

Mizuho Investment Management (UK) Ltd.

Report and financial statements

For the year ended 31 March 2008



Mizuho Investment Management (UK) Ltd

Report and Financial Statements 31 March 2008

Directors

Mr Jeremy Ghose

Mr Tsutomu Homma

Non Executive Directors

Mr Richard Pettit

Mr Sabah Zubaida

Mr Shinya Wako (and Chairman)

Secretary

Jordan Company Secretaries Limited

21 St Thomas Street

Bristol BS1 6JS

Auditors

Ernst & Young LLP

1 More London Place

London SE1 2AF

Registered Office

Bracken House

One Friday Street

London EC4M 9JA

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Directors' report

The Directors present their report and financial statements for the year ended 31 March 2008

Results and dividends

The profit for the year from 1 April 2007 to 31 March 2008 after taxation, amounts to £11,318,484 (2007 £4,438,739) The Directors recommend the declaration of a final dividend in respect of the year for the amount of £11,318,484 (2007 £4,438,739)

Principal activity and review of business

The Company was incorporated on 15 December 2005 and commenced trading on 1 July 2006 The principal activity is to provide discretionary investment management and investment advice The Company acts as a Fund Manager and Investment Advisor for leveraged finance funds (including mezzanine loans and private equity assets), and has 8 funds under management at 31 March 2008 (2007 6 funds)

The Company's key financial information for the year was as follows

	2008 £000	2007 £000
Turnover		
Investment Management & Investment Advisory Fees	19,729	8,446
Structuring Fees on the launch of new funds	1,458	4,432
Incentive Fees	912	-
	<u>22,099</u>	<u>12,878</u>
Profit after tax	<u>11,318</u>	<u>4,439</u>
	£m	£m
Funds under management	<u>3,274</u>	<u>2,033</u>

There were two new funds launched during the year, Harvest V and Windmill I, whose structuring, management, advisory and incentive fees amounted to £5,701,099 (2007 2 fund launches earning total fees of £6,207,651)

Turnover has increased by 72% during the year as the Company has benefited from a full year's fees on the 8 funds under management since 1 April 2007 (2007 9 months for the 4 funds under management from commencement of trading, with 2 further funds launched during the financial period) The Company also benefited from incentive fees on 2 funds during the year, Harvest V (£223,646) and Windmill I (£688,285)

Profit after tax has increased by 155% This is due to higher operating profits, up 71%, despite increased costs of 72% The higher costs reflect the Company incurring a full 12 months of operating and administration expenses (2007 9 months), and an increase in headcount during the year to 28 full time employees (2007 18)

The Company has also taken advantage of group losses, utilising group relief to make a saving of £3.7m on the corporation tax charge for the year There is also a deferred tax asset of £1.1m further reducing the tax charge for the current year

Funds under management during the year have increased by 61% primarily due to launch of Harvest V (£507m) and Windmill I (£317m)

Directors' report

The Company is authorised and regulated by the Financial Services Authority to conduct activities regulated under the Financial Services and Markets Act 2000

Principal risks and uncertainties

Risks associated with the business continue to be managed according to Mizuho Corporate Bank, Ltd guidelines. As a wholly-owned subsidiary of Mizuho Corporate Bank, Ltd, the Company operates in line with Mizuho Corporate Bank, Ltd policies, including environmental and ethical standards. More details of the principal risks are contained in Note 16 to the Financial Statements.

Future Developments

The Directors aim to maintain the management policies that have resulted in the Company's growth.

Directors and their interests

The Directors who served during the year were,

	<i>Appointed</i>	<i>Resigned</i>
Mr Jeremy Ghose	15 Dec 2005	
Mr Richard Pettit	21 Jun 2006	
Mr Sabah Zubaida	21 Jun 2006	
Mr Akira Kawamura	31 Mar 2006	31 Mar 2008
Mr Hiroshi Suehiro	31 Mar 2006	31 Mar 2008

None of the Directors, nor any member of their respective families, had any interests in the share or loan capital of the ultimate holding company (Mizuho Financial Group), or any of its subsidiary undertakings, at the relevant dates that required disclosure under Section 324 of the Companies Act 1985.

