4	315	2	282	5
Total Operating costs	3,286	86	4,546	75	6,056	39	3,862	24	2,813	56
IPO Costs	—	—	—	—	—	—	1,062	6	—	—
Variable compensation:										
Group incentives	509	14	1,543	25	9,636	61	11,228	70	2,210	44
Total expenses	3,795	100	6,089	100	15,692	100	16,152	100	5,023	100
<i>% Growth</i>			+60		+158		+222			

Source: Record

The most significant element of the Group’s expenditure is employee remuneration of which a significant part is related to the performance of the Group and is analysed separately as ‘variable compensation’. This is additional to the core employment costs which are analysed in personnel costs which Table 12 shows is the largest category of operating costs.

The operating costs of the business have increased between 1st April 2005 and 30th September 2007 at a compound annual rate of 78 per cent. but this compares to a compound annual growth rate of 127 per cent. for total revenue over the same period. Furthermore it can be seen from the table above that the majority of the cost increase was in the form of variable compensation payments which are only paid when the business has performed strongly. Historic variable compensation structures were replaced with a single Group Bonus Scheme with effect from 1st April 2007. Details of this Scheme are set out below in Section 10 of Part XIII.

In the year to 31st March 2005, variable compensation costs of £0.5 million accounted for 14 per cent. of total operating expenditure. As the Group’s financial performance improved so the variable compensation payments increased. Variable compensation payments in the year ended 31st March 2006 were £1.5 million (a year on year increase of 203 per cent.) and represented 25 per cent. of total expenditure. In the year to 31st March 2007, variable group incentive payments increased by 524 per cent. to £9.6 million. Variable compensation payments increased by 408 per cent. during the six months to 30th September 2007 over the same period last year.

Operating costs also increased during the period as the business grew. The combined operating costs in the year ended 31st March 2006 increased to £4.6 million from £3.3 million the previous year — an

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increase of 38 per cent. The increase in total revenue during the same period was 110 per cent. In the year ended 31st March 2007, operating costs increased a further 33 per cent. to £6.1 million. The increase in total revenue during the same period was 208 per cent.

4.2.1 Personnel costs

Personnel costs include salaries, employer National Insurance contributions, employer pension contributions and other employee related expenses such as costs of medical insurance and recruitment agency fees. Personnel costs have increased as the Group has increased its headcount to address the increasing workload resulting from the growth in client mandates.

Table 13

AVERAGE EMPLOYEE NUMBERS

	Year ended 31 st Mar			Six months ended 30 th Sep	
	2005	2006	2007	2007	2006
Client services	6	6	9	10	9
Investment & research	5	5	7	7	7
Operations	7	10	12	16	11
Information systems	3	4	4	4	4
Finance & administration	5	5	6	7	6
Total	26	30	38	44	37

Source: Record

4.2.2 Marketing and general costs

Marketing and general costs include marketing and PR expenditure which has increased as the number of clients served has increased. The cost of business travel has risen as a result of the increasing client base.

4.2.3 IT & Systems costs

IT & Systems requirements such as computers and third party software licenses have increased as headcount has increased and as systems resilience and business continuity has been enhanced.

4.2.4 Professional fees

The increasing number of clients served in the UK and other jurisdictions drives rising professional costs such as legal fees, compliance and insurance costs.

4.2.5 Occupancy Costs

Occupancy costs comprise mainly rent, rates and service charges arising on leasehold premises and depreciation. In the year ended 31st March 2005 occupancy costs totalled £0.2 million and the Group occupied leased premises with an annual rent of £86,000 per annum. During the year ended 31st March 2006 the Group moved to larger leasehold premises with an annual rent of £229,710 per annum. This move drove an increase in occupancy costs to £0.3 million in the year ended 31st March 2006 when the Group occupied the new premises for only part of the year, and a significant increase in occupancy costs in the year ended 31st March 2007 to £0.6 million which was the first full year of occupancy of the larger premises.

4.3 Net interest income

The Group's business is cash generative and cash is typically held on bank deposit. For the periods under review, the Group held significant cash balances and had no indebtedness. Net interest income primarily reflects interest earned on surplus cash balances. In the year ended 31st March 2006, interest payments arose as a result of contingent purchase agreements entered into as part of a share buy-in completed in December 2005.

4.4 Taxation

Group profits are subject to tax at the underlying statutory rate of 30 per cent. The effective tax rate in any period may vary from this rate due to timing differences between costs for financial reporting purposes and deductible expenses.

Table 14

	TAXATION			TAXATION	
	Year ended 31st Mar			Six months ended 30th Sep	
	2005	2006	2007	2007	2006
	£'000	£'000	£'000	£'000	£'000
Profit before tax	1,388	4,397	19,646	26,603	7,271
Corporation tax	480	1,265	5,501	8,254	2,183
Effective tax rate %	35	29	28	31	30

Source: Record

The progressive increase in the tax expense relates to progressively higher taxable profits.

The effective tax rate for the year ended 31st March 2005 was higher than the underlying tax rate because the profit under IFRS is reduced by a charge for share based payments of £128,000 in respect of share options granted, for which a statutory deduction can only be claimed when the options are exercised.

The effective tax rate for the years ended 31st March 2006 and 31st March 2007 was lower than the underlying tax rate because the allowance on capital expenditure relating to the fit out of the new leasehold premises exceeded the depreciation reported in the financial statements.

4.5 Analysis of operating profit & the impact of performance fees

The income statement in Table 5 above shows that profit before tax in the year to 31st March 2006 increased to £4.4 million from £1.4 million in the previous financial year (year on year increase of 217 per cent.) and increased to £19.6 million in the year to 31st March 2007 (year on year increase of 347 per cent.).

It has been noted that the financial performance during the three and a half years to 30th September 2007 was the result of strong growth in both management and in performance fees. This has resulted in a very positive improvement in net margin with the pre tax profit to total revenue percentage increasing from 26 per cent. for the year to March 2005 to 38 per cent. for the year to 31st March 2006 and 56 per cent. for the year to 31st March 2007. The pre tax profit to total revenue percentage increased further to 63 per cent. for the six months to 30th September 2007.

It can be seen from the analysis of total revenue in Table 8 above that performance fees contributed significantly to the strong financial performance during the analysis period. In every financial period reviewed, the profit before tax significantly exceeded the performance fees earned in that period. In the year ended 31st March 2005 the profits before tax exceeded performance fees by £1.2 million; this difference increased to £2.6 million in the year ended 31st March 2006 and increased further to £6 million in the year ended 31st March 2007. This indicates that the Group is not reliant on performance fees alone and that profits before tax excluding the benefit of performance fees have increased in each period. Furthermore, had no performance fees been earned during the period, variable compensation costs would have been lower.

5 LIQUIDITY, CAPITAL RESOURCES AND ADEQUACY

5.1 General

Record has been highly cash generative during the period under review. Its liquidity results from a combination of management and performance fees being generated from a range of products and services

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which take advantage of a shared cost base. During the periods under review, the cash generated from fee income has significantly exceeded the Group's operating expenditure, working capital needs and capital expenditure requirements. The result has been that cash reserves have accumulated within the business which is reflected in shareholders' reserves.

5.2 Indebtedness

Historically Record has retained sufficient cash within the business to satisfy comfortably the Financial Resources requirements of the FSA. As a result it is financed entirely from share capital and retained earnings. It has no debt.

5.3 Cash flow from operating activities

The Group's operating cash flow increased from £0.8 million in the year to 31st March 2005 to £2.7 million in the year to 31st March 2006 as demand for the Absolute Return product resulted in significant growth in AuME. Furthermore the increase in Absolute Return mandates created the opportunity for performance fees which have enhanced the solid foundation of management fee income. As a result the net operating cash flow in the year to 31st March 2007 increased to £18.3 million.

Table 15

CASH FLOW ANALYSIS

	Year ended 31 st Mar			Six months ended 30 th Sep	
	2005 £'000	2006 £'000	2007 £'000	2007 £'000	2006 £'000
Profit after tax	908	3,132	14,145	18,349	5,088
Adjustments for:					
Income tax charge	480	1,265	5,501	8,254	2,183
Net finance income	(63)	(4)	(271)	(424)	(60)
Expense items with no associated cash flow	171	69	173	147	84
	<u>1,496</u>	<u>4,462</u>	<u>19,548</u>	<u>26,326</u>	<u>7,295</u>
Changes in working capital	(699)	(1,760)	(1,235)	1,601	(4,518)
Cash generated from operations	797	2,702	18,313	27,927	2,777
Interest paid	(1)	(48)	(1)	(6)	(1)
Income tax paid	(200)	(854)	(3,657)	(2,595)	(759)
	<u>596</u>	<u>1,800</u>	<u>14,655</u>	<u>25,326</u>	<u>2,017</u>
Proceeds on disposal of property, plant and equipment	—	—	15	—	15
Purchase of property, plant and equipment	(63)	(477)	(372)	(124)	(48)
Interest received	64	52	272	431	61
Cash flows from investing activities	<u>1</u>	<u>(425)</u>	<u>(85)</u>	<u>307</u>	<u>28</u>
Cash inflow from issue of shares	121	33	1,142	173	996
Cash outflow from repurchase of shares	(1,077)	(745)	—	—	—
Dividends paid to equity shareholders	(260)	—	(4,916)	(4,151)	(1,071)
Cash flows from financing activities	<u>(1,216)</u>	<u>(712)</u>	<u>(3,774)</u>	<u>(3,978)</u>	<u>(75)</u>
Net (decrease)/increase in cash and cash equivalents	<u>(619)</u>	<u>663</u>	<u>10,796</u>	<u>21,655</u>	<u>1,970</u>

Source: Record

It is worth noting that the cash generated from operations is after making variable compensation payments to employees of £0.5 million in the year ended 31st March 2005, £1.3 million in the year ended 31st March 2006 and £8.2 million in the year ended 31st March 2007. Variable compensation payments in the six months to 30th September 2007 were £8.5 million.

The major cash outflows from the cash generated from operations during the period were:

- Capital Expenditure

The Group relocated to larger leasehold premises during the year ended 31st March 2006, which required £0.3 million initial fit out costs. In the year ended 31st March 2007 the Group upgraded its investment management system resulting in an increase in IT equipment expenditure to £0.2 million.

- Taxation

The tax paid has increased in line with taxable profits. Tax paid increased from £0.2 million in the year ended 31st March 2005 to £3.7 million in the year ended 31st March 2007.

- Share buy-ins and dividends

The Company bought in a total of £1.1 million of its shares in the year ended 31st March 2005 and £0.7 million of its shares in the period ended 31st March 2006.

The final dividend for the year ended 31st March 2004 of £0.3 million was paid in the period ended 31st March 2005, and two interim dividends totalling £4.9 million were paid in the period ended 31st March 2007.

- Interest income

The Group has had net interest received during the period under review due to increased cash balances.

- Issue of shares

The Company has issued new shares when share options granted to employees have been exercised. No shares have been issued in the period except in respect of employee share options.

5.4 Working capital

The Group maintains an appropriate level of working capital to meet its operational requirements. Working capital (current assets less current liabilities) has increased from £2 million in the year ended 31st March 2005 to £14.2 million in the year ended 31st March 2007, an increase of 169 per cent. per year.

Generally, receivables have increased as revenues have increased. Cash levels held by the Group have increased to meet regulatory funding requirements which have increased as revenues have grown.

The majority of management fee income and all performance fees are invoiced quarterly which means that debtor balances are reported at the highest point in the annual and interim accounts. The collection of debtor balances is 89 days and because of the nature of the client base the Group has not experienced any problems with bad debts. The trend is towards invoicing management fees on a monthly basis and as this becomes established the debtors balance falls and so reduces the working capital requirement.

During the reporting period the year end debtor balances have increased which reflects the growth in fee income and can vary significantly depending on the level of performance fees included in that quarter's revenue. Trade debtors at 31st March 2005 were £1.9 million at 31st March 2006 were £5.1 million and at 31st March 2007 were £8.1 million.

Creditors have increased from £1 million at 31st March 2005 to £6.4 million at 31st March 2007.

The Group's cash balances are principally held in Sterling with small balances held in Swiss Francs, Euros and US Dollars.

Cash is held principally in the form of deposits with maturities ranging from overnight to six months duration. Sufficient cash for day to day operations is held in high interest bearing accounts available for immediate use.

5.5 Regulatory capital

The Group maintains an appropriate level of cash and capital at the relevant individual entity to meet commercial, working capital and regulatory requirements and to support the future growth of the business. As at 30th September 2007, the only regulated entity within the Group was RCML. RCML is regulated in the UK by the Financial Services Authority, is a registered investment adviser with the Securities and Exchange Commission in the US and is registered as an international adviser with the Ontario Securities Commission in the state of Ontario Canada. RCML is approved by the Irish Financial Regulator to act as promoter and investment manager to Irish authorised collective investment schemes. RCML also prepares Part B of Derivative Risk Statements for a client that is regulated by the Australian Prudential Regulatory Authority to enable the client to comply with its regulatory reporting requirements. Record Portfolio Management Limited was regulated by the Financial Services Authority until January 2007 when it requested that its permissions be cancelled and it was de-registered.

The only regulatory capital requirements of the Group relate to the FSA under which RCML must maintain sufficient Financial Resources (as defined in the FSA handbook ref. IPRU-INV Table 10-62(2)(B)) to cover its Financial Resources Requirements (as defined in the FSA handbook ref. IPRU-INV 10.62).

6 CAPITALISATION AND INDEBTEDNESS

Table 16 below shows the capitalisation of the Group under IFRS as at 30th September 2007.

Table 16

EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

Six months ended 30 th September 2007	£'000
Total current and non-current debt	
Guaranteed/secured	—
Unguaranteed/unsecured	—
Shareholders' equity	
Issued capital	55
Share premium	1,810
Capital redemption reserve	20
Retained earnings	27,370
Total equity attributable to equity holders of the parent	29,255

Source: Record

Table 17

NET FINANCIAL INDEBTEDNESS AT 30th SEPTEMBER 2007

	£'000
Cash	34,173
Cash equivalents	—
Current debt	—
Net current (financial indebtedness)/cash	34,173
Non current financial indebtedness	—
Net (financial indebtedness)/cash	34,173

Source: Record

Table 17 shows the net financial indebtedness of the Group as at 30th September 2007.

As at 30th September 2007, the Group had net cash of £34.2 million under IFRS. A special dividend of £20 million has been paid since 30th September 2007. Other than this special dividend, there has been no material change to the net financial indebtedness of the Group since the date of the last audited information.

PENSION PLANS

In April 2006, the Group established a Group Personal Pension Plan to provide defined contribution benefits to permanent staff after their initial six month trial period. Prior to this the Group operated a self-administered defined contribution pension scheme. Contributions to both schemes were made by the employer based on a percentage of employee earnings with voluntary contributions made by employees. The decision to close the self-administered scheme was in recognition of the increased burden of in-house administration and legislative compliance for the growing number of current and deferred members of the scheme. All the benefits accrued under the self-administered scheme were transferred to alternative pension arrangements during 2006 and the scheme was terminated in November 2006. The final deed of dissolution was passed by the Corporate Trustee in March 2007 as no funds or liabilities remained within the scheme. The Group has never operated a defined benefit scheme for any of its employees.

The employer contributions made to the two schemes over the period 1st April 2004 to 30th September 2007 were as follows:

Table 18

PENSION CONTRIBUTIONS

	Year ended 31 st Mar			Six months ended 30 th Sep	
	2005 £'000	2006 £'000	2007 £'000	2007 £'000	2006 £'000
Employer contribution	153	198	334	184	153

Source: Record

The increased cost to Record over the three and a half year period is the result of increased headcount, the growth in salary levels and an increase in contribution by the Group to compensate members for the costs they incur as a result of outsourcing the scheme.

7 CONTINGENT LIABILITIES

The Group has commitments under commercial leases in respect of offices at 32 Peascod Street, Windsor and Morgan House, Madeira Walk, Windsor. The details are provided in section 16 of Part XIII this document.

8 CRITICAL ACCOUNTING POLICIES

Set forth below is a description of the Group's critical accounting policies. Judgements made in the application of these accounting policies and estimates with a significant risk of material adjustment are also described below.

Income recognition

Management fees are accrued on a daily basis based on AuME and are invoiced either at the end of each month or the end of each quarter as agreed with each client.

Where performance fees are applicable, the fee calculation is based on the performance of each mandate as at the quarter end dates rather than estimating an accrual on a daily basis as the fee quantum cannot be estimated reliably prior to the end of the performance period due to the volatility of the currency market. Performance fees are invoiced quarterly.

Variable compensation

The Group Profit Bonus is accrued for on a monthly basis and is calculated from the income statement. The provision includes employer's National Insurance. It is intended that the bonus payments to staff will be paid shortly after announcement of the half-year and full-year earnings.

Equity based payments

The Group has issued share options to employees under its share based payment arrangements. There are currently no outstanding options. However, awards of Ordinary Shares may be granted in the future under the Group Bonus Scheme and the Flotation Bonus Scheme. The fair value of these share based payments is determined on the date of grant using the Black-Scholes model and is spread over the vesting period. This share based payment expense is reported in the income statement and the corresponding equity movement is made in the balance sheet against retained earnings. The fair value measurement depends on judgements made regarding staff retention, timing of exercise of the options and price volatility. The Group has used historical data to predict staff retention rates and to estimate volatility. Factors such as likely timing of future dividends and the duration of the exercise are considered when judging the times at which options will be exercised.

Financial liabilities

The Group uses foreign exchange forward contracts to hedge its foreign currency exposures on invoices issued in currencies other than Sterling. These derivatives are initially recognised at cost on the date on which a contract is entered into unless fair value at acquisition is different to cost, in which case the fair value is recognised. Subsequently they are measured at fair value with gains and losses recognised in the income statement. Transaction costs are recognised immediately in the income statement. The Group does not apply hedge accounting. The fair value of derivatives is their quoted market price at the balance sheet date.

Part IX

Financial Information

Included in this section are the financial information on the Company for the three and a half years ended 30th September 2007 and the unaudited pro forma balance sheet as at 30th September 2007.

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1 FINANCIAL INFORMATION ON THE COMPANY

(a) Accountants' Report



The Directors,
Record plc
Morgan House
Madeira Walk
Windsor
Berkshire, SL4 1EP

28th November 2007

Dear Sirs

Record plc

We report on the financial information set out on pages 64 to 94. This financial information has been prepared for inclusion in the prospectus dated 28th November 2007 of Record plc (the 'Company') on the basis of the accounting policies set out in note 1. The financial information as at and for the six months ended 30th September 2006 has been included for comparative purposes only, is unaudited and is not covered by this report. This report is required by paragraph 20.1 of Annex I of the Prospectus Directive Regulation and is given for the purpose of complying with that paragraph and for no other purpose.

Responsibilities

The Directors of the Company are responsible for preparing the financial information on the basis of preparation set out in note 1 to the financial information and in accordance with International Financial Reporting Standards.

It is our responsibility to form an opinion on the financial information and to report our opinion to you.

Save for any responsibility arising under Prospectus Rule 5.5.3R (2)(f) to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with paragraph 23.1 of Annex I of the Prospectus Directive Regulation, consenting to its inclusion in the prospectus.

Basis of opinion

We conducted our work in accordance with Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of the significant estimates and judgments made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work 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 information is free from material misstatement whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the financial information gives, for the purposes of the prospectus dated 28th November 2007, a true and fair view of the state of affairs of the Company as at the dates stated and of its profits, cash flows and changes in equity for the periods then ended in accordance with the basis of preparation and in accordance with International Financial Reporting Standards as described in note 1.

Declaration

For the purposes of Prospectus Rule 5.5.3R (2)(f) we are responsible for this report as part of the prospectus and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the prospectus in compliance with paragraph 1.2 of Annex I of the Prospectus Directive Regulation.

Yours faithfully

KPMG LLP

Part IX
Financial Information

(b) Financial information for the three and a half years ended 30th September 2007

The financial information of the Company for the three and a half years ended 30th September 2007 set out in this Part IX 1(b) has been prepared by the Directors on the basis set out in note 1. It has been prepared solely for the purposes of this prospectus and does not constitute audited statutory accounts within the meaning of Section 240 of the Companies Act.

The Directors of the Company are responsible for the financial information and the contents of the prospectus in which it is included.

Consolidated income statements

	Notes	Year ended 31 st March			Six months ended 30 th September	
		2005 £'000	2006 £'000	2007 £'000	2007 £'000	2006 £'000
						unaudited
Revenue	5					
Management fees		5,036	9,526	21,497	20,557	8,657
Performance fees		207	1,778	13,603	22,030	3,683
Other revenue		210	149	144	(30)	(25)
Total fees receivable		5,453	11,453	35,244	42,557	12,315
Cost of sales		(333)	(971)	(177)	(226)	(81)
Gross profit		5,120	10,482	35,067	42,331	12,234
Administrative expenses		(3,795)	(6,089)	(15,692)	(16,152)	(5,023)
Operating profit	6,7	1,325	4,393	19,375	26,179	7,211
Finance income		64	52	272	430	61
Finance costs		(1)	(48)	(1)	(6)	(1)
Profit before taxation		1,388	4,397	19,646	26,603	7,271
Taxation	8	(480)	(1,265)	(5,501)	(8,254)	(2,183)
Profit for the period attributable to equity holders of the company		908	3,132	14,145	18,349	5,088
Earnings per share	19					
Basic (£ / share)		0.45	1.70	6.67	8.33	2.55
Diluted (£ / share)		0.43	1.59	6.35	8.30	2.35

Part IX
Financial Information

Consolidated balance sheets

	Notes	As at 31 st March			As at 30 th
		2005 £'000	2006 £'000	2007 £'000	September 2007 £'000
ASSETS					
Non-current assets					
Property, plant and equipment	11	83	509	706	683
		<u>83</u>	<u>509</u>	<u>706</u>	<u>683</u>
Current assets					
Trade and other receivables	12	1,925	5,083	8,052	9,344
Cash and cash equivalents	13	1,059	1,722	12,518	34,173
		<u>2,984</u>	<u>6,805</u>	<u>20,570</u>	<u>43,517</u>
Current liabilities					
Trade and other payables	14	(584)	(1,965)	(3,748)	(6,624)
Current tax liabilities	15	(388)	(757)	(2,602)	(8,255)
Financial liabilities		(33)	(50)	(1)	(18)
		<u>(1,005)</u>	<u>(2,772)</u>	<u>(6,351)</u>	<u>(14,897)</u>
Net current assets		1,979	4,033	14,219	28,620
Non-current liabilities					
Deferred tax liabilities	9	—	(42)	(42)	(48)
		<u>—</u>	<u>(42)</u>	<u>(42)</u>	<u>(48)</u>
TOTAL NET ASSETS		<u>2,062</u>	<u>4,500</u>	<u>14,883</u>	<u>29,255</u>
EQUITY					
Issued capital	17	48	43	55	55
Share premium		473	506	1,636	1,810
Capital redemption reserve	18	15	20	20	20
Retained earnings		1,526	3,931	13,172	27,370
TOTAL EQUITY		<u>2,062</u>	<u>4,500</u>	<u>14,883</u>	<u>29,255</u>

Part IX
Financial Information

Consolidated cash flow statements

	Year ended 31 st March			Six months ended	
	2005 £'000	2006 £'000	2007 £'000	30 th September 2007 £'000	2006 £'000
Cash flows from operating activities					
Profit after tax	908	3,132	14,145	18,349	5,088
Adjustments for:					
Income tax	480	1,265	5,501	8,254	2,183
Finance income	(64)	(52)	(272)	(430)	(61)
Finance expense	1	48	1	6	1
Loss on disposal of property, plant and equipment	—	—	12	1	12
Depreciation of tangible fixed assets	43	51	149	146	72
Share-based payments expense	128	18	12	—	—
	<u>1,496</u>	<u>4,462</u>	<u>19,548</u>	<u>26,326</u>	<u>7,295</u>
Changes in working capital					
(Increase)/decrease in receivables	(723)	(3,158)	(2,969)	(1,292)	(4,694)
Increase/(decrease) in payables	24	1,381	1,783	2,875	143
Increase/(decrease) in other financial liabilities	—	17	(49)	18	33
	<u>797</u>	<u>2,702</u>	<u>18,313</u>	<u>27,927</u>	<u>2,777</u>
Cash generated from operations	<u>797</u>	<u>2,702</u>	<u>18,313</u>	<u>27,927</u>	<u>2,777</u>
Interest paid	(1)	(48)	(1)	(6)	(1)
Income tax paid	(200)	(854)	(3,657)	(2,595)	(759)
	<u>596</u>	<u>1,800</u>	<u>14,655</u>	<u>25,326</u>	<u>2,017</u>
Cash flows from investing activities					
Proceeds on disposal of property, plant and equipment	—	—	15	—	15
Purchase of property, plant and equipment	(63)	(477)	(372)	(124)	(48)
Interest received	64	52	272	431	61
	<u>1</u>	<u>(425)</u>	<u>(85)</u>	<u>307</u>	<u>28</u>
Cash flow from financing activities					
Cash inflow from issue of shares	121	33	1,142	173	996
Cash outflow from repurchase of shares	(1,077)	(745)	—	—	—
Dividends paid to equity shareholders	(260)	—	(4,916)	(4,151)	(1,071)
	<u>(1,216)</u>	<u>(712)</u>	<u>(3,774)</u>	<u>(3,978)</u>	<u>(75)</u>
Net (decrease)/increase in cash and cash equivalents	(619)	663	10,796	21,655	1970
Cash and cash equivalents at beginning of period	<u>1,678</u>	<u>1,059</u>	<u>1,722</u>	<u>12,518</u>	<u>1,722</u>
Cash and cash equivalents at the period end	<u><u>1,059</u></u>	<u><u>1,722</u></u>	<u><u>12,518</u></u>	<u><u>34,173</u></u>	<u><u>3,692</u></u>

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Consolidated statement of change in equity

	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Retained earnings £'000	Total shareholders' equity £'000
As at 1st April 2004	<u>54</u>	<u>354</u>	<u>7</u>	<u>1,827</u>	<u>2,242</u>
Profit for the year	—	—	—	908	908
Employee share options	—	—	—	128	128
Dividends paid	—	—	—	(260)	(260)
Buy in of shares	(8)	—	8	(1,077)	(1,077)
Issue of shares	<u>2</u>	<u>119</u>	—	—	<u>121</u>
As at 31st March 2005	<u>48</u>	<u>473</u>	<u>15</u>	<u>1,526</u>	<u>2,062</u>
Profit for the year	—	—	—	3,132	3,132
Employee share options	—	—	—	18	18
Dividends paid	—	—	—	—	—
Buy in of shares	(5)	—	5	(745)	(745)
Issue of shares	—	<u>33</u>	—	—	<u>33</u>
As at 31st March 2006	<u>43</u>	<u>506</u>	<u>20</u>	<u>3,931</u>	<u>4,500</u>
Profit for the year	—	—	—	14,145	14,145
Employee share options	—	—	—	12	12
Dividends paid	—	—	—	(4,916)	(4,916)
Buy in of shares	—	—	—	—	—
Issue of shares	<u>12</u>	<u>1,130</u>	—	—	<u>1,142</u>
As at 31st March 2007	<u>55</u>	<u>1,636</u>	<u>20</u>	<u>13,172</u>	<u>14,883</u>
Profit for the period	—	—	—	18,349	18,349
Employee share options	—	—	—	—	—
Dividends paid	—	—	—	(4,151)	(4,151)
Buy in of shares	—	—	—	—	—
Issue of shares	—	<u>174</u>	—	—	<u>174</u>
As at 30th September 2007	<u>55</u>	<u>1,810</u>	<u>20</u>	<u>27,370</u>	<u>29,255</u>

1 GROUP ACCOUNTING POLICIES

Basis of preparation

The consolidated historical financial information has been prepared and approved by the Directors in accordance with the requirements of the Listing Rules and International Financial Reporting Standards as adopted by the European Union (“EU-adopted IFRS”).

