

# SVG Investment Managers Limited

Registered Number - 4493500

## Annual Report and Financial Statements

For the year ended 31 December 2011

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# SVG Investment Managers Limited

## Report of the Directors

The Directors submit their report together with the audited financial statements for the year ended 31 December 2011

### Principal activity

SVG Investment Managers Limited (the 'Company') is an investment management company and acts as a General Partner of a UK Limited Partnership, Strategic Recovery Fund II. The registered office of the Company is 61 Aldwych, London, WC2B 4AE

The Directors are responsible for the risk management of the Company from a strategic, business and process risk perspective. The Company is a wholly owned subsidiary of SVG Capital plc and follows the risk framework of this entity. The Directors have assessed the currency risk, price risk, credit risk and the liquidity risk exposure of the Company based on underlying activity performed.

### Principal risks and uncertainties

A description of the principal risks and uncertainties facing the Company and the Company's risk management policies are set out in note 19 to the accounts. From the perspective of the Company, the principal risks and uncertainties are integrated with the principal risks of the Group and are not managed separately. The principal risks and uncertainties of the Group, which include those of the Company, are discussed in the consolidated financial statements of SVG Capital plc, which does not form part of this report.

### Currency risk

The Company is exposed to currency risk as some of its fee income is receivable in Euros.

### Market Price risk

The Company is exposed to market price risk as management fee and priority profit share income is calculated as a percentage of net asset value of the managed funds.

### Credit risk

The Company takes on exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. The Company is exposed to credit risk in relation to management fee and priority profit share payments.

### Liquidity risk

The Directors consider any liquidity risk to be negligible.

### Key performance indicators

The Directors of SVG Capital plc manage the operations of the Group on a consolidated basis. For this reason the Directors believe that using key performance indicators for the Company is neither necessary nor appropriate. The development, performance and position of the Group, which includes the Company is discussed in the financial statements of SVG Capital plc.

### Results and dividends

During the year the Company made a loss after taxation of £225,619 (2010 profit of £196,576).

### Creditor Payment Policy

The Company's normal practice is to agree the terms of payment with suppliers at the time of contract and to make payment within the agreed credit term subject to satisfactory performance.

### Directors and directors' interests

The Directors of the Company and their beneficial, non-beneficial and family interests in the share capital of SVG Capital plc, the Company's immediate parent, during the year to 31 December 2011 are given below.

Ordinary shares	31 December 2011	31 December 2010
Lynn Fordham	119,523	68,000
Jonathan Morgan	50,000	-
Anthony Dalwood (resigned 24 March 2011)	n/a	2,176
Adam Steiner	-	-
Denis Raeburn (joined 16 August 2011)	328,332	n/a

No Director has any material interest in any other contract that is significant to the Company's business.

Anthony Dalwood resigned from the Board on 24 March 2011. Denis Raeburn was appointed to the Board on 16 August 2011 and resigned on 23 March 2012.

### Long-term incentives

Selected employees of the Group are eligible to participate in the Performance Share Plan ("PSP") at the discretion of the SVG Capital's Remuneration Committee (the 'Committee').

The Committee believes that participation in long-term incentives ensures that a significant part of executives' potential remuneration is tied to the returns received by SVG Capital plc's shareholders over the longer term through the use of performance conditions linked to the Group's strategy and through exposure to the Group's share price. This provides alignment between executives and shareholders and, because vesting of awards takes place three or four years after grant, provides an element of lock-in and encourages a focus on performance that is sustainable in the longer term.

PSP awards are made annually, as this enables executives to build up a series of overlapping awards, which the Committee believes is more retentive than larger one-off awards. The PSP enables awards of conditional free shares (or nil or nominal cost options) to be made. Award levels are determined by reference to the level of salary and bonus earned in the previous year as this provides a link to individual performance. The maximum that can be awarded in any financial year is 200% of base salary and bonus. For the purposes of calculating these limits the maximum amount of bonus which may be used is capped at 300% of base salary and the value of an award shall be calculated and, if necessary, adjusted to take into account the total

exercise cost (if any) payable by an award holder on exercise and any employer's secondary National Insurance contributions (or overseas equivalent) that may have been transferred to the award holder. In practice, the cap on the amount of bonus that may be included in the calculation of awards is unlikely to be reached as the normal maximum annual bonus of 200% of salary can only be exceeded in exceptional circumstances.

In order to ensure that long-term incentives provide alignment with shareholders the Committee sets performance conditions that reward executives for delivering absolute growth in the value of the Group. The performance conditions used for the 2011 awards are the same as those for the 2010 awards and consist of (i) the average growth in SVG Capital plc's undiluted Net Asset Value per Share ("NAV") over a four-year period and (ii) SVG Capital plc's average annual compound total shareholder return ("TSR") over a three-year period, with each determining the vesting of 50% of the award.

NAV-based awards will normally vest on the fourth anniversary of the award being granted provided that the award holder is a Director or employee within the Group on that date and to the extent that the NAV performance condition has been satisfied. If average annual growth in NAV over the performance period is less than 7% per annum, none of this part of the award will vest. If average annual growth in NAV over the performance period is 15% per annum or more, all of this part of the award will vest. For NAV growth between these two points, between 0% and 100% of this part of the award will vest on a pro-rata basis.

TSR based awards will normally vest on the third anniversary of the award being granted provided that the award holder is a Director or employee within the Group on that date and to the extent that the TSR performance condition has been satisfied. If average annual compound TSR over the performance period is less than 10% per annum, none of this part of the award will vest. If average annual compound TSR over the performance period is 20% per annum or more, all of this part of the award will vest. For TSR performance that is between these two points between 0% and 100% of this part of the award will vest on a pro-rata basis.

The Remuneration Committee believes that TSR and growth in NAV are appropriate measures of long-term performance for a business focused on delivering superior levels of NAV growth and returns to shareholders. In setting the performance targets for the 2011 awards the Remuneration Committee took account of the current shareholder expectations of future performance for the Company. The PSP replaced the 2001 ESOP following the 2007 AGM. However, whilst the Committee does not intend to make further grants under the ESOP it has been retained for use in exceptional circumstances such as for the recruitment and retention of senior staff or to reward exceptional performance. Any grant of options under the ESOP will count toward the individual limits under the PSP and appropriately demanding performance conditions will be set at the time of grant.

