

**Alpha Real Capital LLP**

Report and Financial Statements

Year Ended

31 March 2011

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# **Alpha Real Capital LLP**

## **Annual report and financial statements for the year ended 31 March 2011**

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### **Members**

Sir John Beckwith  
P Rose \*  
B J Bauman \*  
R Armist  
IPGL Fund Services Limited  
Arrco Limited \*  
Karl Devon-Lowe  
Mark Rattigan  
Rockmount Ventures Limited

\* Designated members

### **Registered office**

3<sup>rd</sup> Floor, 1b Portland Place, London, W1B 1PN

### **Registered number**

OC312705

### **Auditors**

BDO LLP, 55 Baker Street, London, W1U 7EU

### **Lawyers**

Norton Rose, 3 More London Riverside, London, SE1 2AQ  
S J Berwin, 10 Queen Street Place, London, EC4R 1BE

### **Bankers**

Royal Bank of Scotland Plc, ABN Amro Bank N V, Barclays PLC, Commerzbank, HSBC Bank Plc, Banco Santander S A

**Alpha Real Capital LLP**  
**Report of the Chief Executive for the year ended 31 March 2011**

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## **About Alpha**

Alpha Real Capital LLP ("Alpha") is a co-investing international real estate funds manager focused on value-added investing in global real estate markets. Headquartered in London, Alpha operates an international network of offices in the UK, Europe and Asia with a 60-strong professional team. Alpha has approximately £ 1.4 billion of assets under management.

Alpha provides real estate funds management services and co-invests with a wide range of investment partners - including pension funds, life funds, investment trusts, family offices, high net worth individuals and other specialist investment vehicles.

Established in 2005, Alpha is jointly owned by Arrco Limited and Rockmount Ventures Limited (both of which are ultimately owned by the Philip S Gower Settlement, which also owns the Antler Property Group), Phillip Rose, Sir John Beckwith, IPGL Fund Services Limited (whose CEO is Michael Spencer) and members of the Alpha management team.

Alpha's experienced management team combines seasoned real estate experience and financial market expertise with bespoke research, analysis and local market knowledge to create value-added property solutions for real estate investors and occupiers.

Alpha operates across diversified investment markets: listed property vehicles, unlisted property vehicles, working with large institutional investors as well as private investors and wealth managers.

## **Our Aim**

Alpha's primary aim is the creation of long-term and rewarding relationships with our investment partners, tenants and other stakeholders.

To deliver this, Alpha utilises its core strengths in establishing, building and managing a range of successful investment platforms across selected international markets with a focus on risk-adjusted value investing that responds to our active management strategies and is capable of delivering attractive risk-adjusted returns.

Alpha continues to create new funds with new geographic, asset class and investment structure characteristics, to enable our investment partners to access a broad choice of real estate strategies and investment returns.

## **Why Alpha**

Independently owned and managed by its partners, Alpha has the ability to think freely, allowing Alpha to respond quickly and creatively to opportunity.

Our ability to co-invest alongside our investment partners and funds creates a strong alignment based on real partnership.

Investors benefit from Alpha's ability to apply independent local property market knowledge and pro-active asset management to source, finance and manage value-added property investment and development opportunities.

Occupiers benefit from Alpha's track record in clearly identifying key individual occupancy and capital efficiency needs of tenants in individual or multiple locations and in delivering flexible partnership-based real estate solutions.

We offer each of our stakeholders

- a commitment to innovation
- robust governance and financial accountability
- a strong emphasis on identifying, measuring and controlling risk
- a passion for integrity in all we do and all we think
- a deep respect and genuine spirit of partnership with our investors, business partners and other stakeholders
- an active-management approach to investments to add value
- an ability to integrate decades of global experience with our local market knowledge

**Alpha Real Capital LLP**  
**Report of the Chief Executive for the year ended 31 March 2011**

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## **Communication**

We strive to be leaders in transparency and provide our investment partners and stakeholders with clear, regular communication

## **Investment Process**

Alpha operates a robust investment process which integrates local market intelligence, strategic research, active management strategies with financial and risk management

### **Origination**

- Focus on asset selection, valuation metrics and value upside
- Assess and quantify active management opportunities
- Develop asset management strategies

### **Structuring**

- Detailed assessment of valuation fundamentals, rental profile and cashflows
- Forensic due diligence - physical, technical, legal, environmental
- Evaluate financing and structuring options to deliver value and flexibility
- Financial stress testing
- Develop risk management and monitoring strategies

### **Investment Committee**

- Independently review all investments based on risk return profile and strategic portfolio fit
- Sense test and stress test underwriting assumptions
- Review and test detailed due diligence

### **Active asset management**

- Detailed business plan including investment horizon
- Utilise optimum mix of in-house and closely managed service providers
- Partner-based relationships with key tenants

### **Portfolio management**

- Monitor portfolio and asset level characteristics, cashflows, financial covenants, projected IRRs and exit multiples

### **Optimal exit**

- Continually review exit options, pricing and potential buyers

## **Our team**

Alpha is headquartered in London with an international network of offices with experienced management teams, deep local market knowledge and an extensive investment sourcing, financing, asset management and realisation track record

The team has experience in real estate, banking and funds management gained with leading organisations from around the world to ensure

- strategic investment selection and detailed due-diligence
- active asset management and value enhancement focus
- financing and structuring expertise and established banking relationships
- local market expertise

**Alpha Real Capital LLP**  
**Report of the Chief Executive for the year ended 31 March 2011**

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Phillip Rose  
CEO, Partner  
Alpha Real Capital LLP

Phillip has over 30 years experience in the real estate, funds management and banking industries in Europe, the USA and Australasia. He has been the Head of Real Estate for ABN AMRO Bank, Chief Operating Officer of European shopping centre investor and developer TrizecHahn Europe and Managing Director of Lend Lease Global Investment. Phillip is currently non-executive director of Great Portland Estates and a member of the Management Committee for Hermes Property Unit Trust.

