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ARCAPITA LIMITED

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30th JUNE 2011

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COMPANIES HOUSE

Arcapita Limited

Directors

Henry A Thompson	
Asim Zafar	
Atif A Y Abdulmalik	
Mounzer A Nasr	(Resigned 12th July 2010)
Charles G Ward III	(Appointed 1st June 2011) (Resigned 31st December 2011)

Secretary and Registered Office

Henry A Thompson
15 Sloane Square, London SW1W 8ER

Company No.
04651821

Auditors

Moore Stephens LLP
Chartered Accountants
150 Aldersgate Street, London EC1A 4AB

Report of the Directors

The directors present their report and the audited financial statements for the year ended 30th June 2011

Principal Activity

The principal activities include financial advisory services, namely investment management and investment of funds for others, including private equity services, corporate investment banking services, real estate investment services, asset-based and infrastructure investment services in the nature of asset acquisition services, and venture capital services The directors do not anticipate any changes in the activities in the foreseeable future

Business Review

The loss for the year ended 30th June 2011 ("2011"), amounted to £12,333,775 compared to a loss of £5,818,612 for the year ended 30 June 2010 ("2010")

The main factors affecting results for 2011 are

(a) favourable foreign exchange rates in 2011 compared to 2010,
(b) amounts due from PVC (Lux) Holding company S a r l of £7,203,280, a company with common directors, were considered irrecoverable and an allowance was made as at 30 June 2011

Report of the Directors (Continued)

Business Review (Continued)

The effect of a decreasing income base meant that the company was unable to continue profitability in 2011 The effects of the global financial crisis has significantly affected the company and the group to which it belongs In any event, the company is confident that the ultimate parent company, Arcapita Bank B S C (c), will provide continuing support to the company to enable it to continue as a going concern

Key Performance Indicators

Indicator	2011	2010
Total liabilities (£)	28,374,841	18,853,714
Total liabilities excluding amounts due to ultimate parent (£)	171,925	76,196
Total revenue inc exchange gain/(loss) (£)	7,883,005	5,585,085
Total operating expenses excl exchange gain/(loss) (£)	20,141,010	11,403,697
Loss after tax (£)	(12,333,775)	(5,818,612)
Number of deals concluded	Nil	Nil
Number of employees	33	42
Revenue per employee (£)	238,879	132,978
Cost per employee (£)	610,334	271,517

The main component of liabilities is an amount of £28,202,916 (2010 £18,777,518) due to the ultimate parent company

Statement as to disclosure of information to auditors

Each of the persons who are directors at the time when this report is approved has confirmed that

(a) so far as each director is aware, there is no relevant audit information of which the company's auditors are unaware, and

(b) each director has taken all the steps that ought to have been taken as a director, including making appropriate enquiries of fellow directors and the company's auditors for that purpose, in order to be aware of any information needed by the company's auditors in connection with preparing their report and to establish that the company's auditors are aware of that information

By Order of the Board on

30 March 2012

HENRY A THOMPSON

Director

Arcapita Limited

Statement of Directors' Responsibilities

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

Company law requires the directors to prepare financial statements for each financial year Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and applicable law The financial statements must, in accordance with IFRS as adopted by the European Union, present fairly the financial position and performance of the company, such references in the UK Companies Act 2006 to such financial statements giving a true and fair view are references to their achieving a fair presentation Under the company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view

In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether the financial statements have been prepared in accordance with IFRS as adopted by the European Union,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

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

Independent Auditors' Report to the Shareholders of Arcapita Limited

We have audited the financial statements of Arcapita Limited for the year ended 30th June 2011 which are set out on pages 6 to 20 The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 30th June 2011 and of its loss for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Emphasis of Matter – Going Concern

In forming our opinion, which is not qualified, we have considered the adequacy of the disclosures made in note 1(b) to the financial statements concerning the company's ability to continue as a going concern

The company is dependent upon the continued financial support of its ultimate parent company Arcapita Bank B S C (c) On 19 March 2012, Arcapita Bank B S C (c), announced it and several of its affiliates, filed for Chapter 11 protection under the US bankruptcy code This indicates the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern The financial statements do not include any adjustments that would result if the company was unable to continue as a going concern