The following accounting policies have been consistently applied to all the periods presented unless otherwise stated.

The consolidated historical financial information has been prepared on an historical cost basis, modified to include fair valuation of derivative financial instruments.

The Company’s transition date to EU-adopted IFRS was 1st April 2004. The rules for first-time adoption of IFRS are set out in IFRS 1 which allows certain exemptions in the application of particular standards to prior periods in order to assist companies with the transition process. The Company has not applied any exemptions.

The consolidated financial information does not comprise the statutory accounts of the Company for each of the three years ended 31st March 2007. The statutory accounts for the Company, which were prepared under United Kingdom generally accepted accounting principles (“UK GAAP”) have been reported on by the Company’s auditors and delivered to the Registrar of Companies. The reports of the auditors were (i) unqualified; (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report; and (iii) did not contain a statement under Section 237 (2) or (3) of the Companies Act 1985.

New standards

IFRS 7 ‘Financial instruments: disclosure’ was issued by the IASB in August 2005 and is required to be adopted by the Group for reporting in its financial period of six months ending 30th September 2007. Adoption of this standard has not had a material impact on the results or financial position of the Group, but has increased the level of disclosure.

Basis of consolidation

The financial statements of entities treated as subsidiaries have been consolidated using consistent accounting policies.

Subsidiaries are entities where the Company has the power to govern the financial and operating policies, generally accompanied by a share of more than 50 per cent. of the voting rights.

Intragroup balances and any unrealised gains and losses on income and expenses arising from intragroup transactions are eliminated in preparing the consolidated financial statement.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business, net of discounts and sales related taxes.

Revenue comprises management fees, performance fees and other income. Revenue is recognised in the income statement as and when the related services are provided. Revenue is recognised to the extent that it is probable that the economic benefits will flow to the group and the revenue can be reliably measured. The following specific recognition criteria must be met before revenue is recognised:

- (i) Management fees are accrued over the period for which the service is provided.

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- (ii) Performance fees relate to the performance of funds during the period and are recognised at the balance sheet date when the quantum of the fee can be estimated reliably and it is probable that the fee will crystallise. This is usually at the end of the performance period.
- (iii) Other income includes equitisation products and currency audits. The revenue is recognised when the related services are provided.

Segment reporting

Group management consider that its services comprise one business segment (being provision of currency management services) and that it operates in a market that is not bound by geographical constraints. A segment is a distinguishable component of an entity that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

Share-based payments

The Company issued share options to its employees under the share option plans. The awards have been classified as equity-settled under IFRS 2.

The fair value of the amounts payable to employees is recognised as an expense with a corresponding increase in equity. The fair value is measured at grant date using the Black-Scholes formula, taking into account the terms and conditions upon which the instruments were granted. The expense is spread over the period in which the employees become unconditionally entitled to the options.

Own shares

Own shares may be held by an Employee Share Option Trust (ESOT) for the purpose of the employee share option plan. The holding of the ESOT comprises own shares that have been allocated against a share option that has not vested. For the periods covered by these accounts the holding of own shares is not material.

Interest income and interest expense

Interest income and interest expense is calculated using an effective interest rate method. Interest income comprises interest receivable on funds invested and interest expense comprises interest payable on trade and other payables.

Dividends payable

Interim dividends are recognised when paid and final dividends when approved by shareholders.

Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation less any recognised impairment losses. Cost includes expenditure that is directly attributable to the acquisition or construction of these items. Subsequent costs are included in the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to The Company and the costs can be measured reliably. All other costs, including repairs and maintenance costs, are charged to the income statement in the period in which they are incurred.

Property, plant and equipment is assessed for impairment where there is an indication of impairment. Where impairment exists, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognised in the income statement. The depreciation charge for the asset is then adjusted to reflect the asset's revised carrying amount.

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Depreciation is provided on all property, plant and equipment and is calculated on a straight line basis to allocate cost less assessed residual value, other than assets in the course of construction, over the estimated useful lives, as follows:

Computer equipment	- 50 per cent. per annum
Furniture & fittings	- 25 per cent. per annum
Leasehold property	- over the full term of the lease

The assets' useful lives and residual values are reviewed and, if appropriate, adjusted at each balance sheet date.

The gain or loss arising on disposal or scrapping of an asset is determined as the difference between the sales proceeds, net of selling costs, and the carrying amount of the asset and is recognised in the income statement.

Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at initial fair value less provision for impairment. Provision for impairment is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivable. The amount of the impairment is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the original effective interest rate.

Foreign currencies

Foreign currency transactions are translated into sterling using the exchange rates prevailing on the dates of the transactions. Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in the income statement for the period.

In order to hedge its exposure to certain foreign exchange risks, the Company enters into forward contracts (see note 4 Financial Risk Management).

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and on demand deposits held with banks, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Trade and other payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using effective interest rate method.

Employee benefits

The Company operates a defined contribution pension plan for the benefit of certain employees. In relation to its defined contribution plan, the Company makes contributions to independently administered plans, the contributions being recognised as an expense when they fall due. The Group has no legal or constructive obligation to make any further payments to the plans other than the contributions due.

Financial liabilities

The Company uses foreign exchange forward contracts to manage its foreign currency exposures. These derivatives are initially recognised at cost on the date on which a contract is entered into unless fair value at acquisition is different to cost, in which case the fair value is recognised. Subsequently they are measured at fair value with gains and losses recognised in the income statement. Transaction costs are recognised immediately in the income statement. The group does not apply hedge accounting. The fair value of derivatives is their quoted market price at the balance sheet date.

Deferred taxation

Deferred taxation is calculated using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated historical financial information. However, if the temporary difference arises from the initial recognition of goodwill or initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred tax is determined using tax rates and laws that have been enacted (or substantially enacted) by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax liabilities are provided in full, with no discounting.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Changes in deferred tax assets or liabilities are recognised as a component of tax expense in the income statement, except where they relate to items that are charged or credited directly to equity in which case the related deferred tax is also charged or credited directly to equity.

Operating leases

Leases of property, plant and equipment where The Company does not have substantially all the risks and rewards of ownership are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the lease term. Incentives provided by the lessor are credited to the income statement on a straight-line basis over the full lease term.

2 ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements used in preparing the financial statements are continually evaluated and are based upon management's assessment of current and future events. The estimates and judgements that have a significant affect on the carrying value of assets and liabilities are discussed below:

Revenue recognition

Performance fees relate to the performance of funds during the period and are recognised at the balance sheet date when the quantum of the fee can be estimated reliably and it is probable that the fee will crystallise. This is usually at the end of the performance period.

Share-based payments

The Group issued share options to its employees under the share option plans. The awards have been classified as equity-settled under IFRS 2.

The fair value of the amounts payable to employees is recognised as an expense with a corresponding increase in equity. The fair value is measured at grant date using the Black-Scholes formula, taking into account the terms and conditions upon which the instruments were granted. The fair value measurement depends on judgements made regarding staff retention, timing of exercise of the options and price volatility. The group has used historical data to predict staff retention rate and to estimate volatility. Factors such as likely timing of future dividends and the duration of the exercise period are considered when judging the timing of exercise of options.

3 EXPLANATION OF TRANSITION TO IFRS

As stated in note 1, the consolidated financial information has been prepared in accordance with IFRS. The accounting policies set out in note 1 have been applied in preparing the financial information as if IFRS was first adopted on 1st April 2004 (the deemed date of the Group's transition).

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In preparing its opening balance sheet at 1st April 2004, and subsequent balance sheet at 31st March 2005, 31st March 2006 and 31st March 2007, the Group has adjusted amounts previously reported in financial statements prepared in accordance with its old basis of accounting (UK GAAP). An explanation of how the transition from UK GAAP to IFRS has affected the Group's financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables.

(i) IAS 1

The Group has applied IAS 1 which has resulted in more detailed disclosure of revenues on the face of the income statement, and the reclassification of commissions paid from administrative expenses to cost of sales.

(ii) IAS 10 Dividend recognition

The Group has applied IAS 10 to the final dividend declared by directors in the year ended 31st March 2004 but not approved by shareholders until the annual general meeting in the following period. Accordingly the dividend is recognised in full in the year ended 31st March 2005. Under UK GAAP, the dividend was recognised and accrued for in the year ended 31st March 2004.

(iii) IFRS 2 Share-based payments

The Group has applied IFRS 2 to the share options offered to employees as part of their compensation package. In accordance with IFRS 2 for those arrangements made after 7th November 2002 and vesting after 1st January 2005, the charge to the income statement represents the fair value of these arrangements calculated using an appropriate option-pricing model adjusted for forfeits and where applicable non-market performance conditions. The charge has been spread over the period from the date that the option is granted to the date that the option vests. The Group made no charge for these arrangements in the profit and loss statements previously reported in financial statements compiled in accordance with UK GAAP.

(iv) Explanation of material adjustments to the cash flow statements

There were no material adjustments to the cash flow statements.

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Balance sheet as at 1st April 2004 (opening balance sheet)
Effect of IFRS on UK GAAP balances

	UK GAAP £'000	IAS 1 Presentation of financial statements £'000	IAS 10 Dividends £'000	IFRS £'000	
Fixed assets					Non-current assets
Tangible assets	62			62	Property, plant and equipment
	<u>62</u>			<u>62</u>	
Current assets					Current assets
Debtors	1,202			1,202	Trade and other receivables
Cash at bank and in hand	1,678			1,678	Cash at cash equivalents
	<u>2,880</u>			<u>2,880</u>	
Creditors					Current liabilities
Amounts falling due within 1 year	960	(248)	(260)	452	Trade and other payables
		192		192	Current tax liabilities
		56		56	Financial liabilities
	<u>960</u>			<u>700</u>	
	<u>1,920</u>			<u>2,180</u>	Net current assets
Total assets less current liabilities	<u>1,982</u>			<u>2,242</u>	Total assets less current liabilities
Provisions for liabilities & charges					Non-current liabilities
Deferred taxation	—			—	Deferred tax liabilities
Total net assets	<u>1,982</u>			<u>2,242</u>	Total net assets
Capital and reserves					Equity
Called up share capital	54			54	Issued capital
Share premium account	354			354	Share premium
Capital redemption reserve	7			7	Capital redemption reserve
Profit and loss account	1,567		260	1,827	Retained earnings
Shareholders' funds	<u>1,982</u>			<u>2,242</u>	Total equity

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Income statement for the year to 31st March 2005
Effect of IFRS on UK GAAP balances

	UK GAAP £'000	IAS 1 Presentation of financial statements £'000	IFRS 2 Share based payment £'000	IFRS £'000	
Turnover	5,453	(5,453)			Revenue
		5,036		5,036	Management fees
		207		207	Performance fees
		210		210	Other revenue
				<u>5,453</u>	Total fees receivable
		(333)		<u>(333)</u>	Cost of sales
				5,120	Gross profit
Administrative expenses	<u>(4,000)</u>	333	(128)	<u>(3,795)</u>	Administrative expenses
Operating profit	1,453			1,325	Operating profit
Interest receivable	64			64	Finance income
Interest payable	<u>(1)</u>			<u>(1)</u>	Finance costs
Profit on ordinary activities before tax	1,516			1,388	Profit before taxation
Tax on profit on ordinary activities	<u>(480)</u>			<u>(480)</u>	Taxation
Profit on ordinary activities after tax	<u>1,036</u>			<u>908</u>	Profit after taxation

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Balance sheet as at 31st March 2005
Effect of IFRS on UK GAAP balances

UK GAAP balances in UK GAAP format	UK GAAP £'000	IAS 1 Presentation of financial statements £'000	IFRS £'000	IFRS balances in IFRS format
Fixed assets				Non-current assets
Tangible assets	83		83	Property, plant and equipment
	<u>83</u>		<u>83</u>	
Current assets				Current assets
Debtors	1,925		1,925	Trade and other receivables
Cash at bank and in hand	1,059		1,059	Cash at cash equivalents
	<u>2,984</u>		<u>2,984</u>	
Creditors				Current liabilities
Amounts falling due within 1 year	1,005	(421)	584	Trade and other payables
		388	388	Current tax liabilities
		33	33	Financial liabilities
			<u>1,005</u>	
			<u>1,979</u>	Net current assets
Total assets less current liabilities	<u>2,062</u>		<u>2,062</u>	Total assets less current liabilities
Provisions for liabilities & charges				Non-current liabilities
Deferred taxation	—		—	Deferred tax liabilities
Total net assets	<u>2,062</u>		<u>2,062</u>	Total net assets
Capital and reserves				Equity
Called up share capital	48		48	Issued capital
Share premium account	473		473	Share premium
Capital redemption reserve	15		15	Capital redemption reserve
Profit and loss account	1,526		1,526	Retained earnings
Shareholders' funds	<u>2,062</u>		<u>2,062</u>	Total equity

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Income statement for the year to 31st March 2006
Effect of IFRS on UK GAAP balances

	UK GAAP £'000	IAS 1 Presentation of financial statements £'000	IFRS 2 Share based payment £'000	IFRS £'000	
Turnover	11,453	(11,453)			Revenue
		9,526		9,526	Management fees
		1,778		1,778	Performance fees
		149		149	Other revenue
				<u>11,453</u>	Total fees receivable
		(971)		<u>(971)</u>	Cost of sales
				10,482	Gross profit
Administrative expenses	<u>(7,042)</u>	971	(18)	<u>(6,089)</u>	Administrative expenses
Operating profit	4,411			4,393	Operating profit
Interest receivable	52			52	Finance income
Interest payable	<u>(48)</u>			<u>(48)</u>	Finance costs
Profit on ordinary activities before tax	4,415			4,397	Profit before taxation
Tax on profit on ordinary activities	<u>(1,265)</u>			<u>(1,265)</u>	Taxation
Profit on ordinary activities after tax	<u><u>3,150</u></u>			<u><u>3,132</u></u>	Profit after taxation

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Balance sheet as at 31st March 2006
Effect of IFRS on UK GAAP balances

UK GAAP balances in UK GAAP format	UK GAAP £'000	IAS 1 Presentation of financial statements £'000	IFRS £'000	IFRS balances in IFRS format
Fixed assets				Non-current assets
Tangible assets	509		509	Property, plant and equipment
	<u>509</u>		<u>509</u>	
Current assets				Current assets
Debtors	5,083		5,083	Trade and other receivables
Cash at bank and in hand	1,722		1,722	Cash at cash equivalents
	<u>6,805</u>		<u>6,805</u>	
Creditors				Current liabilities
Amounts falling due within 1 year	2,772	(807)	1,965	Trade and other payables
		757	757	Current tax liabilities
		50	50	Financial liabilities
			<u>2,772</u>	
			<u>4,033</u>	Net current assets
Total assets less current liabilities	<u>4,542</u>		<u>4,542</u>	Total assets less current liabilities
Provisions for liabilities & charges				Non-current liabilities
Deferred taxation	42		42	Deferred tax liabilities
Total net assets	<u>4,500</u>		<u>4,500</u>	Total net assets
Capital and reserves				Equity
Called up share capital	43		43	Issued capital
Share premium account	506		506	Share premium
Capital redemption reserve	20		20	Capital redemption reserve
Profit and loss account	3,931		3,931	Retained earnings
Shareholders' funds	<u>4,500</u>		<u>4,500</u>	Total equity

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Income statement for the year to 31st March 2007
Effect of IFRS on UK GAAP balances

	UK GAAP £'000	IAS 1 Presentation of financial statements £'000	IFRS 2 Share based payment £'000	IFRS £'000	
Turnover	35,244	(35,244)			Revenue
		21,497		21,497	Management fees
		13,603		13,603	Performance fees
		144		144	Other revenue
				35,244	Total fees receivable
		(177)		(177)	Cost of sales
				35,067	Gross profit
Administrative expenses	(15,857)	177	(12)	(15,692)	Administrative expenses
Operating profit	19,387			19,375	Operating profit
Interest receivable	272			272	Finance income
Interest payable	(1)			(1)	Finance costs
Profit on ordinary activities before tax	19,658			19,646	Profit before taxation
Tax on profit on ordinary activities	(5,501)			(5,501)	Taxation
Profit on ordinary activities after tax	14,157			14,145	Profit after taxation

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Balance sheet as at 31st March 2007
Effect of IFRS on UK GAAP balances

UK GAAP balances in UK GAAP format	UK GAAP £'000	IAS 1 Presentation of financial statements £'000	IFRS £'000	IFRS balances in IFRS format
Fixed assets				Non-current assets
Tangible assets	706		706	Property, plant and equipment
	<u>706</u>		<u>706</u>	
Current assets				Current assets
Debtors	8,052		8,052	Trade and other receivables
Cash at bank and in hand	12,518		12,518	Cash at cash equivalents
	<u>20,570</u>		<u>20,570</u>	
Creditors				Current liabilities
Amounts falling due within 1 year	6,351	(2,603)	3,748	Trade and other payables
		2,602	2,602	Current tax liabilities
		1	1	Financial liabilities
			<u>6,351</u>	
			<u>14,219</u>	Net current assets
Total assets less current liabilities	<u>14,925</u>		<u>14,925</u>	Total assets less current liabilities
Provisions for liabilities & charges				Non-current liabilities
Deferred taxation	42		42	Deferred tax liabilities
Total net assets	<u>14,883</u>		<u>14,883</u>	Total net assets
Capital and reserves				Equity
Called up share capital	55		55	Issued capital
Share premium account	1,636		1,636	Share premium
Capital redemption reserve	20		20	Capital redemption reserve
Profit and loss account	13,172		13,172	Retained earnings
Shareholders' funds	<u>14,883</u>		<u>14,883</u>	Total equity

4 FINANCIAL RISK MANAGEMENT

The Company's current activities result in the following financial risks and management's responses to those risks in order to minimise any resulting adverse effects on the Company's financial performance.

Foreign exchange risk

The Company is exposed to foreign currency risks on sales and cash holdings that are denominated in a currency other than sterling. The currencies giving rise to this risk are primarily the US Dollar, the Euro, the Canadian Dollar and the Swiss Franc.

In the year ended 31st March 2007 the group invoiced the following amounts in currencies other than sterling.

Currency	Local Currency value £000's	Value in reporting currency £000's
Swiss Franc (CHF)	11,368	4,863
Euro (EUR)	4,320	2,946
U.S. Dollar (USD)	4,887	2,556
Canadian Dollar (CAD)	1,953	913
Australian Dollar (AUD)	450	182
Danish Krone (DKK)	358	33

The value of revenues for the year ended 31st March 2007 that were denominated in currencies other than sterling was £11.5 million (32.6 per cent. of total revenues).

The Group's policy is to reduce the risk associated with sales denominated in foreign currencies, by using forward fixed rate currency sales contracts. The Group forecasts foreign currency cash flows in U.S. Dollars, Swiss Francs, Euros and Canadian Dollars relating to management fees invoiced on a quarterly basis and takes out forward exchange contracts to match these future cash flows. This 'transactional hedge' covers approximately 96 per cent. of the value of management fee revenue denominated in foreign currencies which is invoiced on a quarterly basis. The value of revenues for the year ended 31st March 2007 that were denominated in currencies other than sterling and invoiced on a quarterly basis was £7.1 million (20.2 per cent. of total revenues).

Credit risk

The Group's principal financial assets are cash deposits and trade receivables. The credit risk associated with cash is limited as the financial institutions involved have high credit ratings assigned by international credit agencies. The main credit risk therefore arises from trade receivables.

All trade receivables are of a short term nature. The Directors have a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. The Company does not require collateral in respect of financial assets.

At each balance sheet date, there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

Liquidity risk and interest rate risk

The Company policy is to hold at least four months overhead cover in cash and it uses a programme of term deposits to maximise the return on the cash.

The effective interest rates applicable to these term deposits are as follows:-

	Year ended 31 st March			Six months ended 30 th September	
	2005	2006	2007	2007	2006
Short term deposits	4.63%	4.56%	4.92%	5.62%	4.58%

5 REVENUE ANALYSIS

Revenue analysis by product

For management purposes, the Company provides two currency management (CM) products being 'hedging' and 'return focused' and reports its performance between two fee structures being 'management fees' and 'performance fees'. Revenue information analysing the aforementioned products is presented below:

Year ended 31st March 2005

	Management fees £'000	Performance fees £'000	Total fees £'000
Hedging			
Passive	540	—	540
Active	3,693	127	3,820
	<u>4,233</u>	<u>127</u>	<u>4,360</u>
Return focused			
Segregated	803	80	883
Pooled	—	—	—
	<u>803</u>	<u>80</u>	<u>883</u>
Total CM income	<u><u>5,036</u></u>	<u><u>207</u></u>	<u><u>5,243</u></u>

Year ended 31st March 2006

	Management fees £'000	Performance fees £'000	Total fees £'000
Hedging			
Passive	797	—	797
Active	4,451	—	4,451
	<u>5,248</u>	<u>—</u>	<u>5,248</u>
Return focused			
Segregated	2,911	1,240	4,151
Pooled	1,367	538	1,905
	<u>4,278</u>	<u>1,778</u>	<u>6,056</u>
Total CM income	<u><u>9,526</u></u>	<u><u>1,778</u></u>	<u><u>11,304</u></u>

Year ended 31st March 2007

	Management fees £'000	Performance fees £'000	Total fees £'000
Hedging			
Passive	888	—	888
Active	6,118	37	6,155
	<u>7,006</u>	<u>37</u>	<u>7,043</u>
Return focused			
Segregated	8,065	8,148	16,213
Pooled	6,426	5,418	11,844
	<u>14,491</u>	<u>13,566</u>	<u>28,057</u>
Total CM income	<u><u>21,497</u></u>	<u><u>13,603</u></u>	<u><u>35,100</u></u>

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Six months ended 30th September 2007

	Management fees £'000	Performance fees £'000	Total fees £'000
Hedging			
Passive	386		386
Active	2,404	7	2,411
	<u>2,790</u>	<u>7</u>	<u>2,797</u>
Return focused			
Segregated	7,481	7,408	14,889
Pooled	10,286	14,615	24,901
	<u>17,767</u>	<u>22,023</u>	<u>39,790</u>
Total CM income	<u>20,557</u>	<u>22,030</u>	<u>42,587</u>

Six months ended 30th September 2006

	Management fees £'000	Performance fees £'000	Total fees £'000
Hedging			
Passive	415	—	415
Active	3,242	—	3,242
	<u>3,657</u>	<u>—</u>	<u>3,657</u>
Return focused			
Segregated	3,039	2,441	5,480
Pooled	1,961	1,242	3,203
	<u>5,000</u>	<u>3,683</u>	<u>8,683</u>
Total CM income	<u>8,657</u>	<u>3,683</u>	<u>12,340</u>

Revenue analysis by region

The Company operates in three geographic regions being UK, US and Canada, and Europe & the Rest of the World. These geographic regions are the secondary basis on which The Company analyses its revenue including CM income and other revenue, as presented below:

Year ended 31st March 2005

	Management fees £'000	Performance fees £'000	Other revenue £'000	Total fees £'000
UK	1,172	80	150	1,402
US and Canada	1,448	—	—	1,448
Europe	2,338	127	60	2,525
Rest of World	78	—	—	78
Total	<u>5,036</u>	<u>207</u>	<u>210</u>	<u>5,453</u>

Year ended 31st March 2006

	Management fees £'000	Performance fees £'000	Other revenue £'000	Total fees £'000
UK	4,316	1,318	61	5,695
US and Canada	1,032	—	—	1,032
Europe	4,028	460	88	4,576
Rest of World	150	—	—	150
Total	<u>9,526</u>	<u>1,778</u>	<u>149</u>	<u>11,453</u>

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Year ended 31st March 2007

	Management fees £'000	Performance fees £'000	Other revenue £'000	Total fees £'000
UK	12,291	11,650	58	23,999
US and Canada	2,119	449	—	2,568
Europe	6,560	1,504	86	8,150
Rest of World	527	—	—	527
Total	21,497	13,603	144	35,244

Six months ended 30th September 2007

	Management fees £'000	Performance fees £'000	Other revenue £'000	Total fees £'000
UK	13,498	19,413	(56)	32,855
US and Canada	1,925	945	—	2,870
Europe	3,724	1,672	26	5,422
Rest of World	1,410	—	—	1,410
Total	20,557	22,030	(30)	42,557

Six months ended 30th September 2006

	Management fees £'000	Performance fees £'000	Other revenue £'000	Total fees £'000
UK	4,510	3,232	(69)	7,673
US and Canada	803	—	—	803
Europe	3,259	451	44	3,754
Rest of World	85	—	—	85
Total	8,657	3,683	(25)	12,315

6 OPERATING PROFIT

Operating profit for the periods is stated after charging/(crediting):

	Year ended 31 st March			Six months ended 30 th September	
	2005 £'000	2006 £'000	2007 £'000	2007 £'000	2006 £'000
Depreciation of property, plant and equipment	43	51	149	146	72
Statutory audit services	19	16	20	11	3
Other services relating to taxation	5	14	14	14	5
Other services relating to IPO	—	—	—	—	—
Other audit services	24	27	20	67	16
Operating lease rentals					
Land and buildings	86	119	195	100	107
Exchange (gains)/losses on hedging activities	(54)	42	(167)	(35)	25
Other exchange (gains)/losses	—	10	164	92	64

7 STAFF COSTS

The average monthly number of employees, including executive Directors, employed by the Company during the periods was:

	Year ended 31 st March			Six months ended 30 th September	
	2005 Number	2006 Number	2007 Number	2007 Number	2006 Number
Client services	6	6	9	10	9
Investment & research	5	5	7	7	7
Operations	7	10	12	16	11
Information systems	3	4	4	4	4
Finance & administration	5	5	6	7	6
	<u>26</u>	<u>30</u>	<u>38</u>	<u>44</u>	<u>37</u>

The aggregate payroll costs of the above people, including Directors, were as follows:

	Year ended 31 st March			Six months ended 30 th September	
	2005 £'000	2006 £'000	2007 £'000	2007 £'000	2006 £'000
Wages and salaries	1,608	3,838	11,613	11,617	3,583
Social security costs	195	481	1,469	1,480	421
Pension costs	153	197	334	184	153
Share options granted	128	18	12	—	—
	<u>2,084</u>	<u>4,534</u>	<u>13,428</u>	<u>13,281</u>	<u>4,157</u>

Wages and salaries includes bonuses.