Philip Gower

Philip is the founder of the Antler Property Group and Rockmount Capital, a major Alpha partner. He has been a UK and international commercial and residential real estate investor and developer for over 40 years. Philip founded Antler Property Investments in 1972 and has also created a number of highly successful private companies and joint ventures in real estate, private equity, financial services, manufacturing, and e-tailing.

Sir John Beckwith  
Partner  
Alpha Real Capital LLP

Sir John founded London & Edinburgh Trust Plc (LET) in 1971 and was Chairman and Chief Executive Officer, developing it into one of the top ten listed real estate companies in the UK. John floated the company with a market capitalisation of £27m in 1983 and eventually sold the business in 1990 for approximately £510m. Since then John has developed a number of highly successful asset management businesses including Liontrust Asset Management, Thames River Capital and Europa Capital Partners.

Michael Spencer  
Partner  
Alpha Real Capital LLP

Michael is the Group Chief Executive Officer of ICAP, a FTSE 100 financial services company, as well as the CEO of Alpha partner, IPGL. Michael has interests in a variety of financial services companies and many other investments including City Index.

Brad Bauman  
Partner  
Alpha Real Capital LLP

Brad has over 20 years experience in the real estate, funds management and banking industries in Europe and Australasia. He served as Managing Director of CBRE Financial Services.

Mark Rattigan  
COO, Partner  
Alpha Real Capital LLP

Mark has previously been Chief Operating Officer and Director - Finance and Operations at RREEF (Deutsche Bank's real estate funds management group) based in London. He has over 20 years experience in real estate, funds management and investment banking.

Karl Devon-Lowe  
Group Finance Director, Partner  
Alpha Real Capital LLP

Karl Devon-Lowe is a Chartered Accountant with over 20 years finance experience in the real estate and leisure sectors. He joined Alpha Real Capital in March 2007 having previously worked in group finance at Hammerson plc and at Heron International as financial controller for its European leisure portfolio. He is also an Associate Member of the Association of Corporate Treasurers.

**Alpha Real Capital LLP**  
**Report of the Chief Executive for the year ended 31 March 2011**

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Nigel Ashfield  
Managing Director, Partner  
Alpha Real Property Investment Advisers LLP

Nigel is the fund manager of Freehold Income Trust. He was previously Managing Director of Close Brothers' Property Division where he worked for ten years. Nigel qualified as a chartered accountant with PwC in their London SME business assurance division after studying law.

Steven Oliver  
Deputy Managing Director, Partner  
Alpha Real Property Investment Advisers LLP

Steven is the fund manager for Capital Trading Companies, Europip, Active Commercial Estates, Business Centre Properties and has 18 years experience in banking, investment and property finance. He previously worked in Barclays Private Clients group for over ten years before joining Abbey National in their Specialised Underwriting Division. Steven joined Close Brothers in 2006 and became Deputy Managing Director of the Property Division in 2009.

Anthony Buckley  
Operations Director, Partner  
Alpha Real Property Investment Advisers LLP

Anthony is responsible for operations across a range of both onshore and offshore commercial and residential property funds. Previously he was Director of Operations at Close Brothers' Property Division for six years. Prior to that, he worked in a public practice in New Zealand for seven years, specialising in business advisory and taxation advice for SMEs and high net worth individuals. Anthony is a chartered accountant.

Anthony Wyld  
Marketing Director  
Alpha Real Property Investment Advisers LLP

Anthony is the Marketing Director of Alpha Real Property Investment Advisers. He spent most of his career marketing property based investments. He joined Close Brothers in 1997 as Managing Director of Close Property Investment to launch a range of closed and open-ended property funds. He left Close Brothers in 2007 to join Tritax as Head of Marketing. Anthony is a Fellow of the Royal Institution of Chartered Surveyors and holds an MBA from Imperial College.

## **Key Funds Review**

The Alpha team has established a range of value-adding focused real estate businesses.

### **Alpha Pyrenees Trust (APT)**

Investing primarily in French real estate, Alpha Pyrenees Trust Limited currently holds 19 properties with a value of approximately £260m and a total floor area of over 260,000 sq m. The portfolio comprises business parks and offices, warehouse/logistics and retail property. The Trust was established in 2005 and is a closed-ended Guernsey registered investment company listed on the London Stock Exchange.

### **Alpha Tiger Property Trust (ATPT)**

Alpha Tiger Property Trust Limited targets investment and development opportunities in the real estate space, including real estate operating companies, securities, services and other related businesses that offer high total returns. The Fund's investments are unconstrained by geography, but have a particular focus on the UK, Europe and Asia. Alpha Tiger is a closed-ended Guernsey registered investment company listed on the London Stock Exchange in 2006. At present, the fund has investments in India, Spain and the UK.

### **Alpha German Property Income Trust (AGPIT)**

Alpha German Property Income Trust Limited invests in commercial real estate across Germany with strong potential for value enhancement through income growth and active asset management. The Trust owns 31 properties with a value of approximately £150m and a total floor area of 183,000 sq m. The portfolio comprises retail, logistics, offices and car parks. The Trust was established in 2006 and is a closed-ended Guernsey registered investment company, funded by private and institutional equity investors.

**Alpha Real Capital LLP**  
**Report of the Chief Executive for the year ended 31 March 2011**

**Freehold Income Trust (FIT)**

Freehold Income Trust, known as FIT is an open-ended Unauthorised Unit Trust. The investment objective of FIT is to provide a secure and stable investment with an attractive income stream and capital growth prospects from a portfolio of over 60,000 freehold residential ground rent investments. In its 17 year history, FIT has consistently produced positive investor returns, with regular income and relatively low volatility. Investors in FIT include pension funds, charities, trusts and individuals seeking steady predictable income.

**Capital Trading Companies (CTC)**

CTC offers private investors a method by which they can operate qualifying trading companies which are eligible for 100% Business Property Relief from Inheritance Tax after a two year qualifying period. CTC has undertaken over 60 projects including house building, forestry, farming and self storage.