With effect from 1 April 2008 Mr Shinya Wako and Mr Tsutomu Homma joined the Board of Directors. There have been no other significant events that have occurred up to the date of this report.

Disclosure of Information to Auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the group's auditor, each director has taken all the steps that he is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditors

In accordance with Section 485 of the Companies Act 2006, a resolution to reappoint Ernst & Young LLP as the Company's auditor will be put to the forthcoming General Meeting.

Directors' report

Statement of Directors' responsibilities in relation to financial statements

The Directors are responsible for preparing this report and financial statements in accordance with applicable law and regulations

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that year. In preparing these financial statements, the Directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. 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 are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Approved by the Board of Directors on 10 July 2008 and signed on their behalf by

Director



Independent auditors' report

to the members of Mizuho Investment Management (UK) Ltd

We have audited the Company's financial statements for the year ended 31 March 2008 which comprise the Profit and Loss Account, Balance Sheet and the related notes 1 to 18. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditors

The Directors' responsibilities for preparing the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Independent auditors' report

to the members of Mizuho Investment Management (UK) Ltd.

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 March 2008 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

Ernst & Young LLP

Ernst & Young LLP

Registered auditor

London

11 July 2008

Profit and loss account

for the year ended 31 March 2008

		<i>16 months to</i>	
		<i>31 March</i>	<i>31 March</i>
		<i>2008</i>	<i>2007</i>
	<i>Notes</i>	<i>£000</i>	<i>£000</i>
Turnover	2	22,099	12,878
Staff costs	4	8,618	5,099
General and administrative expenses		3,534	1,954
		12,152	7,053
Operating profit		9,947	5,825
Interest receivable and other similar income	5	1,125	527
Profit on ordinary activities before taxation	3	11,072	6,352
Tax on profit on ordinary activities	6	(246)	1,913
Profit on ordinary activities after taxation	15	11,318	4,439

Recognised gains and losses

There are no recognised gains and losses other than the profit attributable to shareholders of the Company of £11,318,484 (2007 £4,438,739) for the year ended 31 March 2008. All operations of the Company are classed as continuing.

Balance sheet

at 31 March 2008

	Notes	2008 £000	2007 £000
Fixed assets			
Tangible assets	8	158	63
		<u>158</u>	<u>63</u>
Current assets			
Debtors	9	10,080	3,430
Cash at bank and in hand	10	20,927	18,458
		<u>31,007</u>	<u>21,888</u>
Creditors amounts falling due within one year	11	3,932	5,512
		<u>27,075</u>	<u>16,376</u>
Net current assets			
		<u>27,233</u>	<u>16,439</u>
Total assets less current liabilities			
		<u>27,233</u>	<u>16,439</u>
Creditors amounts falling due after more than one year	12	3,915	-
		<u>23,318</u>	<u>16,439</u>
Net assets			
		<u>23,318</u>	<u>16,439</u>
Capital and reserves			
Called up share capital	13	12,000	12,000
Profit and loss account	15	11,318	4,439
		<u>23,318</u>	<u>16,439</u>

The financial statements were approved by the Board of Directors on 10 July 2008 and signed on their behalf by,

Director



Notes to the financial statements

at 31 March 2008

1. Accounting policies

(a) General information

Mizuho Investment Management (UK) Ltd is a company domiciled in England and Wales. The principal place of business of the Company is Bracken House, One Friday Street, London, EC4M 9JA.

(b) Basis of preparation

The Company's financial statements for the year ended 31 March 2008 were approved by the Board of Directors on 10 July 2008 and the Balance Sheet was signed on the Board's behalf by *Tsutomu Hironaka*. The financial statements are prepared under the historical cost convention, and in accordance with applicable accounting standards in the United Kingdom.