Opinion on other matter prescribed by the Companies Act 2006

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

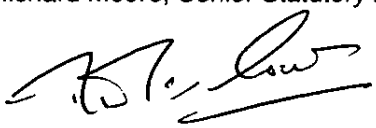
Independent Auditors' Report to the Shareholders of Arcapita Limited (Continued)

Matters on which we are required to report by exception

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

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

Richard Moore, *Senior Statutory Auditor*



For and on behalf of Moore Stephens LLP, *Statutory Auditor*

150 Aldersgate Street
London
EC1A 4AB

Date 30/03/12

Arcapita Limited

Statement of Comprehensive Income

For the year ended 30th June 2011

	Note	Year ended 30th June 2011 £	Year ended 30th June 2010 £
Revenue			
Merger, acquisition and management advisory fees	1(c), 2	6,730,307	6,050,649
Operating Expenses			
Staff costs	4	8,999,695	6,322,051
General and administration expenses		4,274,590	4,081,345
Allowances for credit losses		6,866,725	1,000,301
Exchange (gain)/loss		(1,152,698)	465,564
		18,988,312	11,869,261
Loss before taxation	3	(12,258,005)	(5,818,612)
Taxation	5	(75,770)	-
Loss for the year		(12,333,775)	(5,818,612)

Company Number: 04651821

Arcapita Limited

Statement of Financial Position as at 30th June 2011

	Note	30th June 2011 £	30th June 2010 £
Non-Current Assets			
Property, plant and equipment	6	237,746	943,712
Current Assets			
Trade and other receivables	7	5,717,624	7,467,851
Corporation tax repayable		-	856,734
Cash and cash equivalents		679,715	179,436
		6,397,339	8,504,021
Total Assets		6,635,085	9,447,733
Current Liabilities			
Trade and other payables	8	171,925	76,196
Amounts due to ultimate parent company	11	28,202,916	18,777,518
Total Liabilities		28,374,841	18,853,714
Equity			
Share capital	9	1	1
Accumulated deficit		(21,739,757)	(9,405,982)
Total Equity		(21,738,756)	(9,405,981)
Total Equity and Liabilities		6,635,085	9,447,733

The financial statements were approved and authorised for issue by the Board on 30 March 2012 and signed on its behalf by

HENRY A THOMPSON Director

Arcapita Limited

Statement of Changes In Equity
For the year ended 30th June 2011

	Share Capital £	Accumulated Deficit £	Total Equity £
Balance at 1st July 2009	1	(3,587,370)	(3,587,369)
Loss for the year	-	(5,818,612)	(5,818,612)
Balance at 30th June 2010	1	(9,405,982)	(9,405,981)
Loss for the year	-	(12,333,775)	(12,333,775)
Balance at 30th June 2011	1	(21,739,757)	(21,738,756)

Arcapita Limited

Statement of Cash Flows
For the year ended 30th June 2011

	Year ended 30th June 2011 £	Year ended 30th June 2010 £
Cash Flows from Operating Activities		
Loss for the year	(12,333,775)	(5,818,612)
Adjustment for		
Depreciation	732,071	933,495
Decrease/(increase) in trade and other receivables	1,750,227	(1,101,452)
Increase in trade and other payables	95,729	1,937
	(9,755,748)	(5,984,632)
Taxation	856,734	1,787,911
Net Cash used in Operating Activities	(8,899,014)	(4,196,721)
Cash Flows from Investing Activities		
Purchase of property, plant and equipment	(26,105)	(6,708)
Net Cash used in Investing Activities	(26,105)	(6,708)
Cash Flows from Financing Activities		
Advances from ultimate parent company	9,425,398	4,184,865
Net Cash provided by Financing Activities	9,425,398	4,184,865
Increase/(Decrease) in Cash and Cash Equivalents	500,279	(18,564)
Cash and Cash Equivalents at Beginning of Period	179,436	198,000
Cash and Cash Equivalents at End of Period	679,715	179,436

Arcapita Limited

Financial Statements for the year ended 30th June 2011

Notes

1 Accounting Policies

(a) Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union

The financial statements are stated in Pound Sterling ("£"), being the functional currency of the company The principal accounting policies adopted are set out below