**Alpha UK Multi Property Trust (AUMP)**

Alpha UK Multi Property Trust is a closed-ended Isle of Man investment company listed on the London Stock Exchange with property assets with a value of over £100m. The Trust holds a regionally diversified portfolio of multi-let UK light industrial and office property. Alpha became Property Investment Adviser in August 2010 and led a strategic injection of new equity capital.

**Financial performance**

Alpha's consolidated operating profit for the year-ending 31 March 2011 is £3.2m (31 March 2010: £2.5m). This represents an operating margin of 47.9% on revenues.

In February 2011 Alpha completed the acquisition of the UK property funds asset management business from Close Brothers plc (via its subsidiary Alpha Real Property Investment Advisors LLP). Additionally, in June 2010 Alpha acquired a majority partnership interest in Alpha Antler REIM LLP. Both businesses have made a positive impact to operating profits and funds under management over the period since acquisition.

In December 2010 Alpha increased its co-investment in Alpha Tiger Property Trust Ltd, the AIM listed fund under management. The transaction, through which a new partner was introduced, has significantly strengthened Alpha's balance sheet; the net asset value of Alpha at 31 March 2011 has grown to £30m (31 March 2010: £6.3m).

Alpha has no borrowings and cash of £3.7m at 31 March 2011.

**Outlook**

Alpha has doubled its funds under management during the year to approximately £1.4 billion. In the process, Alpha has increased the diversity of its funds by number, geography and investor type. Alpha now manages over a dozen fund vehicles with investment platforms in the UK, France, Germany, Spain, Scandinavia and India.

Alpha's strong balance sheet and significant cash reserves, provides Alpha with a robust platform from which to continue the expansion of its diversified property funds management business.

	LISTED FUNDS			UNLISTED FUNDS		
INSTITUTIONAL INVESTORS		ATPT	APT	AGPIT	FIT	
	AUMP					CTC
PRIVATE INVESTORS / WEALTH MANAGEMENT						

## **Alpha Real Capital LLP**

### **Report of the members for the year ended 31 March 2011**

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The members present their report together with the audited financial statements for the year ended 31 March 2011

#### **Principal activity, trading review and future developments**

The principal activity of Alpha Real Capital LLP (the "Partnership" or "Alpha Real Capital") is the provision of investment management services

The Partnership is authorised and regulated by the Financial Services Authority

The Chief Executive's report on pages 1 to 5 provides an update on the Partnership's performance for the year

The members believe the future outlook is positive and are actively exploring opportunities to expand the Partnership's business base and assets under management

#### **Principal risks and uncertainties**

The members are responsible for determining the level of risk acceptable to the Partnership. This is subject to regular review.

The members believe the principal risks facing the Partnership are as follows:

- Credit risk – the risk of loss if another party fails to perform its obligations or fails to perform them in a timely fashion
- Market risk – the risk of loss that arises from adverse movements in cash deposit interest rates and foreign exchange rates

The members seek to mitigate risks through the application of strict controls, a monitoring process at the operational level of cash flows and fund performance and the use of insurance policies and foreign currency hedge contracts where appropriate.

The Partnership has drafted Pillar 3 disclosures, as required under Chapter 11 of the Financial Services Authority's Prudential Sourcebook for Banks, Building Societies and Investment Firms ("BIPRU"), and intends to include this on the Partnership's website on finalisation of its current ICAAP.

#### **Designated members**

The designated members during the year were:

P Rose  
B J Bauman  
Arrco Limited

#### **Members' responsibilities**

The members are responsible for preparing the members' report and the financial statements in accordance with applicable law and regulation. The Limited Liability Partnerships (*Accounts and Audit*) (*Application of the Companies Act 2006*) *Regulations 2008* require the members to prepare financial statements for each financial year. Under these regulations the members have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under these regulations the members must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Limited Liability Partnership and of the profit or loss of the Group and Limited Liability Partnership for that period. In preparing these financial statements, the members are required to



**Alpha Real Capital LLP**  
**Report of the members for the year ended 31 March 2011 (Continued)**

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- 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,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Limited Liability Partnership will continue in business

The members are responsible for keeping adequate accounting records that are sufficient to show and explain the Limited Liability Partnership's transactions, disclose with reasonable accuracy at any time the financial position of the Limited Liability Partnership, and enable them to ensure that the financial statements comply with the Limited Liability Partnerships (Accounts and Audit) (Application of the Companies Act 2006) Regulations 2008. They are also responsible for safeguarding the assets of the Limited Liability Partnership and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

#### **Allocation of profits**

Any profits are shared among the members as governed by the Limited Liability Partnership Agreement dated 30 September 2005 (as amended from time to time). Members are remunerated solely out of the profits of the Partnership and final allocation of profits to members is made in accordance with the Partnership Agreement.

#### **Capital**

The members may only contribute to the Partnership's capital in accordance with the Partnership Agreement. No member is entitled to interest on their capital.

#### **Policy for drawings, subscriptions and repayment of members' capital**

The Partnership Agreement governs policies for members' drawings, subscriptions and repayment of members' capital. No drawings or other payments can be made to or on behalf of any members, other than by distribution of profits, without the consent of the members. The Partnership will reserve, out of profits before distribution, sufficient funds to provide for the working capital requirements of the business.

#### **Disclosure of information to auditors**

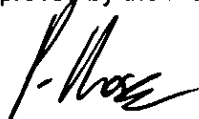
At the date of making this report each of the LLP's members confirms the following:

- So far as each member is aware there is no relevant information needed by the LLP's auditors in connection with the preparation of their report of which the LLP's auditor are unaware, and
- each member has taken all the steps that he/she or it ought to have taken as a member in order to make his/her/ itself aware of any relevant information in order to make themselves aware of any relevant information needed by the LLP's auditors in connection with the preparation of their report and to establish that the LLP's auditors are aware of that information.

#### **Auditors**

A resolution to re-appoint BDO LLP as auditors will be proposed at the next member's meeting.

