



3i Debt Management Investments Limited

(previously Mizuho Investment Management (UK) Ltd)

Annual report and accounts
for the year to 31 March 2012

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Directors' report

The Directors submit their report with the financial statements for the year to 31 March 2012

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 ten funds under management at 31 March 2012 (2011: 8 funds).

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

Total recognised income after tax for the year amounted to £12,763k (2011: £5,846k). The Directors do not recommend a final dividend for the year (2011: £nil). No Interim dividend was paid during the financial year (2011: £7,653k).

Directors

J R Ghose

P Goody

S A Borrows - appointed 3 February 2012

A N Golding - resigned 30 November 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 which have been adopted by the European Union

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

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

The Directors have a responsibility for ensuring that proper accounting records are kept which are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that financial statements comply with the Companies Act 2006. They have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Date 27 July 2012

Registered Office
16 Palace Street
London SW1E 5JD

Independent auditors' 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 2012 which comprise the statement of comprehensive income, statement of changes in equity, statement of financial position, statement of cash flows, accounting policies A to I 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 auditors

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 2012 and of its profit for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006

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

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the 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



Andrew McIntyre (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
27 July 2012

Statement of comprehensive income

for the year to 31 March 2012

| | Notes | 2012 £'000 | 2011 £'000 |
|--|-------|---------------|---------------|
| Revenue | 1 | 34,560 | 20,014 |
| Operating expenses | | (17,918) | (12,301) |
| Operating profit | 2 | 16,642 | 7,713 |
| Interest receivable | 5 | 187 | 86 |
| Exchange movements | | (278) | 201 |
| Fair value movement on derivatives | | (150) | 159 |
| Other income | | 25 | 15 |
| Profit before tax | | 16,426 | 8,174 |
| Income taxes | 6 | (3,663) | (2,328) |
| Profit for the year | | 12,763 | 5,846 |
| Other comprehensive income | | | |
| Movement in hedge accounting reserve | 14 | 638 | (514) |
| Other comprehensive income for the year | | 638 | (514) |
| Total comprehensive income for the year | | 13,401 | 5,332 |

All items in the above statement are derived from continuing operations

Statement of changes in equity

for the year to 31 March 2012


| | Issued capital £'000 | Hedge Accounting Reserve £'000 | Retained earnings £'000 | Total £'000 |
|--|----------------------------|---|-------------------------------|----------------|
| As at 31 March 2010 | 12,000 | - | 11,989 | 23,989 |
| Profit for the year | - | - | 5,846 | 5,846 |
| Exchange movements on hedging instruments | - | (514) | - | (514) |
| Total comprehensive income for the year | - | (514) | 5,846 | 5,332 |
| Dividends paid | - | - | (7,653) | (7,653) |
| As at 31 March 2011 | 12,000 | (514) | 10,182 | 21,668 |
| Profit for the year | - | - | 12,763 | 12,763 |
| Movement in hedge accounting reserve | - | 638 | - | 638 |
| Total comprehensive income for the year | - | 638 | 12,763 | 13,401 |
| Dividends paid | - | - | - | - |
| As at 31 March 2012 | 12,000 | 124 | 22,945 | 35,069 |

Statement of financial position

for the year to 31 March 2012

| | Notes | 2012 £'000 | 2011 £'000 |
|-----------------------------------|-------|---------------|---------------|
| Assets | | | |
| Non-current assets | | | |
| Derivatives Financial Instruments | | 85 | - |
| | | 85 | - |
| Current assets | | | |
| Trade & other receivables | 8 | 15,416 | 8,209 |
| Derivatives Financial Instruments | 14 | 94 | 51 |
| Cash and cash equivalents | | 36,927 | 17,911 |
| | | 52,437 | 26,171 |
| Total assets | | 52,522 | 26,171 |
| Liabilities | | | |
| Non - current liabilities | | | |
| Trade and other payables | 9 | 5,387 | 765 |
| Derivative Financial Instruments | 14 | - | 373 |
| | | 5,387 | 1,138 |
| Current liabilities | | | |
| Trade and other payables | 9 | 12,066 | 3,100 |
| Derivative Financial Instruments | 14 | - | 265 |
| | | 12,066 | 3,365 |
| Total liabilities | | 17,453 | 4,503 |
| Net assets | | 35,069 | 21,668 |
| Equity | | | |
| Issued Capital | 10 | 12,000 | 12,000 |
| Hedge accounting reserve | 14 | 124 | (514) |
| Retained earnings | | 22,945 | 10,182 |
| Total equity | | 35,069 | 21,668 |