In addition, the SVG Capital Plc introduced a SIP at the 2007 AGM. The SIP is a tax approved all-employee share plan with standard features. No awards have been made under the SIP.

#### **Directors' and officers' liability insurance**

During the year SVG Capital plc maintained cover for the Company's Directors and Officers, under a directors' and officers' liability insurance policy as permitted by Section 234 of the Companies Act 2006.

#### **Financial instruments and risk profile**

The Company's financial instruments are discussed in note 1 and note 19. The main financial risks faced by the Company and the management of those risks are set out in note 19.

#### **Going concern**

Going concern is assessed on a group basis for SVG Capital plc and its subsidiaries (the Group).

In light of the Group's financial resources, the Directors believe that the Company is positioned to manage its business risks successfully despite the continuing uncertain economic outlook, and, after making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future.

SVG Investment Managers Limited made a loss in the year of £225,619 and had a cash balance of £1,763,535 as at 31 December 2011.

Therefore the Company has adequate financial resources to continue in operational existence.

Accordingly, the directors continue to adopt the going concern basis in preparing the Accounts.

#### **Auditors**

Ernst & Young LLP have expressed their willingness to remain in office. The remuneration and reappointment of Ernst & Young LLP will be approved by the Audit Committee of SVG Capital plc.

#### **Provision of information to auditors**

As far as the Directors are aware there is no relevant information of which the auditors are unaware and the Directors have taken all steps they should have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

By order of the Board

Secretary  
24 April 2012  
London



## SVG Investment Managers Limited Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and those International Financial Reporting Standards as adopted by the European Union

The Directors are required to prepare financial statements for each financial year which present fairly the financial position of the Company and the financial performance and the cash flows of the Company for that period. In preparing those financial statements, the Directors are required to

- select suitable accounting policies in accordance with IAS 8 Accounting policies, changes in accounting estimate 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 International Financial Reporting Standards is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance, and
- state that the Company has complied with International Financial Reporting Standards, subject to any material departures disclosed and explained in the financial statements

The Directors are responsible for keeping proper accounting records which 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

The Directors believe that they have complied with these responsibilities

## Independent auditors' report to the members of SVG Investment Managers Limited

We have audited the financial statements of SVG Investment Managers Limited for the year ended 31 December 2011 which comprise Statement of comprehensive income, the Statement of changes in equity, the Statement of financial position, the Cash flow statement and the related notes 1 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 auditor's 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 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 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 Annual Report and Financial statements 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 31 December 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

### 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, 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



Sarah Williams (Senior statutory auditor)  
for and on behalf of Ernst & Young LLP, Statutory Auditor  
London  
24 April 2012

SVG Investment Managers Limited  
Statement of comprehensive income

	Notes	For the year ended 31 December 2011 £	For the year ended 31 December 2010 £
Exchange loss on other items		(13,128)	(9,785)
		(13,128)	(9,785)
<b>Operating income</b>			
Fee income		2,294,393	2,150,966
Other operating income		4,623	5,095
<b>Total revenue</b>	<b>2</b>	<b>2,299,016</b>	<b>2,156,061</b>
<b>Operating expenses</b>			
Administrative expenses	<b>3</b>	(2,547,502)	(1,851,093)
<b>Total expenses</b>		<b>(2,547,502)</b>	<b>(1,851,093)</b>
<b>Operating (loss) / profit</b>		<b>(248,486)</b>	<b>304,968</b>
Finance costs	<b>6</b>	(34,320)	(34,320)
<b>(Loss) / profit before tax</b>		<b>(295,934)</b>	<b>260,863</b>
Tax	<b>7</b>	70,315	(64,287)
<b>(Loss) / profit for the year after tax</b>		<b>(225,619)</b>	<b>196,576</b>

All items in the above statement derive from continuing operations

There are no differences between the profit on ordinary activities after tax and the profit retained by the Company for the financial year stated above

The notes on pages 9 to 16 form an integral part of these accounts



SVG Investment Managers Limited  
Statement of changes in equity

	Share capital £	Equity contribution reserve £	Profit and loss reserve £	Total £
For the year ended 31 December 2011				
Loss for the year	-	-	(225,619)	(225,619)
Equity contribution for performance shares and share options	-	54,952	-	54,952
Changes in equity for the year ended 31 December 2011	-	54,952	(225,619)	(170,667)
Balance at 31 December 2010	299,999	-	540,252	840,251
Balance at 31 December 2011	299,999	54,952	314,633	669,584
For the year ended 31 December 2010				
Profit for the year	-	-	196,576	196,576
Dividends	-	-	(21,000)	(21,000)
Changes in equity for the year ended 31 December 2010	-	-	175,576	175,576
Balance at 31 December 2009	299,999	-	364,676	664,675
Balance at 31 December 2010	299,999	-	540,252	840,251

The notes on pages 9 to 16 form an integral part of these accounts

SVG Investment Managers Limited  
Statement of financial position

	Notes	As at 31 December 2011 £	As at 31 December 2010 £
<b>Non-current assets</b>			
Property, plant and equipment	8	2,295	4,441
Investments	9	100	100
Deferred tax asset	13	73,292	2,846
		75,687	7,387
<b>Current assets</b>			
Other receivables	10	598,601	599,118
Cash and cash equivalents	10	1,763,535	1,175,166
		2,362,136	1,774,284
<b>Total assets</b>		<b>2,437,823</b>	<b>1,781,671</b>
<b>Current liabilities</b>			
Other payables	11	(1,144,239)	(253,665)
Tax payables	11	-	(63,755)
		(1,144,239)	(317,420)
<b>Total assets less current liabilities</b>		<b>1,293,584</b>	<b>1,464,251</b>
<b>Non-current liabilities</b>			
Intercompany Loan	12	(624,000)	(624,000)
		(624,000)	(624,000)
<b>Net assets</b>		<b>669,584</b>	<b>840,251</b>
<b>Equity</b>			
Called up share capital	14	299,999	299,999
Equity contribution reserve	15	54,952	-
Profit and loss reserve	16	314,633	540,252
<b>Total equity</b>		<b>669,584</b>	<b>840,251</b>

The notes on pages 9 to 16 form an integral part of these accounts

The Company's (registered number 4493500) financial statements were authorised for issue by the Board of Directors on 24 April 2012 and the Statement of financial position was signed on behalf of the Board by



