



3i Debt Management Investments Limited

Annual report and accounts
for the year to 31 March 2014

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Directors' report

The Directors submit their report with the financial statements for the year to 31 March 2014.

Business review

Principal activity

The principal activity of 3i Debt Management Investments Limited (the "Company") is to provide discretionary investment management and investment advice. The Company is domiciled and incorporated in the United Kingdom. The Company acts as a Fund Manager and Investment Advisor for leveraged finance funds (including mezzanine loans and private equity assets), and has 17 funds under management at 31 March 2014 (2013: 15 funds).

The Company is authorised and regulated by the Financial Conduct Authority ("FCA").

Directors

R A Bellis
J R Ghose
P Goody
B R Loomes

Audit information

Pursuant to section 418(2) of the Companies Act 2006, each of the Directors confirms that: (a) so far as they are aware, there is no relevant audit information of which the auditors are unaware; and (b) they have taken all steps they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of such information.

Auditors

Ernst & Young LLP remain in office as auditors of the Company in accordance with section 487(2) of the Companies Act 2006.

By Order of the Board



Peter Goody
Director

Date: 18/6/14

Registered Office:
16 Palace Street
London SW1E 5JD

Directors' report

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report and financial statements in accordance with applicable United Kingdom law and have elected to prepare them in accordance with those International Financial Reporting Standards which have been adopted by the European Union.

Under Company Law the Directors must not approve financial statements unless they are satisfied that they present fairly the financial position, financial performance and cash flows of the Company for that period. In preparing financial statements the Directors are required to:

- select suitable accounting policies in accordance with IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company's financial position and financial performance;
- state that the Company has complied with IFRSs, subject to any material departures disclosed and explained in the financial statements; and
- make judgements and estimates that are reasonable.

The Directors have a responsibility for ensuring that proper accounting records are kept which 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 financial statements comply with the Companies Act 2006. They have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Policy for paying creditors

It is the policy of the 3i Group of companies to settle all investment transactions in accordance with the terms and conditions of the relevant markets in which it operates. All other expenses are paid on a timely basis in the ordinary course of business. At the year end, trade creditors represented 2.9 days purchases (2013: 6.8 days).

Strategic Report

Results and business review

Total recognised income after tax for the year amounted to £11,239k (2013: £11,833k). The Directors do not recommend a final dividend for the year ending 31 March 2014 (2013: £nil). No interim dividends were paid during the financial year (2013: £nil).

An analysis of the Company's revenue is given in note 1 to the financial statements.

Development

There have been no changes in activity in the year and the Directors do not foresee any future changes.

Principal risks and uncertainties

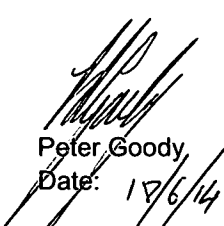
The Group sets objectives, policies and processes for managing and monitoring risk as set out in the Directors' report in the 3i Group plc annual report.

The financial risks are discussed in further detail in note 15.

Going concern

The Directors are satisfied that the Company has adequate resources to continue to operate for the foreseeable future. For this reason, they continue to adopt the going concern basis for preparing the financial statements.

By order of the board



Peter Goody

Date:

17/6/14

Registered Office:
16 Palace Street
London SW1E 5JD

Independent auditors' report to the members of 3i Debt Management Investments Limited

We have audited the Company's financial statements for the period ended 31 March 2014 which comprise the Statement of Comprehensive Income, the Statement of Changes in Equity, the Statement of Financial Position, the Statement of Cash Flows and the related notes 1 to 19. 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 auditor

As explained more fully in the Statement of Directors' Responsibilities as set out on page 2, 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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 31 March 2014 and of its profit 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.

Independent auditors' report to the members of
3i Debt Management Investments Limited

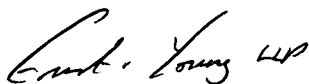
Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and Directors' Report for the financial period 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, 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.