(b) Critical accounting judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, management are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant Actual results may differ from estimates The following summarises the judgements, estimates and assumptions that may cause amounts recognised or disclosed to change in following reporting periods

Going concern

The company is dependent upon the continued financial support of its ultimate parent company Arcapita Bank B S C (c) The directors of Arcapita Bank B S C (c) have confirmed this support will be given for the foreseeable future and for at least 12 months from the approval of these financial statements and the financial statements have therefore been prepared on the going concern basis and consequently do not reflect any adjustment to assets or the inclusion of liabilities that could arise were this basis not appropriate

On 19 March 2012, Arcapita Bank B S C (c), announced it and several of its affiliates, filed for Chapter 11 protection under the US bankruptcy code The filings automatically imposed a worldwide injunction against collection and enforcement actions that protect the assets of the bank whilst it formulates its reorganisation to refinance a $1 1 billion financing facility to complete productive negotiations with non-bank creditors As at 30 June 2011, Arcapita Bank B S C (c) had gross assets of $3 6 billion, and net assets of $1 0 billion Arcapita Bank B S C (c)'s operating subsidiaries are not included in the filing Based on the future cash flow projections of the bank and the above event, the directors do not expect the ultimate parent company to recall its amount due of £28,202,916 (2010 £18,777,518) for the foreseeable future and will provide further funds to enable the company to continue to trade

Allowances for credit losses

The company reviews its individual significant receivables at each reporting date to assess whether an allowance should be made for recoverability In determining this allowance, judgement by management is required in the estimation of the amount and timings of future cash flows Such estimations are based on assumptions of a number of factors and actual results may differ, resulting in future changes to the allowance

Arcapita Limited

Financial Statements for the year ended 30th June 2011

Notes (Continued)

1 **Accounting Policies (Continued)**

(b) Critical accounting judgements and key sources of estimation uncertainty (continued)

Liquidity

The company monitors its liquidity through consideration of the maturity profile of its assets and liabilities The exercise of judgement is required in determining the maturity of assets and liabilities

(c) Revenue and expenses

Deal structuring, advisory and investment service fees are recognised on the date of closure of the contract, when services are rendered in accordance with IAS 18 Expenses are recognised on the accruals basis

(d) Property, Plant and Equipment

Property, plant and equipment is carried at cost less accumulated depreciation Depreciation is provided using the straight line method to write off the cost over the expected useful life of 3 to 5 years

(e) Foreign currencies

Transactions in foreign currencies are recorded in Pound Sterling using the exchange rate prevailing on the transaction date Monetary assets and liabilities in foreign currencies are translated into Pound Sterling at the rates of exchange prevailing at the reporting period date Any gains or losses are taken to the statement of comprehensive income

(f) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and deposits repayable on demand

(g) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method less appropriate allowances for the estimated irrecoverable amounts Deterioration in the counterparty's financial conditions may affect allowances for credit losses

(h) Operating lease rentals

Operating lease rentals are charged to the statement of comprehensive income on a straight line basis over the lease term

(i) Pensions

The company makes a defined contribution scheme pension plan available to its staff The annual cost of pension arrangements is charged to the statement of comprehensive income on an accruals basis

Arcapita Limited

Financial Statements for the year ended 30th June 2011

Notes (Continued)

1 Accounting Policies

(j) Taxation

Current tax is provided for based on results for the period Taxable profit differs from net profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible The current tax liability is calculated using tax rates that have been enacted by the reporting period date

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates that are expected to apply when they crystallise based on current tax rates and law Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered Deferred tax assets and liabilities are not discounted

2. Revenue

The company identifies, structures and advises its ultimate parent company with respect to corporate, real estate and asset based investments and provides management and strategic advice to operating companies and joint venture vehicles related to such investments

Revenue represents income generated from the ultimate parent company in respect of services provided on their behalf It is determined based on the provisions of the Service Agreement, between the company and its ultimate parent company This agreement stipulates fees chargeable to the ultimate parent company, computed as a percentage of transaction values for investment acquisition activities plus fixed annual fees for post-acquisition monitoring

