

WELCOME

Welcome to the first RD:IR Newsletter, which aims to keep you up to date with our activities and offer you insights into the changing environment within which IR operates.

RD:IR is now well into its fifth year and we continue to expand our range of services, broaden our areas of expertise and garner new clients in the UK and internationally. In the global economy IR is no longer a parochial practice and we are actively engaged in increasing our understanding of capital markets outside the UK. We continue to campaign in the domestic market for greater transparency via our interaction with regulatory bodies and our work in the UK Investor Relations Society, where I remain Deputy Chairman for another year.

Building RD:IR has been an exciting journey and 2006 was a terrific year for the business. We doubled in size in terms of clients and employees: we now act for 450 public companies and employ a core team of 28 staff.

We continue to campaign in the domestic market for greater transparency

We were involved last year in major corporate actions including international proxy battles (BAA versus Ferrovial; Arcelor versus Mittal Steel) and large-scale US SEC deregistrations (COLT Telecom; Royal SunAlliance). We have not hitherto been so well-known in the proxy market, but we expect to build on our recent successes in this activity in 2007.

Our international reach extended to Scandinavia, where our marketing in the region garnered us new clients. We look forward to increasing our Nordic client list in coming months, as we continue to build bridges to the IR communities in Finland, Norway and Sweden. I am grateful for the invitation once again to speak at the Nordic IR Conference, which this year took place in Oslo. I believe that our appearance at last year's Conference in Sweden placed RD:IR firmly on the IR map in the Nordic region and we hope to consolidate our position in 2007.



In 2006, we started building bridges to Southern Europe with marketing activity towards Greece and the Balkans, a region whose markets are going through a major and speedy process of modernisation. I was delighted to speak at the 2006 Bulgarian IR Conference which took place in Sofia in November and we strongly support the efforts of the IR professionals in this market to adopt international standards of best practice in IR. We believe that Greece is already a very exciting market for international investors and we look forward to helping Greek companies spread their message outside their domestic market in coming months.

The foundation of our work at RD:IR (and, we believe, the foundation of the entire IR process for any public company) remains the best possible shareholder analysis. Companies in the UK and internationally find it increasingly difficult to track ownership of their stock due to the rapid changes in the capital markets and the still imperfect transparency regime. The rapid growth in the size and numbers of hedge funds and other fast money traders requires increasingly complex approaches to share analysis. We take great efforts to understand how the market operates: how shares are traded, the new types of investor, how should IROs react to these challenges, and so on.

Our capital market research work (which our Head of Research, Isabel Richardson, explains later in this newsletter) allows us to track the changes in the capital market from the viewpoint of the traders and other fast money investors. We feel this work adds a vital component to our share analysis and IR consultancy work.

On the consultancy side, we were delighted to act for a number of our clients in the area of targeting (domestically and internationally) and as it becomes increasingly clear to companies that an independent audit of their broker's actions in this regard can add real value, we expect to do more in this area.

We are pleased that many of our corporate clients (including SABMiller, STThree and Hanson) have made our web-based IR CRM platform a major part of their online IR communication strategy and we look forward to moving more corporates onto this service this year. Investment trusts have been heavy users of our platform already: the investment trust IR teams at Aberdeen, Invesco and Witan keep in touch with their professional investors and in-house audiences using our service and database.

We believed that post-Higgs and the amended Combined Code we would see a major increase in the number of companies using our sentiment study service to capture market views on their business and the communication of their investment case. While we carried out a number of research studies for larger clients in 2006, the number of smaller companies interested in these studies has remained relatively low. As we feel that there is huge value for board executives (and particularly NEDs) in this type of study, we are looking at offering a scaled-down version of our standard survey so that our clients with smaller budgets can enjoy the benefits of understanding how investors rank their business and IR process on an absolute basis and as against their peers.

So what of the future? The markets never stop changing and the demands of our clients become ever more sophisticated, so we will endeavour to continue growing and expanding our products and services to match. We are currently busy building the next generation of RD:IR's online services where we are linking our online *IR Insight* share analysis platform to our CRM service to produce one user-friendly portal which we have named *IR Intouch*. We expect beta testing on the new service by the fourth quarter of this year and we will keep our clients informed of progress.