James Stuart (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London

Date: 18/6/14

Statement of comprehensive income

for the year to 31 March 2014

	Notes	2014 £'000	2013 £'000
Revenue	1	29,200	32,244
Operating expenses		(12,818)	(16,220)
Operating profit	2	16,382	16,024
Interest receivable	6	86	98
Interest payable	7	(1,107)	(747)
Exchange movements		(611)	(335)
Fair value movement on derivatives		(22)	34
Profit before tax		14,728	15,074
Income taxes	8	(3,487)	(3,120)
Profit for the year		11,241	11,954
Other comprehensive income			
Movement in hedge accounting reserve		(2)	(121)
Other comprehensive expense for the year		(2)	(121)
Total comprehensive income for the year		11,239	11,833

All items in the above statement are derived from continuing operations.

Statement of changes in equity

for the year to 31 March 2014

	Issued capital	Hedge Accounting Reserve	Retained earnings	Total
	£'000	£'000	£'000	£'000
As at 31 March 2012	12,000	124	22,945	35,069
Profit for the year	-	-	11,954	11,954
Contribution for share based payment reserve	-	-	32	32
Movements on hedging instruments	-	(121)	-	(121)
Total change in equity for the year	-	(121)	11,986	11,865
As at 31 March 2013	12,000	3	34,931	46,934
Profit for the year	-	-	11,241	11,241
Issued share capital	34,238	-	-	34,238
Contribution for share based payment reserve	-	-	78	78
Movements on hedging instruments	-	(2)	39	37
Total change in equity for the year	34,238	(2)	11,358	45,594
As at 31 March 2014	46,238	1	46,289	92,528

Statement of financial position

as at 31 March 2014

	Notes	2014 £'000	2013 £'000
Assets			
Non-current assets			
Investments	10	33,911	-
Intangible assets	11	7,301	9,169
Derivatives Financial Instruments		-	3
		41,212	9,172
Current assets			
Trade & other receivables	12	46,250	46,314
Derivatives Financial Instruments		14	27
Cash and cash equivalents		30,249	22,956
		76,513	69,297
Total assets		117,725	78,469
Liabilities			
Non - current liabilities			
Trade and other payables	13	15,270	21,349
		15,270	21,349
Current liabilities			
Trade and other payables	13	9,927	10,186
		9,927	10,186
Total liabilities		25,197	31,535
Net assets		92,528	46,934
Equity			
Issued Capital	14	46,238	12,000
Hedge accounting reserve		1	3
Retained earnings		46,289	34,931
Total equity		92,528	46,934

The financial statements have been approved and authorised for issue by the Board of Directors.


 Peter Goody

Director

Date: 18/6/14

Statement of cash flows

for the year to 31 March 2014

	2014	2013
	£'000	£'000
Cash flow from operating activities		
Profit before tax	14,728	15,074
Adjustments for:		
Amortisation of management contracts	1,868	1,089
Share based payment charge	78	32
Exchange movements	611	335
Fair value movement on derivatives	22	(34)
Increase in receivables	(652)	(30,067)
(Decrease)/increase in payables	(4,965)	14,848
Interest receivable	(86)	(98)
Cash generated from operating activities	11,604	1,179
Interest received	86	106
Net cash movement on derivatives	37	228
Income tax paid	(4,076)	(5,300)
Net cash flow from operating activities	7,651	(3,787)
Cash flows from investing activities		
Purchase of intangible asset	-	(10,258)
Purchase of Investments	(34,297)	-
Net cash flow from investing activities	(34,297)	(10,258)
Cash flow from financing activities		
Issued share capital	34,238	-
Net cash flow from investing activities	34,238	-
Total change in cash and cash equivalents	7,592	(14,045)
Change in cash and cash equivalents	7,592	(14,045)
Cash and cash equivalents at the start of the year	22,956	36,927
Effect of exchange rate fluctuations	(299)	74
Cash and cash equivalents at the end of the year	30,249	22,956

Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and their interpretations issued or adopted by the International Accounting Standards Board as adopted for use in the European Union ("IFRS").

These financial statements have been prepared in accordance with and in compliance with the Companies Act 2006.

The IASB has issued the following standards and interpretations to be applied to financial statements with periods commencing on or after the following dates:

		Effective for period beginning on or after
IAS 32	Amendment to offsetting financial assets and financial liabilities	1 January 2014
IAS 36	Recoverable amount disclosures for non financial assets - amendments to IAS 36	1 January 2014
IAS 39	Novation of derivatives and continuation of hedge accounting - amendments to IAS 39	1 January 2014

Accounting Policies

The Directors do not anticipate that the adoption of these standards, interpretations and amendments will have a material impact on the financial statements in the period of initial application and has therefore decided not to adopt these amendments early.