(c) 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 accruals basis. Structuring fees are recognised in full on the date that the fund closes. All revenue derives from operations within Europe.

(d) Foreign exchange

Transactions in foreign currency (fees are denominated in Euro) are recorded using the rate of exchange ruling at the date of the transaction. Exchange differences resulting from the settlement of transactions denominated in foreign currency are included in the profit and loss account using the exchange rate at that date.

(e) Tangible fixed assets

Fixed assets are stated at cost less accumulated depreciation. Such cost includes costs directly attributable to making the asset capable of operating as intended.

Depreciation is provided on all fixed assets, at rates calculated to write off the cost, less estimated residual value based on prices prevailing at the date of acquisition, of each asset, over its expected useful life. The tangible fixed assets consist of capitalised computer software and fixtures and fittings. Depreciation is charged on a straight-line basis over three years.

(f) Taxation

Corporation tax payable is provided on taxable profits at the current rate, 30%.

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more tax, or a right to pay less tax, in the future, except that deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

(g) Leasing

Rentals payable under operating leases are charged in the profit and loss account on a straight-line basis over the lease term.

Notes to the financial statements

at 31 March 2008

1. Accounting policies (continued)

(h) Pensions

Contributions to defined contribution schemes are recognised in the profit and loss account in the period in which they become payable

(i) Related parties

The Company has taken advantage of the exemption given in FRS 8 'Related Party Disclosures' to subsidiaries from disclosing related party transactions with other group companies

(j) Cash flow statements

The Company, a wholly owned subsidiary, has taken advantage of the exemption given in FRS 1 'Cash Flow Statements' to subsidiaries from disclosing a cash flow statement

(k) Use of estimates and judgements

The preparation of the financial statements requires management to make judgements, estimates and assumptions that may affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised and any future periods affected.

2. Turnover

	16 months to	
	31 March 2008	31 March 2007
	£000	£000
Structuring fees	1,458	4,432
Investment management fees	13,145	6,670
Investment advisory fees	6,584	1,776
Incentive fees	912	-
	<u>22,099</u>	<u>12,878</u>

3. Profit on ordinary activities before taxation

This is stated after charging

	16 months to	
	31 March 2008	31 March 2007
	£000	£000
Depreciation on Software	36	13
Depreciation on Fixtures and Fittings	1	-
Auditors' remuneration - audit services	44	30
- non-audit services	-	13
Operating lease rentals - plant and machinery	13	2
	<u></u>	<u></u>

Notes to the financial statements

at 31 March 2008

4. Directors' and employees' costs

	<i>16 months to</i>	
	<i>31 March</i>	<i>31 March</i>
	<i>2008</i>	<i>2007</i>
	<i>£000</i>	<i>£000</i>
Salaries	7,516	4,485
Social security costs	889	543
Other pension costs	213	71
	<u>8,618</u>	<u>5,099</u>

The average number of employees during the trading year was 24 (2007 17), including staff seconded from Mizuho Corporate Bank, Ltd

	<i>16 months to</i>	
	<i>31 March</i>	<i>31 March</i>
	<i>2008</i>	<i>2007</i>
	<i>£000</i>	<i>£000</i>
Directors' emoluments		
Aggregate emoluments in respect of qualifying services	<u>2,185</u>	<u>1,249</u>

The emoluments of the highest paid director were £2,069,045 (2007 £1,184,655)

Amounts receivable under long term incentive plans £1,966,851 (2007 – nil), are included in Directors' emoluments

5. Interest receivable

	<i>16 months to</i>	
	<i>31 March</i>	<i>31 March</i>
	<i>2008</i>	<i>2007</i>
	<i>£000</i>	<i>£000</i>
Interest receivable from group undertakings	<u>1,125</u>	<u>527</u>
	<u>1,125</u>	<u>527</u>

