



# 3i Debt Management Investments Limited

(previously Mizuho Investment Management (UK) Ltd)

Annual report and accounts  
for the year to 31 March 2011

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## Directors' report

The Directors submit their report with the financial statements for the year to 31 March 2011

### 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 8 funds under management at 31 March 2011 (2010: 8 funds). 3i Debt Management Limited, a newly formed subsidiary of 3i Group plc, signed an agreement in September 2010 to acquire Mizuho Investment Management (UK) Limited ("MIM"), the acquisition was completed in February 2011 and the Company was renamed 3i Debt Management Investments Limited. For the first time, the Company's financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), an analysis of how the transition to IFRS has affected the reported financial position and financial performance of the Company is shown in note 15.

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

#### Development

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

#### Principal risks and uncertainties

The Company is a subsidiary of 3i Debt Management Limited, itself is a subsidiary of 3i Group plc. 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 11.

### Results and dividend

The profit after tax for the year amounted to £5,846k (2010: £2,727k). The Directors do not recommend a final dividend for the year (2010: £nil). An interim dividend of £7,653k was paid during the financial year.

### Directors

J R Ghose

A N Golding - appointed 15 February 2011

P Goody - appointed 15 February 2011

T Homma - resigned 21 May 2010

S D Zubaida - resigned 6 July 2010

S Wako - resigned 8 September 2010

A Nankawa - resigned 15 February 2011

R J Pettit - resigned 15 February 2011

T Teramoto - resigned 15 February 2011

## 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 that 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 and prudent

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.

### 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.

## Directors' report

### 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



P Goody  
Director

27 July 2011

Registered Office  
16 Palace Street  
London SW1E 5JD

## Independent auditor's report to the members of 3i Debt Management Investments Limited

We have audited the financial statements of 3i Debt Management Investments Limited for the year ended 31 March 2011 which comprise the statement of comprehensive income, statement of changes in equity, balance sheet, cash flow statement, accounting policies A to G and the related notes 1 to 16. 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 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 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 accounts 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 March 2011 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 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



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

London

Date 27/7/11

## Statement of comprehensive income

for the year to 31 March 2011

	Notes	2011 £'000	2010 £'000
<b>Revenue</b>	1	20,014	11,760
Administrative expenses		(12,301)	(8,422)
<b>Operating profit</b>	2	7,713	3,338
Other income	5	101	142
Exchange movements		201	(633)
Fair value movement on derivatives		159	952
<b>Profit before tax</b>		8,174	3,799
Income taxes	6	(2,328)	(1,072)
<b>Profit for the year</b>		5,846	2,727
<b>Other comprehensive income</b>			
Hedge accounting reserve	14	(514)	-
<b>Other comprehensive income for the year</b>		(514)	-
<b>Total comprehensive income for the year</b>		5,332	2,727

All items in the above statement are derived from continuing operations

## Statement of changes in equity

for the year to 31 March 2011

	Issued capital £'000	Hedge Accounting Reserve £'000	Retained earnings £'000	Total £'000
<b>As at 31 March 2009</b>	12,000	-	9,262	21,262
<b>Profit for the year</b>	-	-	2,727	2,727
<b>Total comprehensive income for the year</b>	-	-	2,727	2,727
<b>As at 31 March 2010</b>	12,000	-	11,989	23,989
<b>Profit for the year</b>	-	-	5,846	5,846
Exchange movements on hedging instruments	-	(514)	-	(514)
<b>Total comprehensive income for the year</b>	-	(514)	5,846	5,332
Dividends paid	-	-	(7,653)	(7,653)
<b>As at 31 March 2011</b>	12,000	(514)	10,182	21,668