Adam Steiner  
Director

SVG Investment Managers Limited  
Cash flow statement

	Notes	For the year ended 31 December 2011 £	For the year ended 31 December 2010 £
<b>Net cash used in operating activities</b>	<b>17</b>	<b>645,317</b>	<b>(542,657)</b>
<b>Investing activities</b>			
General Partner calls paid		-	-
General Partner return of capital		-	-
Purchase of property, plant and equipment		-	-
<b>Net cash from investing activities</b>		<b>-</b>	<b>-</b>
<b>Financing</b>			
Loans issued		(9,500)	(3,500)
Finance costs		(34,320)	(34,328)
Dividends paid		-	(21,000)
<b>Net cash from financing activities</b>		<b>(43,820)</b>	<b>(58,828)</b>
<b>Net increase in cash and cash equivalents</b>		<b>601,497</b>	<b>(601,485)</b>
Cash and cash equivalents at beginning of year		1,175,166	1,786,436
Effect of foreign exchange on cash and cash equivalents		(13,128)	(9,785)
<b>Cash and cash equivalents at end of year</b>		<b>1,763,535</b>	<b>1,175,166</b>

The notes on pages 9 to 16 form an integral part of these accounts

# SVG Investment Managers Limited

## Notes to the accounts

### 1 Accounting policies

#### Basis of accounting

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards, which comprise standards and interpretations approved by the International Accounting Standards Board ("IASB"), and International Accounting Standards and Standing Interpretations Committee interpretations approved by the International Accounting Standards Committee ("IASC") that remain in effect, and to the extent that they have been adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006

International Financial Reporting Standards as adopted by the EU differ in certain respects from International Financial Reporting Standards as issued by the International Accounting Standards Board ("IASB") References to International Financial Reporting Standards hereafter should be construed as references to International Financial Reporting Standards as adopted by the EU

The financial statements have been prepared on the historical cost basis, except for the revaluation of financial instruments and are presented in sterling, the Company's functional currency The principal accounting policies adopted are set out below

#### Financial instruments

Financial assets and financial liabilities are made up of accounts receivable, accounts payable and cash and cash equivalents The Directors consider the fair values of accounts receivables and accounts payable approximate their carrying value The Directors do not believe that the Company is exposed to significant credit risk, liquidity risk, currency risk or interest risk and have not taken any specific actions to mitigate these financial risks There are no other financial instruments

#### Investments

The £100 Investment in Strategic Recovery Fund II as General Partner is held at cost

#### Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount Interest income is classified within operating activities in the cash flow statement

#### Foreign currencies

The functional currency of the Company is pounds sterling Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing on the dates of the transactions At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date Gains and losses arising on retranslation are included in net profit or loss for the period

#### Property, plant and equipment

Fixtures and equipment are stated at cost, including direct acquisition costs, less accumulated depreciation and any recognised impairment loss Depreciation is provided on all property, plant and equipment at rates calculated to write off the cost, less estimated residual value based on prices prevailing at the date of acquisition, of each asset evenly over its expected useful life The rates used for calculation of depreciation are as follows

Leasehold improvements	10%
Computer equipment	33%
Office Equipment	20%

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in income

The carrying values of property, plant and equipment are reviewed for impairment when events or circumstances indicate the carrying value may not be recoverable

#### Taxation

The tax expense represents the sum of the tax currently payable and deferred tax

The tax currently payable is based on taxable profit for the year Taxable profit differs from net profit as reported in the income statement 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 that have been enacted or substantively enacted by the balance sheet 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, and is accounted for using the balance sheet liability method Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered

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. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

#### Cash and cash equivalents

Cash and cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment purposes. Assets are classified as cash equivalents if they are readily convertible to cash and are not subject to significant changes in value.

#### Summary of new standards and interpretations not applied

The IASB and IFRIC have issued the following standards and interpretations with an effective date after the date of these financial statements:

	Effective date*
IFRS 9 Financial Instruments	1 January 2015
IFRS 10 Consolidate Financial Statements	1 January 2013
IFRS 11 Joint Arrangements	1 January 2013
IFRS 12 Disclosure of Interests in Other Entities	1 January 2013
IFRS 13 Fair Value Measurements	1 January 2013
IAS 1 (Amendment) Presentation of Items of Other Comprehensive Income	1 July 2012
IAS 12 (Amendment) Deferred Tax – Recovery of Underlying Assets	1 January 2012
IAS 19 Employee Benefits	1 January 2013
IAS 27 Separate Financial Statements	1 January 2013
IAS 28 Investments in Associates and Joint Ventures	1 July 2012

\* The effective dates stated are those given in the original IASB standards and interpretations.

The Directors do not anticipate that the adoption of the remaining standards will have a material impact on the Company's financial statements in the period of initial application.

#### Share-based payments

The Company has applied the requirements of International Financial Reporting Standard 2 'Share-based Payments'. In accordance with the transitional provisions, International Financial Reporting Standard 2 has been applied to all grants of equity instruments after 7 November 2002 that were unvested as of 1 January 2005.

The cost of equity-settled share based payments with employees of the Company are measured at fair value at the date of grant and recognised as an expense over the vesting period, which ends on the date on which the employees become unconditionally entitled to the award. Fair value is determined by an external valuer using an appropriate valuation model. In valuing equity-settled transactions, no account is taken of any non-market vesting conditions.

At each balance sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the number of equity instruments that will ultimately vest. The movement in cumulative expense since the previous balance sheet date is recognised in the income statement, with a corresponding entry in equity.

#### Retirement benefit costs

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due. Payments made to retirement benefit schemes are dealt with as payments to defined contribution schemes where the Company is unable to identify its share of the underlying performance or position of the plan. Such situations arise where the contributions payable by the Company are set in terms of the scheme as a whole and, as such, there is no consistent and reliable basis for allocating the company's obligations, plan assets, or costs.