The achievements of RD:IR thus far have been made possible only by the hard work of my wonderful team to which I hereby give my heartfelt thanks, especially to those who have been with me from the beginning of the journey and upon whose trust and support I have constantly relied. Our recent change in business structure has meant a step up for our new Joint Heads of Analytics (you can hear more from Caroline Henry and Andrea Thorpe later in this newsletter) and they have risen to the challenge superbly. Isabel Richardson remains a tower of strength in her wide role of Head of Research, overseeing not just our IR consultancy and pure market research but also our CRM database, and she has proven an excellent steward of our corporate action business.

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Our range of dedicated IR software continues to grow and my thanks go to our Technical Manager, Flora Graham, whose diverse skill-set allows us to be active in so many aspects of IR from a technology perspective, and to our programming team who help us achieve our vision.

Finally, I would like to thank our clients for their support and helpful feedback. It remains a pleasure to serve you and we intend to maintain our customer-focused, quality-based service going forward as we increase the size of our team and the depth of our offering.

I look forward to seeing you soon but in the meantime, have a great summer!

Richard

REGULATORY UPDATE

January 20, 2007, while perhaps not having the fear-factor of Y2K, created a certain amount of anxiety among UK listed companies and their advisers. Were they ready to comply with the Financial Services Authority's implementation of the Transparency Obligations Directive, and the initial phase implementation of the 2006 Companies Act? Well, certainly in the area of shareholder analysis and transparency issues, it's been more about fine-tuning than re-writing the script. Below is a snapshot of the major changes in this area; clearly not exhaustive but hopefully useful as an overview of recent changes.

Shareholder investigation

Having lived and breathed Section 212 notices for many years, terminology is perhaps the most difficult thing to get used to following the implementation of Part 22 of the Company's Act. Section 212 notices have been replaced by Section 793 notices. Not as catchy but equally effective, and with the added advantage of being legally binding when served electronically. This change has necessitated new authorisation letters from many of our clients to enable a smooth transition, and we would like to thank everyone for their co-operation in this area.

Useful links

2006 Companies Act page on DTI website
<http://www.dti.gov.uk/bbf/co-act-2006/index.html>

LIST! 14 (FSA publication on transparency directive)
http://www.fsa.gov.uk/pubs/ukla/list14_apr07.pdf

TR1 (mandated major notification form)
http://www.fsa.gov.uk/pubs/forms/LR_share_interests.doc

ICSA Guidance on Electronic Communications with Shareholders 2007 & ICSA Guidance note on Proper Purpose 2007
<http://www.icsa.com>

Arguably, another improvement for UK listed companies is the removal of the requirement, under Section 217 of the 1985 Act, to verify third party information supplied in response to Section 212 notices. This removes an administrative layer and may also have some financial benefits.

Share register inspection

Section 808 of the 2006 Companies Act replaces Section 213 of the old Act and requires the register of interests disclosed to be kept available for inspection. What was not implemented in January, but will be implemented later this year, is the requirement for anyone requesting inspection of the register to prove 'proper purpose,' giving companies the right to refuse inspection if not satisfied.

Major shareholder notification

At the same time as the new Act, the major shareholder notification regime moved to the remit of the Financial Services Authority. Thankfully, the FSA chose to retain the existing notification thresholds by which notifications are required at 3% and every 1% thereafter. The main disappointment in this area was the FSA's decision not to introduce a disclosure regime for Contracts for Difference (CFDs). But all is not lost. They are currently conducting further analysis in this area, having recognised potential market failures that could arise from non-disclosure of economic interests. RD:IR will be contributing to any debate arising from future consultation.

Other changes that you may have already come across include the mandated use of a standard form, TR1, which can be found on the FSA website, and the requirement for issuers to disclose their total number of shares with voting rights attached and capital at the end of every calendar month in which this changes.

Summary

So, our transition into 2007 has been relatively smooth, with the quality of information on share registers uncompromised. We will keep a watching brief on further instalments of the 2006 Companies Act. All provisions should come into force by October 2008.