Directors' remuneration

Included within the total staff costs above is the remuneration of the Directors as detailed below:

	Year ended 31 st March			Six months ended 30 th September	
	2005 £'000	2006 £'000	2007 £'000	2007 £'000	2006 £'000
Aggregate emoluments of the directors					
Emoluments (excluding pension contribution)	1,145	2,723	6,089	6,246	1,711
Pension contribution	79	94	176	92	79
Emoluments of the highest paid director					
Emoluments (excluding pension contribution)	302	754	1,367	1,398	391
Pension contribution	—	—	39	20	19

In the period ended 30th September 2007, 5 directors of the Company participated in the Company's self administered defined contribution pension scheme (31st March 2005: 4; 31st March 2006: 4; 31st March 2007: 5).

Directors' loans

	31 st March 2005 £	31 st March 2006 £	31 st March 2007 £	30 th September 2007 £
M D Timmins	4,168	1,672	4,168	—
B Noyen	3,960	1,464	—	—

Loans were made at 0 per cent. interest and were repayable within two years.

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Directors' share options

The table below shows the directors' interests in the combined share option schemes at the beginning and end of each period.

	Number of share options
Balance at 1 st April 2004	33,808
Share options granted in period	40,000
Share options exercised in period	<u>(21,467)</u>
Balance at 31 st March 2005	52,341
Share options granted in period	—
Share options exercised in period	<u>(3,381)</u>
Balance at 31 st March 2006	48,960
Share options granted in period	—
Share options exercised in period	<u>(48,960)</u>
Balance at 31 st March 2007	—
Share options granted in period	—
Share options exercised in period	<u>—</u>
Balance at 30 th September 2007	<u>—</u>

In the period ended 31st March 2005, 4 directors exercised a total of 21,467 options. In the period ended 31st March 2006, 2 directors exercised 3,381 options. The outstanding 48,960 options were exercised in the period ended 31st March 2007, by 4 directors.

8 TAXATION

	Year ended 31 st March			Six months ended 30 th September	
	2005	2006	2007	2007	2006
	£'000	£'000	£'000	£'000	£'000
<i>Tax expense/(income) comprises:</i>					
Current tax expense	484	1,305	5,498	8,245	2,180
Adjustments recognised in current year in relation to the current tax of prior years	<u>(4)</u>	<u>(82)</u>	<u>3</u>	<u>3</u>	<u>3</u>
Total current tax	480	1,223	5,501	8,248	2,183
Deferred tax expense/(income) relating to the origination and reversal of temporary differences	<u>—</u>	<u>42</u>	<u>—</u>	<u>6</u>	<u>—</u>
Total tax expense	<u>480</u>	<u>1,265</u>	<u>5,501</u>	<u>8,254</u>	<u>2,183</u>
<i>The total charge for the year can be reconciled to the accounting profit as follows:</i>					
Profit before taxation	<u>1,388</u>	<u>4,397</u>	<u>19,646</u>	<u>26,603</u>	<u>7,272</u>
Taxation at the standard rate of tax in the UK of (30 per cent.)	416	1,319	5,894	7,981	2,181
<i>Tax effects of:</i>					
Expenses not deductible for tax purposes	52	27	20	265	6
Effect of tax concessions	—	—	(394)	—	—
Capital allowances for the period (lower)/higher than depreciation	(5)	(41)	(14)	(1)	(6)
Lower tax rates on UK subsidiary undertakings	(3)	(1)	(6)	(5)	(1)
Adjustments recognised in current year in relation to the current tax of prior years	(4)	(82)	3	3	3
Other timing differences	<u>24</u>	<u>43</u>	<u>(2)</u>	<u>11</u>	<u>—</u>
Total tax expense recognised in income statement	<u>480</u>	<u>1,265</u>	<u>5,501</u>	<u>8,254</u>	<u>2,183</u>

9 DEFERRED TAX

Deferred tax liabilities recognised by the group are attributable to the accelerated tax capital allowance. No other deferred tax assets or liabilities movements have occurred in the period.

	Property, plant and equipment £'000
At 1 st April 2004	—
Charged/(credited) to the income statement	—
At 31 st March 2005	—
Charged/(credited) to the income statement	<u>42</u>
At 31 st March 2006	42
Charged/(credited) to the income statement	—
At 31 st March 2007	42
Charged/(credited) to the income statement	<u>6</u>
At 30 th September 2007	<u>48</u>

10 DIVIDENDS

	Year ended 31 st March			Six months ended 30 th September	
	2005	2006	2007	2007	2006
Dividend paid (£'000)	260	—	4,916	4,151	1,071
Dividend per share (£)	<u>0.13</u>	<u>—</u>	<u>2.32</u>	<u>1.89</u>	<u>0.54</u>

Dividend per share figures are restated to reflect weighted average number of shares (see note 19).

The final dividend proposed in the financial year ended 31st March 2004 was approved and paid in the financial year ended 31st March 2005. All subsequent dividends were proposed, approved and paid in a single financial period.

11 PROPERTY, PLANT AND EQUIPMENT

	Computer equipment £'000	Furniture & fittings & £'000	Improvements to Short leasehold property £'000	Total £'000
Cost				
At 1 st April 2004	258	242	47	547
Additions	23	40		63
Disposals	(37)	(9)		(46)
At 31 st March 2005	244	273	47	564
Additions	68	74	335	477
Disposals	(8)	(30)		(38)
At 31 st March 2006	304	317	382	1,003
Additions	194	87	91	372
Disposals	(2)	(205)		(207)
At 31 st March 2007	496	199	473	1,168
Additions	77	37	10	124
Disposals	(23)			(23)
At 30 th September 2007	550	236	483	1,269
Accumulated depreciation				
At 1 st April 2004	206	231	47	484
Charge	32	11		43
Disposals	(37)	(9)		(46)
As at 31 st March 2005	201	233	47	481
Charge	34	13	4	51
Disposals	(8)	(30)		(38)
As at 31 st March 2006	227	216	51	494
Charge	55	29	65	149
Disposals	(2)	(179)		(181)
As at 31 st March 2007	280	66	116	462
Charge	75	23	48	146
Disposals	(22)			(22)
As at 30 th September 2007	333	89	164	586
Net book amount				
At 1 st April 2004	52	11	—	63
At 31 st March 2005	43	40	—	83
At 31 st March 2006	77	101	331	509
At 31 st March 2007	216	133	357	706
At 30 th September 2007	217	147	319	683

12 TRADE AND OTHER RECEIVABLES

	As at 31 st March			As at
	2005	2006	2007	30 th September
	£'000	£'000	£'000	2007
	£'000			
Trade receivables	1,733	4,843	7,572	9,136
Prepayments and accrued income	192	240	480	208
	<u>1,925</u>	<u>5,083</u>	<u>8,052</u>	<u>9,344</u>

The Directors consider that the carrying amount of trade and other receivables approximates to their fair value.

13 CASH AND CASH EQUIVALENTS

	As at 31 st March			As at
	2005 £'000	2006 £'000	2007 £'000	30 th September 2007 £'000
Cash at bank and in hand — sterling	1,056	1,683	12,484	34,041
Cash at bank and in hand — other currencies	3	39	34	132
	<u>1,059</u>	<u>1,722</u>	<u>12,518</u>	<u>34,173</u>

The Group holds short term deposits that are made for varying periods, depending on the cash requirements of the Group. These deposits earn interest at market short-term deposit rates. The Group has unrestricted access to these deposits which meet the definition of a cash equivalent.

14 TRADE AND OTHER PAYABLES

	As at 31 st March			As at
	2005 £'000	2006 £'000	2007 £'000	30 th September 2007 £'000
Trade payables	107	216	172	25
Other tax and social security	137	734	1,403	782
Accruals and deferred income	340	1,015	2,173	5,817
	<u>584</u>	<u>1,965</u>	<u>3,748</u>	<u>6,624</u>

The Directors consider that the carrying amount of trade and other payables approximates to their fair value.

15 CURRENT TAX LIABILITIES

	As at 31 st March			As at
	2005 £'000	2006 £'000	2007 £'000	30 th September 2007 £'000
Corporation tax payable	388	757	2,602	8,255
	<u>388</u>	<u>757</u>	<u>2,602</u>	<u>8,255</u>

The Directors consider that the carrying amount of current tax liabilities approximates to their fair value.

16 DERIVATIVE FINANCIAL LIABILITIES

The Company uses forward exchange contracts to reduce the risk associated with sales denominated in foreign currencies. At 30th September 2007 there were outstanding contracts with a principal value of £2,167,994 for the purchase of foreign currencies in the normal course of business.

The fair value of the contracts is calculated using the market forward contract rates prevailing at 30th September 2007.

Foreign Currency Amount '000	Sterling amount £'000	Average strike rate	Maturity date	Market forward rate at 30 th September 2007	Fair value £'000	Loss if spot rate at maturity strengthens by a further 1% £'000
3,007USD	1,486	2.0240	31 st Dec 07	2.020393	(3)	(15)
556CHF	233	2.3857	31 st Dec 07	2.353100	(3)	(2)
657EUR	449	1.4623	31 st Dec 07	1.422773	(12)	(5)
					<u>(18)</u>	

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The fair value of the derivative financial liabilities is exposed to the risk of adverse foreign exchange rate movements. The table above shows the impact of each relevant foreign currency strengthening by 1 per cent. of the market forward rate at 30th September 2007.

The net gain or (loss) on financial liabilities at fair value is included in other income. The net gain or loss on financial liabilities is as follows:

	2005 £'000	As at 31 st March 2006 £'000	2007 £'000	As at 30 th September 2007 £'000	As at September 2006 £'000
Net gain or (loss) on financial liabilities at fair value through income statement	<u>54</u>	<u>(42)</u>	<u>167</u>	<u>35</u>	<u>(25)</u>

17 SHARE CAPITAL

	2005 £'000	As at 31 st March 2006 £'000	2007 £'000	As at 30 th September 2007 £'000
Authorised				
Ordinary shares of 10p each	70	70	70	100
'A' ordinary shares of 10p each	<u>30</u>	<u>30</u>	<u>30</u>	<u>—</u>

	2005 No. of shares	As at 31 st March 2006 No. of shares	2007 No. of shares	As at 30 th September 2007 No. of shares
Allotted, called up and fully paid				
Ordinary shares of 10p each	447,669	397,967	402,967	553,452
A' ordinary shares of 10p each	<u>31,392</u>	<u>34,773</u>	<u>146,583</u>	<u>—</u>

Options over 116,810 shares were exercised in the year ended 31st March 2007 with proceeds of £1,141,586 (an average exercise price of £9.77 per share). In the 6 months ended 30th September 2007, options over a further 4,152 shares were exercised with proceeds of £173,291 (an average exercise price of £41.74 per share).

The two classes of share ranked pari passu in all respects other than those of the 'A' Ordinary shares, which were subject to a mandatory transfer upon the termination of their service contract or employment.

On the 23rd August 2007 an extraordinary resolution was passed, with the effect that all issued and unissued 'A' ordinary shares were converted to ordinary shares.

18 CAPITAL REDEMPTION RESERVE

The Group has bought in a total of 202,072 ordinary shares for cancellation. The buy-ins occurred in 5 tranches.

March 2001	66,553 shares
April 2004	36,357 shares
February 2005	50,000 shares
October 2005	24,581 shares
December 2005	24,581 shares

The cost of the buy-ins was taken directly to retained earnings. The nominal value of the shares together with the related share premium was taken to a capital redemption reserve.

19 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit for the financial period attributable to equity holders of the parent by the weighted average number of ordinary shares in issue during the year.

Diluted earnings per share is calculated as for the basic earnings per share with a further adjustment to the weighted average number of ordinary shares to reflect the effects of all dilutive potential ordinary shares.

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There is no difference between the profit for the financial year attributable to equity holders of the parent used in the basic and diluted earnings per share calculations.

Reconciliation of the figures used in calculating basic and diluted earnings per share.

	Year ended 31 st March			Six months ended	
	2005	2006	2007	30 th September 2007	2006
Weighted average number of shares (000s) used in calculation of basic earnings per share	204,444	184,490	212,090	220,264	199,237
Effect of dilutive potential ordinary shares — share options (000s)	<u>6,759</u>	<u>12,971</u>	<u>10,813</u>	<u>810</u>	<u>17,313</u>
Weighted average number of shares (000s) used in calculation of diluted earnings per share	<u>209,203</u>	<u>197,461</u>	<u>222,903</u>	<u>221,073</u>	<u>216,550</u>

On 15th November 2007, the Shareholders passed a written resolution pursuant to which, conditional on Admission, each ordinary share of 10 pence is divided into 400 new ordinary shares of £0.00025.

The weighted average number of shares used in the calculation of basic and diluted earnings per share reflects the number of shares that would have been in issue if the share split described above had occurred on 1st April 2004.

20 OPERATING LEASE COMMITMENTS

At the balance sheet dates the Company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	As at 31 st March			As at
	2005 £'000	2006 £'000	2007 £'000	30 th September 2007 £'000
<i>Land and buildings</i>				
Within one year	86	182	316	316
In the second and fifth years inclusive	344	1,225	973	815
After five years	<u>151</u>	<u>65</u>	<u>—</u>	<u>—</u>
	<u>581</u>	<u>1,472</u>	<u>1,289</u>	<u>1,131</u>

The total of future minimum sublease payments expected to be received under non-cancellable subleases at the balance sheet dates:

	As at 31 st March			As at
	2005 £'000	2006 £'000	2007 £'000	30 th September 2007 £'000
<i>32 Peascod Street, Windsor</i>				
Within one year	—	—	86	86
In the second and fifth years inclusive	—	—	323	280
After five years	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>—</u>	<u>—</u>	<u>409</u>	<u>366</u>

In January 2006, the Group signed a lease on new premises at Morgan House, Madeira Walk, Windsor, Berkshire. This lease expires on 19th June 2016, although it may be terminated five years from commencement (i.e. 24th January 2011) at the option of the tenant. The annual commitment under this lease is £229,710.

The Group has retained its lease on the premises at 32 Peascod Street, Windsor, Berkshire which has a commitment of £86,000 per annum. These premises have been sublet at the same rate from May 2006 and the sublease terminates in December 2011 at the same time as the head lease.

21 CAPITAL COMMITMENTS

The Company had no capital commitments as at 31st March 2005, 31st March 2006, 31st March 2007 and 30th September 2007.

22 CONTINGENT LIABILITIES

At 30th September 2007, a subsidiary undertaking had outstanding contracts with a principal value of 2.2 million for the sale and purchase of foreign currencies in the normal course of business (31st March 2005: £2 million; 31st March 2006: £2.7 million; 31st March 2007: £1.5 million).

23 RELATED PARTY TRANSACTIONS

The Group considers parties to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

As at the balance sheet date, the only amounts due from related parties were directors' loans as detailed in Note 7.

The key management compensations are as follows:

	Year ended 31 st March			Six months ended 30 th September	
	2005	2006	2007	2007	2006
	£'000	£'000	£'000	£'000	£'000
Short-term employee benefits	1,635	3,773	9,427	9,844	2,610
Post-employment benefits	105	141	254	142	113
Share-based-payment benefits	111	6	8	—	—
Total	1,851	3,920	9,689	9,986	2,723

Key management includes all appointed directors of the Company and its Subsidiaries. Share based payment benefits represent the fair value charge to the income statement of options and shares resulting from the exercise of options held by key management.

24 SHARE OPTIONS

The following share-based compensation plans were in operation during the reporting period.

Approved Share Option Scheme Over Un-issued Shares

Options issued under this scheme are over the Ordinary 10 pence shares and benefit from Income Tax relief at the point of exercise.

Unapproved Share Option Scheme Over Un-issued Shares

Options issued under this scheme are over the 'A' Ordinary 10 pence shares and do not benefit from Income Tax relief at the point of exercise.

Market Share Price Enterprise Management Incentive (MSP EMI) over un-issued shares

Options issued under this scheme are over 'A' Ordinary 10 pence shares and enjoy Capital Gains Tax taper relief benefits.

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Discounted Share Price Enterprise Management Incentive (DSP EMI) over issued shares

Options issued under this scheme are over 'A' Ordinary shares already in issue and held in an Employee Share Option Trust (ESOT).

The general terms of the option schemes require the option holder to be an employee of the Group at the time of exercise. Vesting conditions require the option holders to remain in service until the beginning of the exercise period.

Year ended 31st March 2005
Options over new shares

Date of grant	At 1 st April 2004	Granted	Forfeited	Exercised	At 31 st March 2005	Exercise price (£)	Exercise/vesting dates	
							From	To
Approved Options								
16/08/1996	9,962	—	—	(9,962)	—	£2.50	04/12/1999	03/12/2006
04/12/1996	1,995	—	—	(1,995)	—	£8.00	04/12/1999	03/12/2006
25/11/1999	10,000	—	—	(5,000)	5,000	£6.00	25/11/2002	24/11/2009
	<u>21,957</u>	<u>—</u>	<u>—</u>	<u>(16,957)</u>	<u>5,000</u>			
Unapproved Options								
01/02/2005	—	5,233	—	—	5,233	£10.00	01/02/2005	31/01/2009
EMI MSP Options								
05/07/2001	13,777	—	—	(6,736)	7,041	£6.00	25/11/2002	24/11/2011
01/02/2005	—	81,267	—	—	81,267	£10.00	01/02/2005	31/01/2009
	<u>13,777</u>	<u>81,267</u>	<u>—</u>	<u>(6,736)</u>	<u>88,308</u>			
Total Options	<u>35,734</u>	<u>86,500</u>	<u>—</u>	<u>(23,693)</u>	<u>98,541</u>			
Weighted average exercise price of options	£5.14	£10.00	—	£4.70	£9.51			

In addition to options over new shares, at the year-end one DSP EMI option was outstanding over 300 'A' ordinary shares already in issue and held in an Employee Share Option Trust. The exercise price was £1 in full.

Year ended 31st March 2006
Options over new shares

Date of grant	At 1 st April 2005	Granted	Forfeited	Exercised	At 31 st March 2006	Exercise price (£)	Exercise/vesting dates	
							From	To
Approved Options								
25/11/1999	5,000	—	—	—	5,000	£6.00	25/11/2002	24/11/2009
Unapproved Options								
01/02/2005	5,233	—	—	(3,381)	1,852	£10.00	01/02/2005	31/01/2009
EMI MSP Options								
05/07/2001	7,041	—	—	—	7,041	£6.00	25/11/2002	24/11/2011
01/02/2005	81,267	—	—	—	81,267	£10.00	01/02/2005	31/01/2009
08/12/2005	—	24,000	—	—	24,000	£11.00	08/12/2005	07/12/2009
	<u>88,308</u>	<u>24,000</u>	<u>—</u>	<u>—</u>	<u>112,308</u>			
Total Options	<u>98,541</u>	<u>24,000</u>	<u>—</u>	<u>(3,381)</u>	<u>119,160</u>			
Weighted average exercise price of options	£9.51	£11.00	—	£10.00	£9.80			

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Financial Information

In addition to options over new shares, at the year-end two DSP EMI options were outstanding over 550 'A' ordinary shares already in issue and held in an Employee Share Option Trust. The exercise price was £1 in full for an option over 300 'A' ordinary shares and £1 in full for an option over 250 'A' ordinary share.

Year ended 31st March 2007

Options over new shares

Date of grant	At 1 st April 2006	Granted	Forfeited	Exercised	At 31 st March 2007	Exercise price (£)	Exercise/vesting dates	
							From	To
Approved Options								
25/11/1999	5,000	—	—	(5,000)	—	£6.00	25/11/2002	24/11/2009
Unapproved Options								
01/02/2005	1,852	—	—	(1,852)	—	£10.00	01/02/2005	31/01/2009
EMI MSP Options								
05/07/2001	7,041	—	—	(7,041)	—	£6.00	25/11/2002	24/11/2011
01/02/2005	81,267	—	—	(81,267)	—	£10.00	01/02/2005	31/01/2009
08/12/2005	24,000	—	—	(21,650)	2,350	£11.00	08/12/2005	07/12/2009
25/01/2007	—	1,552	—	—	1,552	£95.00	25/01/2007	24/01/2011
	<u>112,308</u>	<u>1,552</u>	<u>—</u>	<u>(109,958)</u>	<u>3,902</u>			
Total Options	<u><u>119,160</u></u>	<u><u>1,552</u></u>	<u><u>—</u></u>	<u><u>(116,810)</u></u>	<u><u>3,902</u></u>			
Weighted average exercise price of options	£9.80	£95.00	—	£9.77	£44.41			

In addition to options over new shares, at the year-end one DSP EMI option was outstanding over 250 'A' ordinary shares already in issue and held in an Employee Share Option Trust. The exercise price was £1 in full.

Six months ended 30th September 2007

Options over new shares

Date of Grant	At 1 st April 2007	Granted	Exercised or vested	At 30 th Sept 2007	Exercise/ Share Price (£)	Exercise/vesting dates	
						From	To
EMI MSP Options							
8/12/2005	2,350		(2,350)	—	11.00	08/12/05	07/12/09
25/01/2007	<u>1,552</u>		<u>(1,552)</u>	—	95.00	25/01/07	24/01/01
	<u>3,902</u>		<u>(3,902)</u>	—			
Total Options	<u><u>3,902</u></u>		<u><u>(3,902)</u></u>	<u><u>—</u></u>			
Weighted average exercise price of options	£41.74		£41.74				

Pursuant to clause 4.4 of the DSP EMI option agreement, on 3rd August 2007 notice was given by the directors of NP Record Trustees Limited that the option holder may exercise the option within 28 days of receipt of the notice. The option was exercised in full on 9th August 2007.

All share-based payments arising since 7th November 2002 have been accounted for on an equity settled basis.

Fair values of share-based compensation plans

The fair value amounts for the equity settled options were determined using the Black-Scholes option pricing method, using the following assumptions:-

	Options over new shares			Unapproved 01/02/05	Options over issued shares	
	MSP 01/02/05	MSP 08/12/05	MSP 25/01/07		DSP 12/05/03	DSP 31/05/05
Expected volatility (%)	16.7	17.1	15.8	16.7	.25	17.4
Risk free interest rate (%)	5.18	4.57	5.25	5.18	3.51	4.80
Expected life	2 years	6 months	9 months	2 years	3 years	3 years
Average share price	£10.00	£11.00	£95.00	£10.00	£8.86	£10.30
Exercise price (per share)	£10.00	£11.00	£95.00	£10.00	£0.01	£0.01
Fair value of options granted (£)	£1.47	£0.66	£7.38	£1.47	£8.86	£10.30

The expected volatility reflects the assumption that historical volatility is indicative of future trends, which may not necessarily be the actual outcome. The historical volatility has been estimated based on the movements in price per share paid by the Company when it has bought back its own shares.

25 ULTIMATE CONTROLLING PARTY

The Company had no ultimate controlling parties as at 31st March 2005, 31st March 2006, 31st March 2007 and 30th September 2007.

26 SUBSIDIARIES

Particulars of subsidiary undertakings

Subsidiary name	Nature of business	Investment (£)	Holding
Record Currency Management Limited	Currency overlay and investment management services	10,000	100%
Record Group Services Limited	Management services to other Group undertakings	10,000	100%
Record Portfolio Management Limited	Provider of investment advice — deregulated from January 2007, now dormant	10,000	100%
Record Fund Management Limited	Dormant	360	100%
N P Record Trustees Limited	Trust company	1	100%

27 POST BALANCE SHEET EVENTS

On 1st November 2007, the Company declared a special dividend of £20 million.

2 PRO FORMA STATEMENT OF NET ASSETS

(a) Unaudited pro forma statement of net assets as at 30th September 2007

The unaudited pro forma statement of net assets set out below has been prepared to illustrate the effect of the pre-IPO dividend on the Company's net assets as if the dividend had taken place on 30th September 2007. This unaudited pro forma financial information has been prepared for illustrative purposes only and, because of its nature, the pro-forma financial information addresses a hypothetical situation and, therefore, does not represent the actual financial position of the Group. The unaudited pro forma statement of net assets is compiled on the basis set out in the notes below.

	<u>The Company at 30th September 2007 Note 1 £'000</u>	<u>Adjustment Note 2 £'000</u>	<u>Pro forma statement of the Group's net assets £'000</u>
ASSETS			
Non-current assets			
Property, plant and equipment	683	—	683
Current assets			
Trade and other receivables	9,344	—	9,344
Cash and cash equivalents	34,173	(20,000)	14,173
	<u>43,517</u>	<u>(20,000)</u>	<u>23,517</u>
Current liabilities			
Trade and other payables	(6,624)	—	(6,624)
Current tax liabilities	(8,255)	—	(8,255)
Financial liabilities	(18)	—	(18)
	<u>(14,897)</u>	<u>—</u>	<u>(14,897)</u>
Net current assets	28,620	(20,000)	8,620
Non-current liabilities			
Deferred tax liabilities	(48)	—	(48)
	<u>(48)</u>	<u>—</u>	<u>(48)</u>
TOTAL NET ASSETS	<u>29,255</u>	<u>(20,000)</u>	<u>9,255</u>
EQUITY			
Issued share capital	55	—	55
Share premium	1,810	—	1,810
Capital redemption reserve	20	—	20
Retained earnings	27,370	(20,000)	7,370
TOTAL EQUITY	<u>29,255</u>	<u>(20,000)</u>	<u>9,255</u>

Notes

- Net assets of the Company at 30th September 2007 as extracted without material adjustment from the financial information presented in Part IX of the Prospectus.*
- The adjustment reflects the pre-IPO dividend of £20 million paid on 9th November 2007.*
- The pro forma statement of net assets does not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985.*
- No adjustment has been made for trading or changes in the Group's working capital since 30th September 2007.*
- If the pre-IPO dividend had been paid out at the start of the period, finance income and, therefore, earnings would have been reduced.*

(b) Accountants' Report on unaudited pro forma statement of net assets



The Directors,
Record plc
Morgan House
Madeira Walk
Windsor
Berkshire, SL4 1EP

28th November 2007

Dear Sirs

Record plc (the "Company")

We report on the pro forma statement of net assets (the 'Pro forma financial information') set out in Part IX 2(a) of the prospectus dated 28th November 2007, which has been prepared on the basis described on page 95, for illustrative purposes only, to provide information about how a special dividend declared after 30th September 2007 but before Admission might have affected the financial information presented on the basis of the accounting policies adopted by the Company in preparing the financial statements for the period ended 30th September 2007. This report is required by paragraph 20.2 of Annex I of the Prospectus Directive Regulation and is given for the purpose of complying with that paragraph and for no other purpose.