Approved by the members of the Limited Liability Partnership on 20 July 2011



Phillip Rose  
Designated member  
20 July 2011

## **Alpha Real Capital LLP**

### **Independent auditor's report**

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#### **Independent auditor's report to the members of Alpha Real Capital LLP**

We have audited the financial statements of Alpha Real Capital LLP for the year ended 31 March 2011 which comprise the consolidated profit and loss account, the consolidated and partnership balance sheet, the consolidated cash flow statement, the consolidated statement of total recognised gains and losses and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the limited liability partnership's members, as a body, in accordance with the Limited Liability Partnerships (Accounts and Audit) (Application of the Companies Act 2006) Regulations 2008. Our audit work has been undertaken so that we might state to the limited liability partnership'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 limited liability partnership and the limited liability partnership's members as a body, for our audit work, for this report, or for the opinions we have formed.

#### **Respective responsibilities of members and auditors**

As explained more fully in the statement of members' responsibilities, the members are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

#### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the APB's website at [www.frc.org.uk/apb/scope/private.cfm](http://www.frc.org.uk/apb/scope/private.cfm)

## **Alpha Real Capital LLP**

### **Independent auditor's report**

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#### **Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the group's and the limited liability partnership's affairs as at 31 March 2011 and of the group's profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006 as applied to limited liability partnerships by the Limited Liability Partnerships (Accounts and Audit) (Application of the Companies Act 2006) Regulations 2008

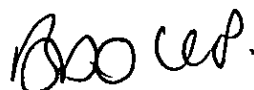
#### **Opinion on other matters**

In our opinion the information given in the members' 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 as applied to limited liability partnerships requires us to report to you if, in our opinion

- adequate accounting records have not been kept by the limited liability partnership, or returns adequate for our audit have not been received from branches not visited by us, or
- the limited liability partnership financial statements are not in agreement with the accounting records and returns,
- we have not received all the information and explanations we require for our audit



*Alexander Tapp (Senior Statutory Auditor)  
For and on behalf of BDO LLP, statutory auditor  
London  
United Kingdom  
20 July 2011*

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)

# Alpha Real Capital LLP

## Consolidated profit and loss account for the year ended 31 March 2011

	Note	2011 £	2010 £
<b>Revenue</b>	2	6,730,928	5,356,800
Administrative expenses		(3,907,145)	(2,819,252)
Other operating income	14	400,000	-
<b>Operating profit</b>	3	3,223,783	2,537,548
Share of operating loss in associate		(25,602)	-
Interest receivable			
- Group	5	18,061	16,784
- Associate		266,560	-
Interest payable			
- Associate		(102,721)	-
<b>Profit on ordinary activities before taxation</b>		3,380,081	2,554,332
Taxation on profit on ordinary activities	6	(35,947)	(109,435)
<b>Profit for the financial year before members' remuneration and profit shares</b>		3,344,134	2,444,897
<b>Profit for the financial year before members' remuneration and profit shares attributable to:-</b>			
Members as owners of the parent entity		3,128,336	2,444,897
Non controlling interests		215,798	-
		3,344,134	2,444,897
<b>Profit for the financial year before members' remuneration and profit shares</b>		3,128,336	2,444,897
<b>Members' profit share charged as an expense</b>	12	(3,128,336)	(2,444,897)
<b>Result for the financial year available for discretionary division among the members</b>		-	-

All amounts relate to continuing activities

The notes on pages 15 to 29 form part of these financial statements

# Alpha Real Capital LLP

## Consolidated balance sheet at 31 March 2011

	Note	2011 £	2010 £
<b>Fixed assets</b>			
Tangible assets	8	243,837	119,715
Investments – non current	9	23,496,315	135,938
		<u>23,740,152</u>	<u>255,653</u>
<b>Current assets</b>			
Investments – current	9	1,262,963	1,299,871
Debtors	10	3,860,170	2,146,302
Cash at bank and in hand	16	3,705,653	4,246,338
		<u>8,828,786</u>	<u>7,692,511</u>
<b>Creditors: amounts falling due within one year</b>			
Creditors	11	2,540,336	1,689,956
		<u>6,288,450</u>	<u>6,002,555</u>
<b>Net current assets</b>			
		<u>30,028,602</u>	<u>6,258,208</u>
<b>Net assets attributable to members</b>			
<b>Represented by:</b>			
<b>Loans and other debts due to members within one year</b>			
Amounts due to members	12	1,527,341	1,174,247
<b>Equity</b>			
Members' capital classified as equity under FRS 25	12	28,543,902	5,083,961
		<u>30,071,243</u>	<u>6,258,208</u>
<b>Total members' interests</b>			
		<u>(42,641)</u>	<u>-</u>
<b>Non controlling interests</b>			
		<u>30,028,602</u>	<u>6,258,208</u>
<b>Total members' interests</b>			
Amounts due to members	12	1,527,341	1,174,247
Members' capital	12	28,543,902	5,083,961
		<u>30,071,243</u>	<u>6,258,208</u>

The financial statements were approved by the members of the Limited Liability Partnership and authorised for issue on 20 July 2011

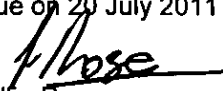
  
Phillip Rose  
Designated member

The notes on pages 15 to 29 form part of these financial statements

**Alpha Real Capital LLP**  
**Partnership balance sheet at 31 March 2011**

	Note	2011 £	2010 £
<b>Fixed assets</b>			
Tangible assets	8	96,313	81,795
Investments	9	25,764,805	164,286
		<u>25,861,118</u>	<u>246,081</u>
<b>Current assets</b>			
Debtors	10	2,361,553	2,033,804
Cash at bank and in hand		1,891,306	4,134,495
		<u>4,252,859</u>	<u>6,168,299</u>
<b>Creditors: amounts falling due within one year</b>			
Creditors	11	701,524	248,152
		<u>3,551,335</u>	<u>5,920,147</u>
<b>Net current assets</b>			
		<u>29,412,453</u>	<u>6,166,228</u>
<b>Net assets attributable to members</b>			
		<u>29,412,453</u>	<u>6,166,228</u>
<b>Represented by:</b>			
<b>Loans and other debts due to members within one year</b>			
Amounts due to members	12	868,551	1,082,267
<b>Equity</b>			
Members' capital classified as equity under FRS 25	12	28,543,902	5,083,961
		<u>29,412,453</u>	<u>6,166,228</u>
<b>Total members' interests</b>			
		<u>29,412,453</u>	<u>6,166,228</u>
<b>Total members' interest</b>			
Amounts due to members	12	868,551	1,082,267
Members' capital	12	28,543,902	5,083,961
		<u>29,412,453</u>	<u>6,166,228</u>