**Balance sheet**

for the year to 31 March 2011

	Notes	2011 £'000	2010 £'000	2009 £'000
<b>Assets</b>				
<b>Non-current assets</b>				
Property, plant and equipment	7	-	63	151
		-	63	151
<b>Current assets</b>				
Trade & other receivables	8	8,209	6,350	8,092
Derivatives Financial Instruments	14	51	121	-
Cash and cash equivalents		17,911	30,576	25,417
		26,171	37,047	33,509
<b>Total assets</b>		26,171	37,110	33,660
<b>Liabilities</b>				
<b>Non - current liabilities</b>				
Trade and other payables	9	765	4,929	7,808
Derivative Financial Instruments	14	373	-	-
		1,138	4,929	7,808
<b>Current liabilities</b>				
Trade and other payables	9	3,100	8,192	4,590
Derivative Financial Instruments	14	265	-	-
		3,365	8,192	4,590
<b>Total liabilities</b>		4,503	13,121	12,398
<b>Net assets</b>		21,668	23,989	21,262
<b>Equity</b>				
Issued Capital	10	12,000	12,000	12,000
Hedge accounting reserve	14	(514)	-	-
Retained earnings		10,182	11,989	9,262
<b>Total equity</b>		21,668	23,989	21,262

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


  
Director

PETER GOODY

27 July

2011

**Cash flow statement**

for the year to 31 March 2011

	<b>2011</b>	<b>2010</b>
	<b>£'000</b>	<b>£'000</b>
<b>Cash flow from operating activities</b>		
Profit before tax	8,174	3,799
Adjustments for		
Depreciation	63	88
Exchange movements	(201)	633
Fair value movement on derivatives	(159)	(952)
(Increase) / decrease in receivables	(5,318)	1,242
(Decrease) / increase in payables	(9,256)	723
Interest receivable	(101)	(142)
<b>Cash generated from operating activities</b>	<b>(6,798)</b>	<b>5,391</b>
Interest received	101	142
Net cash movement on derivatives	172	831
Income tax received	1,312	(571)
<b>Net cash flow from operating activities</b>	<b>(5,213)</b>	<b>5,793</b>
<b>Cash flows from financing activities</b>		
Dividends paid	(7,653)	-
<b>Net cash flow from financing activities</b>	<b>(7,653)</b>	<b>-</b>
Change in cash and cash equivalents	(12,866)	5,793
Cash and cash equivalents at the start of the year	30,576	25,417
Effect of exchange rate fluctuations	201	(634)
<b>Cash and cash equivalents at the end of the year</b>	<b>17,911</b>	<b>30,576</b>

## Accounting policies

**A 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

An explanation of how the transition to IFRS has affected the reported financial position and financial performance of the Company is provided in note 15

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 periods beginning on or after
IFRIC 19	Extinguishing Financial Liability with Equity Instruments	1 July 2010
IAS 24	Revised definition of related parties	1 January 2011
IFRIC 14, IAS 19	Prepayments of a minimum funding requirement (Amendments to IFRIC 14)	1 January 2011
IFRS 7	Amendments enhancing disclosures about transfers of financial assets	1 July 2011
IAS 12	Limited scope amendment (recovery of underlying assets)	1 January 2012
IFRS 9	Financial Instruments - Classification and Measurement	1 January 2013

In addition, the IASB has issued amendments to several standards resulting from the May 2010 Annual Improvement to IFRS

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

**B 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

## Accounting policies

**B Basis of preparation (continued)** The accounting policies set out below have been applied consistently to all periods presented in these financial statements

**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 accrual basis. Structuring fees are recognised in full on the date that the fund closes. All revenue derives from operations in Europe.

**D Foreign exchange** Transactions in currencies different from the functional currency of the Group entity entering into the transaction are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet 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 J. 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.

**E 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 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 ("temporary differences"), and is accounted for using the balance sheet 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 balance sheet date.

