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# ACP CAPITAL LIMITED

*(a public company incorporated with limited liability under the laws of Jersey under registration number 91066)*

Report & Financial Statements for the year ended  
31 December 2008

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# ACP CAPITAL LIMITED

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# ACP CAPITAL LIMITED

## DIRECTORS AND ADVISORS

<b>Directors</b>	John Chapman Stephen Coe Antony Gardner-Hillman James Lowenstein Patrick McCann	
<b>Registered Office</b>	22-24 Seale Street St Helier, Jersey JE2 3QG Channel Islands	
<b>Company Number</b>	91066	
<b>Secretary</b>	SJ Secretaries Limited 22-24 Seale Street St Helier, Jersey JE2 3QG Channel Islands	
<b>Auditors</b>	BDO Stoy Hayward LLP 55 Baker Street London W1U 7EU United Kingdom	
<b>Registrars</b>	Computershare Investor Services (Channel Islands) Limited Ordnance House 31 Pier Road St Helier, Jersey JE4 8PW Channel Islands	
<b>Nominated Adviser and Broker</b>	Collins Stewart Europe Limited 9th Floor 88 Wood Street London EC2V 7QR United Kingdom	
<b>Legal Advisers</b>	Travers Smith LLP 10 Snow Hill London EC1A 2AL United Kingdom	Ozannes PO Box 733, 29 Esplanade St Helier, Jersey JE4 OZS Channel Islands
<b>Bankers</b>	Deutsche Bank International Limited PO Box 727 St Paul's Gate New Street St Helier, Jersey JE4 8ZB Channel Islands	Royal Bank of Scotland International Royal Bank House 71 Bath Street St Helier, Jersey JE4 8PJ Channel Islands
<b>Advisor</b>	ACP Capital UK LLP Suite 205 73 Watling Street London EC4M 9BJ United Kingdom	

# ACP CAPITAL LIMITED

## CHAIRMAN'S STATEMENT

Dear Shareholders:

The net asset value ("NAV") per share of ACP Capital Limited ("ACP") and its subsidiaries (together, the "Group") declined by 46 percent in 2008 to 63 pence per share (2007: 117 pence per share). The reduction in the value of our portfolio and cash led to a loss of £113.7 million. This is not surprising given that the crisis in the global financial markets magnified the risky nature of the Group's portfolio. The following table shows our portfolio as at the year-end:

Asset	Value as at 31.12.08 (£ m)	% of Total	Value as at 31.12.07 (£ m) <sup>1</sup>	% of Total
IFR Senior Facilities	56.9	35.3%	63.0	20.2%
IFR Preferred Equity	28.2	17.5%	35.6	11.4%
Leasecom Equity	19.1	11.9%	24.3	7.8%
CLOs	9.6	5.9%	29.4	9.4%
Other Corporate Loans	7.7	4.8%	7.3	2.3%
Leasecom ABS Loan	5.6	3.5%	N/a	N/a
IFR Equity	4.6	2.9%	30.2	9.7%
GCI Management AG Equity	3.6	2.2%	12.0	3.8%
GCI Automotive Equity	2.8	1.7%	N/a	N/a
CDOs	1.4	0.9%	17.4	5.6%
Davenham Equity	0.8	0.5%	16.1	5.2%
RMBS	0.3	0.2%	5.0	1.6%
<b>Total investments</b>	<b>140.6</b>	<b>87.2%</b>	<b>240.3</b>	<b>77.2%</b>
Cash	20.6	12.8%	71.0	22.8%
<b>Total</b>	<b>161.2</b>	<b>100.0%</b>	<b>311.3</b>	<b>100.0%</b>

(1) 2007 figures are unconsolidated

Structured products are carried at the average of indicative bids. Non-traded assets (the IFR preferred equity and the investments in Leasecom) have been valued using methodologies discussed below. Please bear in mind that these carrying values are not necessarily what we would or could sell these assets at. As most of our assets are denominated in Euros and our functional currency is Sterling, the reduction in value of our portfolio was partially offset by favorable movements in the Euro: Sterling exchange rate. We estimate that this movement added about 32 pence per share to our NAV per share as at 31 December 2008, or, phrased another way, if the exchange rate had remained constant, NAV per share would have declined by an additional 28.90 percent.