A Basis of preparation The financial statements are presented in Sterling, the functional currency of the Company.

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The most significant techniques for estimation are described in the accounting policies below.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

Statement of compliance

B Revenue recognition Revenue arises from Investment Management fees, Investment Advisory fees, Incentive fees and Structuring fees relating to fund management. Investment Management, Investment Advisory and Incentive fee income is recognised on an accrual basis. Structuring fees are recognised in full on the date that the fund closes. All revenue derives from operations in Europe.

C Foreign exchange Transactions in currencies different from the functional currency of the entity are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the statement of financial position date are translated to sterling at the exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the statement of comprehensive income except for those that relate to designated hedging instruments as described in note H. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to sterling using exchange rates ruling at the date the fair value was determined.

D Income taxes Income taxes represent the sum of the tax currently payable and deferred tax. Tax is charged or credited in the statement of comprehensive income, except when it relates to items charged or credited directly to equity, in which case the tax is also dealt with in equity.

The tax currently payable is based on the taxable profit for the year. This may differ from the profit 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 Company's liability for current tax is calculated using tax rates and laws that have been enacted or substantively enacted by the statement of financial position date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit ("temporary differences"), and is accounted for using the statement of financial position liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised using tax rates and laws that have been enacted or substantively enacted by the statement of financial position date.

E Investments Portfolio Investments relate to interests in managed CLOs, and are recognised on the date on which the investment is made.

The investments are designated as fair value through profit and loss and subsequently carried in the balance sheet at fair value. Fair value is measured using a range of data including original arranging bank models, 3i internal forecasts and models, trading data where available, and data from third-party valuation providers.

Statement of compliance

F Intangible assets Fund management contracts are stated at their fair value at the date of acquisition less their accumulated amortisation and impairment losses. Amortisation is charged to the statement of comprehensive income on a straight line basis over the estimated life of the fund, typically 5 years.

G Property, Plant and Equipment Vehicles and office equipment are depreciated by equal annual instalments over their estimated useful lives as follows: office equipment five years; computer equipment three years; computer software three years; motor vehicles four years.

H Derivative financial instruments Derivative financial instruments are used to manage the exchange risk associated with receiving Euro denominated senior management fees. This is achieved by the use of foreign exchange contracts. The contracts are held at fair value. The contracts are recognised initially at fair value on the contract date and subsequently re-measured to the fair value at each reporting date. The fair value of the contracts is calculated by reference to current forward foreign exchange contracts for contracts with similar maturity profiles (a level 2 valuation). The Company has elected to apply hedge accounting so changes in the fair value of the contracts in relation to movements in spot rate are taken to other comprehensive income. Changes in fair value of the contracts in relation to forward point movements are taken to the statement of comprehensive income.

I Other receivables Assets, other than those specifically accounted for under a separate policy, are stated at their cost less impairment losses. They are reviewed at each statement of financial position date to determine whether there is an indication of impairment. If any such indication exists, the asset's recoverable amount is estimated based on expected discounted future cash flows. Any change in the level of impairment is recognised directly in statement of comprehensive income. An impairment loss is reversed at subsequent statement of financial position dates to the extent that the asset's carrying amount does not exceed its original cost.

J Other payables Liabilities, other than those specifically accounted for under a separate policy, are stated based on the amounts which we consider to be payable in respect of goods or services received up to the statement of financial position date.

K Cash and cash equivalents Cash and cash equivalents in the statement of financial position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less. For the purposes of the statement of cash flows, cash and cash equivalents comprise cash and short-term deposits as defined above and other short-term highly liquid investments that are readily convertible into cash and are subject to insignificant risk of changes in value, net of bank overdrafts.

L Share-based payments The Company enters into arrangements that are equity-settled share-based payments with certain employees (including Directors). These are measured at fair value at the date of grant, which is then recognised in profit and loss on a straight line basis over the vesting period, based on the Company's estimate of shares that will eventually vest. Fair value is measured by use of an appropriate model. In valuing equity-settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares. The charge is adjusted at each statement of financial position date to reflect the actual number of forfeitures, cancellations and leavers during the period. The movement in cumulative changes since the previous statement of financial position is recognised in the statement of comprehensive income, with a corresponding entry in equity.