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



 Director **P. Goody**

 Date **27 July 2012**

Statement of cash flows

for the year to 31 March 2012

| | 2012 | 2011 |
|---|---------------|----------------|
| | £'000 | £'000 |
| Cash flow from operating activities | | |
| Profit before tax | 16,426 | 8,174 |
| Adjustments for | | |
| Depreciation | - | 63 |
| Exchange movements | 278 | (201) |
| Fair value movement on derivatives | 150 | (159) |
| Increase in receivables | (5,346) | (5,318) |
| Increase/(decrease) in payables | 10,274 | (9,256) |
| Interest receivable | (187) | (101) |
| Cash generated from operating activities | 21,595 | (6,798) |
| Interest received | 173 | 101 |
| Net cash movement on derivatives | (166) | 172 |
| Income tax (paid)/received | (1,808) | 1,312 |
| Net cash flow from operating activities | 19,794 | (5,213) |
| Cash flows from financing activities | | |
| Dividends paid | - | (7,653) |
| Net cash flow from financing activities | - | (7,653) |
| Change in cash and cash equivalents | 19,794 | (12,866) |
| Cash and cash equivalents at the start of the year | 17,911 | 30,576 |
| Effect of exchange rate fluctuations | (778) | 201 |
| Cash and cash equivalents at the end of the year | 36,927 | 17,911 |

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

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

| | | Effective for period beginning on or after |
|---------|--|---|
| IFRS 7 | Amendments enhancing disclosures about transfers of financial assets | 1 July 2011 |
| IFRS 7 | Amendment to offsetting financial assets and liabilities | 1 January 2013 |
| IFRS 9 | Financial instruments – classification and measurement | 1 January 2015 |
| IFRS 10 | Consolidated financial statements | 1 January 2013 |
| IFRS 11 | Joint arrangements | 1 January 2013 |
| IFRS 12 | Disclosure of interest in other entities | 1 January 2013 |
| IFRS 13 | Fair value measurement | 1 January 2013 |
| IAS 12 | Limited scope amendment (recovery of underlying assets) | 1 January 2012 |
| IAS 19 | Amendment to employee benefits | 1 January 2013 |
| IAS 27 | Amendment to separate financial statements | 1 January 2013 |
| IAS 28 | Amendment to Investments in associates and joint ventures | 1 January 2013 |
| IAS 32 | Amendment to offsetting financial assets and financial liabilities | 1 January 2014 |

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 statement of financial position date are translated to sterling at the exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the statement of comprehensive income except for those that relate to designated hedging instruments as described in note 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 statement of financial position date.

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

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

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.

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

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

Notes to the financial statements

1 Revenue

| | 2012 | 2011 |
|----------------------------|---------------|---------------|
| | £'000 | £'000 |
| Investment management fees | 22,273 | 14,579 |
| Investment advisory fees | 5,470 | 5,435 |
| Incentive fee Income | 6,817 | - |
| | 34,560 | 20,014 |

2 Operating profit

| | 2012 | 2011 |
|---|--------------|--------------|
| | £'000 | £'000 |
| Operating profit is stated after charging | | |
| Depreciation on property, plant & equipment | - | 63 |

The audit fee of £12k (2011 £43k) is borne by 3i DMI

3 Staff costs

| | 2012 | 2011 |
|-------------------------|---------------|---------------|
| | £'000 | £'000 |
| Wages and salaries | 10,075 | 9,817 |
| Social security costs | 335 | - |
| Pension and other costs | - | 261 |
| | 10,410 | 10,078 |

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

| | 2012 | 2011 |
|---------------------------------|-------------|-------------|
| Business support and management | 10 | 6 |
| Fund management | 18 | 23 |
| | 28 | 29 |

Notes to the financial statements

4 Directors' emoluments

| | 2012 | 2011 |
|--|--------------|--------------|
| | £'000 | £'000 |
| Salaries and benefits | 778 | 404 |
| Performance-related payments | 1,263 | 44 |
| Contributions to money-purchase pension schemes | 23 | 1 |
| Amounts receivable under long-term incentive plans | 2,838 | 7,140 |
| Directors' emoluments | 4,902 | 7,589 |

The emoluments of the highest paid director were £3,849,750 (2011 £7,397,610) Amounts receivable under long term incentive plans £2,721,336 (2011 £7,139,773), are included in Directors' emoluments