The financial statements were approved by the members of the Limited Liability Partnership and authorised for issue on 20 July 2011

  
Phillip Rose  
**Designated member**

The notes on pages 15 to 29 form part of these financial statements

**Alpha Real Capital LLP**

**Consolidated statement of recognised gains and losses for the year ended 31 March 2011**

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	<b>2011</b>	<b>2010</b>
	<b>£</b>	<b>£</b>
Profit for the financial year	3,344,134	2,444,897
Currency translation differences		
- Group	(16,316)	(21,067)
- Associate	57,123	-
	<hr/>	<hr/>
<b>Total recognised gains and losses for year</b>	<b>3,384,941</b>	<b>2,423,830</b>
	<hr/>	<hr/>

The notes on pages 15 to 29 form part of these financial statements

**Alpha Real Capital LLP**  
**Consolidated cash flow statement for the year ended 31 March 2011**

	Note	2011 £	2010 £
<b>Net cash inflow from operating activities</b>	15	3,761,607	1,396,517
<b>Returns on investments and servicing of finance</b>			
Interest received		18,061	16,784
		<u>18,061</u>	<u>16,784</u>
<b>Taxation paid</b>		(32,184)	(103,435)
<b>Capital expenditure and financial investment</b>			
Purchase of tangible fixed assets		(157,928)	(3,946)
Investments		(1,247,297)	(15,666)
		<u>(1,405,225)</u>	<u>(19,612)</u>
<b>Acquisitions and disposals</b>			
Purchase price		(2)	-
Cash acquired with subsidiary undertakings		197,262	-
		<u>197,260</u>	<u>-</u>
<b>Transactions with members</b>			
Payments to members	12	(2,816,049)	(4,132,071)
Capital (repayments) / contributions	12	(1,209)	4,010,000
		<u>(2,817,258)</u>	<u>(122,071)</u>
<b>Transactions with non controlling interests</b>			
Drawings of non controlling interests holders		(262,946)	-
		<u>(262,946)</u>	<u>-</u>
<b>(Decrease) / Increase in cash</b>	16	<u>(540,685)</u>	<u>1,168,183</u>

The notes on pages 15 to 29 form part of these financial statements



## **1 Accounting policies**

### *Accounting convention*

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards and in compliance with the Statement of Recommended Practice on Accounting by Limited Liability Partnerships

The following principal accounting policies have been applied

### *Basis of consolidation*

The consolidated financial statements incorporate the results of Alpha Real Capital LLP and all of its subsidiaries at 31 March 2011 using the acquisition method of accounting. The results of subsidiary undertakings are included from the date of acquisition. Associates are accounted for under the equity method, whereby the consolidated balance sheet incorporates the Group's share of net assets and profits or losses after tax.

### *Goodwill*

Goodwill arising on an acquisition of a subsidiary or associate undertaking is the difference between the fair value of the consideration paid and the fair value of the assets and liabilities acquired.

Where the fair value of the consideration paid exceeds the fair value of the net assets acquired, this excess is recorded as goodwill and is amortised over its useful economic life. Impairment tests on the carrying value of goodwill are undertaken at the end of the first full financial year following acquisition and at other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

Where the fair value of the consideration paid is less than the fair value of the net assets acquired, this negative goodwill is recognised in the profit and loss account in the periods expected to be benefitted.

### *Fee income*

Fee income represents the invoiced value of services provided net of value added tax. Management and incentive fees are recognised as earned in accordance with the relevant investment management agreement.

### *Dividend income*

Dividend income is recognised when the shareholder's right to receive payment is established.

### *Depreciation*

Depreciation is provided on all tangible fixed assets to write off the cost or valuation, less estimated residual values, evenly over their estimated useful lives. It is calculated at the following annual rates on a straight-line basis:

Leasehold improvements	-	16.66%
Computer equipment	-	33.33%
Fixtures and fittings	-	20%

### *Valuation of investments*

Investments held as fixed assets are stated at cost less any provision for impairment in value. Investments held as current assets are stated at the lower of cost and net realisable value.

## Alpha Real Capital LLP

### Notes forming part of the financial statements for the year ended 31 March 2011 (*Continued*)

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#### 1 Accounting policies (*Continued*)

##### *Financial liability and equity*

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form

##### *Foreign currency*

Foreign currency transactions of individual companies are translated at the rates ruling when they occurred. Foreign currency monetary assets and liabilities are translated at the rates ruling at the balance sheet dates. Any differences are taken to the profit and loss account.

The results of overseas operations are translated at the average rates of exchange during the year and their balance sheets translated into sterling at the rates of exchange ruling on the balance sheet date. Exchange differences which arise from translation of the opening net assets and results of foreign subsidiary undertakings and from translating the profit and loss account at an average rate are taken to reserves.

##### *Leases*

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Lease payments under operating leases are recognised as an expense on a straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of the Partnerships benefit.

##### *Taxation*

The tax payable on the LLP's profits is a personal liability of the members during the year. Corporate taxation on overseas subsidiaries is provided at the prevailing tax rates in the relevant jurisdictions.