**F 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.

## Accounting policies

**G 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.

## Notes to the financial statements

**1 Revenue**

	<b>2011</b>	<b>2010</b>
	<b>£'000</b>	<b>£'000</b>
Investment management fees	14,579	4,324
Investment advisory fees	5,435	7,150
Steering committee fees	-	286
	<b>20,014</b>	<b>11,760</b>

**2 Operating profit**

	<b>2011</b>	<b>2010</b>
	<b>£'000</b>	<b>£'000</b>
Operating profit is stated after charging		
Depreciation on property, plant & equipment	63	88
Operating lease rentals - plant & equipment	-	15

The audit fee of £43k (2010 £44k) is borne by 3i DMI

**3 Staff costs**

	<b>2011</b>	<b>2010</b>
	<b>£'000</b>	<b>£'000</b>
Wages and salaries	9,817	6,116
Pension and other costs	261	290
	<b>10,078</b>	<b>6,406</b>

The prior year staff costs have been reanalysed in order to ensure they are comparable with the current year's figures

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

	<b>2011</b>	<b>2010</b>
Business support and management	6	4
Fund management	23	25
	<b>29</b>	<b>29</b>

## Notes to the financial statements

**4 Directors' emoluments**

	<b>2011</b>	<b>2010</b>
	<b>£'000</b>	<b>£'000</b>
Salaries and benefits	404	215
Performance-related payments	44	-
Contributions to money-purchase pension schemes	1	-
Amounts receivable under long-term incentive plans	7,140	1,099
<b>Directors' emoluments</b>	<b>7,589</b>	<b>1,314</b>

The emoluments of the highest paid director were £7,397,610 (2010 £1,211,232) Amounts receivable under long term incentive plans £7,139,773 (2010 £1,098,682), are included in Directors' emoluments

**5 Other income**

	<b>2011</b>	<b>2010</b>
	<b>£'000</b>	<b>£'000</b>
Bank interest receivable	86	134
Other income	15	8
	<b>101</b>	<b>142</b>

## Notes to the financial statements

## 6 Income Taxes

	2011 £'000	2010 £'000
<b>Income taxes</b>		
<b>Statement of comprehensive income</b>		
Current tax	-	1,488
Deferred tax	2,328	(416)
<b>Total income taxes in the statement of comprehensive income</b>	<b>2,328</b>	<b>1,072</b>

**Statement of changes in equity**

Current tax		
Deferred tax	(181)	-
<b>Total income taxes in the statement of changes in equity</b>	<b>(181)</b>	<b>-</b>

**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 (28%) (2010 28%) The differences are explained below

	2011 £'000	2010 £'000
Profit before tax	8,174	3,799
Profit before tax multiplied by rate of corporation tax in the UK of 28% (2010 28%)	2,289	1,064
Effects of		
Expenses not deductible for tax purposes	17	8
Effect of change in deferred tax rate	22	-
<b>Total income taxes in the statement of comprehensive income</b>	<b>2,328</b>	<b>1,072</b>



## Notes to the financial statements

## 6 Income Taxes

## Deferred tax

	Balance sheet	Statement of comprehensive income	Statement of changes in equity
	2011 £'000	2011 £'000	2011 £'000
<b>Deferred income tax asset</b>			
Decelerated capital allowances	51	-	-
Long term incentive plan	199	2,366	-
Tax Losses	38	(38)	
Hedge Accounting Expenses	181	-	(181)
<b>Deferred income tax asset</b>	<b>469</b>		
<b>Deferred income tax charge/(credit) in the statement of comprehensive income/ Statement of changes in equity</b>		<b>2,328</b>	<b>(181)</b>

	Balance sheet	Statement of comprehensive income	Statement of changes in equity
	2010 £'000	2010 £'000	2010 £'000
<b>Deferred income tax asset</b>			
Decelerated capital allowances	51	(8)	-
Long term incentive plan	2,565	(408)	
<b>Deferred income tax asset</b>	<b>2,616</b>		
<b>Deferred income tax charge/(credit) in the statement of comprehensive income/ Statement of changes in equity</b>		<b>(416)</b>	<b>-</b>

Deferred income tax calculated using the expected rate of corporation tax in the UK of 26% (2010 28%)

## Notes to the financial statements

## 7 Property, plant and equipment

£'000

**Computer software**

Cost as at 31 March 2010	295
Accumulated depreciation as at 31 March 2010	(234)
Net book value as at 31 March 2010	61
Depreciation for the year ended 31 March 2011	(61)
Carrying value as at 31 March 2011	-