Although this kind of decline is nothing to be proud of, we have accomplished a number of things that have strengthened the Group and should positively affect the amount of cash we can ultimately return to shareholders. We have sold two assets and returned 4.0 pence per share to shareholders in December 2008 and another 4.5 pence per share to shareholders in early March 2009. These distributions are especially satisfying since our shares traded at a low of 8.0 pence in December 2008. As we are now a realisation vehicle with the sole objective being to return the maximum amount of cash to our shareholders, we have taken a very hard look at our expenses. We have reduced staff by more than half and have reduced total annual overheads by about 36 percent by moving into modest office space. We will continue to focus on expenses and eliminate what is unnecessary, though not at the expense of effective internal controls and accurate reporting. In the face of an external investigation related to the activities of the former management, we have replaced all of our main service providers, including our administrator and legal counsel. We have beefed up our internal controls and replaced our auditor with BDO Stoy Hayward LLP. We have eliminated our internal accounting department and outsourced all of our accounting to a third party provider. We have eliminated debt and are now debt free. We have brought our wholly owned subsidiary, ACP Investment Management Limited ("ACPIIM"), into compliance with Jersey regulatory requirements.

Our 2009 operating expenses are budgeted at £2.2 million. This comprises all advisors, including lawyers and accountants, office expenses, rent, and salaries. Our strategy is simple and straightforward: by remaining cash flow positive, having no debt, cutting operating expenses to a minimum, eliminating leverage and improving our internal controls we are now in a strong position to wait for as long as required to obtain the appropriate prices for our assets.

# ACP CAPITAL LIMITED

## CHAIRMAN'S STATEMENT

### The Year in Review

The past year has been an especially tumultuous one with two EGMs, a plethora of litigation and threats of litigation, a new Board of Directors, a new management team, new auditors, a new administrator, and the elimination of leverage in our capital structure. In language that now seems faintly anachronistic, ACP at the beginning of 2008 styled itself as a provider of "equity, mezzanine and senior debt to companies targeting an integrated finance solution across their capital structure." The concept seems to have been to export capital from the UK in favour of investment opportunities on the Continent. The Group's largest investment by far was (and continues to be) in IFR, Capital plc ("IFR"), a Cyprus domiciled acquisition platform targeting small and medium-sized food companies in continental Europe. The Group had invested about €186 million in IFR by investing in four classes of debt, a class of preferred equity and common shares. By February, it appears to us that the relationship had broken down in acrimony. In April 2008, the Group commenced litigation against IFR and ING Bank, as lender in connection with technical provisions relating to one class of IFR debt. Prior to the Group's entering into a temporary stay of proceedings with IFR and ING in July, that litigation managed to consume close to £1.0 million in legal and professional fees, and ACP's previous management had left ACP unrepresented at the IFR board level by resigning ACP's two IFR board seats.

In May 2008, our largest shareholder, owning close to 30 percent of ACP's shares, served a written demand on ACP that ACP cease making new investments and forthwith return capital to shareholders. ACP rejected the shareholder's demands, stated that it would continue to make new investments and offered to assist the shareholder in disposing of its investment in the ACP through a "block trade."

On 9 June 2008, ACP Mezzanine Limited ("ACPM") held a secondary offering. The objective was to raise €150 million to fund a €350 million "pipeline" of mezzanine debt. The "pipeline's" largest component was a deal called "ConPair" or "Helios", a large structured transaction comprising 61 small loans to continental European SME borrowers. The plan was that ACP would invest €15.0 million and ACPM €57.0 million in several classes of notes issued through a Lehman Brothers CDO with an eight year maturity. ACP further intended to lever this transaction through the Deutsche Bank credit facility and thereby increase returns (and risk).