# Alpha Real Capital LLP

## Notes forming part of the financial statements for the year ended 31 March 2011 (Continued)

### 2 Revenue

	2011 £	2010 £
Revenue consists of		
Fee income	6,730,928	5,324,544
Dividend income	-	32,256
	<u>6,730,928</u>	<u>5,356,800</u>

Fee income is wholly attributable to the principal activity of the Group

### 3 Operating profit

	2011 £	2010 £
This has been arrived at after charging		
Depreciation	47,777	47,555
Auditor's remuneration – audit services	42,437	33,509
Auditor's remuneration – taxation services	47,250	24,153
Operating lease payments	277,130	281,235
Impairment of goodwill arising on acquisition of associate	153,513	-
	<u></u>	<u></u>

### 4 Employees

	2011 £	2010 £
Staff costs consist of		
Wages and salaries	1,437,073	1,724,965
Social security costs	228,912	224,665
Pension	9,736	-
	<u>1,675,721</u>	<u>1,949,630</u>

The average number of employees during the year was 34 (2010 - 24)

# Alpha Real Capital LLP

## Notes forming part of the financial statements for the year ended 31 March 2011 (Continued)

### 5 Interest receivable

	2011 £	2010 £
Bank interest receivable	18,061	16,784

### 6 Taxation on profit on ordinary activities

	2011 £	2010 £
Group foreign tax	29,264	109,435
Share of associate tax	6,683	-
Total current tax	35,947	109,435

The Group tax assessed for the year is different to the standard rate of corporation tax in the UK applied to profit before tax. The differences are explained below

	2011 £	2010 £
Profit on ordinary activities before taxation	3,380,081	2,554,332
Corporation tax in the UK of 28% (2010 - 28%)	946,423	715,213
Effect of Income taxed as members' personal tax	(910,476)	(605,778)
	35,947	109,435

### 7 Members' share of profits

Profits and losses are shared by the members at the end of the year in accordance with agreed profit and loss sharing arrangements governed by the Partnership Agreement. Members are required to make their own provision for pensions and other benefits from their profit shares.

	Number
Average number of members	9
	£
Average profit per member	371,570
Entitlement of partner with largest profit share	1,095,051

# Alpha Real Capital LLP

Notes forming part of the financial statements for the year ended 31 March 2011 (Continued)

## 8 Fixed Assets

### 8 a) Intangible assets

Group	Goodwill on consolidation £
<i>Cost</i>	
At 1 April 2010	-
Arising on acquisition of Alpha Tiger Property Trust (note 14)	153,513
Arising on acquisition of Alpha Real Property Investment Advisers LLP (note 14)	(400,000)
	(246,487)
Negative goodwill on acquisition taken to the profit and loss account	400,000
Impairment charged to administrative expenses	(153,513)
<i>Net book value</i>	
At 31 March 2011	-

### 8 b) Tangible assets

Group	Leasehold improvements £	Fixtures and fittings £	Computer equipment £	Total £
<i>Cost</i>				
At 1 April 2010	78,864	109,294	83,596	271,754
Additions	-	114,190	43,738	157,928
Reclassified from debtors	25,485	-	-	25,485
Disposals and currency translation	-	(4,452)	(2,588)	(7,040)
At 31 March 2011	104,349	219,032	124,746	448,127
<i>Depreciation</i>				
At 1 April 2010	24,812	54,851	72,376	152,039
Depreciation provided	15,268	21,302	11,207	47,777
Reclassified from debtors	8,154	-	-	8,154
Disposals and currency translation	-	(2,428)	(1,252)	(3,680)
At 31 March 2011	48,234	73,725	82,331	204,290
<i>Net book value</i>				
At 31 March 2011	56,115	145,307	42,415	243,837
At 31 March 2010	54,052	54,443	11,220	119,715

**Alpha Real Capital LLP**

**Notes forming part of the financial statements for the year ended 31 March 2011 (Continued)**

**8 b) Tangible assets (Continued)**

<b>Partnership</b>	<b>Leasehold improvements £</b>	<b>Fixtures and fittings £</b>	<b>Computer equipment £</b>	<b>Total £</b>
<i>Cost</i>				
At 1 April 2010	78,864	36,421	46,408	161,693
Reclassified from debtors	25,485	-	-	25,485
Additions	-	10,676	15,160	25,836
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2011	104,349	47,097	61,568	213,014
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>				
At 1 April 2010	24,812	12,897	42,189	79,898
Reclassified from debtors	8,154	-	-	8,154
Depreciation provided	15,268	8,198	5,183	28,649
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2011	48,234	21,095	47,372	116,701
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Net book value</i>				
At 31 March 2011	56,115	26,002	14,196	96,313
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2010	54,052	23,524	4,219	81,795
	<hr/>	<hr/>	<hr/>	<hr/>

# Alpha Real Capital LLP

Notes forming part of the financial statements for the year ended 31 March 2011 (Continued)

## 9 Investments

Group	Shares and warrants £	Joint Ventures £	Associates £	Total £
Non current and current investments				
<i>Cost and net book value</i>				
At 1 April 2010	120,272	1,315,537	-	1,435,809
Adjustment to accrued cost of fixed asset investments	-	(52,574)	-	(52,574)
Associate acquired	-	-	23,461,150	23,461,150
Derecognition on expiry of option without vesting	(120,272)	-	-	(120,272)
Share of associate profit for the year	-	-	131,555	131,555
Share of associate currency translation differences	-	-	57,123	57,123
Impairment of goodwill	-	-	(153,513)	(153,513)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2011	-	1,262,963	23,496,315	24,759,278
	<hr/>	<hr/>	<hr/>	<hr/>
Non current	-	-	23,496,315	23,496,315
Current	-	1,262,963	-	1,262,963
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2011	-	1,262,963	23,496,315	24,759,278
	<hr/>	<hr/>	<hr/>	<hr/>

Partnership	Shares and warrants £	Subsidiaries £	Associates £	Total £
Fixed asset investments				
<i>Cost and net book value</i>				
At 1 April 2010	120,272	44,014	-	164,286
Additions	-	2,259,641	23,461,150	25,720,791
Derecognition on expiry of option without vesting	(120,272)	-	-	(120,272)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2011	-	2,303,655	23,461,150	25,764,805
	<hr/>	<hr/>	<hr/>	<hr/>