ANALYSIS MATTERS

Caroline Henry and Andrea Thorpe, Joint Heads of the analytics team at RD:IR, discuss the changing nature of share register analysis

Caroline: Share register analysis forms the foundation of investor relations strategy: identifying who owns your shares and your target audience. However, with the advance of derivatives, hedge funds, stock lending and trading accounts, things aren't always straightforward.

The register is no longer a faithful indicator of ownership. Twenty years ago it would have been a simple case of getting behind nominee accounts to reveal the beneficial owners and fund managers. In the 90s, the rise of pooled nominee accounts, virtual ownership and stock lending made identification of the real owners of shares more complex. It has become essential to understand the sophisticated trading environment.

Analysis now involves a much more thoughtful process, involving further interpretation of the analysed data and investigation of virtual ownership positions.

Wherever possible, we match our reporting cycle to our clients.

Andrea: At RD:IR, we understand that companies use share register analysis for different purposes. Firstly, it is fundamental management information reported at board level. Understanding who owns your shares, why they own your shares, who is buying and selling your shares and, indeed, who doesn't own your shares, gives insight into a company's position in the market and, we believe, is the basis of good corporate governance.

Secondly, analysis is critical in defence situations, particularly takeover by stealth. We feel strongly that the current non-inclusion of Contracts for Difference (CFDs) in the FSA's disclosure regime is a major flaw in market transparency.



CAROLINE



ANDREA

And thirdly, and most important for IROs, share analysis forms the first step in investor communication. Companies must understand their investor base to communicate effectively to investors and target potential new investors in a considered way.

Much of the increase in our work has been the examination of the investment approach of financial institutions which includes, not just style, but also the average length of holding, portfolio turnover and voting behaviour.

We also understand that companies require data in a timely manner and, wherever possible, we match our reporting cycle to theirs.

Caroline: We realise that our clients' requirements are changing all the time, and people require ever more sophisticated analysis and reporting. This is why RD:IR's services and technologies are continually evolving. We have improved our internal database so that we can produce some really interesting market statistics based on the increasingly large slice of the UK quoted company market we represent. However complex the reporting process becomes, though, we will never lose sight of the basic principles of reporting accuracy, as everything else flows from this.

Andrea: From this basic premise of accuracy and timeliness of information, we respond to a wide variety of client requirements. Whether routine analysis, or daily monitoring during times of corporate action, we understand that getting the information right is critical.

THE WORLD OF RESEARCH

Isabel Richardson, Head of Research at RD:IR, discusses developments on the research side

Isn't RD:IR all about share register analysis? Why have a research team?

RD:IR has long and unrivalled experience in the detailed analysis of UK share registers, which is an ideal platform from which to expand into specialist research in capital markets. Our knowledge of the industry, and the proprietary databases at our disposal, ensure that we understand our clients' information needs, and design bespoke research projects which solicit focused and relevant information from the appropriate target audience.

We work with Financial News on a regular basis on a variety of projects, including their annual pan-European Derivatives in Fund Management Survey, and the Fund Management CEO Snapshot. We have also conducted bespoke research on behalf of management consultants Investit and ma partners.

There are a number of exciting initiatives in the pipeline for 2007, including further projects with Financial News and, for the first time, some self-commissioned RD:IR research conducted for the benefit of our clients.

We will be carrying out self-commissioned RD:IR research conducted for the benefit of our clients

Our investor targeting and research capabilities has also led RD:IR to conduct a growing number of sentiment surveys for our client base, and to organise investor roadshows.

On the subject of analysis, how do you analyse the registers of your European clients where the s793 regime doesn't exist?

Clearly, this is a very different process. There is no easy way to discover who owns the stock other than ringing up investors and asking, and that is exactly what we do. We analyse the registers of a number of Scandinavian clients, for example.



ISABEL

You have a product called IR CRM. What does that mean and where does it fit in with your other services?

Our IR Contact Relationship Management product (CRM) is a database of investors linked to share register analysis information. Clients who subscribe to CRM can download institutional reports which contain key information on their investors, both qualitative and quantitative. It also allows clients to record meeting notes so that they have accurate records of shareholder contact. This is an invaluable tool when targeting for roadshows and producing briefing notes ahead of meetings. New clients in 2006 included Witan, Hanson and SThree. SABMiller is our most recent client for this service.