Revenue also includes income generated from merger & acquisition services provided to operating companies at the time of acquisition, and income generated from management advisory services provided to operating companies subsequent to the time of acquisition

3 Loss before taxation

Loss before taxation is stated after charging the following

		Year ended 30th June 2011 £	Year ended 30th June 2010 £
Depreciation		732,071	933,495
Auditors' remuneration	- statutory audit	28,103	28,074
	- other tax services	27,031	26,696
Operating lease rentals	- premises	997,484	992,382

4 Staff costs

		Year ended 30th June 2011		Year ended 30th June 2010
Staff salaries		7,110,105		4,955,276
Social security costs		1,087,435		626,970
Pension costs		106,717		139,491
Other employee costs		695,438		600,314
	£	8,999,695	£	6,322,051

Included in salary costs is compensation to directors and key management personnel of £154,812 (2010 £325,967) in respect of short term benefits and £nil (2010 £12,360) in respect of retirement benefits £103,915 (2010 £190,652) in respect of short term benefits and £nil (2010 £12,360) in respect of retirement benefits was payable to the highest paid director

Included in other employee costs is an amount of £55,500 (2010 £nil) in respect of end of service payments to a director

The average monthly number of persons, including directors, employed by the company during the year was

	Number	Number
Investment advisory	24	22
Administration	9	20
	33	42
The number of directors for whom pension benefits are accruing under a defined contribution scheme	-	1

5 Taxation

(a) Tax charge for the year

		Year ended 30th June 2011		Year ended 30th June 2010
Current tax charge (note 5b)		-		-
Deferred tax credit (note 5c)		-		-
Under provision from a previous year		75,770		
	£	75,770	£	-

(b) Tax reconciliation

The tax charge for the year is based on the weighted average standard rate of UK corporation tax of 27 5% (2010 28%) A reconciliation is provided below

Loss before taxation		(12,258,005)		(5,818,612)
Tax on loss before tax at 27 5% (2010 28%)		(3,370,951)		(1,629,211)
Non-allowable expenses for tax purposes		1,247,270		4,955
Short term timing differences		167,639		250,866
Losses carried forward		1,956,042		1,373,390
Current tax charge	£	-	£	-

(c) Deferred taxation

At the reporting period date, there is a deferred tax asset of £3,950,977 (2010 £2,211,679) which has not been recognised on the grounds of uncertainty over future recoverability The deferred tax asset arises due to the following timing differences

		Year ended 30th June 2011		Year ended 30th June 2010
Capital allowances in excess of depreciation		(38,456)		(15,772)
Timing difference on lease creditor		-		5,005
Tax losses carried forward		(3,912,521)		(2,200,912)
	£	(3,950,977)	£	(2,211,679)

6 Property, plant and equipment

	Equipment	Furniture	Fixtures	Total
2011				
Cost				
At 1st July 2010	884,358	1,723,918	2,223,831	4,832,107
Additions	26,105	-	-	26,105
At 30th June 2011	£ 910,463	£ 1,723,918	£ 2,223,831	£ 4,858,212
Accumulated Depreciation				
At 1st July 2010	784,050	1,379,663	1,724,682	3,888,395
Charge for the year	94,062	268,975	369,034	732,071
At 30th June 2011	£ 878,112	£ 1,648,638	£ 2,093,716	£ 4,620,466
Net book value				
At 30th June 2011	£ 32,351	£ 75,280	£ 130,115	£ 237,746
2010				
Cost				
At 1st July 2009	877,650	1,723,918	2,223,831	4,825,399
Additions	6,708	-	-	6,708
At 30th June 2010	£ 884,358	£ 1,723,918	£ 2,223,831	£ 4,832,107
Accumulated Depreciation				
At 1st July 2009	633,960	1,041,050	1,279,890	2,954,900
Charge for the year	150,090	338,613	444,792	933,495
At 30th June 2010	£ 784,050	£ 1,379,663	£ 1,724,682	£ 3,888,395
Net book value				
At 30th June 2010	£ 100,308	£ 344,255	£ 499,149	£ 943,712

Arcapita Limited

Financial Statements for the year ended 30th June 2011

Notes (Continued)