Notes to the financial statements

1 Revenue	2014	2013
	£'000	£'000
Investment management fees	19,931	23,302
Investment advisory fees	5,133	5,974
Incentive fee income	4,037	2,968
Other fees	99	-
	29,200	32,244

2 Operating profit	2014	2013
	£'000	£'000
Operating profit is stated after charging:		
Audit fees	14	14
Redundancy costs	297	217
Amortisation of intangible asset	1,868	1,089

3 Staff costs	2014	2013
	£'000	£'000
Wages and salaries	4,927	9,954
Social security costs	393	360
Share based payment	78	32
Pension and other costs	306	387
	5,704	10,733

The average number of employees during the year, including secondments was as follows:

	2014	2013
	32	32

4 Directors' emoluments	2014	2013
	£'000	£'000
Salaries and benefits	1,014	934
Performance-related payments	1,314	851
Contributions to money-purchase pension schemes	33	28
Amounts receivable under long-term incentive plans	1,565	1,269
Directors' emoluments	3,926	3,082

The emoluments of the highest paid director were £1,421,255 (2013: £1,443,694). Amounts receivable under long term incentive plans of £686,600 (2013: £892,383) are included in Directors' emoluments.

Notes to the financial statements

5 Share based payment**Deferred Share awards**

Certain employees receive awards as part of the Deferred Bonus Plan which vest during or after three years subject to continued service for that period. These awards are not subject to a performance condition. The fair value of the deferred shares is the share price at the date of the award.

The total cost recognised in the statement of comprehensive income is shown below:

	2014	2013
	£'000	£'000
Share awards	78	32
	78	32

Details of share awards outstanding during the year are as follows:

	2014	2013
Outstanding at start of the year	30,683	11,239
Granted	72,483	19,444
Outstanding at end of the year	103,166	30,683

The cost of share awards is spread over the vesting period of three years. The awards outstanding at the end of the year have a weighted average contractual life of 8.80 years (2013: 8.79 years).

6 Interest income	2014	2013
	£'000	£'000
Bank interest receivable	86	98
	86	98

7 Interest payable	2014	2013
	£'000	£'000
Interest on inter-group borrowing	1,107	747
	1,107	747

Notes to the financial statements

8 Income Taxes

	2014	2013
	£'000	£'000
Income taxes		
Statement of comprehensive income		
Current tax	2,906	4,866
Current tax adjustment in relation to prior period	26	(409)
Deferred tax	597	(1,236)
Deferred tax adjustment in relation to prior period	(42)	(101)
Total income taxes in the statement of comprehensive income	3,487	3,120
Statement of changes in equity		
Prior year adjustment through reserves	(39)	-
Deferred income tax charge / (credit)	-	-
Total income taxes in the statement of changes in equity	(39)	-

Reconciliation of income taxes in the statement of comprehensive income

The tax for the year is different to the standard rate of corporation tax in the UK (23%) (2013: 24%). The differences are explained below:

	2014	2013
	£'000	£'000
Profit before tax	14,728	15,074
Profit before tax multiplied by rate of corporation tax in the UK of 23% (2013: 24%)	3,387	3,618
Effects of:		
Expenses not deductible for tax purposes	27	6
Effect of change in deferred tax rate	230	129
Prior year adjustment	(16)	(511)
Group relief received for nil consideration	(141)	(122)
Total income taxes in the statement of comprehensive income	3,487	3,120

Notes to the financial statements

8 Income Taxes (continued)

Deferred tax

	Balance sheet	Statement of comprehensive income	Statement of changes in equity
	2014 £'000	2014 £'000	2014 £'000
Deferred income tax asset			
Decelerated capital allowances	22	7	-
Long term incentive plan	2,396	548	-
Tax Losses	-	-	-
Hedge Accounting Expenses	-	-	-
Deferred income tax asset	2,418	555	-
Deferred income tax charge/(credit) in the statement of comprehensive income	-	555	-

	Balance sheet	Statement of comprehensive income	Statement of changes in equity
	2013 £'000	2013 £'000	2013 £'000
Deferred income tax asset			
Decelerated capital allowances	30	8	-
Long term incentive plan	2,943	(1,346)	-
Tax Losses	-	-	-
Hedge Accounting Expenses	-	-	-
Deferred income tax asset/(liability)	2,973	(1,338)	-
Deferred income tax charge/(credit) in the statement of comprehensive income	-	(1,338)	-

Deferred income tax calculated using the expected rate of corporation tax in the UK of 21% (2013: 23%).