Look out for the launch of *IR Intouch*, later this year, which fully integrates the CRM with our online shareholder analysis system, *IR Insight*. We've also recently launched a CSR version of our CRM system, which is a very exciting development.

Why get involved with proxy voting?

Because of our database and systems, we are excellently placed to know who to call and understand the line of ownership to the ultimate holder of voting rights. Our systematic approach to our research aims to get the best possible outcome for our clients. It's a winning combination.

2007 GLOBAL CUSTODY AWARDS

In March we announced the results of the 2007 RD:IR Global Custody Awards, for best practice among global custodians and fund management compliance teams, at a social evening in London's West End.

This annual event provided a great opportunity for everyone at RD:IR to thank the many professionals we speak to on a daily basis. Although the main objective is for our guests to have a fun-filled evening, the Awards also recognise the value of transparent shareholder information to listed companies in planning their investor communication strategies.

Congratulations to the winners!

CUSTODIANS

Best use of technology

Winner: Nortrust Nominees

Highly commended: Goldman Sachs & Co

Most improved performance

Winner: Morstan Nominees

Highly commended: Chase Nominees

Fastest turnaround of a s793 notice

Winner: HSBC Global Custody Nominee UK

Highly commended: Pershing Keen Nominees

ANAIS RODRIGUEZ, ANALYTICS SUPPORT TEAM MANAGER, PRESENTS THE AWARDS TO THE WINNING TEAMS.



CUSTODIAN – MOST IMPROVED PERFORMANCE: MORSTAN NOMINEES LTD

Best overall service

Winner: Roy Nominees

Highly commended: Credit Suisse Client Nominees (UK)

Custodian of the year

Winner: Smith & Williamson Nominees

Highly commended: State Street Nominees



COMPLIANCE TEAM - BEST USE OF TECHNOLOGY: SCHRODER INVESTMENT MANAGEMENT LTD

COMPLIANCE TEAMS

Best use of technology

Winner: Schroder Investment Management

Highly commended: M&G Investment Management

Most improved performance

Winner: Baring Asset Management

Highly commended: AXA Investment Managers

Fastest turnaround of a s793 notice

Winner: Hermes Pensions Management

Highly commended: Universities Superannuation Scheme

Best overall service

Winner: Threadneedle Asset Management

Highly commended: Morley Fund Management

Compliance team of the year

Winner: Scottish Widows Investment Partnership

Highly commended: Legal & General Investment Management

GLOBAL CUSTODY ROUNDTABLE

On 29 March, Alan Fifer, HSBC Bank and Darren Adam, Morgan Stanley met the analytics team at RD:IR to discuss the impact of recent regulatory changes and, more generally, industry trends and issues relating to the global custody area.

The 2006 Companies Act & DTR 5

Top of the agenda was the implementation of Part 22 of the 2006 Companies Act in January. The new Section 793 regime did not contain significant changes, and caused little disruption to existing processes and procedures. However, the move of major shareholder notifications from the Companies Act to chapter five of the Financial Services Authority's Disclosure and Transparency Rules (DTR 5) has required more interpretation, putting pressure on resources in the short-term. All-in-all, everyone agreed that, with few exceptions, it has been business as usual since January.

Although the intention of the new Act is to relieve some of the legislative burden on capital markets, it will take time for certain changes to create benefits

Some participants noted that Contracts for Difference (CFDs) were conspicuous by their absence under DTR 5. While disclosure of CFD positions over 3% would increase workload, it was pointed out that banks were sufficiently resourced to implement appropriate systems to incorporate this data into their existing practices relatively easily. However, the potential to create new trading vehicles designed to avoid disclosure was raised as a possible barrier towards transparency of share ownership going forward.

Electronic communication

Although the intention of the new Act is to relieve some of the legislative burden on capital markets, it will take time for certain changes to create benefits. For example, while some companies are embracing the ability to communicate electronically, others are restricted by internal policies and views on best practice.

A number of companies dislike sending confidential or sensitive information by email without encryption codes. For some custodians, snail-mail and faxes—which carry indemnities—will remain on the agenda for now.