7 Trade and other receivables

	30th June 2011	30th June 2010
Trade receivables	5,235,894	7,147,702
Staff loans and advances	138,000	1,333
Other receivables	343,730	318,816
	£ 5,717,624	£ 7,467,851

Trade receivables are accrued until the sale of the portfolio companies The aged analysis of these receivables based upon expected recovery was

	30th June 2011	30th June 2010
Within one year	2,375,000	875,000
Between one and two years	1,400,000	-
Between two and five years	1,460,894	6,272,702
	£ 5,235,894	£ 7,147,702

8 Trade and other payables

	30th June 2011	30th June 2010
Other taxation and social security	141,925	45,874
Accruals	30,000	30,000
Other payables	-	322
	£ 171,925	£ 76,196

9 Share Capital

	30th June 2011	30th June 2010
Authorised, allotted and fully paid 1 ordinary share of £1	£ 1	£ 1

10 Operating Lease Commitments

Total commitments under non-cancellable operating leases for land and buildings are as follows

	30th June 2011	30th June 2010
Within one year	997,820	995,137
Between two and five years	2,177,633	3,145,470
Total	£ 3,529,792	£ 4,140,607

11 Parent Company and Ultimate Controlling Undertaking

The company's immediate parent company is Arcapita (Europe) Limited, a company incorporated in the Cayman Islands and its ultimate parent and controlling undertaking is Arcapita Bank B S C (c), a company incorporated in the Kingdom of Bahrain These form the smallest and largest groups into which the company is consolidated

12 Related Party Transactions

The company had the following related party transactions in the year

	Year ended 30th June 2011	Year ended 30th June 2010
Merger and acquisition and management advisory fees		
Ultimate parent company		
Arcapita Bank B S C (c)	512,798	404,424
Companies with common directors		
VGC (France) Holdings SAS	44,441	186,471
EI Ventures Limited	3,000,000	3,000,000
PVC (Lux) Holding Company S a r l	1,718,247	2,241,611
Freightliner Group Limited	466,667	466,667
Sortalogic Europe SAS	988,154	(248,524)
	£ 6,730,307	£ 6,050,649

Management advisory fees totalling £488,000 and £871,000 were charged and written back in 2010, due to amendments in contracted agreements relating to fees with PVC (Lux) Holding Company S a r l and Sortalogic Europe SAS in 2009 and 2010

The balances outstanding at the reporting period date, included in trade receivables, were as follows

	30th June 2011 £	30th June 2010 £
Companies with common directors		
EI Ventures Limited	2,375,000	875,000
Freightliner Group Limited	1,400,000	933,333
PVC (Lux) Holding Company S a r l	-	4,914,924
Sortalogic Europe SAS	1,460,894	424,445
	5,235,894	7,147,702

The amounts due to the ultimate parent company of £28,202,916 (2010 £18,777,518) are unsecured, interest free and repayable on demand The ultimate parent company has agreed not to seek repayment of the amounts due to them until the resources of the company allow The amounts due from companies with common directors are all unsecured, interest free and repayable in accordance with the underlying agreements

13 Financial Instruments

(a) Financial Risk Factors

The company's activities expose it to a variety of financial risks including market risk (interest rate risk and currency risk), credit risk and liquidity risk The directors monitor the financial risk of the company and takes such measures as considered necessary from time to time to minimise such financial risks The company's overall risk management programme seeks to minimise potential adverse effects on the company's financial performance The financial risks to which the company is exposed to are described below

Interest Rate Risk

Cash flow interest rate risk is the risk that future cash flows of a financial instrument will fluctuate because of changes in market interest rates Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates The company is not exposed to any significant interest rate risk as no material assets or liabilities are interest bearing

Currency Risk

Exchange rate risk is the risk of loss due to changes in foreign exchange rates The company does not use derivative financial instruments to hedge against the volatility associated with foreign currency transactions The company monitors the currency position on the overall currency exposure

The company is subject to exchange rate risk as trade receivables amounting to £1,460,894 as at 30th June 2011 (2010 £5,339,369) are denominated in Euros

Sensitivity analysis indicates that at 30th June 2011, if the value of Pound Sterling against the Euro had increased by 20% that would have reduced equity and profit by €325,217 (2010 €1,318,611), and a decrease of 20% in the exchange rate would have increased equity and profit by the same amount