Notes to the financial statements

9 Property, plant and equipment

All fixed assets have been fully depreciated and therefore have a carrying value of nil (2013: nil).

10 Investments

	2014	2013
	£'000	£'000
Opening value	-	-
Additions	34,297	-
Exchange movements	(386)	-
Closing value	33,911	-

11 Intangible assets

In August 2012, the Company acquired the rights to manage five European Collateralised Loan Obligation Management contracts from Invesco Management Incorporated for a consideration of £10,258K. These are amortised on a straight line basis over a 5.5 year period.

	£'000
Opening cost	10,258
Closing cost	10,258
Opening accumulated amortisation	1,089
Charge for the year	1,868
Closing accumulated amortisation	2,957
Net book amount 31 March 2014	7,301
Net book amount 31 March 2013	9,169

12 Trade and other receivables

	2014	2013
	£'000	£'000
Deferred tax	2,418	2,973
Prepayments and accrued income	6,207	5,864
Amounts owed by group undertakings	28,260	26,848
VAT recoverable	-	657
Carry receivable	9,365	9,972
	46,250	46,314

Notes to the financial statements

13 Trade and other payables

Non current liabilities	2014	2013
	£'000	£'000
Loans with group undertakings *	7,619	11,820
Long term incentive bonus	7,651	9,529
	15,270	21,349
Current liabilities	2014	2013
	£'000	£'000
Amounts owed to group undertakings	129	300
Other taxes and social security costs	126	110
Carry payable	3,505	3,038
Corporate tax creditor	1,216	2,399
Accruals and deferred income	4,951	4,339
	9,927	10,186

* 3i Debt Management Investments Limited has a €8.4m (Initial loan principle €14m) Interest bearing loan in place with its parent, 3i Debt Management Limited. The loan is repayable in full on or before 22 November 2022.

14 Share capital

	Number of shares '000	Amount of shares £'000
Called up, allotted and fully paid ordinary shares of £1 each		
At 31 March 2013	12,000	12,000
Issued ordinary shares of £1 each	34,238	34,238
At 31 March 2014	46,238	46,238

15 Financial risk management

Introduction

The Company's ultimate parent company is 3i Group plc, who sets objectives, policies and processes for managing and monitoring risk as set out in the Directors' report in the 3i Group plc annual report. This note provides further information on the specific risks faced by the Company.

The capital structure of the Company consists of equity and cash and cash equivalents. As an investment firm regulated by the FCA, the Company's regulated capital requirement is reviewed regularly by the Board. The last submission to the FCA demonstrated a capital surplus in excess of the FCA's prudential rules. The following risk management policies have been consistently applied throughout the year.

Notes to the financial statements

15 Financial risk management (continued)

Credit risk

Credit risk is the risk that financial loss arises from the failure of a customer or counterparty to meet its obligations under a contract. The Company's credit exposure is to its investments in CLO funds, debtors and bank balances. The CLO investment is monitored monthly for value loss and debtors and cash balances are frequently monitored for size and age. Subordinate fees that are not expected to be received for the foreseeable future have not been recognised. This situation is monitored closely, and the Board is updated regularly. The Company also manages the Credit Risk of each fund, and this is controlled by the terms of reference relating to the Advisory Committee, the policies and procedures relating to each fund, and the legal documentation to each fund.

Interest rate risk

The Company is exposed to interest rates on banking deposits held in the ordinary course of business.

Liquidity risk

The procedure throughout the year has been to maintain sufficient liquidity in line with FCA regulations. Liquidity risk is managed at the Group level as discussed in the Directors' report in the 3i Group plc annual report. The Company's current liabilities are principally amounts owed to Group undertakings and staff remuneration.