5 Interest income

| | 2012 | 2011 |
|--------------------------|--------------|--------------|
| | £'000 | £'000 |
| Bank interest receivable | 187 | 86 |
| | 187 | 86 |

Notes to the financial statements

6 Income Taxes

| | 2012 £'000 | 2011 £'000 |
|--|---------------|---------------|
| Income taxes | | |
| Statement of comprehensive income | | |
| Current tax | 5,010 | - |
| Deferred tax | (881) | 2,328 |
| Deferred tax - Prior year | (466) | - |
| Total income taxes in the statement of comprehensive income | 3,663 | 2,328 |

Statement of changes in equity

| | | |
|---|------------|--------------|
| Current tax | 39 | - |
| Deferred tax | 181 | (181) |
| Total income taxes in the statement of changes in equity | 220 | (181) |

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 (26%) (2011 28%) The differences are explained below

| | 2012 £'000 | 2011 £'000 |
|---|---------------|---------------|
| Profit before tax | 16,426 | 8,174 |
| Profit before tax multiplied by rate of corporation tax in the UK of 26% (2011 28%) | 4,271 | 2,289 |
| Effects of | | |
| Expenses not deductible for tax purposes | 173 | 17 |
| Effect of change in deferred tax rate | 136 | 22 |
| Prior year adjustment | (466) | - |
| Group relief received for nil consideration | (451) | - |
| Total income taxes in the statement of comprehensive income | 3,663 | 2,328 |

Notes to the financial statements

6 Income Taxes

Deferred tax

| | Balance sheet | Statement of comprehensive income | Statement of changes in equity |
|---|------------------|---|--------------------------------------|
| | 2012 £'000 | 2012 £'000 | 2012 £'000 |
| Deferred income tax asset | | | |
| Decelerated capital allowances | 38 | 13 | - |
| Long term incentive plan | 1,597 | (1,398) | - |
| Tax Losses | - | 38 | - |
| Hedge Accounting Expenses | - | - | 181 |
| Deferred income tax asset | 1,635 | (1,347) | 181 |
| Deferred income tax charge/(credit) in the statement of comprehensive income/ Statement of changes in equity | | (1,347) | 181 |

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

Deferred income tax calculated using the expected rate of corporation tax in the UK of 24% (2011 26%)

Notes to the financial statements

7 Property, plant and equipment

All fixed assets have been fully depreciated and therefore have a carrying value of nil (2011 nil) The cost of fully depreciated assets in use is £301,932 (2011 £301,932)

8 Trade and other receivables

| | 2012 | 2011 |
|------------------------------------|---------------|--------------|
| | £'000 | £'000 |
| Deferred tax | 1,635 | 469 |
| Prepayments and accrued income | 13,713 | 7,740 |
| Amounts owed by group undertakings | 68 | - |
| | 15,416 | 8,209 |

9 Trade and other payables

| Non current liabilities | 2012 | 2011 |
|-------------------------------------|--------------|--------------|
| | £'000 | £'000 |
| Long term incentive bonus | 5,387 | 672 |
| Provision for social security costs | - | 93 |
| | 5,387 | 765 |

Current liabilities

| | 2012 | 2011 |
|---------------------------------------|---------------|--------------|
| | £'000 | £'000 |
| Amounts owed to group undertakings | 2,933 | 364 |
| Other taxes and social security costs | 165 | - |
| Corporation tax | 3,241 | - |
| Accruals and deferred income | 5,727 | 2,736 |
| | 12,066 | 3,100 |

10 Share capital

| | Number of shares '000 | Amount of shares £'000 |
|---|--------------------------------------|---------------------------------------|
| Called up, allotted and fully paid ordinary shares of £1 each At 31 March 2011 and 31 March 2012 | 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 +/-£200k impact in the statement of comprehensive income. This is split as a £284k change to exchange movements offset by an opposite change of £84k 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.

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 2014. The senior management fees are deemed to be highly probable, and will only not be paid out if the funds were to be in default.

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

During the year to 31 March 2012 an exchange gain on the forward foreign exchange contracts of £858k was recognised in other comprehensive income. A loss of £398k was reclassified from equity to exchange movements within the profit for the year.

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

Notes to the financial statements

15 Pension scheme

From 15 February 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.

16 Post balance sheet event

On 31 May 2012 the Company signed agreements to acquire seven European Collateralised Loan Obligation Management contracts from Invesco, subject to various third party consents. The seven contracts would add €2.0 billion of assets under management.