Notes to the financial statements

at 31 March 2008

6. Taxation

(a) Tax on profit on ordinary activities

The tax charge is made up as follows

	<i>16 months to</i>	
	<i>31 March</i>	<i>31 March</i>
	<i>2008</i>	<i>2007</i>
	<i>£000</i>	<i>£000</i>
UK Corporation tax		
UK corporation tax on profits of the year	863	1,913
Prior year adjustment	2	-
Total current year tax charge	865	1,913
Deferred tax credit	(1,111)	-
	(246)	1,913

(b) Factors affecting the tax charge for the year

	<i>16 months to</i>	
	<i>31 March</i>	<i>31 March</i>
	<i>2008</i>	<i>2007</i>
	<i>£000</i>	<i>£000</i>
Profit on ordinary activities before tax	11,072	6,352
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30%	3,322	1,905
Effects of		
Disallowed expenses and non-taxable income	17	4
Depreciation in excess of capital allowances	12	4
Long term bonus plan timing difference	1,175	-
Difference between group relief tax value and amount paid	(3,663)	-
Tax under provided in previous years	2	-
Current tax charge for the year	865	1,913

Notes to the financial statements

at 31 March 2008

6. Taxation (continued)

(c) Deferred taxation

	<i>16 months to</i>	
	<i>31 March</i>	<i>31 March</i>
	<i>2008</i>	<i>2007</i>
	<i>£000</i>	<i>£000</i>
At 1 April 2007	-	-
Credit for the year	1,111	-
	<u>1,111</u>	<u>-</u>
Comprising		
Differences between accumulated depreciation and capital allowances	15	-
Long term incentive plan	1,096	-
	<u>1,111</u>	<u>-</u>
Current tax charge for the year	<u>1,111</u>	<u>-</u>

7. Events since the balance sheet date

The Directors recommend the declaration of a final dividend in respect of the year for the amount of £ 11,318,484 (2007 £4,438,739)

8. Tangible fixed assets

	<i>Fixtures and Fittings</i>	<i>Software</i>	<i>Total</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>
Cost			
At 1 April 2007	-	76	76
Additions	7	125	132
	<u>7</u>	<u>201</u>	<u>208</u>
At 31 March 2008			
Depreciation			
At 1 April 2007	-	13	13
Provided during the year	1	36	37
	<u>1</u>	<u>49</u>	<u>50</u>
At 31 March 2008			
Net book value			
At 31 March 2007	-	63	63
	<u>-</u>	<u>63</u>	<u>63</u>
At 31 March 2008	<u>6</u>	<u>152</u>	<u>158</u>

Notes to the financial statements

at 31 March 2008

9. Debtors

	2008	2007
	£000	£000
Accrued income	5,924	3,389
Prepayments	1	38
Other debtors	1,034	3
Corporation tax refund due on amounts paid during the year	2,010	-
Deferred tax (note 6(c))	1,111	-
	<u>10,080</u>	<u>3,430</u>

Corporation tax payments of £2,010,141 have been made to date to HM Revenue & Customs, in respect of the current year charge, however, the Company is taking advantage of Group Relief with Mizuho International PLC resulting in a group relief liability payable to that company of £863,407 for the year

10. Cash

	2008	2007
	£000	£000
Cash at bank and in hand	<u>20,927</u>	<u>18,458</u>

The cash balance consists of £20,926,628 (2007 £18,457,798) on deposit at market rates with a fellow group undertaking, Mizuho Corporate Bank, Ltd

11. Creditors: amounts falling due within one year

	2008	2007
	£000	£000
Amount due to fellow group companies	3,726	3,951
Corporation tax	-	1,133
Other taxes and social security	206	428
	<u>3,932</u>	<u>5,512</u>

12. Creditors: amounts falling due after more than one year

Amounts payable after more than one year relate to Senior Staff Long Term Bonus Awards, as agreed by the Remuneration Committee. The long term bonus award is to be paid over a period of three years, the first being in the month of June two years after the relevant financial year to which the award is calculated. The payments will be split on the following ratio 50 25 25. The awards have been adjusted in the financial results for the year to reflect future cashflows. A discount factor, using the LIBOR yield curve, has been applied to calculate the present value of these payments and this will be reviewed and updated annually. It is assumed that conditions will not arise that would give rise to these awards lapsing and therefore they will be paid out in full.