Responsibilities

It is the responsibility of the directors of the Company to prepare the Pro forma financial information in accordance with paragraph 20.2 of Annex I of the Prospectus Directive Regulation.

It is our responsibility to form an opinion, as required by paragraph 7 of Annex II of the Prospectus Directive Regulation, as to the proper compilation of the Pro forma financial information and to report that opinion to you.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the Pro forma financial information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

Save for any responsibility arising under Prospectus Rule 5.5.3R (2)(f) to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with paragraph 23.1 of Annex I of the Prospectus Directive Regulation, consenting to its inclusion in the prospectus.

Basis of Opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information,

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Financial Information

consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Pro forma financial information with the directors of the Company.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Pro forma financial information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of the Company.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in the United States of America or other jurisdictions and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion

In our opinion:

- the Pro forma financial information has been properly compiled on the basis stated; and
- such basis is consistent with the accounting policies of the Company.

Declaration

For the purposes of Prospectus Rule 5.5.3R (2)(f) we are responsible for this report as part of the prospectus and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the prospectus in compliance with paragraph 1.2 of Annex I of the Prospectus Directive Regulation.

Yours faithfully

KPMG LLP

Part X

Details of the Offer

SUMMARY OF, AND THE ORDINARY SHARES SUBJECT TO, THE OFFER

The Offer comprises an offer by the Selling Shareholders of 55,345,200 Ordinary Shares, representing 25 per cent. of the issued share capital of the Company (assuming the Over-allotment Option is not exercised). £84.8 million (estimated net proceeds) will be received by the Selling Shareholders from the sale of Ordinary Shares (assuming the Over-allotment Option is not exercised).

The Ordinary Shares to be made available pursuant to the Offer will, following Admission, rank *pari passu* in all respects with the other issued Ordinary Shares and will carry the right to receive all dividends and other distributions declared, made or paid on or in respect of the issued Ordinary Shares after Admission. The Ordinary Shares will, immediately following Admission, be freely transferable under the Articles of Association.

The Offer is fully underwritten by the Underwriter in accordance with the terms of the Underwriting Agreement summarised below.

Immediately following Admission, it is expected that 29.1 per cent. of the Ordinary Shares will be held in public hands, assuming no exercise of the Over-allotment Option, and 30.8 per cent. will be held in public hands if the Over-allotment Option is exercised in full.

The Company, the representatives of the Selling Shareholders, the Sponsor and the Underwriter expressly reserve the right to determine, at any time prior to Admission, not to proceed with the Offer. If such right is exercised, the Offer will lapse and any monies received in respect of the Offer will be returned to Investors without interest.

THE OFFER

The Offer comprises an offer of 55,345,200 Ordinary Shares. The Offer is conditional on, *inter alia*:

- (a) the Underwriting Agreement becoming unconditional (save for Admission) and not having been terminated in accordance with its terms prior to Admission; and
- (b) Admission taking place on 3rd December 2007 or such later date as the Company, the Sponsor, the Underwriter and the representatives of the Selling Shareholders may agree being not later than 21st December 2007.

Ordinary Shares have been made available primarily to institutional investors in the UK and elsewhere. The terms and conditions governing the Offer are set out below in this Part X of this document.

The Offer is fully underwritten in accordance with the terms of the Underwriting Agreement summarised below.

When admitted to trading, the Ordinary Shares will be registered with ISIN number GB00B28ZPS36 and SEDOL number B28ZPS3.

ALLOCATION AND PRICING

All Ordinary Shares sold pursuant to the Offer will be sold (as applicable) at the Offer Price which has been determined by the Company, after consultation with the Sponsor and the representatives of the Selling Shareholders, in the manner described below. The Sponsor has procured or nominated places to purchase 55,345,200 Ordinary Shares at the Offer Price. The Offer Price and the numbers of Ordinary Shares allocated under the Offer have been announced on 28th November 2007.

The rights attaching to the Ordinary Shares will be uniform in all respects and they will form a single class for all purposes.

THE UNDERWRITING AGREEMENT

On 28th November 2007, the Company (1), the Directors (2), the Selling Shareholders (3), the Sponsor (4) and the Underwriter (5) entered into the Underwriting Agreement pursuant to which the Sponsor has agreed, conditionally upon, inter alia, Admission taking place not later than 3rd December 2007, to use its reasonable endeavours to procure purchasers for the Ordinary Shares at the Offer Price and, to the extent that the Sponsor is unable to secure purchasers, the Underwriter has agreed to purchase those Ordinary Shares itself.

Under the Underwriting Agreement, the Sponsor will receive (exclusive of VAT) a commission of 3.5 per cent. of the aggregate value at the Offer Price of the Ordinary Shares sold under the Offer and (if any) pursuant to the exercise of the Over-allotment Option (to be paid by the Selling Shareholders in proportion to the Ordinary Shares placed on their respective behalf). A further discretionary commission of 0.25 per cent. of the aggregate value at the Offer Price of the Ordinary Shares may also be payable by the Selling Shareholders to the Sponsor at the discretion of the representatives of the Selling Shareholders. Each of the Selling Shareholders has agreed to pay the stamp duty and/or stamp duty reserve tax (at the rate of 0.5 per cent.) chargeable by reference to the sale by them of the Ordinary Shares pursuant to the Offer. The Company has agreed to pay all other costs, charges and expenses of, or incidental to, the Offer and the application for Admission and related arrangements.

The Underwriting Agreement, which contains certain warranties, undertakings and indemnities by the Company, the Directors and the Selling Shareholders in favour of the Sponsor and the Underwriter, is conditional, inter alia, on Admission occurring not later than 3rd December 2007 (or such later date as the Company, the Sponsor, the Underwriter and representatives of the Selling Shareholders may agree not being later than 21st December 2007).

The Sponsor and the Underwriter may terminate the Underwriting Agreement in specified circumstances, including for breach of warranty at any time prior to Admission and in the event of force majeure at any time prior to Admission.

Under the Underwriting Agreement (or, in certain cases, pursuant to a separate lock-up deed), the Executive Directors (other than Michael Timmins) and all other employee Shareholders (including the shareholding spouses of certain employee shareholders) (holding 139,375,002 Ordinary Shares in aggregate, representing 63 per cent. of the Ordinary Shares in issue upon Admission) have agreed (subject to certain limited exceptions) not to dispose of any Ordinary Shares in which they are interested following Admission, without the prior consent of the Sponsor, the Underwriter and the Company, for a period of two years from the date of the Underwriting Agreement (or lock-up deed as applicable) (the "First Lock-In Period"). Furthermore, each of the Executive Directors (other than Michael Timmins) and employee Shareholders and certain of their spouses have agreed not to sell more than one-third of such Ordinary Shares for a period of one year from the end of the First Lock-In Period (the "Second Lock-In Period") and have agreed not to sell more than two-thirds of such Ordinary Shares for a period of one year from the end of the Second Lock-In Period.

Under the Underwriting Agreement, each of Les Halpin (a former director of the Company) and Michael Timmins have agreed (subject to certain limited exceptions) not to dispose of any Ordinary Shares in which he is interested following Admission, without the prior consent of the Sponsor, the Underwriter and the Company for a period of one year from the date of the Underwriting Agreement (or, in the case of Michael Timmins, for the period up until the date on which his employment with the Group ceases, if longer).

In connection with the Offer, the Sponsor, as stabilising manager may (but will be under no obligation to), to the extent permitted by applicable law, over-allot or effect other transactions with a view to supporting the market price of the Ordinary Shares at a level higher than that which might otherwise prevail in the open market. The Sponsor is not required to enter into such transactions and such transactions may be effected on any stock market, over-the-counter market or otherwise. Such stabilising measures, if commenced, may be discontinued at any time and may only be taken on or before the 30th day following the date of commencement of conditional dealings. Save as required by law or regulation, the Sponsor does not intend to disclose the extent of any over-allotments and/or stabilisation transactions under the Offer.

Part X

Details of the Offer

In connection with the Offer, each of the Selling Shareholders has granted to the Sponsor the Over-allotment Option, pursuant to which the Sponsor may require the Selling Shareholders to sell additional Ordinary Shares at the Offer Price, for the purposes of allowing the Sponsor to meet over-allocations in connection with the Offer and to cover short positions resulting from transactions effected by it during the stabilisation period. The number of Ordinary Shares subject to the Over-allotment Option is, in aggregate, equal to approximately 10 per cent. of the total number of Ordinary Shares to be sold in the Offer. The Over-allotment Option may be exercised in whole or in part from the date of commencement of conditional trading for a period of 30 calendar days thereafter. The additional Ordinary Shares made available pursuant to the Over-allotment Option will rank *pari passu* with all other Ordinary Shares, including for all dividends and other distributions declared, made or paid on the Ordinary Shares after Admission and will form a single class for all purposes with the Ordinary Shares. In order to facilitate transactions by the Sponsor during the stabilisation period, the Sponsor has entered into a Stock Lending Agreement with Neil Record further details of which are set out in paragraph 19 of Part XIII below.

DEALING ARRANGEMENTS

The Offer is subject to the satisfaction of conditions to be contained in the Underwriting Agreement, including Admission occurring on or before 3rd December 2007 or such later date as may be agreed by the Sponsor, the Underwriter, the Company and the representatives of the Selling Shareholders (being not later than 21st December 2007) and the Underwriting Agreement not having been terminated in accordance with its terms.

Admission is expected to take place and unconditional dealings in the Ordinary Shares are expected to commence on the London Stock Exchange at 8.00 a.m. on 3rd December 2007. Dealings on the London Stock Exchange before Admission will only be settled if Admission takes place. All dealings in Ordinary Shares prior to commencement of unconditional dealings will be at the sole risk of the parties concerned.

Where applicable, definitive share certificates in respect of the Ordinary Shares are expected to be despatched, by post at the risk of the recipients, to the relevant holders, not later than 10th December 2007. The Ordinary Shares are in registered form and can also be held in uncertificated form. Prior to the despatch of definitive share certificates in respect of any Ordinary Shares which are held in certificated form, transfers of those Ordinary Shares will be certified against the register of members of the Company. No temporary documents of title will be issued.

Application has been made to the FSA for all the Ordinary Shares to be listed on the Official List and application has been made to the London Stock Exchange for the Ordinary Shares to be admitted to trading on the London Stock Exchange's main market for listed securities.

It is intended that Ordinary Shares allocated to Investors who wish to hold Ordinary Shares in uncertificated form will take place through CREST on Admission.

In connection with the Offer, the Underwriter and any affiliate acting as an Investor for its own account may take up the Ordinary Shares and in that capacity may retain, purchase or sell for its own account such securities and any securities of the Company or related investments and may offer or sell such securities or other investments otherwise than in connection with the Offer. Accordingly, references in this document to the Ordinary Shares being offered or sold should be read as including any offering or sale of securities to the Underwriter and any affiliate acting in such capacity. The Underwriter does not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

CREST

CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by a certificate and transferred otherwise than by a written instrument. Upon Admission, the Articles of Association will permit the holding of Ordinary Shares under CREST. The Company has applied for the Ordinary Shares to be admitted to CREST with effect from Admission. Accordingly, settlement of transactions in the Ordinary Shares following Admission may take place within CREST if any Shareholder so wishes.

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Details of the Offer

CREST is a voluntary system and holders of Ordinary Shares who wish to receive and retain share certificates will be able to do so. Investors applying for Ordinary Shares under the Offer may, however, elect to receive Ordinary Shares in uncertificated form if they are a system-member (as defined in the Regulations) in relation to CREST.

SELLING RESTRICTIONS

The distribution of this document and the offer of Ordinary Shares in certain jurisdictions may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe any restrictions, including those set out in the paragraphs that follow. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

European Economic Area

In relation to each member state of the European Economic Area that has implemented the Prospectus Directive (each, a “member state”), with effect from and including the date on which the Prospectus Directive is implemented in that relevant member state (the “relevant implementation date”), an offer of Ordinary Shares described in this document may not be made to the public in that relevant member state prior to the publication of a prospectus in relation to the Ordinary Shares that has been approved by the competent authority in that relevant member state or, where appropriate, approved in another relevant member state and notified to the competent authority in that relevant member state, all in accordance with the Prospectus Directive, except that, with effect from and including the relevant implementation date, an offer of securities may be offered to the public in that relevant member state at any time:

- to any legal entity that is authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;
- to any legal entity that has two or more of (i) an average of at least 250 employees during the last financial year; (ii) a total balance sheet of more than €43,000,000 and (iii) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts;
- to fewer than 100 natural or legal person (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of JPMC; or
- in any other circumstances that do not require the publication of a prospectus pursuant to Article 3 of the Prospectus Directive.

Each purchaser of Ordinary Shares under the Offer described in this document located within a relevant member state will be deemed to have represented, acknowledged and agreed that it is a “qualified investor” within the meaning of Article 2(1)(e) of the Prospectus Directive.

For purposes of this provision, the expression “offer to the public” in relation to any relevant member state means the communication in any form and by any means of sufficient information on the terms of the offer and the securities to be offered so as to enable an Investor to decide to purchase or subscribe the securities, as the expression may be varied in that member state by any measure implementing the Prospectus Directive in that member state, and the expression “Prospectus Directive” means Directive 2003/71/EC and includes any relevant implementing measure in each relevant member state.

In the case of any Ordinary Shares being offered to a financial intermediary as that term is used in Article 3(2) of the Prospectus Directive, such financial intermediary will also be deemed to have represented, acknowledged and agreed that the Ordinary Shares acquired by it pursuant to the Offer have not been acquired on a non discretionary basis on behalf of, nor have they been acquired with a view to their offer or resale to persons in circumstances which may give rise to an offer of any Ordinary Shares to the public other than their offer or resale in a relevant member state to qualified investors as so defined or in circumstances in which the prior consent has been obtained to each such proposed offer or resale. The Company, JPMC, the Underwriter and each of the Selling Shareholders, and their respective affiliates, and others will rely upon the truth and accuracy of the foregoing representation, acknowledgement and agreement. Notwithstanding the above, a person who is not a qualified investor and who has not notified JPMC of such fact in writing may, with the consent of JPMC, be permitted to subscribe Ordinary Shares pursuant to the Offer.

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Details of the Offer

The United States

The Ordinary Shares have not been, and will not be, registered under the Securities Act or with any state securities authority in the United States and may not be offered or sold in the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. The Offer is being made outside the United States in reliance on Regulation S under the Securities Act.

In addition, until 40 days after the commencement of the Offer, an offer or sale of the Ordinary Shares within the United States by any dealer (whether or not participating in the Offer) may violate the registration requirements of the Securities Act.

Each purchaser of Ordinary Shares offered hereby will be deemed to have represented, agreed and acknowledged that the Ordinary Shares may not be transferred or resold except: (i) pursuant to an effective registration statement under the Securities Act; (ii) in an offshore transaction in accordance with the requirements of Regulation S; or (iii) pursuant to an available exemption from the registration requirements of the Securities Act and in accordance with all applicable U.S. state securities laws.

Australia

This document does not constitute a disclosure document under Part 6D.2 of the Corporations Act 2001 of the Commonwealth of Australia (the “Australian Corporations Act”) and will not be lodged with the Australian Securities and Investments Commission. The Ordinary Shares will be offered to persons who receive offers in Australia only to the extent that such offers of Ordinary Shares for issue or sale do not need disclosure to prospective Investors under Part 6D.2 of the Australian Corporations Act. Any offer of Ordinary Shares received in Australia is void to the extent that it needs disclosure to prospective Investors under the Australian Corporations Act. In particular, offers for the issue or sale of Ordinary Shares will only be made in Australia in reliance on various exemptions from such disclosure to prospective Investors provided by section 708 of the Australian Corporations Act. Any person to whom Ordinary Shares are issued or sold pursuant to an exemption provided by section 708 of the Australian Corporations Act must not, within 12 months after the issue, offer those Ordinary Shares for sale in Australia unless that offer is itself made in reliance on an exemption from disclosure provided by that section.

Canada

The Ordinary Shares have not been, and will not be, qualified by a prospectus in accordance with the prospectus requirements under applicable securities law in any Canadian jurisdiction and therefore may not be offered or sold, directly or indirectly, in Canada except in compliance with applicable Canadian securities laws.

Japan

The Ordinary Shares have not been and will not be registered under the Securities and Exchange Law of Japan (Law No. 25 of 1948 as amended) (the “Securities and Exchange Law”), and may not be offered or sold, directly or indirectly, in Japan or to a resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Securities and Exchange Law and other relevant laws and regulations of Japan.

United Kingdom

No Ordinary Shares have been offered or sold or will be offered or sold to persons in the United Kingdom prior to Admission except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances which will not result in an offer to the public in the United Kingdom within the meaning of Section 102B of FSMA.

Part X
Details of the Offer

General

No action has been or will be taken in any jurisdiction, other than the United Kingdom, that would permit a public offering of the Ordinary Shares, or possession or distribution of this document or any other offering material, in any country or jurisdiction where action for that purpose is required. Accordingly, the Ordinary Shares may not be offered or sold, directly or indirectly, and neither this document nor any other offering material or advertisement in connection with the Ordinary Shares may be distributed or published in or from any country or jurisdiction except under circumstances that will result in compliance with any applicable rules and regulations of any such country or jurisdiction.

Persons into whose possession this document comes should inform themselves about and observe any restrictions on the distribution of this document and the offer of Ordinary Shares, including those in the paragraphs above. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. This document does not constitute an offer to subscribe for or buy any of the Ordinary Shares offered hereby to any person in any jurisdiction to whom it is unlawful to make such offer or solicitation in such jurisdiction.

TERMS AND CONDITIONS OF THE OFFER

Introduction

These terms and conditions apply to persons agreeing to purchase Ordinary Shares under the Offer.

Each person to whom these terms and conditions apply, as described above, who confirms its agreement to the Bookrunner to purchase Ordinary Shares (which may include the Underwriter or its nominee(s)) (an “Investor”) hereby agrees with the Bookrunner, the Underwriter, the Company, the Selling Shareholders and the Registrar to be bound by these terms and conditions as being the terms and conditions upon which Ordinary Shares will be sold under the Offer. An Investor shall, without limitation, become so bound if the Bookrunner confirms to the Investor (i) the Offer Price and (ii) its allocation and the Bookrunner so notifies the Registrars on behalf of the Company and the Selling Shareholders.

Agreement to acquire Offer Shares

Conditional on (i) Admission occurring on or prior to 3rd December 2007 (or such later time and/or date as the Company, the Bookrunner, the Underwriter and the representatives of the Selling Shareholders may agree, being not later than 21st December 2007) and (ii) the confirmation mentioned in the paragraph entitled “Introduction” above and without prejudice to the rights in the paragraph entitled “Withdrawal rights” below, an Investor agrees to become a member of the Company and agrees to purchase Ordinary Shares from the Selling Shareholders, as more particularly described below, at the Offer Price, the number of Ordinary Shares allocated to such Investor under the Offer in accordance with the arrangements described in the section entitled “Allocation and Pricing” contained above in this part of the document. To the fullest extent permitted by law, each Investor acknowledges and agrees that it will not be entitled to exercise any remedy of rescission at any time. This does not affect any other rights such Investor may have.

Payment for Offer Shares

Each Investor undertakes to pay the Offer Price for the Offer Shares sold to such Investor in such manner as shall be directed by the Bookrunner. Liability for stamp duty and SDRT is described in the section entitled “Stamp Duty and Stamp Duty Reserve Tax” contained in Part XI of this document.

In the event of any failure by any Investor to pay as so directed by the Bookrunner, the relevant Investor shall be deemed hereby to have appointed the Bookrunner or any nominee thereof to sell (in one or more transactions) any or all of the Offer Shares in respect of which payment shall not have been made as directed by the Bookrunner and to have agreed to indemnify on demand the Bookrunner in respect of any liability for stamp duty and/or SDRT arising in respect of any such sale or sales.

Representations and warranties

By agreeing to purchase Offer Shares under the Offer, each Investor and, in the case of sub-paragraphs 10, 12 and 14 below, any person confirming his agreement to purchase Offer Shares on behalf of an Investor or authorising the Bookrunner to notify such Investor's name to the Registrar, is deemed to represent and warrant to each of the Bookrunner, the Underwriter, the Company and the Selling Shareholders that:

- 1 the content of this document is exclusively the responsibility of the Company and its Directors and that neither the Bookrunner, nor the Underwriter nor any person acting on their behalf is responsible for or shall have any liability for any information, representation or statement contained in this document or any information previously published by or on behalf of the Company or any member of the Group and will not be liable for any decision by an Investor to participate in the Offer based on any information, representation or statement contained in this document or otherwise;
- 2 in agreeing to purchase Offer Shares under the Offer, the Investor is relying on this document, and any supplementary prospectus that may be issued by the Company and not on any other information or representation concerning the Group, the Offer or the Offer Shares. Without prejudice to the sub-paragraph entitled "Miscellaneous" below, such Investor agrees that none of the Company, the Selling Shareholders, the Bookrunner, the Underwriter nor any of their respective officers or directors will have any liability for any such other information or representation and irrevocably and unconditionally waives any rights it may have in respect of any such other information or representation. This sub-paragraph 2 shall not exclude any liability for fraudulent misrepresentation;
- 3 the Bookrunner and the Underwriter are not making any recommendations to Investors or advising any of them regarding the suitability or merits of any transaction they may enter into in connection with the Offer, and the Investor acknowledges that participation in the Offer is on the basis that it is not and will not be a client of the Bookrunner or the Underwriter and that the Bookrunner is acting for the Company and the Selling Shareholders and no one else, the Underwriter is acting for the Company and no one else, and they will not be responsible to anyone else for the protections afforded to their respective clients, and that the Bookrunner will not be responsible to anyone other than the Company for providing advice in relation to the Offer, the contents of this document or any transaction, arrangements or other matters referred to herein, and neither the Sponsor nor the Underwriter will be responsible to anyone other than the relevant party to the Underwriting Agreement in respect of any representations, warranties, undertakings or indemnities contained in the Underwriting Agreement or for the exercise or performance of the Sponsor's or the Underwriter's rights and obligations thereunder, including any right to waive or vary any condition or exercise any termination right contained therein;
- 4 if the laws of any place outside the United Kingdom are applicable to the Investor's agreement to subscribe and/or purchase Offer Shares under the Offer and/or acceptance thereof, such Investor has complied with all such laws and none of the parties mentioned in paragraph 1 above will infringe any laws outside the United Kingdom as a result of such Investor's agreement to purchase Offer Shares under the Offer and/or acceptance thereof or any actions arising from such Investor's rights and obligations under the Investor's agreement to purchase Offer Shares under the Offer and/or acceptance thereof or under the Articles of Association;
- 5 that it understands that no action has been or will be taken in any jurisdiction other than the United Kingdom by the Company or any other person that would permit a public offering of the Ordinary Shares, or possession or distribution of this document, in any country or jurisdiction where action for that purpose is required;
- 6 if the Investor is in any member state of the European Economic Area which has implemented the Prospectus Directive it is: (i) a legal entity which is authorised or regulated to operate in the financial markets or, if not so authorised or regulated, its corporate purpose is solely to invest in securities; (ii) a legal entity which has two or more of (a) an average of at least 250 employees during the last financial year; (b) a total balance sheet of more than €43,000,000; and (c) an

Part X
Details of the Offer

- annual net turnover of more than €50,000,000, in each case as shown in its last annual or consolidated accounts; or (iii) otherwise permitted by law to be offered and sold Ordinary Shares in circumstances which do not require the publication by the Company of a prospectus pursuant to Article 3 of the Prospectus Directive or other applicable laws;
- 7 the Investor is not a resident of Australia, Canada or Japan and acknowledges that the Ordinary Shares have not been and will not be registered nor will a prospectus be prepared in respect of the Ordinary Shares under the securities legislation of Australia, Canada or Japan and, subject to certain exceptions, may not be offered, sold, taken up, renounced or delivered or transferred, directly or indirectly, within those jurisdictions;
- 8 at the time of its agreement to purchase Ordinary Shares, the Investor was located outside the United States and at the time the Offer to purchase Ordinary Shares was made to it and at the time its buy order was originated, it was outside the United States and the Offer was made in an “off-shore transaction”, as defined in Regulation S under the Securities Act;
- 9 the Investor is liable for any capital duty, stamp duty and all other stamp, issue, securities, transfer, registration, documentary or other duties or taxes (including any interest, fines or penalties relating thereto) payable outside the United Kingdom by it or any other person on the acquisition by it of any Ordinary Shares or the agreement by it to acquire any Ordinary Shares;
- 10 in the case of a person who confirms to the Bookrunner on behalf of an Investor an agreement to purchase Ordinary Shares under the Offer and/or who authorises the Bookrunner to notify such Investor’s name to the Registrars, that person represents and warrants that he has authority to do so on behalf of the Investor;
- 11 the Investor has complied with its obligations in connection with money laundering and terrorist financing under the Proceeds of Crime Act 2002, the Terrorism Act 2000 and the Money Laundering Regulations 2003 (the “Regulations”) and, if it is making payment on behalf of a third-party, that satisfactory evidence has been obtained and recorded by it to verify the identify of the third-party as required by the Regulations;
- 12 the Investor is not, and is not applying as nominee or agent for, a person which is, or may be, mentioned in any of Sections 67, 70, 93 and 96 of the Finance Act 1986 (depository receipts and clearance services);
- 13 the Investor is a person (i) who falls within paragraph (5) of Article 19 and/or paragraph (2) of Article 48 and/or paragraph (2) of Article 49 of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 and (ii) is a “qualified investor” within the meaning of section 86(7) of FSMA;
- 14 in the case of a person who confirms to the Bookrunner on behalf of an Investor an agreement to purchase Ordinary Shares under the Offer and who is acting on behalf of a third-party, that the terms on which the Investor (or any person acting on its behalf) are engaged enable it to make investment decisions in relation to securities on that third-party’s behalf without reference to that third-party; and
- 15 the Company, the Selling Shareholders, the Bookrunner and the Underwriter will rely upon the truth and accuracy of the foregoing representations, warranties and undertakings.