## 2 Revenue

	For the year ended 31 December 2011 £	For the year ended 31 December 2010 £
Income from investment management services	1,192,605	912,841
Priority profit share income	1,101,788	1,238,125
Interest receivable and other income	4,623	5,095
	<b>2,299,016</b>	<b>2,156,061</b>

## 3 Administrative expenses

	For the year ended 31 December 2011 £	For the year ended 31 December 2010 £
Fees payable to SVG Advisers Limited	362,000	425,000
Fair value charge on performance shares and share options	54,952	-
Employer's NI on performance shares and share options	25,744	-
Auditors' remuneration for statutory audit	9,000	13,000
Depreciation	2,146	5,651
Staff costs (note 4)	1,713,921	1,067,362
General expenses	379,739	340,080
	<b>2,547,502</b>	<b>1,851,093</b>

#### 4 Staff costs

	For the year ended 31 December 2011 £	For the year ended 31 December 2010 £
Salaries and bonuses	1,347,269	844,337
Social security costs	179,340	105,071
Pension costs	88,138	84,181
Other staff costs	99,174	33,773
	<b>1,713,921</b>	<b>1,067,362</b>

The Company has 8 employees (2010 9) The monthly average number of staff employed by the Company was 8 (2010 9)

#### 5 Directors' emoluments

The emoluments owing to the Directors of the Company are as follows

	For the Year ended 31 December 2011 £	For the Year ended 31 December 2010 £
Aggregate remuneration in respect of qualifying services	1,292,611	1,602,128
Aggregate amounts paid into defined contribution pension schemes	79,639	150,094
Number of directors who received LTIPS in respect of qualifying services	2	2
Number of directors who exercised share options/ LTIPs	-	-
Number of directors accruing benefits under defined benefit schemes	-	-
In respect of the highest paid director		
Aggregate remuneration	908,000	802,500
Company contributions to defined contribution pension schemes	60,000	60,000

#### 6 Finance costs

	For the year ended 31 December 2011 £	For the year ended 31 December 2010 £
Interest on intercompany loan	34,320	34,320
	<b>34,320</b>	<b>34,320</b>

Refer to Note 12 for explanation of the intercompany loan and the interest accruing on this loan

#### 7 Tax

Analysis of charge in year

Major components of the income tax expense for the years ended 31 December 2011 and 31 December 2010

	For the year ended 31 December 2011 £	For the year ended 31 December 2010 £
<i>Current tax charge</i>		
Corporation tax charge – UK corporation tax	-	73,554
Adjustments in respect of current income tax of previous years – corporation tax	132	(9,800)
<i>Deferred tax credit relating to the origination and reversal of temporary differences</i>		
Origination and reversal of temporary differences	(70,447)	532
Adjustments in respect of prior years	-	1
Effect of changes in UK corporation tax rate	-	-
<b>Total tax charge/(credit)</b>	<b>(70,315)</b>	<b>64,287</b>

The tax assessed for the period is lower (2010 lower) than the standard rate of corporation tax in the UK for a large company. The differences are explained below.

	For the year ended 31 December 2011 £	For the year ended 31 December 2010 £
(Loss) / Profit before tax	(295,934)	260,863
Tax calculated at the UK rate of 26.5% (2010 28%)	(78,423)	73,042
Effect of		
Non taxable income net of disallowable expenses	2,143	964
Adjustments in respect of current income tax of previous years – corporation tax	132	(9,799)
Deferred tax adjustments in respect of changes in UK tax rates	3,703	-
Depreciation on ineligible fixed assets	37	80
Effect of share price movements on deferred tax assets relating to share option schemes and long term incentive plan	2,093	-
Total tax charge/(credit)	(70,315)	64,287

#### 8 Property, plant and equipment

	Computer equipment £	Other office equipment £	Total £
<b>Cost</b>			
At 1 January 2011	11,910	9,892	21,802
Additions	-	-	-
Disposals	-	-	-
<b>At 31 December 2011</b>	<b>11,910</b>	<b>9,892</b>	<b>21,802</b>
<b>Depreciation</b>			
At 1 January 2011	11,742	5,619	17,361
Charge for the year	168	1,978	2,146
Disposals	-	-	-
<b>At 31 December 2011</b>	<b>11,910</b>	<b>7,597</b>	<b>19,507</b>
<b>Net book value</b>			
<b>At 31 December 2011</b>	<b>-</b>	<b>2,295</b>	<b>2,295</b>
<b>At 1 January 2011</b>	<b>168</b>	<b>4,273</b>	<b>4,441</b>

#### 9 Investments

	31 December 2011 £	31 December 2010 £
General Partner funds committed and called	100	100
	100	100

On 1 September 2006, the Company was appointed General Partner to the Strategic Recovery Fund II and paid a capital commitment of £100.

#### 10 Current assets

	31 December 2011 £	31 December 2010 £
<b>Other receivables</b>		
Amounts falling due within one year	30,316	267
Amounts due from group companies	52,379	73,139
Prepayments and other debtors	282,684	213,637
Accrued investment management fee income	233,222	312,075
Accrued priority profit share income	598,601	599,118

	31 December 2011 £	31 December 2010 £
<b>Cash and cash equivalents</b>		
Cash at bank	563,535	145,166
Money market instruments	1,200,000	1,030,000
	1,763,535	1,175,166

Cash at bank earns interest at floating rates.

**11 Current liabilities**

	31 December 2011	31 December 2010
	£	£
Other payables		
Amounts owed to group companies	355,325	187
Other creditors and accruals	788,914	253,478
	1,144,239	253,665

	For the year ended 31 December 2011	For the year ended 31 December 2010
	£	£
Tax Payable		
Balance brought forward	63,755	25,996
Corporation tax paid	(89,882)	(25,996)
Corporation tax charged to income statement	-	63,755
Balance carried forward	(26,127)	63,755

**12 Intercompany loan**

	31 December 2011	31 December 2010
	£	£
Subordinated loan owed to SVG Capital plc	624,000	624,000
Balance carried forward	624,000	624,000

In 2007, SVG Capital plc agreed to provide SVG Investment Managers Limited an unsecured perpetual subordinated term loan facility to the maximum amount of £624,000. On 12 July 2007, £624,000 was drawn down. The loan accrues interest at the rate of 5.5%. Interest for the period to 31 December 2011 had been settled before the period end.

**13 Deferred tax**

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 25%, reflecting the rate expected to be applicable at the time the net deferred tax asset is realised (2010: 27%).

