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ARCAPITA LIMITED

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30th JUNE 2012

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COMPANIES HOUSE

Arcapita Limited

Directors

Henry A Thompson
Asim Zafar
Atif A Y Abdulmalik
Charles G Ward III (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 2012

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

Business Review

The loss for the year ended 30th June 2012 (2012), amounted to £5,822,762 compared to a loss of £12,333,775 for the year ended 30 June 2011 (2011)

The main factors affecting results for 2012 are

(a) less favourable foreign exchange rates in 2012 compared to 2011,
(b) trade receivables of £3,682,686 were considered irrecoverable and an allowance was made at the reporting date (2011 £6,866,725),
(c) successful implementation of cost saving measures in 2012, primarily in staff and facility costs,
(d) reduction in all major discretionary costs, including performance based incentive payments

Arcapita Limited

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 and 2012 The effects of the global financial crisis has significantly affected the company and the group to which it belongs

Arcapita Bank B S C (c) has confirmed willingness to provide funding and support to the company, to enable it to meet its financial obligations and cover any continuing losses in the foreseeable future, and in any event over the 12 months The current situation of Arcapita Bank B S C (c) s filing for protection under Chapter 11 is being monitored, with bank filing its Reorganisation Plan with a proposed deadline of 8 May 2013 The Directors believe that the Reorganisation Plan will enable the Group to emerge from Chapter 11 as a going concern

Key Performance Indicators

Indicator	2012	2011
Total liabilities (£)	35,915,803	28,374,841
Total liabilities excluding amounts due to ultimate parent (£)	1,710,668	1,143,503
Total revenue inc exchange (loss)/gain (£)	5,629,118	7,883,005
Total operating expenses excl exchange gain/(loss) (£)	11,451,880	20,141,010
Loss after tax (£)	(5,822,762)	(12,333,775)
Number of deals concluded	Nil	Nil
Number of employees	33	33
Revenue per employee (£)	170,579	238,879
Cost per employee (£)	347,027	610,334

The main component of liabilities is an amount of £34,205,135 (2011 £27,231,338) 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, in order to be aware of any relevant information and to establish that the company s auditors are aware of that information

By Order of the Board on

28th March 2013

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 2012 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 Statement of Directors Responsibilities 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 In addition, we read all the financial and non-financial information in the Directors Report to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

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 2012 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 modified, 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 that it and several of its affiliates, had filed for protection under Chapter 11 of the US Bankruptcy Code in the United States Bankruptcy Court of the Southern District of New York As of 30 June 2012, the Arcapita Bank B S C (c) Group had accumulated losses of $2 1 billion and its obligations exceeded assets by $1 0 billion (unaudited) This indicates the existence of a material uncertainty which may cast significant doubt about the company s ability to continue as a going concern

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

Emphasis of Matter Going Concern (Continued)

The possible outcomes of Arcapita Bank B S C (c) s Chapter 11 filing, as explained in note 1(b), can either be an agreement on the Reorganisation Plan with the creditors which its Management believe will enable the Arcapita Bank B S C (c) to emerge from Chapter 11 as a going concern, or realisation of assets and cessation of business

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

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 28/3/17

Arcapita Limited

Statement of Comprehensive Income

For the year ended 30th June 2012

	Note	Year ended 30th June 2012 £	Year ended 30th June 2011 £
Revenue			
Merger, acquisition and management advisory fees	1(c), 2	5,971,796	6,730,307
Operating Expenses			
Staff costs	4	4,298,378	8,999,695
General and administration expenses		3,470,816	4,274,590
Allowances for credit losses		3,682,686	6,866,725
Exchange loss/(gain)		342,678	(1,152,698)
		11,794,558	18,988,312
Loss before taxation	3	(5,822,762)	(12,258,005)
Taxation	5	-	(75,770)
Loss for the year		(5,822,762)	(12,333,775)

Company Number: 04651821

Arcapita Limited

Statement of Financial Position as at 30th June 2012

	Note	30th June 2012 £	30th June 2011 £
Non-Current Assets			
Property, plant and equipment	6	75,513	237,746
Current Assets			
Trade and other receivables	7	6,379,163	5,717,624
Cash and cash equivalents		1,898,609	679,715
		8,277,772	6,397,339
Total Assets		8,353,285	6,635,085
Current Liabilities			
Trade and other payables	8	1,710,668	1,143,503
Amounts due to ultimate parent company	11	34,205,135	27,231,338
Total Liabilities		35,915,803	28,374,841
Equity			
Share capital	9	1	1
Accumulated deficit		(27,562,519)	(21,739,757)
Total Equity		(27,562,518)	(21,739,756)
Total Equity and Liabilities		8,353,285	6,635,085

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

HENRY A THOMPSON Director 28th March, 2013

Arcapita Limited

Statement of Changes in Equity
For the year ended 30th June 2012

	Share Capital £	Accumulated Deficit £	Total Equity £
Balance at 1st July 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)	(21,739,756)
Loss for the year	-	(5,822,762)	(5,822,762)
Balance at 30th June 2012	1	(27,562,519)	(27,562,518)