Supply and disclosure of information

If the Company and/or either of the Bookrunner, the Underwriter or any of their agents request any information about an Investor’s agreement to purchase Ordinary Shares, such Investor undertakes promptly to disclose it to them and that such information will be complete and accurate in all respects.

Miscellaneous

The rights and remedies of the Company, the Selling Shareholders, the Registrars, the Bookrunner and the Underwriter under these terms and conditions are in addition to any rights and remedies which would otherwise be available to each of them and the exercise or partial exercise of one will not prevent the exercise of others.

On application, each Investor may be asked to disclose, in writing or orally to the Bookrunner and/or the Underwriter:

- (a) if he is an individual, his nationality; or
- (b) if he is a discretionary fund manager, the jurisdiction in which the funds are managed or owned.

All documents will be sent at the Investor's risk. They may be sent by post to such Investor at an address notified to the Bookrunner.

Each Investor agrees to be bound by the Articles of Association (as amended from time to time) once the Ordinary Shares which such Investor has agreed to purchase have been allotted to such Investor.

The contract to purchase Ordinary Shares and the appointments and authorities mentioned herein will be governed by, and construed in accordance with, the laws of England. For the exclusive benefit of the Company, the Selling Shareholders, the Registrars, the Bookrunner and the Underwriter, each Investor irrevocably submits to the exclusive jurisdiction of the English courts in respect of these matters.

In the case of a joint agreement to purchase Offer Shares, references to an "Investor" in these terms and conditions are to each of such Investors and such Investors' liability is joint and several.

The Company, the representatives of the Selling Shareholders, the Bookrunner and the Underwriter expressly reserve the right to modify the Offer (including, without limitation, its timetable and settlement) at any time before allocations are determined.

Withdrawal rights

Persons wishing to exercise statutory withdrawal rights after the issue by the Company of a prospectus supplementary to this document must do so by lodging a written notice of withdrawal (and for these purposes a written notice includes a notice given by fax or email) which must include the full name and address of the person wishing to exercise statutory withdrawal rights and, if such a person is a CREST member, the participant's ID and the member account ID of such CREST member, with the Bookrunner, so as to be received no later than two business days after the date on which the supplementary prospectus is published. Notice of withdrawal given by any other means or which is deposited with or received by the Bookrunner after the expiry of such period will not constitute a valid withdrawal. Furthermore, the Company will not permit the exercise of withdrawal rights after payment is made by an Investor and Offer Shares have been transferred unconditionally to such Investor. In such event, Investors are advised to seek independent legal advice.

Part XI Taxation

UNITED KINGDOM TAXATION

This summary is intended only as a general guide to certain aspects of UK tax law and what is understood to be HM Revenue & Customs practice applicable at the date of this document. UK tax law and HM Revenue & Customs are subject to change at any time, possibly with retroactive effect. Except where non-UK resident Investors are expressly referred to, it relates only to prospective Investors resident (or, in the case of individuals, ordinarily resident) solely in the United Kingdom who are absolute beneficial owners of their Ordinary Shares and hold their Ordinary Shares as an investment. It does not deal with special classes of prospective Investors such as insurance companies, dealers in securities, clearing houses, trusts, collective investment schemes, persons who have (or are deemed to have) acquired their Ordinary Shares by reason of employment or persons connected with the Company. The summary does not purport to be a complete analysis or listing of all the potential tax consequences of acquiring and holding the Ordinary Shares. Investors who are in any doubt as to their tax position or who may be subject to tax in a jurisdiction other than the UK should consult an appropriate independent advisor.

Taxation of dividends

The Company

The Company is not required to withhold tax from dividend payments.

Individual Investors

Individual Investors who receive dividends paid by the Company will be entitled to a tax credit. The amount of the tax credit is currently one ninth of the cash dividend or ten per cent. of the aggregate of the cash dividend and the associated tax credit (the “gross dividend”).

Individual Investors will be liable to income tax on an amount of income equal to the gross dividend. This amount of income is treated as the top slice of an individual’s income and, depending upon the individual’s circumstances, the individual will be subject to income tax at the dividend ordinary rate (currently ten per cent.) to the extent that such income is below the then threshold for higher rate income tax or the dividend upper rate (currently 32.5 per cent.) to the extent that such income is above the threshold. The tax credit will be offset against the individual’s total income tax liability. As a result, an individual Investor who, after taking into account such dividend income, is subject to UK income tax only at the lower, starting or the basic rate will have no further liability to income tax. Higher rate taxpayers will have an additional tax liability of an amount equal to 22.5 per cent. of the gross dividend (which is equal to 25 per cent. of the cash dividend). So, for example, a dividend of £80 will carry a tax credit of £8.89 and the income tax payable on the dividend by an individual liable to income tax at the higher rate would be 32.5 per cent. of £88.89, namely £28.89, less the tax credit of £8.89, leaving a net tax charge of £20.00.

Individual Investors whose income tax liability is less than the tax credit are not entitled to claim a repayment of all or part of the tax credit associated with dividends paid by the Company.

Corporate Investors

Corporate Investors generally will not be liable to UK corporation tax on any dividends received from the Company and will not be entitled to repayment of the tax credit in respect of those dividends.

Non-UK resident Investors

Investors who are not resident in the UK or who are subject to tax in a jurisdiction outside the UK should consult their own tax advisers concerning their liabilities to tax on dividends received from the Company, whether they are entitled to claim any part of the tax credit relating to such dividends and, if so, the procedure for doing so.

Chargeable gains

Depending on the Investor's circumstances, and subject to any available exemptions or reliefs, a disposal of Ordinary Shares may give rise to a chargeable gain or an allowable loss for the purposes of UK tax on chargeable gains if made by an Investor who is resident or ordinarily resident for tax purposes in the UK, or by a Investor who carries on a trade, profession or vocation in the UK through a branch or agency (in the case of a non-corporate Investor) or a permanent establishment (in the case of a corporate Investor) and who has used, held or acquired the Ordinary Shares for the purposes of such trade, profession or vocation or such branch or agency or permanent establishment.

Special rules apply to individuals who are temporarily not resident, or not ordinarily resident, in the UK.

Stamp Duty and Stamp Duty Reserve Tax ("SDRT")

The following statements are intended as a general guide to the position under current UK tax law and HM Revenue & Customs practice. They do not apply to persons such as market makers, dealers, brokers, intermediaries and persons (or nominees for persons) who issue depositary receipts or operate clearance services to whom special rules apply.

Transfer of Ordinary Shares

No stamp duty or SDRT will be payable by purchasers of Ordinary Shares under the Offer. Any stamp duty or SDRT which would otherwise be payable by purchasers of Ordinary Shares under the Offer will be borne by the Selling Shareholders.

Transfer of Ordinary Shares within CREST

Agreements to transfer Ordinary Shares within CREST will attract SDRT normally at the rate of 0.5 per cent. of the amount or value of the consideration paid. In the case of an unconditional agreement to transfer such shares within CREST, the charge to SDRT arises on the date of the agreement. In the case of a conditional agreement, the charge to SDRT arises on the date the agreement becomes unconditional. The SDRT will be collected through CREST and becomes payable on the date agreed between HM Revenue & Customs and the operator of the CREST system.

Where no beneficial interest passes, there is no additional stamp duty or SDRT liability where Ordinary Shares are taken out of CREST (otherwise than pursuant to a transfer on sale), and there is no additional stamp duty or SDRT liability if Ordinary Shares are deposited in CREST for conversion into uncertificated form (otherwise than pursuant to a transfer on sale or in contemplation of such sale). A transfer of Ordinary Shares on a CREST transfer form pursuant to a transfer on sale for conversion into uncertificated form will not give rise to a charge to stamp duty but will attract an SDRT liability normally at the rate of 0.5 per cent. on the amount or value of the consideration.

Those Investors seeking to apply reliefs on share transfers which would normally apply to stamp duty should be aware that not all such reliefs have corresponding provisions in the SDRT regime, and their operation may thus be altered when using CREST. For example, the relief for stamp duty on intra-group transfers does not apply to SDRT. Accordingly, care should thus be taken when it is intended that such reliefs should apply. In such instances, reliefs may need to be claimed through the execution and stamping of a document, or may require documentary evidence to be kept. Investors engaging in such transactions should seek independent legal advice.

Transfer of Ordinary Shares outside CREST

Transfers of Ordinary Shares outside CREST will be liable to ad valorem stamp duty normally at the rate of 0.5 per cent. of the amount or value of the consideration. A charge to SDRT, normally at the rate of 0.5 per cent. of the consideration, arises, in the case of an unconditional agreement to transfer shares outside CREST, on the date of the agreement, and in the case of a conditional agreement, the date the agreement becomes unconditional. The SDRT is due on the seventh day of the month following the month in which the charge arises. However, where an instrument of transfer is executed and duly

stamped before the expiry of a period of six years beginning with the date of that agreement or, in the case of a conditional agreement, the date that agreement becomes unconditional, the SDRT charge is cancelled to the extent that the SDRT has not been paid and, if any of the SDRT has been paid, a claim may be made for its repayment.

Clearance services and depositary receipts

A charge to stamp duty may arise on the issue or transfer of Ordinary Shares to an issuer of depositary receipts or to a person who provides a clearance service (or their nominees or agents). The rate of stamp duty or SDRT will generally be 1.5 per cent. of (a) in the case of an issue of Ordinary Shares, the issue price, or (b) in the case of a transfer of Ordinary Shares, the value of the consideration or, in some circumstances, the open market value of the Ordinary Shares concerned. Clearance services may opt, under certain conditions, for the normal rates of SDRT to apply to a transfer of shares into, and to transactions within, the services instead of the higher rate applying to the issue or transfer of shares into the clearance service.

Liability and minimum charge

SDRT will generally be the liability of the purchaser of Ordinary Shares and stamp duty will normally be paid by the purchaser. Liability to stamp duty will be rounded up to the nearest multiple of £5, and a minimum charge of £5 applies. The rounding and minimum charge does not apply to SDRT.

Part XII Regulation

RCML is authorised and regulated in the UK by the FSA. RCML is also regulated by the S.E.C. in the United States and by the Ontario Securities Commission in Canada. RCML also prepares a Derivative Risk Statement for a client that is regulated by the Australian Prudential Regulatory Authority in order to comply with its regulatory reporting requirements. RCML is the investment manager and distributor of the Record Umbrella Fund which is an open-ended umbrella unit trust authorised by the Irish Financial Regulator. RCML is authorised by the Irish Financial Regulator as a promoter to establish Irish investment funds.

REGULATORY FRAMEWORK IN THE UK

Unless exempt from the requirement to be authorised, a company intending to undertake regulated activities falling within the scope of FSMA must apply for FSA authorisation to carry on these activities.

The activities regulated under FSMA are set out in the Regulated Activities Order. They include (amongst other things): (i) advising on investments (except pension transfers and pension opt outs), (ii) agreeing to carry on a regulated activity, (iii) arranging (bringing about) deals in investments, (iv) making arrangements with a view to transactions in investments, and (v) managing investments.

Before authorising a company to carry out regulated activities, the FSA must be satisfied that the company satisfies a number of threshold conditions as set out in FSMA. For example, companies must have adequate financial resources and be managed and controlled by fit and proper persons.

FSA Handbook

A regulated entity must comply with the rules and guidance set out in the FSA handbook. In particular, a company must have appropriate safeguards in place to protect its clients' funds and assets and comply with certain minimum conduct of business standards relating to, among other things, the advertising and marketing of financial products, treating customers fairly and the management of conflicts of interest.

The FSA handbook also contains rules governing an entity's senior management arrangements, systems and controls. It requires a person within the company (normally the chief executive) to take responsibility for certain functions within the business, namely: (i) the apportionment of significant responsibilities among directors and senior executives so that it is clear who has responsibility for these different areas of the company's business; and (ii) overseeing the establishment and maintenance of systems and controls which are appropriate to the particular business. The person responsible for these functions must be approved by the FSA pursuant to its approved persons regime which covers any person who carries out "controlled functions". This regime includes directors, the compliance officer, the money laundering reporting officer and persons carrying out significant management functions or customer functions such as investment management and investment advice.

If a breach of the FSA's rules occurs, the FSA has the power to take a wide range of disciplinary actions against regulated entities and any FSA approved persons. Sanctions include the imposition of fines, the suspension or termination of the entity's authorisation or the removal of approved status from individuals.

Principles for businesses

Companies which are authorised under FSMA are subject to certain principles issued by the FSA. These principles are intended to ensure fairness and integrity in the provision of financial services in the UK.

In particular, they require an entity to: (a) conduct its business with integrity and with due skill, care and diligence; (b) take reasonable care to organise and control its affairs responsibly and effectively, with adequate risk management systems; (c) maintain adequate financial resources; (d) observe proper standards of market conduct; (e) pay due regard to the interests of customers and to treat them fairly; (f) pay due regard to the information needs of its clients and communicate information to them in a way

which is clear, fair and not misleading; (g) manage conflicts of interest fairly, both between itself and its customers and between a customer and another customer; (h) take reasonable care to ensure the suitability of its advice and discretionary decisions for any customer who is entitled to rely upon its judgment; (i) arrange adequate protection for clients' assets when it is responsible for them; and (j) deal with its regulators in an open and co-operative way, and disclose to the FSA appropriately anything relating to the company of which the FSA would reasonably expect notice.

A breach of the principles gives the FSA the right to take action against the relevant authorised person and includes the power to terminate the entity's authorisation.

Restrictions on changes of control

Companies regulated by the FSA are subject to restrictions regarding persons who may act as a controller. Broadly, a controller for the purposes of the FSA's rules means a person who alone or with associates holds ten per cent. or more of the shares in a regulated firm or its parent company, or is able to exercise significant influence over the management of a regulated firm or its parent company by virtue of its shareholding or voting power in the regulated firm or its parent, or is able to exercise or control the exercise of 10 per cent. or more of the voting power in the regulated firm or its parent.

Under FSMA, a person who proposes to become a controller of an FSA regulated firm, or who proposes to increase their interest to 10 per cent. or more, 20 per cent. or more, 33 per cent. or more, or 50 per cent. or more must first notify and obtain the approval of the FSA and the FSA has up to three months to approve this change of control. The FSA is permitted to serve a notice of objection to the acquisition of or increase in control and, if it does serve such a notice, is required to specify in the notice its reasons for the objections. Breach of the notification and approval requirements is a criminal offence.

A person who ceases to be a ten per cent. controller or who reduces an existing interest below the 50 per cent., 33 per cent. or 20 per cent. level must give written notice to the FSA, although FSA approval is not required. Breach of the notification requirements is a criminal offence.

Consumer complaints and compensation

Rules made by the FSA under FSMA establish a compensation scheme. The scheme provides for compensation to be paid to a limited category of customers who suffer losses as a consequence of the inability of a regulated firm to meet its liabilities arising from claims made in connection with regulated activities.

A Financial Ombudsman Service has also been set up under FSMA. This operates independently of the FSA and covers disputes for a limited category of customer complaints, including complaints about mis-selling, unsuitable advice, unfair treatment, maladministration, misleading advertising, delay and poor service in relation to products and services provided by firms.

Regulatory capital

Regulatory capital requirements form part of the FSA's system of prudential supervision of FSA regulated firms in the UK. The aim of the capital rules is to assist firms in controlling risks to which they may be exposed when carrying on regulated activities in the UK, by obliging firms to hold a minimum amount of capital as a buffer to cover risks. The FSA also expects firms to take an active risk-based approach to monitoring and managing risks, consistent with the FSA's high level requirement for firms to have adequate financial resources.

Regulatory capital requirements exist on two levels. The first is at an individual entity level whereby the companies in a group which are regulated by the FSA are required to submit periodic returns to demonstrate compliance. There are different base capital requirements for firms, depending on the regulated activities they are authorised to provide. Firms are also required to analyse set types of risks which they are exposed to and may be required to increase their base capital requirement in light of the firm's assessment of those risks. The second is at a consolidated level requiring submission of further returns in respect of the group as a whole.

Money laundering

In addition, the UK Money Laundering Regulations 2003 require, broadly speaking, any person who carries out financial services business in the UK to observe certain administrative procedures and checks, which are designed to prevent money laundering occurring. Failure to maintain the necessary procedures is a criminal offence.

REGULATORY FRAMEWORK IN IRELAND

The Irish Financial Regulator is responsible for supervising a wide range of financial institutions operating in Ireland. RCML has been approved to act as promoter of Irish authorised “collective investment schemes” (investment funds) and also to act as investment manager to such investment funds. RCML currently promotes and acts as investment manager to the Record Umbrella Fund and each of its sub-funds. RCML also acts as distributor of the Record Umbrella Fund and the Irish Financial Regulator has approved its role in this regard.

The Irish Financial Regulator’s role in supervising investment funds covers not only the scheme itself but also firms which provide services to such schemes. These service providers are either (i) authorised by the Irish Financial Regulator under domestic investment fund legislation or (ii) permitted to offer services in Ireland pursuant to authorisation in their home member state.

The regulation of investment funds in Ireland consists of a detailed assessment of the promoter and other parties related to the scheme. The Irish Financial Regulator’s powers in this regard stem from implemented European legislation, Irish laws and also involve the imposition and enforcement of detailed supervisory requirements which are set out in a series of regulatory “Notices” devised by the Irish Financial Regulator. These Notices cover, inter alia, investment and borrowing restrictions and disclosure of information to investors.

Guidance Notes are issued by the Irish Financial Regulator from time to time to provide further direction on issues relating to the funds industry. The Notices and Guidance Notes are drawn up after consultation with the funds industry particularly the Irish Funds Industry Association (“IFIA”) a representative body comprising the industry itself and legal and accounting firms involved in the industry.

The Record Umbrella Fund

The Record Umbrella Fund is an open-ended umbrella unit trust authorised in the Republic of Ireland by the Irish Financial Regulator pursuant to the provisions of the Unit Trusts Act 1990 and any regulations made thereunder.

The Record Umbrella Fund was constituted on 5th July 2004 and its constitutional rules are set out in a trust deed dated 5th July 2004 (as amended and supplemented) between Northern Trust Fund Services (Ireland) Limited (the “Manager”) and Northern Trust Custodial Services (Ireland) Limited (the “Trustee”) (the “Trust Deed”) which is binding under Irish law upon the Trustee, the Manager and all unitholders.

Pursuant to Irish law and regulation the management, administration and safekeeping of the assets of the Record Umbrella Fund is carried out by regulated entities. A description of RCML’s role in this process is set out further below and the following is a summary of the main additional services provided.

The Manager’s principal business is the provision of fund management services to Irish collective investment schemes such as the Record Umbrella Fund and it is responsible, under the Trust Deed, for the general management and administration of the Record Umbrella Fund and each of the sub-funds. The Trust Deed allows the Manager, in accordance with the requirements of the Irish Financial Regulator, to delegate its administration and investment management duties to other parties. It has delegated the administration function to Northern Trust Investor Services (Ireland) Limited (the “Administrator”) pursuant to an administration agreement between the Manager and Administrator dated 5th July 2004.

The Administrator carries out the general administration of the Record Umbrella Fund subject to the general supervision of the Manager. Specifically, the Administrator’s duties include preparing accounts,

processing the sale and redemption of units, calculating the net asset value of each sub-fund and the net asset value per unit, acting as registrar and transfer agent for the Record Umbrella Fund and maintaining its books and records.

The Trustee has been approved by the Irish Financial Regulator to act as trustee of the Record Umbrella Fund and each of its sub-funds. The Trustee's main activity is to act as custodian and trustee of Irish collective investment schemes such as the Record Umbrella Fund. In accordance with and subject to the Trust Deed, the Trustee provides safe custody for all the assets of each sub-fund, which are kept under the control of the Trustee in the Trustee's custodial network unless otherwise transferred or released in accordance with the permitted investment objective and policy. In addition, the Trustee will be obliged to enquire into the conduct of the Manager in each financial year and to report thereon to the Unitholders. The Trustee's report shall state whether in the Trustee's opinion the Record Umbrella Fund has been managed in that period (a) in accordance with the limitations imposed on the investment and borrowing powers by the Trust Deed and by the Irish Financial Regulator under the powers granted to it by the Unit Trusts Act 1990; and (b) in accordance with the provisions of the Trust Deed and the Unit Trusts Act.

The annual financial statements of the Record Umbrella Fund and each of its sub-funds are independently audited by PricewaterhouseCoopers.

As at 30th October 2007, the Record Umbrella Fund has seven sub-trusts (the "sub-funds") which each issue different classes of unit. The proceeds from the issue of units are invested separately in accordance with the investment objectives and policies of the relevant sub-fund. Each sub-fund is authorised with the prior approval of the Irish Financial Regulator.

The material information relating to each sub-fund, including the terms and conditions of its offer of units, details of its investment objectives and policies and applicable fees and expenses are set out in supplements to the prospectus of the Record Umbrella Fund.

The proceeds from the issue of units are applied in the records and accounts of the relevant sub-fund and the assets and liabilities and income and expenditure attributable thereto are also applied to that sub-fund subject to the provisions of the Trust Deed. However, a separate pool of assets is not maintained for each class of units within a sub-fund. Units may be differentiated by a number of factors in accordance with the requirements of the Irish Financial Regulator, including but not limited to, currency, fees, hedging strategy, distribution strategy, subscription and redemption conditions. Where there are units of a different class in a sub-fund, the price per unit may differ among classes to reflect such matters as differing charges for fees and expenses, designation of units in different currencies or gains/losses on and costs of different financial instruments employed for currency hedging between the base currency of a sub-fund and the designated currency of the relevant units.

To invest in the Record Umbrella Fund is to purchase units in a sub-fund. The Trustee accumulates the assets on behalf of the sub-funds and holds them for the benefit of the unitholders. A unit in a sub-fund represents the beneficial ownership in the assets of the relevant sub-fund referable to that type of unit.

The Record Umbrella Fund and each of its sub-funds are authorised in Ireland but a condition of this authorisation is that they must also be marketed and promoted in accordance with the relevant laws, regulations, and administrative provisions in force in the countries in which they are marketed and promoted.

The following reports must be submitted to the Irish Financial Regulator for each sub fund: (i) net asset value returns on a monthly basis and (ii) annual audited accounts and half-yearly unaudited accounts. In addition to standard reporting requirements, the Irish Financial Regulator may request such further information from the Manager, Trustee, RCML or any authorised service provider or advisor which it believes is necessary for the proper supervision of the Record Umbrella Fund. Typical examples of such requests are periodic anti-money laundering confirmations.

The role of RCML

RCML has been approved to act as the promoter of the Record Umbrella Fund by the Irish Financial Regulator. The Irish Financial Regulator only accepts promoters which (i) are regulated entities with

financial resources (shareholders funds) of at least €635,000 (or foreign currency equivalent) and (ii) have demonstrable experience in investment fund products. Promoter status requires RCML to file its annual financial statements with the Irish Financial Regulator. As a pre-condition of its approval RCML had to complete a detailed application process disclosing, *inter alia*, details of its ownership, group structure, financials, experience and regulatory authorisation in its home jurisdictions. The Irish Financial Regulator also requires the Irish local administrator and custodian to confirm that they have undertaken due diligence checks on a promoter.

RCML must file its audited financial statements with the Irish Financial Regulator on an annual basis. The Irish Financial Regulator may also, at its discretion, request further information as part of its ongoing reporting and supervision requirements in the Republic of Ireland including, but not limited to, any updates or change to information previously filed with the Irish Financial Regulator. As promoter RCML has also entered into a management framework agreement dated 15th May 2007 with the Manager and has agreed to provide services to assist the Manager with its management functions.

RCML has also been appointed as the investment manager (with a discretionary investment mandate) to each of the sub-funds pursuant to an investment management agreement dated 5th July 2004 (as amended) between the Manager and RCML. RCML is responsible for implementing the investment policy subject to the overall supervision of the Manager. The investment management agreement provides, among other things, that except in so far as a claim or demand results from fraud, negligence, wilful default or recklessness by RCML, its delegates, agents or any of their respective employees and directors, the Manager agrees to indemnify (as agent of the Trustee on behalf of the Record Umbrella Fund and of its sub-funds) RCML, its delegates, agents and their respective employees and directors out of the assets of the relevant sub-fund against all liabilities in respect of claims or demands, losses, liabilities, actions, costs, charges, damages and expenses (including reasonable legal expenses) which may arise in connection with the investment management agreement.

RCML has been appointed as distributor of the units of the sub-funds and to carry out the services agreed in a distribution agreement dated 5th July 2004 between the Manager and RCML. The Manager shall, as agent of the Trustee, out of the assets of the relevant sub-fund, hold harmless and indemnify RCML, its directors, officers, employees, agents and shareholders against all actions, proceedings, damages, claims, costs, demands and expenses (including, without limitation, legal and professional expenses arising therefrom) which may be brought against, suffered or incurred by RCML in the performance of its duties under the distribution agreement; otherwise than due to the negligence, bad faith, fraud, wilful default or the material failure of RCML, its directors, officers, employees, agents and shareholders in the performance of its obligations under the distribution agreement.

The Irish Financial Regulator permits RCML to act as investment manager and distributor pursuant to its authorisation by the FSA. RCML must abide by all rules and regulations applied by the FSA. Following the coming into effect of MiFID in Ireland on 1st November 2007 the Irish Financial Regulator does not impose a separate set of operating conditions on RCML in addition to the rules of the FSA but will require it to file its annual audited accounts as soon as they are prepared.

REGULATORY FRAMEWORK IN THE UNITED STATES

RCML's activities are subject to various US federal and state laws and regulations. These federal and state laws and regulations are primarily intended to protect US investment advisory clients and shareholders of investment companies registered under the US Investment Company Act of 1940, as amended (the "US Investment Company Act").

RCML is registered with the S.E.C. as an investment adviser under the US Investment Advisers Act of 1940 (the "IAA"). The IAA regulates persons who, subject to certain exceptions, engage for compensation in the business of advising others, either directly or through publications or writing, as to the value of securities or as to the advisability of investing in, purchasing or selling securities, or who, for compensation and as part of a regular business, issue or promulgate analyses or reports concerning securities.