Notes to the financial statements

at 31 March 2008

12. Creditors: amounts falling due after more than one year (continued)

	2008 £000	2007 £000
Long term incentive bonus	3,471	-
Social security costs	444	-
Total	<u>3,915</u>	<u>-</u>

13. Share capital

	<i>Authorised 2008 No 000s</i>	<i>Allotted, called up and fully paid 2008 £000</i>	<i>Authorised 2007 No 000s</i>	<i>Allotted, called up and fully paid 2007 £000</i>
Ordinary shares of £1 each	<u>12,000</u>	<u>12,000</u>	<u>12,000</u>	<u>12,000</u>
Authorised ordinary shares of £1 each		<u>12,000</u>		<u>12,000</u>
	<i>Authorised 2008 No.000s</i>	<i>Allotted, called up and fully paid 2008 £000</i>	<i>Authorised 2007 No 000s</i>	<i>Allotted, called up and fully paid 2007 £000</i>
Allotted, called up and fully paid ordinary shares of £1 each	<u>12,000</u>	<u>12,000</u>	<u>12,000</u>	<u>12,000</u>

14. Dividends and other appropriations

	2008 £000	2007 £000
Declared and paid during the year	<u>4,439</u>	<u>-</u>
	<u>4,439</u>	<u>-</u>

The Directors recommend the declaration of a final dividend in respect of the year ended 31 March 2008 for the amount of £ 11,318,484 (2007 £4,438,739)

Notes to the financial statements

at 31 March 2008

15. Reconciliation of shareholders' funds and movement on reserves

	<i>Share capital £000</i>	<i>Profit and loss account £000</i>	<i>Total share- holders' funds £000</i>
At 1 April 2007	12,000	4,439	16,439
Profit for the year	-	11,318	11,318
Dividends paid	-	(4,439)	(4,439)
At 31 March 2008	<u>12,000</u>	<u>11,318</u>	<u>23,318</u>

16. Management of principal risks and uncertainties

(a) *Financial risk*

The financial instruments of the Company (excluding short-term debtors and creditors) comprise of cash

Exposure to credit, interest rate and liquidity risk arises in the normal course of the Company's business. The procedures for managing each of these risks are summarised below

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 only credit exposure is to debtors, which are frequently monitored for size and age. Balances with other companies within the Mizuho group have no risk.

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 relating to each fund.

Interest rate risk

Bank interest on deposits held with Mizuho Corporate Bank, Ltd is the only source of interest exposure.

Liquidity risk

The procedure throughout the trading year has been to maintain sufficient liquidity in line with FSA regulations.

(b) *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.

Notes to the financial statements

at 31 March 2008

17. Ultimate holding company

Mizuho Financial Group Inc incorporated in Japan, is the Company's ultimate holding company

The smallest group into which the Company is consolidated is Mizuho Corporate Bank, Ltd incorporated in Japan

Copies of the group financial statements for Mizuho Financial Group Inc can be obtained from Bracken House, One Friday Street, London EC4M 9JA, England

18. Pension scheme

Employees of the Company are entitled to join a Group Personal Pension Plan provided by Mizuho Corporate Bank, Ltd, whereby staff are eligible for a contribution by the Company to their personal pension plan

Staff seconded from Mizuho Corporate Bank, Ltd are in either the same Group Personal Pension Plan or a Group Money Purchase Scheme, both these schemes have defined contributions. The assets of the Group Money Purchase Scheme are held separately from those of the Mizuho Corporate Bank, Ltd in independently administered funds

Expatriate seconded staff are members of a defined benefit scheme in Japan operated by Mizuho Corporate Bank, Ltd. The liabilities of this scheme are met by Mizuho Corporate Bank, Ltd