Arcapita Limited

Statement of Cash Flows
For the year ended 30th June 2012

	Year ended 30th June 2012 £	Year ended 30th June 2011 £
Cash Flows from Operating Activities		
Loss for the year	(5,822,762)	(12,333,775)
Adjustment for		
Depreciation	199,616	732,071
(Increase)/decrease in trade and other receivables	(661,539)	1,750,227
Increase in trade and other payables	567,165	95,729
	(5,717,520)	(9,755,748)
Taxation	-	856,734
Net Cash used in Operating Activities	(5,717,520)	(8,899,014)
Cash Flows from Investing Activities		
Purchase of property, plant and equipment	(37,383)	(26,105)
Net Cash used in Investing Activities	(37,383)	(26,105)
Cash Flows from Financing Activities		
Advances from ultimate parent company	6,973,797	9,425,398
Net Cash provided by Financing Activities	6,973,797	9,425,398
Increase in Cash and Cash Equivalents	1,218,894	500,279
Cash and Cash Equivalents at Beginning of Period	679,715	179,436
Cash and Cash Equivalents at End of Period	1,898,609	679,715

Arcapita Limited

Financial Statements for the year ended 30th June 2012

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 Board of Directors and Management 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 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 that it and several of its affiliates, had filed for protection under Chapter 11 of the US Bankruptcy Code in the United States Bankruptcy Court of the Southern District of New York Arcapita Bank B S C (c)'s operating subsidiaries are not included in the filing Under Chapter 11, Arcapita Bank B S C (c) and the other filing entities benefit from an automatic stay which protects them from any claims of creditors subject to resolution under the Chapter 11 process

As of 30 June 2012, the Arcapita Bank B S C (c) group had accumulated losses of $2 1 billion and its obligations exceeded assets by $1 0 billion (unaudited)

On 8 February 2013, the Group filed its plan of reorganisation (the Reorganisation Plan) with a proposed voting deadline of 8 May 2013 Arcapita Bank B S C (c) s Management believes that the Reorganisation Plan will enable the Group to emerge from Chapter 11 as a going concern The effectiveness of the Reorganisation Plan is subject to certain material conditions precedent If the Reorganisation Plan does not take effect, the Group may be forced to consider other alternatives, including liquidation of assets and cessation of business The circumstances and probabilities of these outcomes cannot be ascertained at this time

Notes (Continued)

1 **Accounting Policies (Continued)**

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

Going concern (continued)

These factors indicate the existence of material uncertainties, which may require the ultimate parent to recall the amount due of £34,205,135 (2011 £27,231,338) and cast doubt over its ability to provide further funds to allow the company to continue as a going concern At this time, the Board of Directors are unable to assess the impact of the above uncertainty on the preparation and presentation of these financial statements This uncertainty could impact the carrying value of assets in the balance sheet, the disposition of liabilities and the going concern assumption which these financial statements have been prepared

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

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

Arcapita Limited

Financial Statements for the year ended 30th June 2012

Notes (Continued)

1 Accounting Policies (Continued)

(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

(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

Arcapita Limited

Financial Statements for the year ended 30th June 2012

Notes (Continued)

3 Loss before taxation

Loss before taxation is stated after charging the following

	Year ended 30th June 2012 £	Year ended 30th June 2011 £
Depreciation	199,616	732,071
Auditors remuneration - statutory audit	27,500	28,103
- tax services	17,500	27,031
Operating lease rentals - premises	1,090,108	997,484

4 Staff costs

	Year ended 30th June 2012	Year ended 30th June 2011
Staff salaries	3,357,380	7,110,105
Social security costs	473,115	1,087,435
Pension costs	196,921	106,717
Other employee costs	270,962	695,438
	£ 4,298,378	£ 8,999,695

Included in salary costs is compensation to directors and key management personnel of £156,985 (2011 £154,812) in respect of short term benefits £106,072 (2011 £103,915) in respect of short term benefits was payable to the highest paid director No director received benefits accruing under a defined contribution scheme

Included in other employee costs is an amount of £Nil (2011 £55,500) 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	24
Administration	9	9
	33	33

5 Taxation

(a) Tax charge for the year

	Year ended 30th June 2012	Year ended 30th June 2011
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 25 5% (2011 27 5%) A reconciliation is provided below

Loss before taxation	(5,971,796)	(12,258,005)
Tax on loss before tax at 25 5% (2011 27 5%)	(1,522,808)	(3,370,951)
Non-allowable expenses for tax purposes	4,235	1,247,270
Short term timing differences	19,905	167,639
Losses carried forward	1,498,668	1,956,042
Current tax charge £	-	£ -

(c) Deferred taxation

At the reporting period date, there is a deferred tax asset of £5,066,595 (2011 £3,950,977) 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 2012	Year ended 30th June 2011
Capital allowances in excess of depreciation	60,526	38,456
Tax losses carried forward	5,006,069	3,912,521
£	5,066,595	£ 3,950,977

Arcapita Limited

Financial Statements for the year ended 30th June 2012

Notes (Continued)