The movement on deferred tax account is as shown below

	For the year ended 31 December 2011	For the year ended 31 December 2010
	£	£
Balance brought forward	2,846	3,378
Income statement credit / (debit)	70,446	(426)
Adjustments in respect of prior years	-	(1)
Effect of changes in UK tax rates – income statement debit	-	(105)
Balance carried forward	73,292	2,846

	Accelerated capital allowances	Total
	£	£
Balance at 1 January 2011	2,846	3,378
Credited / (debited) to income statement	70,446	(532)
Balance at 31 December 2011	73,292	2,846

**14 Share capital**

	31 December 2011	31 December 2010
	£	£
Authorised		
2,500,000 shares of £1.00 each	2,500,000	2,500,000
Allotted, called up and fully paid share capital of £1		
Opening balance	299,999	299,999
Closing balance	299,999	299,999

Share capital included the total net proceeds (both nominal value and share premium) on issue of the Company's equity share capital, comprising £1 ordinary shares.

The closing share capital of £299,999 is divided into £250,000 'A' shares and £49,999 'B' shares. The 'A' Shares are voting shares and carry preferred rights to dividends. The 'B' shares are non-voting.

**15 Equity contribution reserve**

	31 December 2011	31 December 2010
	£	£
Balance brought forward	-	-
Share option contributions during the year	54,952	-
Balance carried forward	54,952	-



## 16 Profit and loss reserve

	31 December 2011	31 December 2010
	£	£
Balance brought forward	540,252	364,676
(Loss) / Profit for the year after tax before dividends	(225,619)	196,576
Dividends paid	-	(21,000)
Balance carried forward	314,633	540,252

The profit and loss reserve represents the Company's cumulative profits available for distribution

## 17 Reconciliation of profit before tax to net cash inflow from operating activities

	Year ended 31 December 2011	Year ended 31 December 2010
	£	£
Profit before tax	(295,934)	260,863
Adjustments for	-	-
Exchange loss on other items	13,128	9,785
Depreciation of property, plant and equipment	2,146	5,651
Operating cash flows before movements in working capital	(280,660)	276,299
Decrease in receivables	35,746	40,754
Increase/(Decrease) in payables	945,793	(868,042)
Cash generated by operations	700,879	(550,989)
Finance costs	34,320	34,328
Taxes paid	(89,882)	(25,996)
Net cash used in operating activities	645,317	(542,657)

## 18 Related party transactions

The key management personnel of the Company are the Directors

The Company paid fees of £362,000 to SVG Advisers Limited during 2011 (2010 £425,000) for administrative services. Any expenses paid by SVG Advisers Limited on behalf of SVG Investment Managers Limited are also reimbursed. The balance outstanding at year end was £351,325 (2010 £83)

At 31 December 2011 £25,996 was payable to SVG Advisers relating to group tax relief (2010 £nil)

In 2007, SVG Capital plc agreed to provide SVG Investment Managers Limited an unsecured perpetual subordinated term loan facility to the maximum amount of £624,000. On the 12 July 2007 £624,000 was drawn down. The loan accrues interest at the rate of 5.5%. Interest for the period to 31 December 2011 had been settled before the period end.

At 31 December 2011 expenses of £4,000 paid by SVG Capital plc on behalf of SVG Investment Managers Limited were outstanding (2010 £nil)

At 31 December 2011 expenses of £4,320 paid by SVG Investment Managers Limited on behalf of SVG Investments Limited were outstanding (2010 £nil)

Related party transactions were made on terms equivalent to those that prevail in arm's length transactions

## 19 Risk

### Client risk

The main risk faced by the Company is the potential loss of investment management fee contracts. In certain circumstances, investors may be able to terminate these contracts. This could arise because of poor investment advice, significant errors, negligence, fraud or other matters. These risks are mitigated by implementing a rigorous investment process for approving investment decisions. The potential for significant errors is also reduced by using well established third party administrators to deal with the day-to-day operations of the funds.

# Financial assets of the Company

The financial assets of the Company are as follows

	Floating Rate 2011 £	Fixed Rate 2011 £	Non interest Bearing 2011 £	Total 2011 £
Currency denomination of assets as at 31 December 2011				
Sterling	1,595,577	-	610,146	2,205,723
Euro	167,958	-	61,847	229,805
Dollar	-	-	-	-
Balance carried forward	1,763,535	-	671,993	2,435,528

	Floating Rate 2010 £	Fixed Rate 2010 £	Non interest Bearing 2010 £	Total 2010 £
Currency denomination of assets as at 31 December 2010				
Sterling	1,137,253	-	565,337	1,702,590
Euro	37,913	-	36,727	74,640
Dollar	-	-	-	-
Balance carried forward	1,175,166	-	602,064	1,777,230

## The financial liabilities of the Company are as follows

	Floating Rate 2011 £	Fixed Rate 2011 £	Non Interest Bearing 2011 £	Total 2011 £
Currency denomination of liabilities as at 31 December 2011				
Sterling	-	624,000	1,144,239	1,768,239
Euro	-	-	-	-
Dollar	-	-	-	-
Balance carried forward	-	624,000	1,144,239	1,768,239

	Floating Rate 2010 £	Fixed Rate 2010 £	Non Interest Bearing 2010 £	Total 2010 £
Currency denomination of liabilities as at 31 December 2010				
Sterling	-	624,000	253,665	877,665
Euro	-	-	-	-
Dollar	-	-	-	-
Balance carried forward	-	624,000	253,665	877,665

## Maturity analysis

### Financial assets (maturity)

The analysis into maturity groupings is based on the remaining period from the end of the reporting period to the contractual maturity date or if earlier the expected date the assets will be realised

### Financial liabilities (maturity)

The analysis into maturity groupings is based on the remaining period from the end of the reporting period to the contractual maturity date. When a counterparty has a choice of when the amount is paid, the liability is allocated to the earliest period in which the Company can be required to pay

	<1 month £	1-3 months £	3-12 months £	1-5 years £	>5 years £	Total £
<b>Financial assets</b>						
Investments	-	-	-	100	-	100
Deferred tax	-	-	73,292	-	-	73,292
Cash and cash equivalents	1,763,535	-	-	-	-	1,763,535
Amounts due from group companies	-	30,316	-	-	-	30,316
Prepayments and other debtors	-	8,325	23,054	21,000	-	52,379
Accrued investment management fee income	282,684	-	-	-	-	282,684
Accrued priority profit share income	233,222	-	-	-	-	233,222
	2,279,441	38,641	96,346	21,100	-	2,435,528
<b>Financial liabilities</b>						
Other creditors and accruals	-	(1,144,239)	-	-	-	(1,144,239)
Intercompany loan	-	-	-	-	(624,000)	(624,000)
	-	(1,144,239)	-	-	(624,000)	(1,768,239)
<b>Available liquidity</b>	2,279,441	(1,105,598)	96,346	21,100	(624,000)	667,289

#### **Interest rate risk**

Bank deposits are subject to interest rate risk. At 31 December 2011, the Company held cash and fixed deposits of £1.8 million (2010: £1.2 million) earning interest at market rates.