Streamlining systems

Resources vary and systems differ across organisations, thwarting the ability to create an efficient one-size-fits-all system for Section 793 requests and responses. With each request legally requiring a letter of authorisation from the issuer, and the relevant clauses in the issuer's articles of association, technically each individual request could be accompanied by some 60 pages of information. The creation of a central storage system doesn't necessarily save time, if the recipient has to go and look up the authorisation letter and articles every time they receive a request for information. Companies increasingly value the information they receive through the analysis of their registers, so the volume of Section 793 notices continues to swell, and continued industry discussion is required to fine-tune business practices.

Frustratingly for custodians and compliance teams, many industry requests are still made with incomplete information. Requests made without the appropriate letter of authorisation, or without an ISIN number, can take time to follow up and, when there isn't even a contact name and telephone number on the request, time is wasted chasing up information (on premium rate numbers) which should have been provided as standard practice. Repetitive requests, from some parties, for information relating to the same designated account, were also cited as being a major irritation and verging on vexatious.

Your views matter

While we have a system in the UK that undoubtedly provides the highest quality of shareholder analysis across Europe, there remain improvements to be made. It is apparent there is currently little dialogue among interested parties. We at RD:IR would love to widen the debate, and would be very interested to hear your views, frustrations, solutions and thoughts on standardising best practice across Europe.

THE RD:IR 2007 SUMMER PARTY

RD:IR's guests enjoyed some rare moments of sunshine at the 2007 Summer Party which took place in the gardens of the Royal College of Physicians on 19 July.



CLIENT NEWS

New clients in 2007

Absolute Capital Management Holdings Ltd
Advanced Medical Solutions Group Plc
BATM Advanced Communications Ltd
BioProgress Plc*
Booker Group plc
BowLeven Plc*
Braveheart Investment Group Plc
Broca Plc
Carillion plc*
Chamberlin & Hill Plc
Communis Plc
DDD Group Plc
Eredene Capital Plc
Erinaceous Group Plc
Fisher (James) & Sons Plc
Geopark Holdings Ltd
H&T Group Plc
Hilton Food Group Plc
Humberts Group Plc
Hutchison China Meditech Ltd
Hydrogen Group Plc
Independent Media Distribution plc
International Ferro Metals Ltd
Invesco Perpetual Select Trust Plc*
Kaupthing Singer & Friedlander Capital*
Markets Limited
Landore Resources Limited*
Ludorum Plc
Medicx Fund Ltd
Metnor Group Plc
NetPlay TV Plc
Neuropharm Group plc
Northern Petroleum Plc
Noventa Ltd
Plus Markets Group Plc
Polar Capital Holdings Plc
Primary Health Properties Plc
PSolve Alternatives PCC Ltd*
Pure Wafer Plc
Rank Group Plc*
Redstone Plc
Restaurant Group (The) Plc
Salamander Energy Plc
Simigon Ltd
Synergy Healthcare Plc
Tinopolis Plc
Top Ten Holdings Plc
VEGA Group Plc
Velti Plc
WHAM Energy Plc
Wilmington Group Plc

*Direct clients; others are retained via their broker.

Research projects published in 2007

OTC Derivatives Fund Management,
February 2007, Global Investor Magazine (on behalf of M.A. partners)

The Pension Fund Barometer 2007: Outlook Improving – The third annual survey of the European Industry, March 2007 (Financial News)

Buyside Trading Poll: On the Outlook for Liquidity – A survey of European Fund Managers, May 2007 (Financial News)

CIO Survey: Revealing the Secrets of Investment Success – A poll of 100 European CIOs, June 2007 (Financial News)

Fund Management CEO Snapshot 2007, July 2007 (Financial News)

Derivatives in Fund Management: Building a Better Alpha Trap – The fourth annual survey of European Asset Managers, July 2007 (Financial News)

Richard Davies Investor Relations

Balfour House
46-54 Great Titchfield Street London W1W7QA
t +44 20 7436 2100
f +44 20 7436 8085
e info@rdir.com
w www.rdir.com

For enquiries relating to shareholder analysis:

Caroline.Henry@rdir.com or
Andrea.Thorpe@rdir.com

For enquiries relating to consultancy or research:

Isabel.Richardson@rdir.com

For enquiries regarding this publication:

Louise.Clamp@rdir.com