Foreign exchange risk

The Company's revenue is denominated in USD and Euros, and is subject to exchange rate risk. The exchange rate is monitored and forward currency contracts are used to mitigate this risk. The Company has entered into a number of forward foreign exchange contracts with 3i Group plc acting as the counterparty, further detail is provided in note 18. The Company's market risk is predominantly due to the Euro currency exposure relating to its Euro CLO investment, management fee receivables, deposits and forward foreign exchange contracts. A +/- 10% movement on the Euro against sterling would lead to a net +/-£4,106 (2013: +/- £990k) impact in the statement of comprehensive income.

Operational risk

Operational risk is mitigated by the Company through the application of written procedures, and the adoption of operational risk monitoring and measurement standards. Furthermore, the Company is also subject to independent internal audit monitoring.

16 Parent undertaking and controlling party

The Company's immediate parent undertaking is 3i Debt Management Ltd.

The Company's ultimate parent undertaking and controlling party is 3i Group plc which is incorporated in Great Britain and registered in England and Wales. Copies of its group financial statements, which include the Company, are available from 16 Palace Street, London SW1E 5JD.

Notes to the financial statements

17 Related parties

During the year the Company entered into transactions, in the ordinary course of business, with other related parties. Those transactions with Directors of the Company are disclosed in note 4. The Company has no other key management personnel. Each of these categories of related parties and their impact on the financial statements is detailed below.

The company entered into a number of forward foreign exchange contracts with 3i Group plc acting as the counterparty. These contracts are described in more detail in note 18. The company has a service level agreement with 3i Group plc for the provision of support services to the Company.

Parent company**Borrowing arrangements**

The Company has an outstanding receivable balance with its parent company.

	2014	2013
	£'000	£'000
Receivable at the end of the year	19,029	13,728

Borrowing arrangements

The Company has an intercompany loan with its parent that accrues interest at 12% p.a

	2014	2013
	£'000	£'000
Loan and accrued interest at the end of the year	7,619	11,820

Fellow subsidiaries**Advisory arrangements**

The Company receives management fees from Palace street 1 Limited, a fellow subsidiary, as shown below:

	2014	2013
	£'000	£'000
Management fees received during the year	289	300
Balance due at the end of the year	642	331

Notes to the financial statements

18 Hedge accounting

The Company uses forward foreign exchange contracts to hedge the Euro denominated senior management fee cash flows that it receives. The Company has elected to apply hedge accounting for the cash flow hedges that are in place.

The risk being hedged is the foreign exchange risk associated with receiving Euro denominated cash flows. The forward foreign exchange contracts are the hedging instruments and the Euro denominated senior management fee cash flows are the hedged items. The senior management fees are accrued monthly and the cash flows received quarterly. The cash flows being hedged will be received quarterly up to 30 April 2014. The senior management fees are deemed to be highly probable, and will only not be paid out if the funds were to be in default.

The hedge relationship is expected to be 100% effective as the forward foreign exchange contracts cash outflows exactly match the expected senior management fee cash inflows.

During the year to 31 March 2014 an exchange loss (2013: loss) on the forward foreign exchange contracts of £7,000 (2013: £121,000) was recognised in other comprehensive income. A gain of £46,000 (2013: gain £88,000) was reclassified from equity to exchange movements within the profit for the year. The counter party for the forward foreign exchange contracts is 3i Group plc and are therefore related party transactions. The contracts have been transacted at market rates.

19 Pension scheme

Employees of the Company are entitled to join the 3i Group defined contribution retirement benefit plan, the assets of the plan are held separately from those of the Company. There were no outstanding payments due to the plan at the balance sheet date (2013: £nil). Historic pension scheme allocations that employees were entitled to join are held separately from those of the Company.

20 Country by country reporting (Unaudited)

The *Capital Requirements (Country-by-Country Reporting) Regulations 2013* apply to the Company and information required to be published by these regulations is set out below.

The principal activity of 3i Debt Management Investments Ltd (the "Company") is to provide investment management and advisory services to various debt funds. The Company carries on its principal activities in the UK and has no overseas offices or branches. The Company also does not have any subsidiaries.

	2014 £'000	2013 £'000
Turnover	29,200	32,244
Profit before tax	14,728	15,074
Corporation tax paid	4,076	5,300
Public subsidies received	-	-

The average number of full time equivalent employees of the Company during the period was 32 (2013: 32).