**Equipment**

Cost as at 31 March 2010	7
Accumulated depreciation as at 31 March 2010	(5)
Net book value as at 31 March 2010	2
Depreciation for the year ended 31 March 2011	(2)
Carrying value as at 31 March 2011	-

## 8 Trade and other receivables

	2011 £'000	2010 £'000
Deferred tax	469	2,616
Prepayments and accrued income	7,740	2,217
Other debtors	-	205
Corporation tax	-	1,312
	8,209	6,350

The prior year figures have been reanalysed to exclude the derivatives, which have been disclosed separately on the balance sheet

## Notes to the financial statements

**9 Trade and other payables**

<b>Non current liabilities</b>	<b>2011 £'000</b>	<b>2010 £'000</b>
Long term incentive bonus	672	4,370
Provision for social security costs	93	559
	<b>765</b>	<b>4,929</b>
<b>Current liabilities</b>	<b>2011 £'000</b>	<b>2010 £'000</b>
Amounts owed to group undertakings	364	1,720
Other taxes and social security costs	-	683
Long term incentive bonus	-	4,582
Accruals and deferred income	2,736	1,207
	<b>3,100</b>	<b>8,192</b>

**10 Share capital**

	<b>Number of shares '000</b>	<b>Amount of shares £'000</b>
Authorised, allotted, called-up and fully paid ordinary shares of £1 each At 31 March 2010 and 31 March 2011	12,000	12,000

## Notes to the financial statements

### 11 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 FSA, the Company's regulated capital requirement is reviewed regularly by the Board. The last submission to the FSA demonstrated a capital surplus in excess of the FSA's prudential rules. The following risk management policies have been consistently applied throughout the year.

#### 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 and bank balances, which are frequently monitored for size and age. Where appropriate, 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 FSA 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 Euros, and as such are 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 14. The Company's market risk is predominantly due to the Euro currency exposure relating to its Euro management fee receivables, Euro deposits and Euro forward foreign exchange contracts. A +/- 5% movement on the Euro against sterling would lead to a net +/-£268k impact in the statement of comprehensive income. This is split as a £297k change to exchange movements offset by an opposite change of £29k to hedge accounting reserve.

#### 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

### 12 Parent undertaking and controlling party

The Company's immediate parent undertaking is 3i Debt Management Ltd, a newly formed subsidiary of 3i Group plc. 3i Debt Management Ltd signed an agreement in September 2010 to acquire Mizuho Investment Management (UK), the acquisition was completed in February 2011 and the company was renamed 3i Debt Management Investments Ltd. Prior to this Mizuho Financial Group Inc, incorporated in Japan, was the Company's ultimate parent and controlling party.

From February 2011, 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.

### 13 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 14. The company has a service level agreement with 3i Group plc for the provision of support services to the Company.

## Notes to the financial statements

### 14 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 2012. 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 2011 an exchange loss on the forward foreign exchange contracts of £514k was recognised in other comprehensive income. No amounts were reclassified from equity to profit or loss during the year as this was the first year in which hedge accounting has been applied. The hedge accounting calculation does not include any of the derivatives previously taken out when Mizuho Financial Group Inc. was the ultimate parent and controlling party.

The counterparty for the forward foreign exchange contracts is 3i Group plc and are therefore related party transactions. The contracts have been transacted at market rates.

A deferred income tax asset of £181k has been recognised in relation to the forward foreign exchange contracts referred to above.

### 15 Transition to IFRS

The Company prepared its 31 March 2010 financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

For accounting periods beginning on or after 1 April 2009, the Company is preparing its financial statements in accordance with IFRS. Details of the Company's accounting policies are included on page 10 -12 of these accounts. No reconciliations resulted from the impact of the move from UK GAAP to IFRS. No reconciliation has been performed for the cash flows as no cash flow statements were produced by the Company under UK GAAP.

### 16 Pension scheme

From February 15 2011 onwards 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. Historic pension scheme allocations that employees were entitled to join are held separately from those of the Company.