By June, the market's appetite for risk had begun to turn, and further investments in opaque, structured products no longer seemed so appealing. The ACPM secondary offering was heavily undersubscribed. Rather than raising €150 million, the offering raised only €80 million. Of that €80.0 million, almost 60 percent or €47.5 million was a subscription from ACP. So following the ACPM secondary offering, ACP had increased its investment in ACPM from about 47 to about 54 percent and ACPM became a subsidiary of ACP.

### The EGMs

On 17 June, our largest shareholder requisitioned an EGM of shareholders to replace the Board. The objective was to force ACP to cease investing and return capital. Nonetheless, the Group accelerated their investment activity. On 16 June, ACPM invested €9 million in the debt of Pfaff Industrie Maschinen AG ("PFAFF"), a German sewing machine manufacturer. By September, PFAFF had voluntarily filed for insolvency. On 12 June, ACPM committed to advance €15 million to a wholly-owned subsidiary of Leasecom Group SAS ("Leasecom") for a period of seven years.

At an EGM on 17 July, the shareholders voted to remove the sitting directors. The day before, on 16 July, the Board, prior to being removed, took steps to ensure that an additional 15,318,823 Ordinary Shares were vested predominantly in the hands of three former directors. So as of 17 July, three former directors owned 27,421,118 shares or 14.77 percent of ACP. Of these shares, 12.5 million were purchased for cash (primarily at approximately a 50 percent discount to ACP's original offering price) while the remainder were acquired through share and option awards.

Less than two months following their removal, on 3 September, the former directors ousted at the 17 July EGM requisitioned an EGM to replace the new Board. On 29 October, our shareholders overwhelmingly defeated the EGM resolutions put forward by these three former directors. With over 93 percent of ACP shares represented at the EGM in person or by proxy, over 84 percent of those shares voted in support of the new Board and opposed returning the former directors to office. Of the 16 percent of ACP's shares voting in favour of the resolutions, over 88 percent were shares controlled by the former directors.

### Management and Restructuring Issues

Following the EGM, the new Directors undertook a comprehensive review of the Group's management, expenses, internal controls, and external service providers. We promoted two managers, both existing Group employees with experience in debt and equity and an appropriate knowledge of the Group's portfolio. We compensate them in large part based on cash returned to shareholders. We reduced the Group's staff by 50 percent and retained a core group of five employees. We moved into modest office space. Our staff now works out of a single room and shares common facilities with other companies in the building. We hired BDO Stoy Hayward LLP as our auditors. We replaced our accounting staff with an outsourced accounting service provider. We also changed administrators.

One of our major accomplishments has been the elimination of leverage. When we took over in July, the Group had debt of approximately £60 million through a leverage facility with Deutsche Bank. The terms of the facility included asset-backed recourse financing, with a guaranteed minimum return to the financing institution regardless of whether the Group continued to require the facility, and a "key-man" provision that was

## ACP CAPITAL LIMITED

### CHAIRMAN'S STATEMENT

triggered if several of the former managers left ACP. The Group commenced negotiations with Deutsche Bank in August and reached an agreement with them in September to pay them approximately £5.4 million to cancel the facility. This represented a discount of 15 percent from our contractual obligation. By the time the facility was terminated, it supported less than £4.7 million of leverage because of repeated margin calls arising from the diminution in value of the Group's assets supporting the facility. By our calculations, the elimination of the Deutsche Bank leverage facility (given the collapse in pricing for the structured products which would have required significant additional margin collateral) along with halting the ConPair transaction, preserved the Group's financial and cash position.