As an investment adviser under the IAA, RCML is subject to the provisions of the IAA and the S.E.C.'s regulations promulgated thereunder. The IAA imposes numerous obligations on registered investment

Part XII Regulation

advisers, including fiduciary, recordkeeping, operational, and disclosure obligations. RCML is, as an investment adviser, subject to regulation under the securities laws and fiduciary laws of certain states.

RCML is also subject to requirements under the US Investment Company Act and the S.E.C.'s regulations promulgated thereunder because it is a sub-adviser to several investment companies registered under the US Investment Company Act. The US Investment Company Act imposes obligations on registered investment companies, including detailed operational requirements, which must be strictly adhered to by their investment advisers.

Under the IAA, every investment advisory contract between an investment adviser registered under the IAA and its clients must provide that it may not be assigned by the investment adviser without the consent of the client. In addition, under the US Investment Company Act, each contract with an investment company registered under the US Investment Company Act must provide that it terminates upon its assignment. Under both the IAA and the US Investment Company Act, an investment advisory contract is deemed to have been assigned in the case of a direct "assignment" of the contract as well as in the case of a sale, directly or indirectly, of a "controlling block" of the adviser's voting securities. The provisions relating to the "controlling block" of the adviser's voting securities are triggered, inter alia, when a shareholder who owns a beneficial interest in more than 25 per cent. of the shares of a relevant company reduces their interest to 25 per cent. or below and when a shareholder who owns a beneficial interest in 25 per cent. or less of the shares of a relevant company increases their interest to more than 25 per cent.

RCML is subject to the US Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and to regulations promulgated thereunder, insofar as it is a "fiduciary" under ERISA with respect to any of its clients. RCML is currently, and in the future expects to be, a fiduciary with respect to one or more of its clients under ERISA. ERISA and the applicable provisions of the US Internal Revenue Code of 1986, as amended, impose certain duties on persons who are fiduciaries under ERISA, and prohibit certain transactions involving the assets of each ERISA plan which is a client of RCML, as well as certain transactions by the fiduciaries (and certain other related parties) to such plans.

RCML is also subject to the Commodity Exchange Act and the commodities and futures regulations promulgated thereunder by the Commodity Futures Trading Commission (the "CFTC"). The extent of RCML's obligations under the Commodity Exchange Act and the CFTC's regulations is contingent on the composition of RCML's client base and the extent of RCML's use of futures, options on futures and commodities on behalf of its clients. Currently, RCML believes that it is exempt from registration as a commodity pool operator and a commodity trading adviser under the Commodity Exchange Act and the CFTC's regulations, and therefore, many of the obligations imposed by the Commodity Exchange Act and the CFTC's regulations are not applicable to RCML.

The foregoing laws and regulations generally grant supervisory agencies and bodies broad administrative powers, including the power to limit or restrict RCML from conducting its business in the event that it fails to comply with such laws and regulations. Possible sanctions that may be imposed in the event of such non-compliance include the suspension of individual employees, limitations on RCML's business activities for specified periods of time, revocation of RCML's registration as an investment adviser or other registrations, and other censures and fines. Changes in these laws or regulations could have a material adverse impact on the profitability and mode of operations of RCML and its affiliates.

REGULATORY FRAMEWORK IN CANADA

Canadian Securities Regulation

The securities regulatory authority in each of the provinces and territories of Canada has supervisory and regulatory authority over companies and individuals who act as securities dealers or who provide investment advice or investment management services in respect of securities in such jurisdictions and, generally, has broad enforcement powers and remedies over a securities dealer or adviser or any of its directors, officers or employees who contravene applicable laws or regulatory requirements. Securities dealers and advisers are generally required to register with applicable securities regulatory authorities which usually subject them to minimum proficiency, capital, record keeping and financial reporting

requirements under securities legislation. Registrations must be renewed regularly and are subject to compliance with certain regulatory requirements. Registration may be suspended or cancelled at any time if a securities regulatory authority considers that the continuance of such registration would not be in the public interest. The applicable Canadian jurisdiction to the activities of a securities dealer or adviser are generally dictated by the jurisdiction in which the client is located.

RCML only provides currency management advisory services in Canada and does not offer for sale any securities as a dealer in Canada. RCML currently has clients only in the Canadian provinces of Ontario and Alberta.

Alberta

RCML is currently providing currency management services to a client in Alberta without registration as securities adviser pursuant to the terms of a general exemption order issued by the Alberta Securities Commission. Reliance on this exemption order requires RCML to restrict itself to providing such services to a prescribed list of mainly institutional clients. If this exemption order is revoked and/or RCML proposes to provide services not exempted from registration under this exemption order or otherwise, RCML may have to seek registration as a securities adviser in Alberta.

Ontario

Although RCML believes that the provision of advice and management services in respect of currency contracts in Ontario is not subject to securities advisory registration under applicable Ontario securities law, to eliminate any doubt RCML applied for and obtained registration with the Ontario Securities Commission as an International Adviser (Investment Counsel and Portfolio Manager). This category of registration is a limited one in that RCML is restricted to providing securities advisory services to a restricted category of mainly institutional clients and then only if primarily in respect of non-Canadian securities. As a result of these restrictions, RCML is exempt from many of the usual requirements for registration as a securities adviser.

Other jurisdictions in Canada have varying rules and requirements with respect to the registration obligations for securities advisory activities which RCML would have to consider before undertaking activities in such jurisdictions.

The Canadian securities regulatory authorities have published a proposed new rule to harmonise the registration of securities participants throughout Canada. Under the current proposal, qualified international securities advisers would be exempt from registration provided certain conditions are met including the limitation of services only to prescribed institutional clients and a prohibition against soliciting new clients in Canada. If this new rule is implemented, the Ontario category of securities registration of International Adviser (Investment Counsel and Portfolio Manager) would be eliminated such that RCML may have to comply with the restrictions to qualify under the new registration exemption or consider seeking full registration as a securities adviser. This proposed rule may or may not be implemented either in its current format or under a revised format.

Part XIII

Additional Information

1 RESPONSIBILITY

The Directors, whose names are set out under the heading “Directors, Registered Office, Secretary and Advisers” contained in Part III of this document, and the Company accept responsibility for this document. To the best of the knowledge and belief of the Directors and the Company (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

2 INCORPORATION AND GENERAL

- 2.1 The Company was incorporated in England on 1st July 1985 under the name of Pontus Limited with registered number 01927640 as a private company limited by shares under the 1985 Act. On 7th October 1985, the Company changed its name to N.P.R. Group Limited. On 13th December 1985, the Company changed its name to N P R Group Limited. On 2nd February 1988, the Company changed its name to N.P. Record Limited. On 30th January 1989, the Company changed its name and was re-registered as a public company limited by shares with the name N.P. Record Plc. The Company re-registered as a private company, with the name N.P. Record Limited, on 20th February 2001. The Company became a public limited company and changed its name to Record plc on 16th November 2007.
- 2.2 The principal legislation under which the Company operates is the 1985 Act and the 2006 Act. The liability of the members is limited.
- 2.3 The Company’s registered office and principal place of business is at Morgan House, Madeira Walk, Windsor, Berkshire, SL4 1EP (telephone number: +44 (0)1753 852 222).

3 SHARE CAPITAL

- 3.1 The Company’s authorised, issued and fully paid share capital as at 27th November 2007 (being the latest practicable day before publication of this document) is as follows:

Class	Number	Authorised	Nominal Value £	Issued and fully paid	
		Amount £		Number	Amount
Ordinary	1,000,000	100,000	0.10	553,452	55,345.20

The Company’s authorised, issued and fully paid share capital immediately following Admission is expected to be as follows:

Class	Number	Authorised	Nominal Value £	Issued and fully paid	
		Amount £		Number	Amount
Ordinary	400,000,000	100,000	0.00025	221,380,800	55,345.20

- 3.2 On incorporation, the authorised share capital of the Company was £1,000 divided into 1,000 ordinary shares of £1 each, two of which were issued, paid up, to the subscribers to the memorandum of association of the Company. Since the date of incorporation of the Company, the following changes have occurred to the Company’s authorised and issued share capital:
- 3.2.1 on 2nd September 1985 the authorised share capital of the Company was increased to £20,000;
- 3.2.2 on 4th December 1985, 9,998 ordinary shares of £1 each were issued, resulting in an issued share capital of £10,000 comprised of 10,000 shares of £1 each;

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- 3.2.3 on 29th December 1987, the authorised share capital of the Company was increased to £100,000, divided into 100,000 shares of £1 each, and 40,000 ordinary shares of £1 each were issued, resulting in an issued share capital of £50,000 comprised of 50,000 shares of £1 each;
- 3.2.4 on 5th December 1988 the share capital of the Company was subdivided into shares of £0.10 each, resulting in a share capital of 1,000,000 ordinary shares of £0.10 each;
- 3.2.5 on 2nd June 1989, 50,000 ordinary shares of £0.10 each were issued, resulting in an issued share capital of £55,000 comprised of 550,000 ordinary shares of £0.10 each;
- 3.2.6 on 30th August 1989, a separate class of 100,000 employee shares was created, resulting in a share capital of £100,000 comprised of 900,000 ordinary shares of £0.10 each and 100,000 employee shares of £0.10 each;
- 3.2.7 on 31st August 1989, 1,840 employee shares of £0.10 each were issued, resulting in an issued share capital of £55,184 comprised of 550,000 ordinary shares of £0.10 each and 1,840 employee shares of £0.10 each;
- 3.2.8 on 24th September 1990, 3,910 employee shares of £0.10 each were issued, resulting in an issued share capital of £55,575 comprised of 550,000 ordinary shares of £0.10 each and 5,750 employee shares of £0.10 each;
- 3.2.9 on 15th October 1990, 3,787 ordinary shares of £0.10 each were issued, resulting in an issued share capital of £55,953 comprised of 553,787 ordinary shares of £0.10 each and 5,750 employee shares of £0.10 each;
- 3.2.10 on 28th October 1991, 50 employee shares of £0.10 each were issued, resulting in an issued share capital of £55,958 comprised of 553,787 ordinary shares of £0.10 each and 5,800 employee shares of £0.10 each;
- 3.2.11 on 28th May 1992, 2,798 ordinary shares of £0.10 each were issued, resulting in an issued share capital of £56,238.50 comprised of 556,585 ordinary shares of £0.10 each and 5,800 employee shares of £0.10 each;
- 3.2.12 on 16th September 1992, 500 employee shares of £0.10 each were issued, resulting in an issued share capital of £56,288.50 comprised of 556,585 ordinary shares of £0.10 each and 6,300 employee shares of £0.10 each;
- 3.2.13 on 30th September 1993, 10,000 ordinary shares of £0.10 each were issued, resulting in an issued share capital of £57,288.50 comprised of 566,585 ordinary shares of £0.10 each and 6,300 employee shares of £0.10 each;
- 3.2.14 on 30th November 1995, the 100,000 employee shares were re-classified as ordinary shares, resulting in a share capital of £100,000 comprised of 1,000,000 ordinary shares of £0.10 each, and 12,500 ordinary shares of £0.10 each were issued, resulting in an issued share capital of £58,538.50 comprised of 585,385 ordinary shares of £0.10 each;
- 3.2.15 on 15th December 1998, 1,400 ordinary shares of £0.10 each were issued, resulting in an issued share capital of £58,678.50 comprised of 586,785 ordinary shares of £0.10 each;
- 3.2.16 on 13th March 2001, 9,400 ordinary shares of £0.10 each were issued, resulting in an issued share capital of £59,618.50 comprised of 596,185 ordinary shares of £0.10 each;
- 3.2.17 on 30th March 2001, the Company re-purchased a total of 66,553 ordinary shares of £0.10 from four shareholders, resulting in an issued share capital of £52,963.20 comprised of 529,632 ordinary shares of £0.10 each;
- 3.2.18 on 5th July 2001, 100,000 ordinary shares were re-classified as “A” ordinary shares of £0.10 each, resulting in a share capital of £100,000 comprised of 900,000 ordinary shares and 100,000 “A” ordinary shares;

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- 3.2.19 on 30th July 2001, 6,575 ordinary shares of £0.10 each were issued, resulting in an issued share capital of £53,620.70 comprised of 512,699 ordinary shares of £0.10 each and 23,508 “A” ordinary shares of £0.10 each;
- 3.2.20 on 21st March 2002, 4,370 ordinary shares of £0.10 each were issued, resulting in an issued share capital of £54,057.20 comprised of 517,069 ordinary shares of £0.10 each and 23,508 “A” ordinary shares of £0.10 each;
- 3.2.21 on 2nd April 2004, the Company re-purchased 36,357 ordinary shares from three shareholders, resulting in an issued share capital of £50,421.50 comprised of 480,707 ordinary shares of £0.10 each and 23,508 “A” ordinary shares of £0.10 each;
- 3.2.22 on 28th April 2004, 11,736 ordinary shares of £0.10 each were issued, resulting in an issued share capital of £51,595.10 comprised of 492,443 ordinary shares of £0.10 each and 23,508 “A” ordinary shares of £0.10 each;
- 3.2.23 from 11th to 18th June 2004, 4,162 ordinary shares of £0.10 each were issued, resulting in an issued share capital of £52,011.80 comprised of 489,874 ordinary shares of £0.10 each and 30,244 “A” ordinary shares of £0.10 each;
- 3.2.24 on 9th August 2004, 1,148 “A” ordinary shares of £0.10 each were issued, resulting in an issued share capital of £52,126.60 comprised of 489,874 ordinary shares of £0.10 each and 31,392 “A” ordinary shares of £0.10 each;
- 3.2.25 on 1st February 2005, 7,795 ordinary shares of £0.10 each were issued, resulting in an issued share capital of £52,906.10 comprised of 497,669 ordinary shares of £0.10 each and 31,392 “A” ordinary shares of £0.10 each;
- 3.2.26 on 3rd February 2005, 200,000 existing ordinary shares were re-classified as “A” ordinary shares of £0.10 each resulting in a share capital of £100,000 comprised of 700,000 ordinary shares and 300,000 “A” ordinary shares;
- 3.2.27 on 7th February 2005, the Company re-purchased a total of 50,000 ordinary shares from three Shareholders, resulting in an issued share capital of £47,906.10 comprised of 447,669 ordinary shares of £0.10 each and 31,392 “A” ordinary shares of £0.10 each;
- 3.2.28 on 27th October 2005, the Company re-purchased a total of 24,851 ordinary shares from three Shareholders pursuant to the terms of three contingent purchase contracts dated 3 February 2005, resulting in an issued share capital of £45,421 comprised of 422,818 ordinary shares of £0.10 each and 31,392 “A” ordinary shares of £0.10 each;
- 3.2.29 from 7th to 8th December 2005, 3,381 “A” ordinary shares of £0.10 each were issued, resulting in an issued share capital of £45,759.10 comprised of 422,818 ordinary shares of £0.10 each and 34,773 “A” ordinary shares of £0.10 each;
- 3.2.30 on 29th December 2005, the Company re-purchased a total of 24,851 ordinary shares from two Shareholders pursuant to the terms of the two remaining contingent purchase contracts dated 3rd February 2005, resulting in an issued share capital of £43,274 comprised of 397,967 ordinary shares of £0.10 each and 34,773 “A” ordinary shares of £0.10 each;
- 3.2.31 from 16th May to 22nd June 2006, 97,760 “A” ordinary shares of £0.10 each were issued, resulting in an issued share capital of £53,050 comprised of 397,967 ordinary shares of £0.10 each and 132,533 “A” ordinary shares of £0.10 each;
- 3.2.32 on 22nd June 2006, 5000 ordinary shares of £0.10 each were issued, resulting in an issued share capital of £53,550 comprised of 402,967 ordinary shares of £0.10 each and 132,533 “A” ordinary shares of £0.10 each;

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- 3.2.33 on 20th September 2006, 500 “A” ordinary shares of £0.10 each were issued, resulting in an issued share capital of £53,600 comprised of 402,967 ordinary shares of £0.10 each and 133,033 “A” ordinary shares of £0.10 each;
- 3.2.34 on 6th December 2006, 13,550 “A” ordinary shares of £0.10 each were issued, resulting in an issued share capital of £54,955 comprised of 402,967 ordinary shares of £0.10 each and 146,583 “A” ordinary shares of £0.10 each;
- 3.2.35 on 18th June 2007, 2,350 “A” ordinary shares of £0.10 each were issued, resulting in an issued share capital of £55,190 comprised of 402,967 ordinary shares of £0.10 each and 148,933 “A” ordinary shares of £0.10 each;
- 3.2.36 on 9th August 2007, 500 “A” ordinary shares of £0.10 each were issued, resulting in an issued share capital of £55,240 comprised of 402,967 ordinary shares of £0.10 each and 149,433 “A” ordinary shares of £0.10 each;
- 3.2.37 on 15th August 2007, 1,052 “A” ordinary shares of £0.10 each were issued, resulting in an issued share capital of £55,345.20 comprised of 402,967 ordinary shares of £0.10 each and 150,485 “A” ordinary shares of £0.10 each;
- 3.2.38 on 23rd August 2007, the share capital was re-organised so that all issued and un-issued “A” ordinary shares were reclassified as ordinary shares, resulting in an issued share capital of £55,345.20 comprised of 553,452 ordinary shares of £0.10 each; and
- 3.2.39 conditionally on Admission, the subdivision of each ordinary share of £0.10 each into shares of £0.00025 each, resulting in an authorised share capital of £100,000 comprised of 400,000,000 ordinary shares of £0.00025 each, and an issued share capital of £55,345.20 comprised of 221,380,800 ordinary shares of £0.00025 each.

4 MEMORANDUM AND ARTICLES OF ASSOCIATION

The principal objects of the Company are set out in its memorandum of association (which is available for inspection at the address specified in paragraph 2.3 of this Part XIII) and are, *inter alia*, to carry on business as a trading company.

A summary of certain provisions of the Articles of Association is set out below and a copy is available for inspection at the address specified in paragraph 2.3 of this Part XIII.

4.1 Rights attaching to Ordinary Shares

- 4.1.1 As to voting: Subject to disenfranchisement in the event of (i) non-payment of calls or other monies due and payable in respect of Ordinary Shares and (ii) non-compliance with a statutory notice requiring disclosure as to an interest in shares, and subject to any special terms as to voting upon which any shares may for the time being be held (as to which there are none at present), upon a show of hands (i) every member present in person; (ii) every member present by representative (in the case of a corporate member); and (iii) every proxy shall have one vote, and upon a poll every member present in person, by representative (in the case of a corporate member) or by proxy shall have one vote for every share held by him.
- 4.1.2 As to dividends: Subject to the Statutes (as defined in the Articles of Association) and to any special rights attached to any shares issued by the Company in the future, the holders of Ordinary Shares are entitled *pari passu* amongst themselves, but in proportion to the amounts paid up on the shares held by them, to share in the whole of the profits of the Company paid out as dividends.
- 4.1.3 As to return of capital: On a winding-up, the assets remaining after payment of the debts and liabilities of the Company and the costs of the liquidation, shall, subject to any special rights attaching to any other class of shares, be applied in repaying to the holders of Ordinary Shares the amounts paid up on such shares and any surplus shall be distributed amongst such holders in proportion to the numbers of shares held by them respectively.

4.2 Variation of Share Rights

Subject to the provisions of the 1985 Act and/or the 2006 Act (to the extent applicable) the rights attached to any class of shares may be varied or abrogated in such manner (if any) as may be provided by those rights, or with the consent in writing of the holders of three quarters of the issued shares of that class or with the sanction of an extraordinary resolution passed at a general meeting of the holders of the shares of that class, but not otherwise.

4.3 Forfeiture of Shares and Liens

4.3.1 The Company will have a first and paramount lien on every share (not being a fully paid share) for all moneys payable to the Company (whether presently or not) in respect of that share. The Board may at any time (generally or in a particular case) waive any lien or declare any share to be wholly or in part exempt from such lien. The Company's lien on a share shall extend to any amount (including without limitation dividends) payable in respect of it.

4.3.2 Subject to the terms of allotment, the Board may from time to time make calls in respect of monies unpaid on shares. If a call or any instalment of a call remains unpaid in whole or in part after it has become due and payable, the Board may give the person from whom it is due not less than 14 clear days' notice requiring payment of the amount unpaid together with any interest which may have accrued and any costs, charges and expenses incurred by the Company by reason of such non-payment. If such notice is not complied with, any share in respect of which it was sent may, at any time before the payment required by the notice has been made, be forfeited pursuant to a resolution of the Board. The forfeiture shall include all dividends or other moneys payable in respect of the forfeited share which have not been paid before the forfeiture.

4.4 Changes in Share Capital

4.4.1 The Company may by ordinary resolution increase its share capital, alter the nominal amount of each share and cancel any unissued shares. The Company may by special resolution reduce its share capital in any manner authorised by law.

4.4.2 Subject to the provisions of the 1985 Act and/or the 2006 Act (to the extent applicable) and the Articles of Association and without prejudice to any right attached to any existing class of shares, any share may be issued with such rights or restrictions as the Company may by ordinary resolution determine.

4.5 Provisions Relating to Shares

Subject to the Statutes (as defined in the Articles of Association), the Company may purchase its own shares (including any redeemable shares). The Company may not purchase any shares if there are outstanding any listed securities of the Company convertible into, or carrying the right to subscribe for, shares of the same class as those proposed to be purchased unless such purchase has been sanctioned by an extraordinary resolution passed at a separate class meeting of the holders of convertible shares, or there are provisions in the relevant instrument creating the convertible security concerned permitting the Company to purchase its own shares.

4.6 Transfer of Shares

4.6.1 **Certificated** — All transfers of shares in certificated form must be in writing in the usual form or any other form permitted by the Stock Transfer Act 1963 or approved by the Directors. The instrument of transfer must be signed by or on behalf of the transferor and, if the shares being transferred are not fully paid, by or on behalf of the transferee. The Directors may in their absolute discretion and without giving any reason refuse to register any transfer or certificated shares which are not fully paid or on which the Company has a lien, provided that such discretion may not be exercised in such a way as to prevent dealings from taking place on an open and proper basis. The Directors may also refuse to register any transfer of a certificated share if the duly stamped transfer instrument is not accompanied by the relevant share certificate and such other evidence reasonably required by the Directors to show the right of the transferor to make the transfer.

4.6.2 **Uncertificated** — Subject to the Regulations and the Articles of Association, the Company may issue Ordinary Shares in uncertificated form and permit such Ordinary Shares to be transferred by means of a relevant system (as defined in the Articles of Association) or in any manner which is permitted by the Statutes (as defined in the Articles of Association) and is from time to time approved by the Directors. The Directors may in their absolute discretion and, without giving any reason, refuse to register a transfer of uncertificated shares in any circumstances permitted by those Regulations. The Directors may refuse to register any transfer of shares unless it is in respect of only one class of shares. No more than four persons may be registered as joint holders of any share.

4.7 Unclaimed Dividends

Any dividend unclaimed after a period of 12 years from the date of its declaration or from the date when it becomes due for payment shall be forfeited and shall revert to the Company.

4.8 Untraced Shareholders

4.8.1 The Company may, after advertising its intention and fulfilling various other requirements, sell any shares of a member or person entitled to those shares by transmission who is untraceable for a period of 12 years during which period the Company has paid at least 3 dividends none of which has been claimed and the cheques or warrants or order or other instrument for all amounts payable to such member have remained uncashed, no dividend sent by means of a funds transfer has been paid and the Company has not received any communication from the member in question or the person so entitled. Upon such sale, the Company shall be regarded as indebted to the former member or to any other person so entitled to an amount equal to the net proceeds of sale.

4.8.2 If cheques or warrants or similar financial instruments in respect of dividends are returned undelivered or are left uncashed on two consecutive occasions or after only one occasion, if reasonable enquiries by the Company have failed to establish any new address of the registered holder, the Company may stop sending such cheques or warrants or similar financial instruments by post to the member in question.

4.9 Non-UK Shareholders

There are no limitations in the Memorandum or Articles of Association on the rights of non-UK Shareholders to hold or exercise voting rights attaching to Ordinary Shares. However, a member who has no registered address within the United Kingdom and has not given notice to the Company to register such an address shall not be entitled to receive any notices from the Company.

4.10 Restrictions on Shareholders

Subject to the Statutes (as defined in the Articles of Association), the Company may disenfranchise any holder of shares of the Company if he or any other person appearing to be interested in those shares fails to comply with a notice issued by the Company requiring the disclosure of interests in the shares specified in the notice within 14 days after service. If Shareholders holding 0.25 per cent. or more in nominal value of the shares of the Company have not complied with the notice within 14 days after service, the Company may impose restrictions on them which include not only disenfranchisement but also the withholding of the right to receive dividends or other monies payable and, subject to the Statutes, restrictions on the transfer of the shares in question. For Shareholders holding less than 0.25 per cent. in nominal value of the shares of the Company, disenfranchisement is the only restriction which the Company may impose.

4.11 General Meetings

4.11.1 The Company shall in each year hold a general meeting as its annual general meeting in addition to any other meetings in that year. Subject to the requirements of the 2006 Act, the annual general meeting shall be held at such time and place as the Directors shall appoint.

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- 4.11.2 The Directors may, whenever they think fit, call a general meeting and shall do so upon a requisition made in accordance with Section 303 of the 2006 Act.
- 4.11.3 The ordinary business of an annual general meeting shall be to:
- 4.11.3.1 receive and consider the accounts, the reports of the Directors and Auditors, and any other documents required by law to be attached or annexed to the accounts;
- 4.11.3.2 approve the Directors' remuneration report;
- 4.11.3.3 elect or re-elect Directors;
- 4.11.3.4 elect auditors where no special notice of such election is required by the Statutes (as defined in the Articles of Association) and fix their remuneration, or determine the method by which it may be fixed;
- 4.11.3.5 declare dividends;
- 4.11.3.6 confer, vary or renew any authority under Section 80 of the 1985 Act or any power pursuant to Section 95 of the 1985 Act;
- 4.11.3.7 grant or renew a general authority for the Company to purchase its own shares; and
- 4.11.3.8 renew or regrant an existing authority for a scrip dividend alternative.

All other business transacted at an annual general meeting, and all business transacted at an extraordinary general meeting, shall be deemed special.

- 4.11.4 An annual general meeting shall be called by at least 21 days' notice and any other general meeting shall be called by at least 14 days' notice, except where there is proposed a resolution which requires special notice (as defined in the 2006 Act) in which case at least 28 days' notice of such resolution shall be given, or if not practicable, 14 days' notice shall be given by the posting of a notice in a national newspaper.
- 4.11.5 No business, other than the appointment of a Chairman, shall be transacted at any general meeting unless a quorum is present, and such quorum shall consist of not less than two Shareholders present in person, by representative (in the case of a corporate member) or by proxy and entitled to vote.