## Alpha Real Capital LLP

### Notes forming part of the financial statements for the year ended 31 March 2011 (*Continued*)

#### 9 Fixed asset investments (*Continued*)

	Country of incorporation	Percentage owned and voting rights	Principal activity
<b>Subsidiary undertakings</b>			
Alpha Real Property Investment Advisers LLP	England and Wales	98.50%	Property fund management
Alpha Antler REIM LLP	England and Wales	83.90%	Property management services
Alpha Global Property Securities Fund PTE Limited	Singapore	100.00%	Investment company
Alpha Real Capital France SARL	France	100.00%	Property management services
Alpha Real Capital Germany GmbH	Germany	100.00%	Property management services
Alpha Real Capital Malta Limited *	Malta	100.00%	Investment company
Alpha Real Capital India Pvt Ltd	India	100.00%	Property management services
<b>Associate undertakings</b>			
Alpha Tiger Property Trust Limited	Guernsey	39.95% **	Property investment company
<b>Joint ventures</b>			
LuxCo 111 Sarl	Luxembourg	49.00%	Investment company
KMS Holdings BV ***	Netherlands	49.00%	Investment company

\* Undertaking held indirectly by the Partnership at 31<sup>st</sup> March 2011

\*\* As at 31 March 2011

\*\*\* The Partnership controls 74% of the voting rights of KMS Holdings BV by way of its interest in LuxCo 111 Sarl which itself owns 51% of KMS Holdings BV

#### Alpha Tiger Property Trust Limited

On 23 December 2010 the Partnership acquired 22,175,000 shares in Alpha Tiger Property Trust Limited as consideration for capital contributions to the Partnership of £ 23,461,150 by Rockmount Ventures Limited and Phillip Rose. The Partnership owns 39.95% of Alpha Tiger Property Trust Limited as at 31 March 2011, and the investment is accounted for as an associate under the equity method.

#### H2O

Alpha Global Property Securities PTE Limited's investment in the joint venture holding structure for the H2O investment, acquired in the previous financial year, is treated as a current investment held for sale. The option arrangements under which Alpha Tiger Property Trust Limited, the joint venture partner, may acquire Alpha Global Property Securities PTE Limited's interest in the structure were extended by mutual consent to 21 July 2011.

#### Alpha Antler REIM LLP ("Alpha Antler")

On 1 July 2010 the Partnership acquired an 84.0% beneficial interest in Alpha Antler for consideration of £1. No fair value adjustments arose.

#### Alpha Real Property Investment Advisers LLP ("ARPIA")

ARPIA was incorporated on 24 May 2010. A Partnership Deed was entered into on 10 February 2011 under which Alpha Real Capital LLP holds a 98.5% capital interest. On 31 January 2011 the Partnership invested £ 1,000,000 as capital contribution in to ARPIA.

On 7 October 2010 ARPIA exchanged contracts to purchase the business and certain assets of property funds management division from Close Brothers Group plc for consideration of £1. The contract completed on 25 February 2011.



# Alpha Real Capital LLP

## Notes forming part of the financial statements for the year ended 31 March 2011 (Continued)

### 9 Fixed asset investments (Continued)

The Partnership have accounted for the purchase as a business combination using acquisition accounting. Please see Note 14 for details of the accounting for the acquisition.

On 9 September 2010 the Partnership acquired 1,259,591 shares in Alpha Global Property Securities PTE Limited issued as consideration for £1,259,591 funding from the Partnership.

### 10 Debtors

	2011 Group £	2011 Partnership £	2010 Group £	2010 Partnership £
Trade debtors	3,361,551	1,683,657	1,563,359	1,563,359
Other debtors	280,516	333,398	436,793	343,288
Amount due from subsidiary undertakings	-	309,524	-	46,126
VAT recoverable	13,346	-	27,879	21,669
Prepayments and accrued income	204,757	34,974	118,271	59,362
	<u>3,860,170</u>	<u>2,361,553</u>	<u>2,146,302</u>	<u>2,033,804</u>

All amounts shown under debtors fall due for payment within one year.

### 11 Creditors: amounts falling due within one year

	2011 Group £	2011 Partnership £	2010 Group £	2010 Partnership £
Trade creditors	500,179	230,832	4,697	4,697
Amount due to subsidiary undertakings	-	-	-	65,197
Other tax and social security	389,341	20,395	163,876	57,681
Other creditors	86,266	-	1,299,871	-
Accruals	1,564,550	450,297	221,512	120,577
	<u>2,540,336</u>	<u>701,524</u>	<u>1,689,956</u>	<u>248,152</u>

All amounts shown under creditors fall due for payment within one year.

**12 Members' interests**

<b>Group</b>	<b>Members' capital (classified as equity) £</b>	<b>Amounts due to members £</b>	<b>Total £</b>
Balance at 1 April 2010	5,083,961	1,174,247	6,258,208
Members' remuneration charged as an expense	-	3,128,336	3,128,336
Members' interests after profit for the year	5,083,961	4,302,583	9,386,544
Capital contribution	23,461,150	-	23,461,150
Currency translation differences	-	40,807	40,807
Drawings	-	(2,816,049)	(2,816,049)
Capital repayment	(1,209)	-	(1,209)
<b>Balance at 31 March 2011</b>	<b>28,543,902</b>	<b>1,527,341</b>	<b>30,071,243</b>
<b>Partnership</b>			
Balance at 1 April 2010	5,083,961	1,082,267	6,166,228
Members' remuneration charged as an expense	-	2,602,333	2,602,333
Members' interests after profit for the year	5,083,961	3,684,600	8,768,561
Capital contribution	23,461,150	-	23,461,150
Drawings	-	(2,816,049)	(2,816,049)
Capital repayment	(1,209)	-	(1,209)
<b>Balance at 31 March 2011</b>	<b>28,543,902</b>	<b>868,551</b>	<b>29,412,453</b>

Members' other interests and other debts rank after unsecured creditors in the event of a winding up

**13 Partnership profit and loss account**

The Partnership has taken advantage of the exemption not to disclose the Partnership profit and loss account. Included in the consolidated profit and loss account is a profit of £2,602,333 (2010 - £2,589,866) relating to the Partnership

