

FINANCIAL FOUNDATIONS PLC

SUPPLEMENTAL MEMORANDUM

Dated 17th March 2006

THE DIRECT SHARE CLASSES

The details set out below are supplemental to the Offering Document for the Company dated 17th March 2006 (the “Offering Document”).

Important Note: *Terms used in this supplemental document and not otherwise defined have the meanings ascribed thereto in the Offering Document. This document should be read in conjunction with the Offering Document, which contains information about the Company, including the risks of an investment in the Company. The information contained in this Supplemental Memorandum relates only to the Direct Share Classes. Save as contained in this Supplemental Memorandum, the information contained in the Offering Document relating to Shares applies equally to the Direct Share Classes. Investors should note that some information contained in the Offering Document is repeated in this supplemental document for ease of reference.*

Company:

Financial Foundations PLC

Share Class:

Shares in the following Share Classes are participating redeemable preference shares of nominal value US\$0.01 or €0.01 in the Company:

- Euro Direct Share Class (€0.01)
- US Dollar Direct Share Class (US\$0.01)

(together, the “Direct Share Classes”)

Current Share Classes:

The Company currently has seven share classes, the above Direct Share Classes and the following Share Classes:

- Euro Ten Year Share Class
- US Dollar Ten Year Share Class
- Euro Institutional Share Class
- US Dollar Institutional Share Class
- Euro Retail Share Class

Investment Objectives, Investment Policies and Restrictions:

The investment objectives, investment policies and restrictions for all of the Direct Share Classes are as detailed in the Offering Document. Investors should note that each class of shares in the Company may differ in relation to the currency in which the Shares are denominated, the method of subscription for Shares and the charging structure, details of which are set out in the Supplementary Memorandum for the relevant class of Shares.

Minimum Investment Amount:

Investors in each of the Direct Share Classes must subscribe a minimum initial amount of US\$7,500 (for the Dollar Direct Share Class) or €7,500 (for the Euro Direct Share Class).

Subsequent subscriptions must also be in a minimum amount of US\$7,500 (for the Dollar Direct Share Class) or €7,500 (for the Euro Direct Share Class).

Establishment Charge

Investors subscribing for Shares in the Direct Share Classes will receive an initial allotment of Shares equivalent to 100% of their subscription amount. A charge, amounting to 8% of the value of any subscription will be borne by the Fund and ascribed to the relevant Direct Share Class in the form of an establishment charge (the “Establishment Charge”). For the purposes of calculating the Net Asset Value of the relevant Direct Share Class, the Establishment Charge will be amortised over a period of 60 months from the date of subscription at the rate of 0.133% of the subscription amount per month (“the Amortisation Period”).

In the event that an investor redeems his holding in a Direct Share Class within 60 months of subscription, an amount equal to the unamortised Establishment Charge will be deducted from the redemption proceeds and credited to the deferred acquisition costs account of the relevant Direct Share Class.

For the purposes of the statutory accounts, such costs will be written off as incurred and a reconciliation to Net Asset Value of the relevant Direct Share Class will be contained in the statutory accounts.

The Fund reserves the right to pay the full amount of the Establishment Charge to introducers by way of commission. Investors should note that the establishment charge is effectively a charge on the Class as a whole and as such all Shareholders continue to bear an element of the ongoing establishment charge notwithstanding that they have held their Shares beyond the 60 month amortisation period applicable to their own subscription. The price at which Shareholders subscribe for Shares is lower than it would have been if there were no establishment charge and the price at which Shares are redeemed will also be lower. In addition, it should be noted that the adverse effect of the establishment charge on Net Asset Value per Share increases as the level of subscriptions to the Class increases.

Investors should note that the price at which Shareholders subscribe for Shares in the Direct Share Classes is lower than it would have been if there were no Establishment Charge and the price at which such Shares are redeemed will also be lower. In addition, it should be noted that the adverse effect of the Establishment Charge on Net Asset Value per Share increases as the level of subscriptions to the Class increases.

Furthermore, the Establishment Charge is effectively a charge on the relevant Direct Share Class as a whole and as such all Shareholders continue to bear an element of the ongoing establishment charge notwithstanding that they have held their Shares beyond the Amortisation Period applicable to their own subscription. However, Investors should note that the Directors have power under the Articles to give notice to a Shareholder requiring the conversion of his Shares into Shares of another Class. It is the intention of the Directors that such a notice will be duly given in order to convert Shares in the Direct Share Classes where the Shareholders concerned have held their Shares beyond the Amortisation Period applicable to their own subscription into Shares in the Institutional Share Classes. In effect, on expiry of such period, the Shares concerned will be converted into Shares in the the US Dollar Institutional Share Class or the Euro Institutional Share Class, as appropriate.

No Initial Charge or Subscription Fee:

Except for the Establishment Charge, investors in the Direct Share Classes will not be required to pay an Initial Charge or Subscription Fee.

Offering Period:

The initial offer period for subscription for the Direct Class Shares shall be the period commencing on 17th March 2006 and ending on 28th April 2006 (“the Initial Offer Period”). During the Initial Offer Period, Shares will be available at a subscription price of US\$100 or €100 each, as appropriate, inclusive of a premium per share of US\$99.99 and €99.99.

Share Issue:

Following the initial offer period, Shares may be purchased on any Dealing Day (generally the first Business Day of each calendar month or such other day as the Directors may from time to time determine).

Share Price and Initial Charge:

Direct Class Shares issued after the Initial Offer Period will be available at the Issue Price on the relevant Dealing Day and will be issued to two decimal places.

Redemptions:

Shares may be redeemed on any Dealing Day at the Redemption Price applicable on that Dealing Day and the number of shares redeemed will be calculated to two decimal places.

Exit Charge:

In the event that an investor redeems his holding in a Direct Share Class within 60 months of subscription, an amount equal to the unamortised Establishment Charge will be deducted from the redemption proceeds and credited to the deferred acquisition costs account of the relevant Direct Share Class.

Except as set out above, investors in the Direct Share Classes will not be required to pay an Exit Charge on redemption.

Eligible Investors:

The Direct Class Shares are offered to Individuals or Institutions who are Experienced Investors as defined in the Offering Document.