4.12 Directors

- 4.12.1 Number: Unless and until the Company in general meeting shall otherwise determine, the number of Directors shall not be less than 2 or more than 12. A Director shall not be required to hold shares in the capital of the Company.
- 4.12.2 Restrictions on voting: No Director may vote or be counted in the quorum in respect of any contract, arrangement or any other proposal whatsoever in which he has any material interest otherwise than by virtue of his interests in shares or debentures or other securities of or otherwise in or through the Company. The prohibition does not apply in any event to resolutions regarding:
- 4.12.2.1 the giving of any security, guarantee or indemnity in respect of money lent or obligations incurred by him or by any other person at the request of, or for the benefit of, the Company or any of its subsidiaries;
- 4.12.2.2 the giving of any security, guarantee or indemnity in respect of a debt or obligation of the Company or any of its subsidiaries for which he himself has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security;

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- 4.12.2.3 any proposal concerning an offer of shares or debentures or other securities of or by the Company or any of its subsidiaries for subscription or purchase in which offer he is or is to be interested as a participant as a holder of securities or in the underwriting or sub-underwriting;
- 4.12.2.4 any proposal concerning any other company in which he is interested, directly or indirectly and whether as an officer or Shareholder or otherwise, provided that he does not to his knowledge hold any interest in shares (as that term is defined in section 820 of the 2006 Act, but disregarding any interest attributable to any interest of such Director in shares of the Company itself) representing 1 per cent. or more of any class of the issued equity share capital of such company (or of any third company through which his interest is derived) or of the voting rights available to members of the relevant company (any such interest being deemed to be a material interest in all circumstances);
- 4.12.2.5 any arrangement for the benefit of employees of, or those that provide services to, the Company or any of its subsidiaries notwithstanding that he may be interested in any such arrangement in any present or proposed capacity whatsoever, except when the Directors are considering any matter concerning his individual rights of participation in any such arrangement;
- 4.12.2.6 any proposal concerning the provision of any indemnity or the purchase or maintenance of any insurance policy for the benefit of any or all Directors or for the benefit of persons including Directors or the funding of expenditure incurred or to be incurred by any Director in accordance with any of sections 232 to 235 of the 2006 Act.
- 4.12.3 For the purposes of paragraphs 4.12.2.1 to 4.12.2.6 above there shall be imputed to a Director any material interest of a person (other than the Company itself, if applicable) connected with him and accordingly references in such paragraphs to the Director and any interest or benefit which he has or may have, or any contract or arrangement to which he is or may be a party or in which he has or may have an interest, shall include references to the interests or benefits of any such connected person, and to any contract or arrangement to which such connected person is or may be a party.

Proposals concerning the appointment (including fixing or varying the terms of appointment) of two or more directors to offices or employment with the Company may be divided and considered in relation to each Director separately and in such cases each Director (if not debarred from voting under paragraph 4.12.2 of this Part XIII) shall be entitled to vote in respect of each resolution except that concerning his own appointment.

- 4.12.4 Remuneration: The aggregate fees of the Directors for their services in the office of Director shall not exceed £1 million but the Directors may be paid such further sums by way of additional remuneration as may from time to time be determined by the Company in general meeting. The Directors are entitled to be paid all expenses reasonably incurred by them in attending meetings of the Directors or committees of the directors or general meetings or otherwise in or about the business of the Company.

Any Director who is appointed to any executive office or who serves on any committee or who otherwise performs services which, in the opinion of the Directors, are outside the scope of the ordinary duties of a director may be paid, in addition to any remuneration to which he may be entitled (as referred to above) such remuneration (whether by way of salary, percentage of profits or otherwise) as the Directors may determine.

Subject to sections 217 to 220 of the 2006 Act, the Directors may grant pensions or other benefits to any executive Directors or ex-Directors and to persons connected with them.

4.13 Indemnities

To the extent permitted by section 232 of the 2006 Act, the Company shall indemnify every person who is a Director, the secretary or another officer of the Company (other than an

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auditor) out of the assets of the Company from and against any loss, liability or expense incurred by him or them in relation to the Company. The Directors may purchase and maintain insurance at the expense of the Company for the benefit of any such Director, secretary or other officer and they may provide such person with funds to meet expenditure incurred or to be incurred by him in defending any criminal or civil (including regulatory) proceedings in accordance sections 232 to 235 of the 2006 Act.

The Company shall indemnify every Director who is a trustee of an occupational scheme (as defined in section 235(6) of the 2006 Act) from and against any loss, liability or expense incurred by him in connection with the Company's activities of as trustee of the scheme.

- 4.13.1 Borrowing powers: Subject as provided below, the Directors may exercise all the powers of the Company to borrow or raise money and to mortgage or charge all or any part of its undertaking, property and uncalled capital and to issue debentures and other securities whether outright or as security (principal or collateral) for any debt, liability or obligation of the Company or any third-party.

The aggregate amount owing by the Company and all its subsidiary undertakings in respect of money borrowed by them (exclusive of intra-group borrowings) shall not without the previous sanction of the Company in general meeting exceed an amount equal to twice the aggregate of:

- 4.13.1.1 the amount paid up on the issued share capital of the Company; and
- 4.13.1.2 the amount standing to the credit of the reserves of the Company and its subsidiary undertakings, after adjustment as more particularly set out in Article 126.
- 4.13.2 Rotation and appointment of Directors: At each annual general meeting of the Company, the following directors shall retire from office by rotation:
- 4.13.2.1 any Director who has been in office for more than three years without having offered himself for re-election; and
- 4.13.2.2 such Directors as when added to any director retiring pursuant to paragraph 4.13.2.1 of this Part XIII, represent one-third (or the nearest number to one-third) of the Directors.

The Directors to retire in each year shall be those who have been longest in office since their last election but, as between persons who became Directors on the same day, those to retire shall (unless they otherwise agree between them) be determined by lot. A retiring Director shall be eligible for re-election.

The Company may from time to time by ordinary resolution appoint any person to be a Director, provided the maximum number of 12 is not exceeded. The Directors may also from time to time appoint any person to be a Director of the Company, provided the maximum number of 12 is not exceeded, but any Director so appointed by the Directors shall hold office only until the next annual general meeting when he shall retire, but shall be eligible for election, and any director who retires under this provision shall not be taken into account in determining the number of Directors who are to retire by rotation at that meeting.

- 4.14 CREST is a paperless settlement system enabling securities to be evidenced otherwise than by certificate and transferred otherwise than by a written instrument. The Articles of Association permit the holding of Ordinary Shares under a relevant system, being the CREST system. The Directors have applied for the Ordinary Shares to be admitted to CREST and it is expected that the Ordinary Shares will be so admitted, and accordingly enabled for settlement in CREST, with effect from Admission and CREST has agreed to such admission.
- 4.15 The Articles of Association reflect the fact that communications may be made to Shareholders not only in hard copy, but also in electronic form and via its website. This allows the Company (where a Shareholder so agrees) to communicate to the Shareholder, in electronic form, certain

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information relating to the Company (including notices, proxy forms and annual reports). Shareholders who do not agree will continue to receive communications by traditional means. The Company may also make communications to a Shareholder via its website, provided that the Shareholder does not disagree. If the Shareholder does disagree, the Shareholder shall continue to receive communications by traditional means.

5 DIRECTORS, SENIOR MANAGERS AND COMPANY SECRETARY

Directors

The Board currently comprises five Executive Directors and two Non-Executive Directors. The Directors, Company Secretary and Senior Managers are as follows:

Name	Position	
Neil Record	Chairman	- Chief Executive Officer
Leslie Meier (née Hill)	Executive Director	- Client Team Head
Bob Noyen	Executive Director	- Chief Investment Officer
Michael Timmins	Executive Director	- Chief Financial Officer and Company Secretary
Peter Wakefield	Executive Director	- Chief Operating Officer
Cees Schrauwers	Senior Non-Executive Director	
Andrew Sykes	Non-Executive Director	
Joel Sleigh	Head of Trading & Operations	
Chris Jackson	Head of Information Systems	
Robert Bloom	Head of Investment Strategies & Product Development	

The business address of the Directors is Morgan House, Madeira Walk, Windsor, Berkshire SL4 1EP.

The management expertise and experience of each of the Directors is set out in paragraph 12 of Part VII of this document.

6 CORPORATE GOVERNANCE

6.1 General

The Combined Code recommends that the board of directors of a UK public company includes a balance of executive and non-executive directors, with, except for smaller companies, non-executive directors comprising at least one-half of the board (excluding the Chairman) and that smaller companies should have at least two independent non-executive directors. At Admission, the Company will be a smaller company for the purposes of the Combined Code. The Combined Code states that the board of a UK public company should determine whether a director is independent in character and judgment and free from relationships or circumstances which are likely to affect, or could appear to affect, the director's judgement.

The Board recognises its responsibility for the proper management of the Company and supports high standards of corporate governance.

6.2 The audit committee

The Combined Code recommends that all the members of the audit committee should be independent non-executive directors, one of whom has recent and relevant financial experience. The Company has established an audit committee comprising the two non-executive directors.

6.3 The remuneration committee

The Combined Code recommends that all of the members of the remuneration committee should be independent non-executive directors. The Company has established a remuneration committee comprising the two non-executive directors.

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6.4 The nomination committee

The Combined Code recommends that a nomination committee should be established and that a majority of the members of the nomination committee should be independent non-executive directors. The Company has established a nomination committee comprising the two non-executive directors and Neil Record.

6.5 Compliance with the Combined Code

The Board supports the highest standards of corporate governance. However, on Admission, the Company will not fully comply with the corporate governance requirements of the Combined Code for the following reasons:

- the roles of chairman and chief executive officer will be exercised by one individual, Neil Record. The Directors are, however, satisfied that it will be the executive Board which will, on a practical level, operate the Company on a day-to-day basis. Further, the appointment of two independent non-executive directors, each of whom will have been appointed to the Company's audit, remuneration and nomination committee, will provide additional protection against the risk of concentration of power in one individual; and
- the Board will not comprise a majority of independent non-executive directors. However, the Board is confident that its composition is appropriate to the fast growing nature of the Company.

7 SHARE DEALING CODE

Upon Admission, the Company will adopt a code of securities dealings in relation to the Ordinary Shares which is based on, and is at least as rigorous, as the Model Code as published in the Listing Rules. This share dealing code will apply to the Directors and other relevant employees of the Group.

8 DIRECTORS', SENIOR MANAGERS' AND OTHERS' INTERESTS IN RECORD

8.1 The functions of the Directors and the Senior Managers are set out in the section below entitled "Directors, Senior Managers and Company Secretary" contained in this Part XIII of this document. When referred to in this document, the members of the administrative, management or supervisory bodies of the Company are the Directors.

8.2 The table below sets out the voting rights (within the meaning of the Disclosure and Transparency Rules) held, directly or indirectly, by any of the Directors or Senior Managers in respect of the share capital of the Company as at 27th November 2007 (being the last practicable date prior to publication of this document) and immediately following Admission:

Director/Senior Manager	At present		Immediately following Admission			
	Number of Ordinary Shares ¹	% of voting rights in respect of issued share capital	Number of Ordinary Shares	% of voting rights in respect of issued share capital (assuming no exercise of the Over-allotment option)	Number of Ordinary Shares (assuming full exercise of the Over-allotment option)	% of voting share capital (assuming full exercise of the Over-allotment option)
Neil Record	82,995,200 ²	37.5	72,047,826	32.5	70,941,088	32.0
Leslie Hill	22,424,800	10.1	17,609,517	8.0	17,127,989	7.7
Peter Wakefield	12,760,000	5.8	9,472,050	4.3	9,143,255	4.1
Michael Timmins	13,436,400	6.1	9,974,158	4.5	9,627,934	4.3
Bob Noyen	16,034,400	7.2	12,591,329	5.7	12,247,022	5.5
Joel Sleight	5,116,000	2.3	3,837,000	1.7	3,709,100	1.7
Chris Jackson	1,550,000	0.7	725,000	0.3	642,500	0.3
Robert Bloom	4,232,000	1.9	2,750,800	1.2	2,602,680	1.2
Cees Schrauwers	—	—	20,000	0.01	20,000	0.01
Andrew Sykes	—	—	25,000	0.01	25,000	0.01

¹ As if the share split (which has been approved by the Shareholders conditional upon Admission) has been effected.

² Neil Record's shareholding of 82,995,200 Ordinary Shares includes 540,000 Ordinary Shares which he holds on behalf of his daughter Helen Record.

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- 8.3 Save as set out in paragraph 8.2 of this Part XIII no Director or Senior Manager holds, or will hold immediately following Admission, directly or indirectly, any voting rights in respect of the Company or any of its Subsidiaries.
- 8.4 As at 27th November 2007 (being the last practicable date prior to publication of this document) and immediately following Admission, voting rights (within the meaning of the Disclosure and Transparency Rules) in the share capital of the Subsidiaries were held only by the Company.
- 8.5 So far as the Company is aware, as at 27th November 2007 (being the last practicable date prior to publication of this document) the following persons (other than Directors and Senior Managers) hold, directly or indirectly, voting rights in respect of 3 per cent. or more of the Company's issued share capital or will hold such rights immediately following Admission:

Shareholder	At present		Immediately following Admission			
	Number of Ordinary Shares ¹	% of voting rights in respect of issued share capital	Number of Ordinary Shares	% of voting rights in respect of issued share capital (assuming no exercise of the Over-allotment option)	Number of Ordinary Shares (assuming full exercise of the Over-allotment option)	% of voting share capital (assuming full exercise of the Over-allotment option)
Leslie Halpin	15,977,600	7.2	6,391,040	2.9	5,432,384	2.5
Ian Harrison	10,227,200	4.6	6,136,320	2.8	5,727,232	2.6

- 8.6 Save as set out in paragraphs 8.2 and 8.5 of this Part XIII, the Company is not aware of any person who, as at 27th November 2007 (being the latest practicable day prior to publication of this document) or immediately following Admission, holds or will hold voting rights, directly or indirectly, in respect of three per cent. or more of the issued share capital of the Company.
- 8.7 Save as is referred to in paragraphs 8.2 and 8.5 of this Part XIII, the Company is not aware of any person who immediately following Admission, directly or indirectly, jointly or severally, exercises or could exercise control over the Company.
- 8.8 None of the Shareholders referred to in paragraphs 8.2 and 8.5 of this Part XIII has different voting rights from any other holder of Ordinary Shares.
- 8.9 At the date of this document, none of the Directors or Senior Managers have any options over Ordinary Shares.
- 8.10 No Director has or has had any interest in any transactions which are or were unusual in their nature or conditions, or significant to the business of the Group, and which:
- 8.10.1 were effected by the Company during the current or immediately preceding financial year; or
- 8.10.2 were effected by the Company during an earlier financial year and remain in any respect outstanding or unperformed.

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8.11 The Directors and Senior Managers are or have been directors or partners at any time in the five years immediately preceding the date of this document of the following companies and partnerships:

Name	Current	Past
Neil Record	Magdalen College School, Oxford Limited The Stoneware Residents' Association Company Limited	RDF Media Group PLC
Cees Schrauwers	Brit Insurance Holdings PLC Brit Insurance Limited Brit Syndicates Limited Drive Assist UK Ltd Drive Assist Holdings Ltd	ADVICESEA Ltd Aviva Australia Holdings LTD Aviva Canada Inc Aviva Insurance Company of Canada Aviva Life Insurance Company India PLC Aviva USA Corporation CGU - VACC Insurance Ltd CGU Credit Services Ltd CGU Holdings Canada Ltd CGU Insurance Ltd CGU London Canada Ltd CGU Project Services Private Ltd (India) Elite Insurance Company New Zealand Insurance Ltd NZI Insurance Australia Ltd Pilot Insurance Comp - Canada Scottish and York Ins. Comp Ltd Swann Insurance (Austr.) PTY. Ltd Traders & General Insurance Company Traders General Insurance Company Alio Limited British Aviation Insurance Group Underwriting Services Limited British Aviation Insurance Company Limited Canopius Managing Agents Ltd Canopius Holdings UK Ltd CMGL Group Limited CMGL Holdings Limited George (London 2005) Limited Global Aerospace U/W Mgrs Ltd Munich Re General (UK) plc

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Name	Current	Past
Andrew Sykes	Schroder Executor & Trustee Company Limited	Schroder European Property Advisers Limited
	JPMorgan Asian Investment Trust PLC	Schrovest Leasing (9/02) Limited
	Smith & Williamson Holdings Limited	JHS Leasing (3/98) Limited
	Andrew Sykes Limited	JHS Leasing (9/97) Limited
	Gulf International Bank (UK) Limited	Schrovest Leasing (12/02) Limited
	Fauna & Flora International	Schroder Property Investment Management Limited
	MBIA UK Insurance Limited	Broadfields Investments Limited
	Absolute Return Trust Limited	JHS Leasing (12/98) Limited
	Invista Foundation Property Trust Limited	Beaumont Capital Management Limited
	Schroder Exempt Property Unit Trust	JHS Leasing (6/99) Limited
		JHSW Leasing (12) Limited
		Schroder & Co. Limited
		Schroder Holdings PLC
		Schroder Investment Company Limited
		Schroder Investment Company Limited
		Schroder Ventures (1991) Limited
		Schroder Ventures Holdings Limited
		Schroder Investment Management Limited
		Schroder Middle East Limited
		Schroder Investment Management International Limited
		Schroder Investment Management (UK) Limited
		Schroders PLC
		SVG Capital PLC
		Schrovest Leasing (3/02) Limited

The above table does not include any member of the Group.

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- 8.12 None of the Directors or Senior Managers have at any time within the last five years:
- 8.12.1 had any convictions in relation to fraudulent offences;
 - 8.12.2 been adjudged bankrupt or been the subject of any individual voluntary arrangement;
 - 8.12.3 been subject to any public incrimination and/or sanctions by any statutory or regulatory authority (including designated professional bodies);
 - 8.12.4 been disqualified by a court from acting as a director or other officer of any company or from acting in the management or conduct of the affairs of any company;
 - 8.12.5 been a director of a company which has been placed in receivership, compulsory liquidation, creditors' voluntary liquidation or administration or entered into any company voluntary arrangement or any composition or arrangement with its creditors generally or any class of creditors either whilst he was the director of that company or within 12 months of him ceasing to be a director of that company;
 - 8.12.6 been a partner in a partnership which has been placed in compulsory liquidation or administration or entered into any partnership voluntary arrangement, either whilst he was a partner of such partnership or within 12 months of him ceasing to be a partner in such partnership; or
 - 8.12.7 been a partner in a partnership any asset of which has been placed in receivership or been a partner of any partnership whose assets have been placed in receivership, either whilst he was a partner of such partnership or within 12 months of him ceasing to be a partner in such partnership; or
 - 8.12.8 had a receiver appointed with respect to any assets belonging to him.
- 8.13 None of the Directors or Senior Managers has any potential conflicts of interest between their duties to the Company and their private interests and/or their duties to third parties.
- 8.14 For details of the restrictions agreed by the Directors in the disposal of their Ordinary Shares, see the section entitled "Underwriting Agreement" contained in Part X of this document.
- 8.15 The aggregate FY07 emoluments (including pension contributions and other benefits in kind paid or granted by members of the Group) of the Directors, including the Senior Managers was £7,452,543. The aggregate FY07 emoluments (including pension contributions and other benefits in kind paid or granted by members of the Group) of the Directors was £6,260,192.
- 8.16 The aggregate FY07 remuneration paid to the Senior Managers was £1,151,653 and the aggregate amount set aside by the Group to provide pension, retirement or similar benefits to the Senior Managers was £40,699.
- 8.17 Other than as disclosed in paragraph 9 of this Part XIII, no benefit, payment or compensation of any kind is payable to any Executive Director upon termination of his employment.

9 DIRECTORS' SERVICE AGREEMENTS

- 9.1 Particulars of the terms of, and remuneration payable under, the service agreements with each of the Executive Directors are set out below.
- 9.2 The five Executive Directors of the Company are: Neil Record (Chairman and CEO); Bob Noyen (Managing Director — CIO); Leslie Hill (Managing Director — Client Team Head); Peter Wakefield (Managing Director — COO); Michael Timmins (Director — CFO).
- 9.3 The Company's Chairman, Neil Record founded the Company in 1983. Leslie Hill commenced employment with the Company on 3rd January 1992, Bob Noyen commenced employment with the Company on 1st July 1999 and Peter Wakefield commenced employment with the Company on 1st November 1999. Michael Timmins commenced employment with the Company on 3rd February 1992.

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- 9.4 Particulars of the terms of, and the remuneration payable under, the service agreements with the five Executive Directors are set out below:
- 9.4.1 Neil Record, Leslie Hill, Bob Noyen and Peter Wakefield are each entitled to receive an annual salary of £261,500. Michael Timmins is entitled to receive an annual salary of £142,351;
- 9.4.2 each Executive Director is entitled to participate in such bonus arrangements as the Board may specify from time to time. Each of the Executive Directors has received an award under the Group Bonus Scheme in respect of FY08;
- 9.4.3 each Executive Director is entitled to 30 days' holiday in addition to the usual bank and public holidays;
- 9.4.4 the Company provides private medical insurance, long term disability insurance and life cover for all five Executive Directors;
- 9.4.5 each Executive Director's employment is subject to termination by either party giving the other not less than six months' written notice;
- 9.4.6 the Company is entitled to terminate an Executive Director's employment if, amongst other things, the Executive Director: becomes of unsound mind or becomes a patient under the Mental Health Act 1983; is prevented by illness or incapacity from properly performing his or her duties for a period of 130 days in a 52 week period; commits any serious breach of the service agreement; is declared bankrupt; is convicted of a criminal offence (with the exception of a road traffic offence for which a penalty of imprisonment is not imposed); becomes prohibited by law from being a director of any company; resigns as a director of the Company for any reason (other than at the request of the company); commits an offence relating to insider dealing or market abuse; breaches any rules of any authority or regulation that applies to the Executive Director; is guilty of any fraud, dishonesty or conduct which may bring the Company or any member of the Group into disrepute or prejudice its or their interests; persistently fails or neglects to carry out his duties under the service agreement; performs at an unsatisfactory standard;
- 9.4.7 the Company is entitled to terminate the Executive Director's employment by providing to the Executive Director, (i) the Executive Director's basic salary; and (ii) where reasonably practicable by continuing to provide the Executive Director with any permanent health insurance or private health insurance schemes the Executive Director is entitled to, in lieu of the notice period or any expired part of it. The Company may cease to provide the Executive Director with those permanent health insurance or private health insurance schemes if the Executive Director commences alternative employment during that period. Where it is not reasonably practicable for the Company to continue to provide the abovementioned insurance schemes, the Company can terminate the Executive Director's employment by making the Executive Director a payment consisting of (i) the Executive Director's basic salary; and (ii) the cost to the Company of providing the abovementioned insurance schemes for the notice period or any unexpired part of it; and
- 9.4.8 each Executive Director has agreed that for a period of 12 months (less any period spent on garden leave) following termination of his/her employment, not to: engage or be concerned or interested in a business that competes with the business of the Company or any group company; deal, solicit or endeavour to solicit custom from any client or investor of the Company or any member of the Group; interfere or seek to interfere with any contractual or other trade relations between the Company or any member of the Group and any of its or their suppliers; solicit or entice away any officer, consultant or senior or managerial employee of the Company or member of the Group.

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- 9.5 The following Non-executive Directors have entered into letters of appointment dated 15th November 2007 with the Company:
- 9.5.1 Drs. Cees Schrauwers has entered into a letter of appointment with the Company by which he is appointed Senior Non-executive Director. He is entitled to an annual fee of £75,000 and the reimbursement of out of pocket expenses. Dr. Schrauwers' appointment is for an initial term of three years, subject to earlier termination by either party. If the Company elects to terminate Dr. Schrauwers' appointment before the expiry of the initial term, he will be entitled to six month's notice and fees during that period.
- 9.5.2 Mr. Andrew Sykes has entered into a letter of appointment with the Company by which he is appointed Non-executive Director. He is entitled to an annual fee of £40,000 and the reimbursement of out of pocket expenses. Mr Sykes' appointment is for an initial term of three years, subject to earlier termination by either party. If the Company elects to terminate Mr Sykes' appointment before the expiry of the initial term, he will be entitled to one month's notice and fees during that period.
- 9.6 Save as disclosed in paragraphs 9.1 to 9.5 of this Part XIII, there are no service agreements with Directors which provide for benefits upon termination of employment.
- 9.7 Save as disclosed in paragraphs 9.1 to 9.5 of this Part XIII, there are no existing or proposed service agreements between any of the Directors and any member of the Group.

10 EMPLOYEE SHARE SCHEMES AND PENSION

The Company has established a deferred bonus scheme the "Group Bonus Scheme", the key terms of which are set out below.

Eligibility — Under the Group Bonus Scheme, the remuneration committee may, in respect of any financial year, decide at any time to grant bonus units to executive directors and employees of any Group Company.

Bonus units — In general, each bonus unit which is granted shall entitle the holder to receive two payments, satisfied partly in cash and partly in Ordinary Shares. The first payment shall be calculated by reference to the Company's Operating Profit (defined below) for the first six months of the financial year and the second payment shall be calculated by reference to the Company's Operating Profit for the second six months of the same financial year (each such six month period being "a Financial Period"). Bonus units granted in the second half of the financial year to which they relate shall carry an entitlement only to the second such payment.

The aggregate amount of the payments in any Financial Period will be equal to a percentage of the Operating Profit for the Financial Period, initially set at 30 per cent.

Operating Profit is defined as the operating profit of the Company before interest and tax for the relevant Financial Period after adding back the cost of the Group Bonus Scheme.

Award Shares — As soon as practicable after the announcement of the Company's results for a Financial Period the remuneration committee shall determine the amount payable to each unit holder in respect of that Financial Period (the "Bonus Payment Amount"). Upon determining the Bonus Payment Amount, the remuneration committee shall determine whether each unit holder shall be required to, or offered the opportunity to, receive a proportion of the Bonus Payment Amount in the form of a right to acquire Ordinary Shares (a "Deferred Share Award"). Bonus units granted to directors of any Group Company in respect of the Financial Years ending on March 2008 and March 2009 will be paid wholly in cash. In respect of subsequent Financial Periods directors of any Group Company will be required to receive one-third of any payment in the form of a Deferred Share Award.