If the interest rates on cash deposits had been 200 basis points higher during the year, the profit for the year would have increased by £22,300 (2010: £28,385). If the interest rates on cash deposits had been 200 basis points lower, the profit for the year would have decreased by £3,785 (2010: £4,544).

#### **Credit risk**

Accrued investment management fees and priority profit share amounting to £515,906 (2010: £525,712) and other receivables amounting to £82,695 (2010: £73,406) were exposed to credit risk as at 31 December 2011, although the Directors consider such risk to be negligible.

#### **Currency risk**

The Company is exposed to currency risk as some of its fee income is receivable in Euros. The Company's costs are mainly in sterling. The Company does not typically hedge against changes in exchange rates.

If sterling had strengthened by 10% against the Euro, the profit for the year would have decreased by £21,487 (2010: £9,929). If sterling had weakened by 10% against the Euro, the profit for the year would have increased by £26,262 (2010: £12,135).

#### **Market price risk**

The company is exposed to market price risk as management fee income is calculated as a percentage of net asset value of the managed funds.

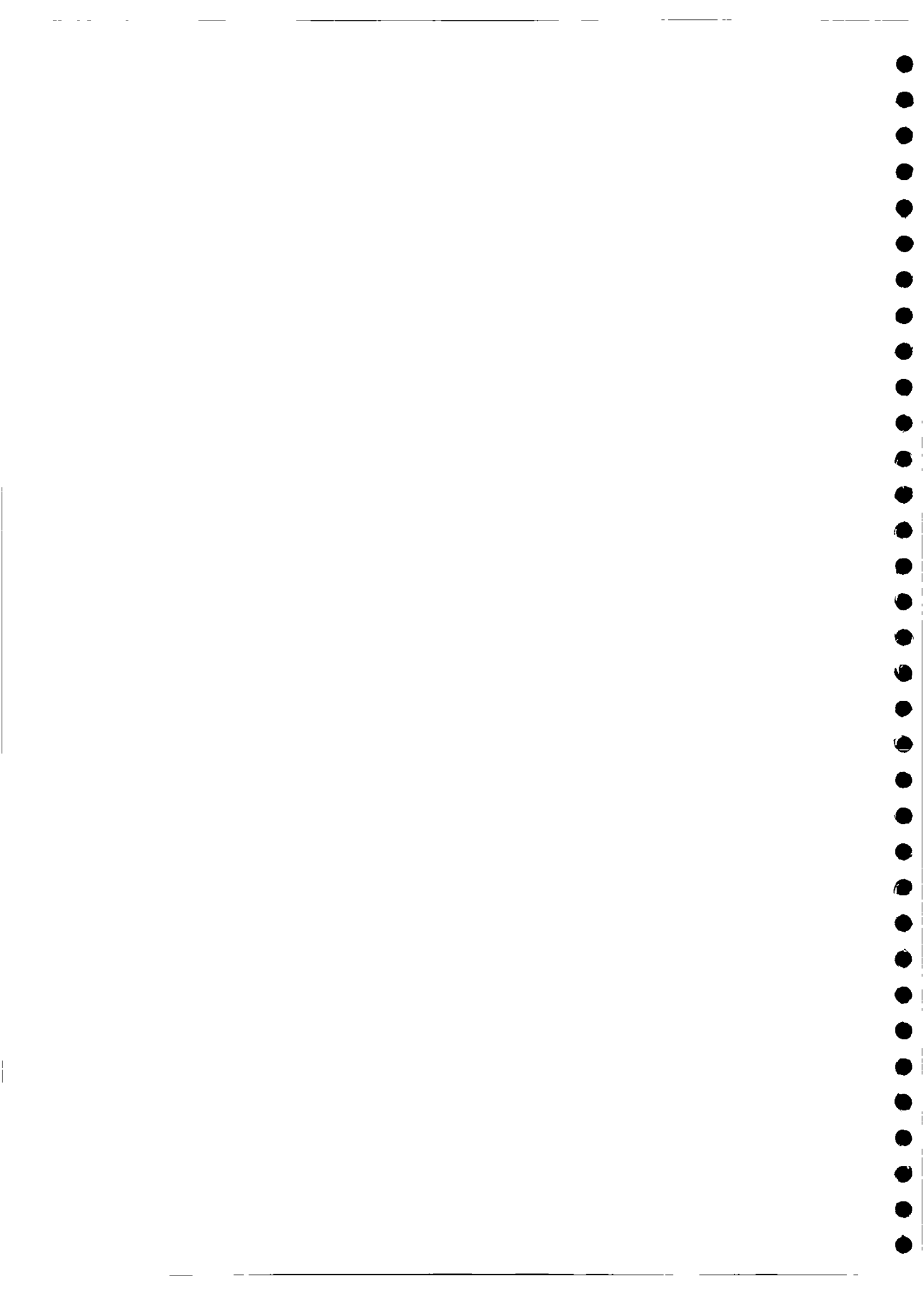
If market prices had been 10% higher, the profit for the year would have increased by £169,166 (2010: £90,835). If market prices had been 10% lower, the profit for the year would have decreased by £169,166 (2010: £90,835).

#### **Regulatory risk**

As an entity regulated by the Financial Services Authority ("FSA"), the Company is subject to various regulatory requirements. A risk exists that the Company could fail to satisfy the obligations under the FSA regime. A breach of our regulatory requirements could have adverse financial consequences and could be damaging in terms of the Company's reputation. The Company utilises the services of SVG Advisers Limited's Compliance Officer in order to mitigate this risk.