6 Property, plant and equipment

2012	Equipment	Furniture	Fixtures	Total
Cost				
At 1st July 2011	910,463	1,723,918	2,223,831	4,858,212
Additions	37,383	-	-	37,383
At 30th June 2012	£ 947,846	£ 1,723,918	£ 2,223,831	£ 4,895,595
Accumulated Depreciation				
At 1st July 2011	878,112	1,648,638	2,093,716	4,620,466
Charge for the year	27,067	72,034	100,515	199,616
At 30th June 2012	£ 905,179	£ 1,720,672	£ 2,194,231	£ 4,820,082
Net book value				
At 30th June 2012	£ 42,667	£ 3,246	£ 29,600	£ 75,513

2011	Equipment	Furniture	Fixtures	Total
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

Arcapita Limited

Financial Statements for the year ended 30th June 2012

Notes (Continued)

7 Trade and other receivables

	30th June 2012	30th June 2011
Trade receivables	5,841,667	5,235,894
Staff loans and advances	534,551	138,000
Other receivables	2,945	343,730
	£ 6,379,163	£ 5,717,624

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

	30th June 2012	30th June 2011
Within one year	5,841,667	2,375,000
Between one and two years	-	1,400,000
Between two and five years	-	1,460,894
	£ 5,841,667	£ 5,235,894

8 Trade and other payables

	30th June 2012	30th June 2011
Payroll taxation and social security	60,129	141,925
Accruals	44,964	30,000
Other taxation	1,605,575	971,578
	£ 1,710,668	£ 1,143,503

9 Share Capital

	30th June 2012	30th June 2011
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 2012	30th June 2011
Within one year	1,090,888	997,820
Between two and five years	1,363,610	2,177,633
Total	£ 2,454,498	£ 3,175,453

Arcapita Limited

Financial Statements for the year ended 30th June 2012

Notes (Continued)

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 2012	Year ended 30th June 2011
Merger and acquisition and management advisory fees		
Ultimate parent company		
Arcapita Bank B S C (c)	401,803	512,798
Companies with common directors		
VGC (France) Holdings SAS	-	44,441
EI Ventures Limited	3,000,000	3,000,000
PVC (Lux) Holding Company S a r l	865,384	1,718,247
Freightliner Group Limited	566,667	466,667
Sortalogic Europe SAS	1,137,942	988,154
	£ 5,971,796	£ 6,730,307

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

	30th June 2012 £	30th June 2011 £
Companies with common directors		
EI Ventures Limited	3,875,000	2,375,000
Freightliner Group Limited	1,966,667	1,400,000
Sortalogic Europe SAS	-	1,460,894
	5,841,667	5,235,894

The amounts due to the ultimate parent company of £34,205,135 (2011 £27,231,338) 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 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

Trade receivables amounting to £nil as at 30th June 2012 (2011 £1,460,894) are denominated in Euros

Sensitivity analysis indicates that at 30th June 2012, if the value of Pound Sterling against the Euro had increased by 20% that would have reduced equity and profit by Nil (2011 325,217), 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 2012 a total amount of £5,841,667 (2011 £5,235,894) was due from just two companies (2011 three) 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

13 Financial Instruments (Continued)

Credit Risk (continued)

Credit allowances made in respect of the management advisory fees and disbursements, were as follows

	30th June 2012 £	30th June 2011 £
PVC (Lux) Holding Company S a r l	836,654	7,203,280
Sortalogic Europe SAS	2,846,032	-
VGC (France) Holdings SAS	-	90,406
Paroc Group Holding OY	-	(426,961)
	3,682,686	6,866,725

Cash and cash equivalents include cash at bank and deposits with one bank (2011 one bank) with a credit rating of A-2 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 £34,205,135 (2011 £27,231,338) at the reporting period date, and there is no set date of maturity

(b) Categories of Financial Instruments

	30th June 2012 £	30th June 2011 £
Financial Assets		
Loans and receivables (including cash and cash equivalents)	8,277,772	6,397,339
Financial Liabilities		
Financial liabilities at amortised cost	35,915,803	28,374,841

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

13 **Financial Instruments (Continued)**

(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 £34,205,135 (2011 £27,231,338), 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 2012

The company has adopted the new interpretations and revised standards effective for the year ended 30th June 2012 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

A number of new standards and amendments to existing standards have been published which are mandatory, but are not effective for the year ended 30th June 2012 The directors do not anticipate that the adoption of these revised standards and interpretations will have a significant impact on the figures included in the financial statements in the period of initial application other than the following

IFRS 9 *Financial Instruments*

The standard makes substantial changes to the recognition and measurement of financial assets and financial liabilities and de-recognition 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 those classified as 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 derivative financial instruments, with changes in the liabilities credit risk recognised in other comprehensive income

The standard is effective for accounting periods beginning on or after 1st January 2015

IFRS 13 *Fair Value Measurement*

The standard outlines a single framework for measuring fair value and the required disclosure thereof when required or permitted by other International Financial Reporting Standards The standard is unlikely to impact the fair value measurement of assets and liabilities that are currently recognised at fair value, however there will be greater disclosure given

The standard is effective for accounting periods beginning on or after 1st January 2013