Where a unit holder is *required* to receive a Deferred Share Award the award shall comprise a right to receive a number of "Earned Shares" equal in value on that date to the amount of the

cash payment deferred. Where a unit holder has *elected* to receive a Deferred Share Award he will receive, in addition, a right to receive a number of “Bonus Shares” determined by the remuneration committee. Initially, the number of Bonus Shares awarded will be equal to 20 per cent. of the number of Earned Shares.

Earned Shares shall vest as to 50 per cent. on the first anniversary of grant. The remaining 50 per cent. of the Earned Shares and all of the Bonus Shares will vest on the second anniversary.

The Award Holder shall have no shareholder rights in respect of any Earned Shares or Bonus Shares until such shares are issued or transferred to him.

Termination of Employment — A unit holder participant (“Participant”) who ceases to be employed by a Group Company (or gives notice to cease employment) before the date of payment in respect of his bonus units (the “Bonus Payment Date”) in circumstances in which he is a Good Leaver (defined below) shall be entitled to receive a proportion of his Bonus Payment Amount. The proportion shall normally reflect the proportion of the relevant Financial Period during which the participant continued to be employed by a Group Company. If a Participant is not a Good Leaver he shall not be entitled to any part of his Bonus Payment Amount. The remuneration committee may at its discretion determine that any leaver shall be entitled to receive a higher or lower proportion of their Bonus Payment Amount.

Where a participant ceases to be employed by a Group Company (or gives notice to cease employment) after the Bonus Payment Date in circumstances in which he is a Good Leaver, all Deferred Share Awards held by him shall remain effective and vest in due course. If a participant ceases to be employed after the Bonus Payment Date and is not a Good Leaver their Deferred Share Awards shall lapse immediately with the exception of any Earned Shares which such participant elected to receive. If a Good Leaver becomes an officer or employee of a competitor, without the consent of the remuneration committee, any Deferred Share Awards held by them shall lapse immediately.

A Good Leaver is a person who ceases to be an employee of a company in the Group by reason of (i) death (ii) becoming permanently incapable of discharging efficiently the duties of his employment by reason of ill health or infirmity of mind or body, injury or disability, in each case as evidenced to the reasonable satisfaction of the remuneration committee (iii) redundancy (within the meaning of the Employment Rights Act 1996) (iv) retirement with the agreement of the Company or (v) any other reason if the remuneration committee, in its absolute discretion, so determines.

Takeover — If there is a takeover before the Bonus Payment Date in respect of any bonus units all subsequent bonus payments shall be satisfied in cash in full on the Bonus Payment Date and Unit Holders shall not be entitled to receive any Deferred Share Awards in respect of such Bonus units.

In the event of a takeover after the Bonus Payment Date all Deferred Share Awards shall vest and all Earned Shares and Bonus Shares shall be issued or transferred to the Participant as soon as practicable.

Reorganisation — If there is a reorganisation before the Bonus Payment Date any Bonus Payment Amount shall be varied in such a manner as the remuneration committee considers appropriate and any Deferred Shares to which a Participant is entitled following the reorganisation shall be shares in the new holding company.

In the event of a reorganisation after the Bonus Payment Date all outstanding Deferred Share Awards shall be varied to become rights to receive an equivalent number of shares in the new holding company.

Variation — On any variation of the share capital of the Company or any special dividend, the number and/or nominal value of any Deferred Shares may be varied in such a manner as the remuneration committee may in its absolute discretion determine to be fair and reasonable.

Limits — Although the Company envisages that it will use existing Ordinary Shares (or treasury shares) to satisfy Deferred Share Awards, they may also be satisfied using new issue Ordinary Shares. The number of Ordinary Shares issued to satisfy Deferred Share Awards (together with any other Ordinary Shares issued under any other employee share scheme adopted by the Company) shall not exceed 10 per cent. of the entire issued share capital of the Company in any rolling ten year period. For this purpose, treasury shares shall be counted as new issue Ordinary Shares for so long as the guidelines published by the Association of British Insurers so require.

Withholding — The rules of the Group Bonus Scheme provide that the Company may withhold any amounts or make such arrangements as may be necessary or desirable to meet any liabilities to tax or national insurance contributions arising in respect of Participant's participation in the Group Bonus Scheme.

Assignment — Awards under the Group Bonus Scheme shall not be transferable or assignable.

Amendment — The provisions of the Group Bonus Scheme relating to the persons to whom or for whom awards may be made, the maximum entitlement for any one Participant and the basis for determining a Participant's entitlement to, and the terms of, Ordinary Shares or other securities, cash or other benefits to be provided (and for the adjustment thereof if there is a variation of capital) cannot be altered to the advantage of Participants without the prior approval of the Company in a general meeting (except for minor amendments to benefit the administration of the Group Bonus Scheme, to take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment of the participants in the Group Bonus Scheme or the Group Companies).

No amendment shall be made which would have an adverse effect on the rights of unit holders in respect of bonus units which have already been granted or award holders in respect of Deferred Share Awards which have already been granted without the consent of the affected participants.

The Company proposes to establish an off-shore employee benefit trust which it will fund to acquire the shares required to satisfy Deferred Share Awards.

The Company may at the discretion of the remuneration committee satisfy Deferred Share Awards in cash (to the value of the shares subject to the Deferred Share Award).

General — The Company may terminate the Group Bonus Scheme at any time, without prejudice to Participant's rights in respect of bonus units which have already been granted or Deferred Share Awards which have already been made.

No bonus units shall be granted under the Group Bonus Scheme after the tenth anniversary of the date on which it was adopted by the Company.

Benefits under the Group Bonus Scheme will not be pensionable.

Initial Grants — The Company has made awards under the Group Bonus Scheme in respect of FY08 to each of the Executive Directors and 35 employees. Payments in respect of the six month Financial Period ending 30th September 2007 were made on 8 November 2007. The aggregate gross payment was £9,953,598 of which £6,658,547 was paid to the Executive Directors and Senior Managers. No Deferred Share Awards were granted in respect of this Financial Period.

Flotation Bonus Scheme

The Company proposes to make a number of one-off bonus awards shortly following Admission to employees who are not Shareholders. These awards will be made under a new bonus scheme established by the Company (the "Flotation Bonus Scheme"). Under the Flotation Bonus Scheme, participating employees will be offered the opportunity to receive a cash bonus of an amount

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equal to 50 per cent. of basic salary paid or to be paid to the participant during the calendar year 2007. Participants may elect for the amount of their cash bonus to be reduced by up to 50 per cent. A participant who does this will receive an award of Ordinary Shares, vesting over the two years following the bonus payment date, with a value (on the bonus payment date) equal to 150 per cent. of the amount by which the cash bonus is reduced.

The Company intends to make awards to a maximum of 30 employees within the 42 days following Admission. The maximum aggregate value (on the bonus payment date) of awards made under the Flotation Bonus Scheme will not exceed £554,000 (such sum including the value on that date of any shares which may be awarded under the Flotation Bonus Scheme). No further awards will be made under the Flotation Bonus Scheme.

Deferred Share Awards made under the Flotation Bonus Scheme may, providing the statutory requirements are satisfied, be in the form of tax-favoured Enterprise Management Incentive Options.

Save as set out above, the terms of the Flotation Bonus Scheme are similar to the terms of the Group Bonus Scheme.

Pension

The Company contributes to a defined contribution Group Personal Pension Scheme (the “GPP”). The Contributions made by the Company depend upon the seniority of each employee (the “Company’s Initial Contribution”). No employee contribution is necessary in order to benefit from the Company’s Initial Contributions but the Company will match any employee contributions up to a maximum of 2.5 per cent. of salary.

There are currently 42 members of the GPP, and the annual employer contributions paid are approximately £390,000.

The eligibility terms and minimum rates of contribution under the GPP meet the government’s statutory stakeholder exemption requirements and, accordingly, there is no requirement for the Group to designate a stakeholder pension scheme.

11 SUBSIDIARY UNDERTAKINGS

The Company is the holding company of the Group. The following table contains a list of the subsidiary undertakings of the Company that are significant in terms of the Company’s assets and liabilities, financial position or profits and losses.

Name	Business Activity	Percentage of share capital and voting rights held (%)	Country of Incorporation	Class of Shares
Record Currency Management Limited	Business service provider	100	England & Wales	Ordinary
Record Group Services Limited	Provider of Management Services to other group companies	100	England & Wales	Ordinary
Record Fund Management Limited	Business service provider — <i>dormant</i>	100	England & Wales	Ordinary
Record Portfolio Management Limited	Business service provider — <i>non trading</i>	100	England & Wales	Ordinary
N.P. Record Trustees Limited	Business service provider — <i>dormant</i>	100	England & Wales	Ordinary

12 LITIGATION

No member of the Group is or was during the period of 12 months preceding the date of this document engaged in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) which may have, or have had a significant effect on the Group's financial position or profitability.

13 RELATED PARTY TRANSACTIONS

Record has loaned money, on an interest free basis, to the following individuals who are Shareholders of Record:

Name	Position	Outstanding as at September 2007
Steven Cullen	Shareholder Record	£2,920
Chris Jackson	Shareholder Record; Director RCML	£3,544
Sebastian Jans	Shareholder Record	£1,672
James Rockall	Shareholder Record	£4,168
Joel Sleigh	Shareholder Record; Director RCML	£424
Dmitri Tikhonov	Shareholder Record; Director RCML	£3,544

14 WORKING CAPITAL STATEMENT

The Company is of the opinion that, after taking into account available bank and other facilities, the Group has sufficient working capital for its present requirements that is, for at least the next 12 months from the date of this document.

15 MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of the Group within the two years immediately preceding the date of this document or, in the case of the Underwriting Agreement, are expected to be entered into prior to Admission and/or are, or may be, material or contain any provision under which any member of the Group has any obligation or entitlement which is material to the Group as at the date of this document:

- 15.1 The Underwriting Agreement and the terms of a lock-up deed summarised in Part X of this document.
- 15.2 The Relationship Agreement

On 28th November 2007, the Company and Neil Record entered into a relationship agreement (the "Relationship Agreement"), under which Neil Record, conditionally upon and with effect from Admission, undertakes that for so long as he holds a number of Ordinary Shares which is equal to, or in excess of, 25 per cent. of the issued share capital of the Company from time to time (a "Controlling Percentage") he will (i) conduct all transactions and relationships with any company within the Group on arm's length terms, (ii) exercise the voting rights attaching to the Ordinary Shares in his or his associates' control and any other powers of control in such a manner so as to procure (to the extent that they are able by the exercise of such voting rights) that each company within the Group is capable of carrying on its business independently of Neil Record and his associates; and (iii) not exercise any of the voting rights attaching to the Ordinary Shares in his or his associates' control or any other powers of control in such a manner so as to procure any amendment to the Company's Articles of Association which would be inconsistent with, undermine or breach any of the provisions of this Agreement.

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In addition, under the Relationship Agreement, Neil Record undertakes to the Company (i) to (and to procure that his associates shall) abstain from voting at any general meeting in respect of any resolution concerning any contract, arrangement or transaction which would constitute a transaction with a related party or any of his associates for the purposes of LR11 of the Listing Rules, (ii) that he will not, and that he shall use reasonable endeavours to procure (but in relation to associates who are companies or trusts controlled by Neil Record, he shall procure, and not merely use reasonable endeavours to procure) that his associates shall not, at any time without the prior consent of the Company either carry out or enter into any agreement by which he or any of his associates agree to carry out any Restricted Business (as defined in the Relationship Agreement), or solicit the custom of any person with a view to entering into such an agreement with them, (iii) (subject to certain exceptions) not to directly or indirectly actively solicit, interfere with or endeavour to entice away from any company within the Group, any person who is or was on the date of the Relationship Agreement employed by a company within the Group, and (iv) (subject to certain exceptions) that he will, and shall use reasonable endeavours to procure (but in relation to associates who are companies or trusts controlled by Neil Record, he shall procure, and not merely use reasonable endeavours to procure) that his associates shall treat and keep as strictly confidential all information of a confidential nature relating to the business, investments, finances and other matters of the Group.

Furthermore, pursuant to the Relationship Agreement, Neil Record undertakes to the Company that he shall not (and that he will procure that his associates shall not), directly or indirectly, make any transfer, sale, mortgage, charge or other disposal of any interest in Ordinary Shares which would result in him or any of his associates ceasing to hold a legal or beneficial interest (whether direct or indirect) in Ordinary Shares which represent 25 per cent. or more of the entire issued share capital of the Company unless, prior to any such proposed transfer or disposal taking effect, all reasonable steps have been taken to ensure that the contractual relationships which the Company or any Group Company has at that time with its clients in the United States to which the IAA and/or the US Investment Company Act applies will be maintained on materially the same terms and conditions following such transfer or disposal notwithstanding any provision of the IAA or the US Investment Company Act. Neil Record further undertakes that he will notify the Company as soon as reasonably practicable that such a transfer or disposal is contemplated and that he will take all such reasonable actions as are within his or their power and control (at the expense of the Company) to ensure that the matters referred to above are adequately and properly dealt with prior to the proposed transfer or disposal taking effect. In the event that, notwithstanding that all reasonable actions have been taken, it is not possible within a reasonable period of time to ensure that all such contractual relationships are maintained on materially the same terms and conditions, then Neil Record shall notwithstanding be permitted to proceed with the transfer or disposal.

16 PROPERTY

Summary details of the Group's leasehold properties are as follows:

Location	Use	Annual Rent	Term	Tenant
32 Peascod Street, Windsor, SL1	Offices	1 st floor: £75,337.50; 2 nd floor: £12,703.25	Headlease commenced 3 rd February 1987. Assignment to Record 31 st January 1989 to 24 th December 2011.	Underlet by Record to mFormation on 8 th May 2006
Morgan House, Madeira Walk, Windsor, Berkshire, SL4	Offices	£229,710	10 years from 25 th January 2006 with ability to break on 24 th January 2011.	The Company

17 INTELLECTUAL PROPERTY

Save as disclosed in this document, the Group is not dependent on any intellectual property.

18 SIGNIFICANT CHANGES

Other than the special dividend of £20 million disclosed elsewhere in this document, there has been no significant change in the financial or trading position of the Group since 30th September 2007 the date on which Record's most recent audited accounts, and the IFRS financial information in respect of Record and the Group contained in Part IX of this document have been prepared.

19 MISCELLANEOUS

19.1 Stock lending arrangements

In connection with settlement of stabilisation transactions, the Stabilising Manager has entered into a stock lending agreement dated 28th November 2007 with Neil Record (the "Stock Lending Agreement"). Pursuant to the Stock Lending Agreement, the Stabilising Manager is able to borrow up to 5,534,520 Ordinary Shares. The Stock Lending Agreement will allow the Stabilising Manager to settle, on Admission, over-allotments, if any, made in connection with the Offer. If the Stabilising Manager borrows any Ordinary Shares pursuant to the Stock Lending Agreement, it will be required to return equivalent securities to the lenders in accordance with the terms of the Stock Lending Agreement.

19.2 There are no arrangements, so far as the Company is aware, the operation of which may at a subsequent date result in a change of control of the Company.

19.3 The total costs, charges and expenses (exclusive of amounts in respect of VAT) payable by the Company in connection with the Offer and Admission are estimated to amount to £1.6 million.

19.4 The Offer is being fully underwritten by the Underwriter on the basis summarised in Part X of this document. The registered office of the Underwriter is 125 London Wall, London, EC2Y 5AJ.

19.5 Directors and officers liability insurance has been effected by the Company in respect of each of the Directors of the Company for a sum assured of £10 million.

19.6 KPMG has given and not withdrawn its written consent to the inclusion in this document of its reports in the form and context in which they appear and has authorised the contents of those reports for the purpose of Prospectus Rule 5.5.3R(2)(f).

20 DOCUMENTS ON DISPLAY

Copies of the following documents will be available for inspection at the offices of Macfarlanes, 10 Norwich Street, London EC4A 1BD during usual business hours on any weekday (Saturdays and public holidays excepted) for a period of 14 days from the date of this document:

20.1 the memorandum of association of the Company and the Articles of Association;

20.2 the audited consolidated FY07, FY06 and FY05 accounts of the Group;

20.3 the accountants' report set out in Part IX of this document and report on the pro forma financial information set out in Part IX of this document;

20.4 the written consent of KPMG referred to in paragraph 19.6 of this Part XIII; and

20.5 this document.

Dated: 28th November 2007

Part XIV

Glossary of Key Asset Management Terms

The following asset management terms are used in this document which have ascribed to them the following meaning:

“absolute return”	the return an investment achieves over a specific period of time
“active hedging”	the elimination of currency risk by the entry into of hedging contracts which are more likely to result in a gain than a loss
“AuME”	assets under management equivalents comprising: (i) in respect of currency for absolute return, the maximum aggregate nominal amount outstanding on forward contracts at any one point in time; (ii) in respect of active hedging, the total amount of clients’ investment portfolios denominated in liquid foreign currencies and hence capable (under the terms of the relevant mandate) of being hedged at any one point in time; and (iii) in respect of passive hedging, the aggregate nominal amount of passive hedges actually outstanding at any one point in time
“Cash Plus Fund”	the Record Currency Alpha — Cash Plus Fund, which is a sub-fund of the Record Umbrella Fund
“co-efficient”	a measure of the way in which two variables are linearly related and which is expressed as a number between minus 1 and 1
“Currency Alpha Composite”	an investment return track record generated by the aggregation by Record of certain individual mandate track records for Record’s currency for absolute return product
“currency for absolute return”	the active management of currency positions for a given level of risk (or volatility) with a view to the generation of absolute returns
“currency forward contracts”	the purchase or sale of a specific quantity of a currency at the then-prevailing price, with delivery and settlement at a specified future date
“GIPS”	Global Investment Performance Standards, an investment management industry-wide set of standards for the presentation of investment performance
“high water mark” or “high water mark clause”	the point above which performance has to have climbed before performance fees are payable again
“passive hedging”	the full elimination of currency risk
“return”	the ratio of money lost or gained on an investment in relation to the amount invested
“volatility”	the variability of returns or a measure of an asset’s propensity to rise and fall in value over time, often measured by its standard deviation, a statistical measure of the degree to which the returns of a security or investment deviate from the average

Part XV

Definitions

The following terms apply throughout this document unless the context otherwise requires:

"1985 Act"	the Companies Act 1985, as amended
"2006 Act"	the Companies Act 2006, as amended
"Absolute Return"	currency management for absolute return
"Active AuME"	the combined AuME of Active Hedging and Absolute Return
"Active Hedging"	active management of currency hedges on clients' currency exposures
"Admission"	the admission of the Ordinary Shares to (i) the Official List and (ii) trading on the London Stock Exchange's main market for listed securities becoming effective in accordance with, respectively, the Listing Rules and the Admission and Disclosure Standards
"Admission and Disclosure Standards"	the requirements contained in the publication "Admission and Disclosure Standards" issued by the London Stock Exchange (as amended from time to time) containing, inter alia, the admission requirements to be observed by companies seeking admission to trading on the London Stock Exchange's market for listed securities
"Articles of Association"	the articles of association of the Company adopted conditional upon Admission
"Board"	the board of directors of the Company
"Bonus Payment Amount"	the amount payable to each unit holder in respect of each Financial Period under the Group Bonus Scheme
"Bonus Payment Date"	the date for payment to a unit holder under the Group Bonus Scheme
"Bonus Shares"	Ordinary Shares which a unit holder who has elected to receive a Deferred Share Award has a right to receive in addition to the Earned Shares
"certificated" or "in certificated form"	not in uncertificated form
"CFO"	Chief Financial Officer
"CIO"	Chief Investment Officer
"City Code"	the City Code on Takeovers and Mergers, as amended or interpreted from time to time
"CLS®"	continuous linked settlement

"CM"	Currency Management
"Combined Code"	the corporate governance code issued in June 2006 by the UK Financial Reporting Council
"Company"	Record plc (with registered number 01927640) whose registered office is at Morgan House, Madeira Walk, Windsor, Berkshire, SL4 1EP
"COO"	Chief Operating Officer
"CRD"	EU Capital Requirements Directive
"CREST"	the relevant system (as defined in the Regulations) in respect of which Euroclear is the Operator (also as defined in the CREST Regulations)
"Deferred Share Award"	the right to acquire Ordinary Shares as part of any payment under the Group Bonus Scheme, as determined by the remuneration committee
"Directors"	the directors of the Company whose names are set out on page 126 of this document (each a "Director")
"Disclosure and Transparency Rules"	the disclosure and transparency rules made by the FSA pursuant to Part VI of FSMA, as amended from time to time
"DSP EMI"	Discounted Share Price Enterprise Management Incentive
"Earned Shares"	Ordinary Shares which a unit holder has a right to receive in respect of a Deferred Share Award
"EBITDA"	earnings before interest, tax, depreciation and amortisation
"ESOT"	Employee Share Option Trust
"EU"	European Union
"EU-adopted IFRS"	International Financial Reporting Standards as adopted by the EU
"EURIBOR"	European Interbank Offered Rate
"Executive Directors"	the executive Directors of the Company
"Financial Period"	each of the first six months of a financial year and the second six months of the same year
"First Lock-In Period"	the period of two years from the date of the Underwriting Agreement
"FSA"	the Financial Services Authority
"FSMA"	the Financial Services and Markets Act 2000, as amended
"FY05"	the financial year ended 31 st March 2005
"FY06"	the financial year ended 31 st March 2006

Part XV
Definitions

"FY07"	the financial year ended 31 st March 2007
"FY08"	the financial year ending 31 st March 2008
"GBP LIBOR"	Sterling London Interbank Offered Rate
"Good Leaver"	a person who ceases to be an employee of a company in the Group in the situations specified in paragraph 10 of Part XIII
"GPP"	the defined contribution Group personal pension scheme
"Grant Thornton"	Grant Thornton UK LLP
"Group Bonus Scheme"	the Record plc Group Bonus Scheme, a deferred bonus scheme established by the Company
"Group" or "Record"	the Company and/or any one or more of its Subsidiaries
"IAA"	US Investment Advisers Act of 1940
"IAS"	International Accounting Standard
"IASB"	the International Accounting Standards Board
"ICAAP"	Internal Capital Adequacy Assessment Procedures
"IFRS"	International Financial Reporting Standards
"Irish Financial Regulator"	Irish Financial Services Regulatory Authority
"Investor"	has the meaning ascribed thereto in the paragraph headed Terms and Conditions of the Offer in Part X of this document (together, "Investors")
"JPMC", "JPMorgan Cazenove", "Sponsor", "Bookrunner" or "Stabilising Manager"	JPMorgan Cazenove Limited
"JPMSL" or "Underwriter"	J.P. Morgan Securities Ltd
"Listing Rules"	the rules and regulations made by the FSA pursuant to Part VI of FSMA, as amended from time to time
"London Stock Exchange"	London Stock Exchange plc
"MiFID"	Markets in Financial Instruments Directive
"Model Code"	the model code on directors' dealings in securities as set out in the Listing Rules
"MSP EMI"	Market Share Price Enterprise Management Incentive
"Non-executive Directors"	the non-executive Directors of the Company
"Offer"	the sale of Ordinary Shares to institutional investors as more particularly described in Part X

	of this document, the terms and conditions of which are set out in Part X of this document
"Offer Price"	160 pence per Ordinary Share, being the price at which each Ordinary Share is to be sold under the Offer
"Offer Shares"	the 55,345,200 Ordinary Shares, to be sold pursuant to the Offer assuming no exercise of the Over-allotment Option
"Official List"	the Official List of the FSA
"Ordinary Shares"	ordinary shares of £0.00025 each in the capital of the Company
"Over-allotment Option"	the option granted to JPMC by the Selling Shareholders to purchase, or procure purchasers for, additional Ordinary Shares up to a maximum of 10 per cent. of the total number of Ordinary Shares comprised in the Offer at the Offer Price (as more particularly described in Part X of this document)
Non-Executive Directors	Cees Schrauwens and Andrew Sykes
"Panel on Takeovers and Mergers"	the UK Panel on Takeovers and Mergers
"Participant"	a unit holder under the Group Bonus Scheme
"Passive Hedging"	passive hedging of clients' currency exposures
"Prospectus Directive"	the EU Prospectus Directive 2003/71/EC
"Prospectus Rules"	the prospectus rules made by the FSA pursuant to Part VI of FSMA, as amended from time to time
"RCML"	Record Currency Management Limited
"Record Umbrella Fund"	an open-ended umbrella unit trust authorised by the Irish Financial Regulator, the investment manager and distributor of which is RCML
"Registrars"	Capita Registrars Limited of The Registry, 34 Beckenham Road, Kent BR3 4TU
"Regulated Activities Order"	Financial Services and Markets Act 2000 (Regulated Activities) Order 2001
"Regulation S"	regulation S under the Securities Act
"Regulations"	the Uncertificated Securities Regulations 2001 (SI 2001/3755)
"Relationship Agreement"	the agreement dated 28 th November 2007 between the Company and Neil Record, governing

	(conditionally on Admission), amongst other things, the manner in which Neil Record shall exercise his rights as Shareholder as described in paragraph 15.2 of Part XIII of this document
"ROMP"	Record Overlay Management Program
"S.E.C."	the Securities and Exchange Commission in the United States
"Second Lock-In Period"	the period of one year from the end of the First Lock-In Period
"Securities Act"	the US Securities Act 1933
"Selling Shareholders"	Shareholders who sell Ordinary Shares in the Offer
"Senior Managers"	Joel Sleigh (Head of Trading & Operations), Chris Jackson (Head of Information Systems) and Robert Bloom (Head of Investments & Product Development)
"Shareholder"	a holder of an Ordinary Share (together "Shareholders")
"Stock Lending Agreement"	the stock lending agreement dated 28 th November 2007 entered into between the Stabilising Manager and Neil Record as described in paragraph 19.1 of Part XIII of this document
"Subsidiaries"	Record Currency Management Limited, Record Group Services Limited, Record Fund Management Limited, Record Portfolio Management Limited and N.P. Record Trustees Limited
"UK GAAP"	UK generally accepted accounting principals
"uncertificated" or "in uncertificated form"	recorded on the relevant register of the share or security concerned as being held in uncertificated form in CREST and title to which, by virtue of the Regulations, may be transferred by means of CREST
"Underwriting Agreement"	the underwriting agreement dated 28 th November 2007 entered into between the Company, the Selling Shareholders, the Directors, JPMC and the Underwriter as described in Part X of this document
"United Kingdom" or "UK"	the United Kingdom of Great Britain and Northern Ireland
"United States" or "US"	the United States of America
"USD LIBOR"	US Dollars London Interbank Offered Rate

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