#### **20 Ultimate parent undertaking**

The Company's ultimate parent undertaking and controlling party is SVG Capital plc, which is registered in England. Copies of SVG Capital plc's consolidated statements will be available on publication from its company secretary at SVG Capital plc, 61 Aldwych, London, WC2B 4AE or can be viewed on the website [www.svgcapital.com](http://www.svgcapital.com).



## SVG Investment Managers Limited Unaudited Supplementary Information

### SVG Investment Managers Limited Pillar 3 Disclosure

#### Background to SVG Investment Managers Limited

SVG Investment Managers Limited ("SVGIM") is incorporated in the United Kingdom and is authorised and regulated by the Financial Services Authority ("FSA"). As such, SVGIM has to comply with (i) the General Prudential Sourcebook ("GENPRU") and (ii) the Prudential Sourcebook for Banks, Building Societies and Investment Firms ("BIPRU"). This follows the introduction of the Capital Requirements Directive ("CRD") which represents the European Union's application of the Basel Capital Accord. BIPRU 11.3.3 R requires Authorised Firms to publish certain details of their risks, capital and risk management in order to improve transparency and market discipline.

#### Basis and Frequency of Disclosure

This document has been prepared by SVGIM in accordance with BIPRU 11 – Disclosure ("Pillar 3"). Future disclosures will be on an annual basis and included as an addendum to the annual financial statement.

#### Verification

The information contained in this document has not been audited by SVGIM's external auditors and does not constitute any form of financial statement and must not be relied upon in making any judgement on SVGIM or any of its affiliates.

#### Risk Governance within SVGIM

SVGIM is committed to implementing good practice in company-wide governance and risk management framework appropriate to the size, nature and complexity of the business. The Governing Body for the risk framework within SVGIM is the Board of Directors ("Board") which has the ultimate responsibility for managing and controlling risk within the risk appetite of SVGIM.

#### Risk appetite and management

SVGIM is exposed to a variety of risks, as analysed and quantified below. However, the Board has adopted a conservative approach to risk, resulting in a low risk profile for SVGIM, for the following reasons -

- The business model is straightforward agency investment management. As principal positions are not taken, SVGIM's major risk exposures are limited to counterparty risk and the impact on income.
- The recruitment of experienced personnel throughout the SVG Group.
- Documented roles and responsibilities with appropriate segregation of duties.
- Limited exposure to credit risk.
- The corporate governance structure ensures that responsibilities within SVGIM and the SVG Group are apportioned correctly within 'apportionment & oversight' functions staffed by experienced personnel who are either Directors of SVGIM or Senior Management.
- Comprehensive insurance arrangements which provide substantially higher levels of cover than historic loss data would indicate was required.
- Documented policies addressing key areas of risk to the business.

Risk management is a fundamental part of the day to day management of SVGIM, both within operational procedures to ensure that the risks associated with the provision of investment management services are mitigated by appropriate controls and processes and also within the fundamental approach adopted to stock selection through the mechanism of the SVGIM Investment Committee and daily management of the client investment portfolios.

The Board meets quarterly, or as and when necessary, and has primary responsibility for governance and oversight of SVGIM. The Risk/Compliance Officer provides independent oversight over SVGIM's risk management process and controls, and has overseen the development of the Risk Management Policy. This sets out the Firm's processes for the management of internal and external risks arising from Market, Credit, Operational, Liquidity and other relevant risk categories, which form the basis for the risk management procedures. The Risk Management Policy is reviewed and updated on a regular basis.

Operational, market, credit and regulatory risks are reviewed by the Board on a quarterly basis. A periodic Compliance Report is produced by the Risk/Compliance Officer and reviewed by the Board.

#### Capital Resources

The regulatory capital requirement for SVGIM as at 31 December 2011 is £410k. The actual capital held by SVGIM as at 31 December 2011 is £1,248k, which gives a surplus of £838k. SVGIM's capital resources as at 31 December 2011 are shown in the table below.

Tier	Element	£000's
Tier 1	Permanent Share Capital	300
	Profit and loss account	540
	Less material interim losses	(226)
	<b>Total Tier 1 Capital</b>	<b>614</b>
Tier 2	Lower tier two capital	614
	<b>Total Tier 2 Capital</b>	<b>614</b>
Tier 3	Excess over allowable lower tier two capital	10
	Deductions from total capital	-
	<b>Total capital after deductions</b>	<b>1,238</b>
	<b>Regulatory capital requirement</b>	<b>410</b>
	<b>Surplus</b>	<b>828</b>

#### SVGIM's approach to assessment of capital adequacy

SVGIM maintains sufficient capital to meet UK regulatory requirements. In line with these requirements, SVGIM maintains the higher of Pillar 1 and Pillar 2 Individual Capital Adequacy Assessment Process ("ICAAP") capital requirements. The adequacy of the capital held by SVGIM is assessed, at least annually, as part of the ICAAP and is subject to formal sign off by the Board.

#### Pillar 1 capital calculation

Based upon its regulatory permissions and scope of activities, SVGIM is subject to the capital requirements for a BIPRU Limited Licence 50k Firm. SVGIM's Pillar 1 capital is based on the Fixed Overhead Requirement ("FOR"), being higher than SVGIM's Credit Risk plus Market Risk exposure.

	Calculation Method	Capital £ 000's
Credit risk	SVGIM uses the standardised approach, under which the capital requirement is calculated as 8% of the risk weighted exposure amounts, as set out by the FSA	82
Market risk	SVGIM calculates its market risk capital requirement using the foreign currency PRR method set out in the FSA's rules	5
Fixed Overhead Requirement (FOR)	The FOR is calculated as 13 weeks' fixed expenditure based on financial statements as at 31 December 2010	410
<b>Pillar 1 Capital</b>	Higher of the sum of the credit and market risk charges, and the FOR	<b>410</b>

#### Pillar 2 (ICAAP)

SVGIM's ICAAP assesses the amount of capital required to mitigate the risks to which SVGIM is exposed over a 12 month time horizon. The ICAAP considers the impacts of future business plans as well as potential adverse scenarios (such as investor withdrawals, market downturns or significant operational errors) on the capital resources of SVGIM, to ensure regulatory capital requirements are met at all times. SVGIM's exposure to risk categories as defined by the FSA and SVGIM's strategies with respect to material risk categories is shown below.