Credit Risk

Credit risk is the risk that a counterparty will fail to discharge its obligations and cause a financial loss The company is exposed to credit risk to the extent of unsettled amounts due from trade and other receivables, and cash and cash equivalents The company manages and controls credit risk by setting limits on the amount of risk it is willing to accept from individual counterparties

Concentrations of credit risk exist to the extent that as at 30th June 2011 a total amount of £5,235,894 (2010 £7,147,702) was due from just three companies (2010 four) Allowances are made for losses that have been incurred by the reporting period date With respect to trade receivables, the directors are of the opinion the credit risk is moderate as the fees are consistent with past practice, accrued until the sale of the portfolio companies, at which time the proceeds of the sale should be sufficient to settle the receivables

In the current year, an allowance of £7,203,280 has been made in respect of PVC (Lux) Holding Company S a r l In addition, an allowance of £90,406 has been made in respect of an amount due from VGC (France) Holdings SAS, of which £44,441 relates to management advisory fees and £45,965 for disbursements paid on their behalf and not considered recoverable An amount of £426,961 has been recovered for amounts received from Paroc Group Holding OY, which had previously been provided against

13 **Financial Instruments (Continued)**

Credit Risk (continued)

Cash and cash equivalents include cash at bank and deposits with one bank (2010 one bank) with a credit rating of A-1 by Standard & Poor's

Liquidity Risk

Liquidity risk is the risk that an entity will be unable to meet its liabilities when they fall due under normal and stress circumstances Prudent liquidity risk management implies maintaining a sufficiently liquid position The company monitors and maintains a level of liquidity deemed adequate to finance the company's operations and closely monitors periodic cash forecasts, which take into account the company's maturity profile

The company has no finance from external banking institutions Total loan borrowings from the ultimate parent company, Arcapita Bank B S C (c) are £28,202,916 (2010 £18,777,518) at the reporting period date, and there is no set date of maturity

(b) Categories of Financial Instruments

	30th June 2011 £	30th June 2010 £
Financial Assets		
Loans and receivables (including cash and cash equivalents)	6,397,339	8,504,021
Financial Liabilities		
Financial liabilities at amortised cost	28,374,841	18,853,714

Fair Values

The fair values of financial assets and liabilities are not materially different from their carrying amounts because of the immediate or short-term maturity of these financial instruments

(c) Capital Risk Management

The company manages its capital to enable it to safeguard the company's ability to continue as a going concern, so that it can continue to provide returns to shareholders, and to enable the company to respond quickly to changes in market conditions and to take advantage of opportunities

Capital comprises of share capital of £1 plus borrowings of £28,202,916 (2010 £18,777,518), defined as amounts due to the ultimate parent company

14 Recent Accounting Pronouncements

(a) New interpretations and revised standards effective for the year ended 30th June 2011

The company has adopted the new interpretations and revised standards effective for the year ended 30th June 2011 The adoption of these interpretations and revised standards had no impact on the disclosures and presentation of the financial statements during the year

(b) Standards and interpretations in issue but not yet effective

The International Accounting Standards Board ("IASB") and International Financial Reporting Interpretations Committee ("IFRIC") have issued revisions to a number of existing standards and new interpretations with an effective date of implementation after the date of these financial statements

The directors do not anticipate that the adoption of these revised standards and interpretations will have a material impact on the figures included in the financial statements in the period of initial application other than the following revisions to existing standards

IFRS 9 Financial instruments

The revisions make substantial changes to the recognition and measurement of financial assets, financial liabilities and the derecognition of financial assets In the future there will only be two categories of financial assets those at fair value through profit and loss and those measured at amortised cost On adoption of the standard, the company will have to redetermine the classification of its financial assets specifically for available-for-sale and held-to-maturity financial assets

Most financial liabilities will continue to be carried at amortised cost, however, some financial liabilities will be required to be measured at fair value through profit and loss (for example derivatives) with changes in the liabilities' credit risk to be recognised in other comprehensive income

This standard is effective from 1st January 2015 but has not yet been issued in full and therefore the full impact on the financial statements cannot yet be determined