# Alpha Real Capital LLP

## Notes forming part of the financial statements for the year ended 31 March 2011 (Continued)

### 14 Acquisitions

#### Alpha Antler REIM LLP ("Alpha Antler")

On 1 July 2010 the Partnership acquired an 84% beneficial interest in Alpha Antler REIM LLP for £ 1, paid by cash, which has been accounted for as an acquisition

In calculating the goodwill arising on acquisition, the fair values of the net assets of Alpha Antler REIM LLP have been assessed and no adjustments from book value were found necessary. The assets are summarised in the following table

	Book Value £	Fair Value £
Current assets		
Debtors	14,472	14,472
Cash	197,262	197,262
Total assets	211,734	211,734
Creditors	(183,839)	(183,839)
Net assets	27,895	27,895
Amounts due to non controlling interests	(27,894)	(27,894)
Net assets attributable to members	1	1
		£
Cash consideration		1
Net assets acquired attributable to members		1
Goodwill arising on acquisition		0

## Alpha Real Capital LLP

### Notes forming part of the financial statements for the year ended 31 March 2011 *(Continued)*

#### 14 Acquisitions (continued)

##### Alpha Tiger Property Trust Limited

On 23 December 2010 the Partnership acquired 22,175,000 shares in Alpha Tiger Property Trust Limited as consideration for capital contributions to the Partnership of £ 23,461,150 by Rockmount Ventures Limited and Philip Rose. The Partnership owns 39.95% of Alpha Tiger Property Trust Limited as at 31 March 2011, and the investment is accounted for as an associate under the equity method.

In calculating the goodwill arising on acquisition, the fair value of the share of net assets of Alpha Tiger Property Trust Limited have been assessed and no adjustments from book value were found necessary. The assets are summarised in the following table:

	Book Value £	Fair Value £
Share of associate net assets	23,307,637	23,307,637
	<hr/>	<hr/>
Total net assets attributable to members	23,307,637	23,307,637
	<hr/>	<hr/>
		£
Fair value of consideration		23,461,150
Net assets acquired attributable to members		23,307,637
		<hr/>
Goodwill arising on acquisition		153,513
		<hr/>

# Alpha Real Capital LLP

## Notes forming part of the financial statements for the year ended 31 March 2011 (Continued)

### 14 Acquisitions (continued)

#### Alpha Real Property Investment Advisors LLP ("ARPIA")

ARPIA was incorporated on 24 May 2010. A Partnership Deed was entered into on 10 February 2011 under which Alpha Real Capital LLP holds a 98.5% capital interest.

On 7 October 2010 ARPIA exchanged contracts to purchase the business and certain assets of property funds management division from Close Brothers Group plc for consideration of £1. The contract completed on the 25 February 2011 and has been accounted for as an acquisition.

In calculating the goodwill arising on acquisition, the fair values of the assets acquired from Close Brothers Group plc have been assessed and adjustments from book value have been made where necessary. These adjustments are summarised in the following table:

	Book Value £	Bad debt provision £	Fair Value £
Current assets			
Debtors	1,635,001	225,000	1,410,001
Total assets	1,635,001	225,000	1,410,001
Creditors	(1,010,000)	-	(1,010,000)
Total net assets attributable to members	625,001	225,000	400,001
			£
Cash consideration			1
Net assets acquired attributable to members			400,001
Negative goodwill arising on acquisition			(400,000)

The following fair value adjustments arose:

A 50% provision was made against recovery of certain debts where the debtor's ability to pay is reliant on distributions from or liquidation of its underlying property investments and the eventual outcome is uncertain at this time.

# Alpha Real Capital LLP

Notes forming part of the financial statements for the year ended 31 March 2011 (Continued)

## 15 Reconciliation of operating profit to net cash inflow from operating activities

	2011 £	2010 £
Operating profit	3,223,783	2,537,548
Depreciation	47,777	47,555
(Increase) / Decrease in debtors	(1,316,730)	(988,511)
Increase / (Decrease) in creditors	1,966,415	(173,764)
Derecognition of fixed asset investment	120,272	-
Negative goodwill arising on acquisition of Alpha Real Property Investment Advisers LLP (note 8 a)	(400,000)	-
Impairment of goodwill arising on acquisition of associate (note 8 a)	153,513	-
Currency translation	(33,423)	(26,311)
	<hr/>	<hr/>
Net cash inflow from operating activities	3,761,607	1,396,517
	<hr/>	<hr/>

## 16 Reconciliation of net cash outflow to movement in net cash

	2011 £	2010 £
(Decrease)/ Increase in cash	(540,685)	1,168,183
Cash at start of year	4,246,338	3,078,155
	<hr/>	<hr/>
Cash at end of year	3,705,653	4,246,338
	<hr/>	<hr/>

## 17 Commitments under operating leases

The Group had annual commitments under non-cancellable operating leases as set out below

	2011 £	2010 £
Within one year	49,238	-
In two to five years	231,819	250,606
After five years	-	-
	<hr/>	<hr/>
	281,057	250,606
	<hr/>	<hr/>

## 18 Ultimate controlling parties

At 31 March 2011 the ultimate controlling parties were the designated members

**19 Related party transactions**

The Partnership recognises members and associate companies as related parties and the transactions with these parties are detailed below. Transactions with the Partnership's subsidiaries, which are related companies, are eliminated on consolidation and are not disclosed in this note.

The Partnership provided property and investment management services of £821,660 to Alpha Tiger Property Trust Limited, an associate company, in the period after acquisition (note 14), and at the 31 March 2011 the balance of fees owed to due to the Partnership was £332,191 (2010: £nil).

Alpha Antler REIM LLP, a subsidiary entity, has provided property and asset management services to a UK property portfolio owned by the Rockmount Capital group, a group owned by a common discretionary beneficiary who is also a controlling party of the Partnership. Fees of £866,564 were charged in the year (2010: £nil). Additionally, Rockmount Capital group companies have recharged administrative costs of £236,199 (2010: £nil) to the ARC group.

During the year the Partnership paid £nil (2010: £4,376) for corporate finance services to Pacific Investments Plc, a company controlled by Sir John Beckwith.