Risk type	Treatment
Operational Risk	<p>Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people, systems or from external events. Examples of significant operational incidents that could arise are fraud, theft of our intellectual property, technology failures, fund valuation errors, mis-selling of products or errors in fund prospectuses.</p> <p>SVGIM's exposure to Operational risk has been assessed using a number of approaches, including the consideration of 1 in 25 year type loss events and the consideration of both internal incident history and publicly available data on Operational risk incidents at other SVG group companies.</p> <p>Central to the management of Operational risk is the monitoring of key controls. SVGIM also has a programme of insurances designed to reduce its exposure to liability and to protect its assets.</p>
Market Risk	<p>Market risk is defined as the risk of loss arising from fluctuations in values of, or income from, assets or arising from fluctuations in foreign exchange rates.</p> <p>SVGIM does not make external investments or hold proprietary positions. Foreign exchange risk arises to SVGIM mainly through the mismatch between performance fees received in Euro and SVGIM's Sterling base. The majority of fee income is denominated in Sterling and accordingly no mitigating foreign exchange transactions are deemed necessary.</p>
Credit Risk	<p>Credit risk is defined as the risk of loss caused by the failure of counterparty to perform its contractual obligations. A factor which may contribute to increased credit risk is concentration of assets held with a single counterparty. SVGIM is primarily exposed to credit risk in respect of outstanding fees due from funds and from cash deposits with banks. SVGIM only places deposits with institutions having a minimum credit rating and considers the credit risk from its funds to be minimal.</p>

Business and Strategic risk	<p>Business risk is any risk to SVGIM arising from changes in its business, including the risk that SVGIM may not be able to carry out its business plan and its desired strategy. In a narrow sense, business risk is the risk to SVGIM that it suffers losses because its income falls or is volatile relative to its fixed cost base. However, in a broader sense, it is exposure to a wide range of macroeconomic, geopolitical, industry, regulatory and other external risks that might deflect SVGIM from its desired strategy and business plan.</p> <p>SVGIM regularly considers risks which may threaten its business strategy and expected growth, according to a range of assumptions as to the state of the economic or business environment which it faces and puts in place additional controls or other actions where it is deemed cost-effective to do so.</p>
Liquidity risk	<p>Liquidity risk is defined as the risk that SVGIM, although solvent, either does not have sufficient available resources to enable it to meet its obligations as they fall due, or can secure them only at excessive cost.</p> <p>SVGIM maintains a surplus of liquid resources sufficient at all times to meet any immediate requirements it could prudently foresee. Liquidity is available and excess cash is invested in short-term bank deposits to ensure that it is available as required.</p>
Reputational risk	<p>Reputational risk is defined as the risk of damage to SVGIM's reputation that could lead to negative publicity, costly litigation, a decline in the customer base or the exit of key employees and therefore directly or indirectly to a loss of revenue.</p> <p>The maintenance of SVGIM's reputation is a key component of its ability to achieve its strategic objectives. Some of the key events which could significantly impact the reputation of SVGIM include poor performance relative to its peers or due to general adverse market conditions or high profile operational risk events such as market abuse or the loss of high profile key people.</p> <p>SVGIM monitors the potential reputational impact of all risk categories and takes appropriate action to prevent and manage the kinds of events which may give rise to reputational damage. This is achieved through putting in place frameworks and controls around both performance of the funds and operational risks and monitoring of the effectiveness thereof.</p> <p>It is the responsibility of the Board to identify areas of the business or external factors which may significantly affect the reputation of SVGIM and to ensure that these are adequately managed.</p>
Non-applicable risk categories	<p>The following risk categories are deemed insignificant to the SVGIM's activities</p> <ul style="list-style-type: none"> <li>• Interest rate risk</li> <li>• Pension obligation risk</li> <li>• Securitisation risk</li> <li>• Residual risk</li> </ul>

In addition, SVGIM has considered the effect of significant drop in management and performance fee income caused by withdrawal of investors, poor investment performance or other reputational damage / loss and has assessed whether additional capital is required to withstand a 1 in 25 year type adverse scenario. SVGIM also calculates realistic wind-up costs and is comfortable that regulatory capital held would allow SVGIM to wind up in an orderly fashion.

#### Remuneration Code

SVGIM is required under Chapter 11 of BIPRU to disclose, inter-alia, its approach vis-à-vis linking remuneration to risk. By virtue of its status as a BIPRU €50K limited licence firm under the Capital Requirements Directive the Firm is considered to be a 'Tier 4' firm and consequently is permitted to apply the rules set out BIPRU 11 on a proportionate basis.

#### Decision Making Body and Process

SVGIM does not maintain a Remuneration Committee and all remuneration decisions are taken by the SVGIM Board. The board of SVG Capital plc has appointed a Remuneration Committee ("RemCo") responsible for remuneration policy within SVG Capital plc and its subsidiaries (the "Group"), which consists entirely of non-executive directors of SVG Capital plc. RemCo meets annually to consider the recommendations from management in each of the SVG Group companies relating to both salaries and bonuses where the aggregate individual remuneration exceeds £250k. Salaries are benchmarked against the industry. In addition, RemCo considers recommendations on group remuneration policy matters. RemCo's decisions re remuneration are binding on the Firm. Therefore the RemCo can be said to be the governing body in terms of BIPRU 11.

#### Link between pay and performance

The SVG Group's compensation arrangements are designed to keep key investment professional's interests aligned with those of investors, encourage long term planning and minimise staff turnover. Remuneration of the Group's employees comprises a basic salary and an annual discretionary bonus. The bonus process is based on bi-annual staff reviews with clearly documented objectives and Key Performance Indicators for each employee. Risk is considered when setting goals and is also considered by RemCo when making decisions on individual remuneration and policy in general. In addition, investment personnel have an element of their remuneration directly linked to fund performance by comparison to the relevant stock market index (benchmark) as set out in the fund's governing documents against which the fund's performance is measured. Two periods of relative performance are taken into account, one year and three years. Absolute performance over five years is also taken into account.

#### Code staff and Remuneration Data -

The Firm's board has identified 12 Group employees as 'Code staff' of the Firm, being persons in the investment team and other senior managers whose actions have a material impact on the risk profile of the Firm. In the year to 31 December 2011, total aggregate remuneration for SVGIM for the year ended 31 December 2011 was £1,347,269 of which £1,097,569 was paid or allocated to Code staff. Of the £1,097,569, £570,896 was fixed, and £526,673 was variable.