One of the major issues we have had to deal with was a legacy of unpaid liabilities, primarily legal bills and claims by disgruntled former employees who felt that they had been treated unfairly. Starting in July, when the new Board took over, we were confronted with numerous demands for the payment of unpaid legal bills incurred by previous management. Some of these were for legal bills dating back to 2006 and the total of these legal bills amounted to well in excess of £2 million. They were from law firms in the UK, the US, Germany, France and Cyprus. In September, one of the UK law firms commenced a lawsuit against us alleging unpaid obligations in excess of £1.9 million. That firm attempted to commence a winding up proceeding against one of the Group's UK entities. A key piece of evidence supporting this claim was a signed letter from ACP's former CEO who had been removed in the July EGM. This letter had been provided to the law firm after the CEO left ACP. Without getting into a lot of detail, the material claims have now all been settled and adjustments have been reflected in the balance sheet post year-end.

#### Our Portfolio

Our portfolio at the year end was as follows:

#### IFR Capital plc

IFR is a Cyprus domiciled company, traded on the AIM market and whose operations are headquartered in Dusseldorf. At year end 2008, its shares traded at €0.10 per share, down 90 percent from flotation little more than two years earlier, and had a market capitalisation of around €23 million. IFR is very thinly traded – three shareholders, including ACP, control close to 75 percent of the outstanding shares – so it is questionable how much information the market price conveys. ACP is an investor in three classes of IFR debt, a class of preferred equity shares, and the ordinary equity. Although the equity does on occasion trade and is therefore carried at its bid price, the debt does not and is carried at an indicative price. The preferred equity is carried at 55.5 percent of par, which represents a reduction in value of 44.5 percent since our semi-annual report. The reasoning behind this write down has nothing to do with what we expect to ultimately realise, but rather that IFR's preferred equity cannot in our view be marked above IFR's most junior debt, which was indicatively priced at 55.5 percent of par at year end.

IFR comprises three major operating subsidiaries: Nordsee GmbH, Europe's largest fish restaurant chain and number one non-burger fast food chain in Germany and Austria; Homann Chilled Food GmbH, a manufacturer of chilled food and convenience products; and Hamker Lebensmittel Beteiligungs GmbH and Co. KG, a manufacturer of sauces and dressings. The concept behind IFR was to "roll up" the German food industry and generate profits by creating synergies and eliminating inefficiencies. IFR went public in November 2006 with an offering that raised €135 million before costs. ACP was one of the two sponsors in the offering and invested €17.34 million. ACP received a further 20.8 million shares from assets contributed in kind to IFR. According to the IFR offering document and the advisory services agreement, ACP was to have assisted IFR in its "acquisition strategy" and contracted with IFR to provide "advisory services," which included two IFR board seats. By the end of 2007, the Group had a total investment in aggregate in IFR of about €186 million. This comprised four classes of debt, a class of preferred equity shares and the ordinary equity.

By February 2008, the relationship between the Group and IFR has disintegrated amidst accusations and litigation. ACP management resigned from its two IFR board seats and commenced a lawsuit against both IFR and ING Bank alleging the breach of a technical aspect of one tranche of the IFR debt. In response, IFR disavowed the advisory services agreement and counterclaimed against ACP for breach of fiduciary duty. By the time that the new board took over in July, a UK court had denied ACP summary judgment, the IFR claim had been dismissed on *forum non conveniens* grounds, the ING claim had been stayed, and about £1 million in legal fees had been incurred by ACP alone.

IFR is a public company and shareholders can access its website at [www.ifrcapital.eu](http://www.ifrcapital.eu). IFR's primary challenge is cleaning up its capital structure. At year end IFR had €164 million of debt and about €117 million of preferred equity, including accrued coupons. The debt comprises three classes of senior secured debt, a class of subordinated, second lien debt and two classes of preference shares. The Group is an investor in all four classes of the debt as well as one class of the preference shares. One class of the debt is amortizing while the other three are interest only with bullet payments of principle between 2015 and 2017. To date there have been no interest or repayment defaults.

ACP and ACPM each own €24.1 million of IFR's Class A preference shares. For 2008, they accrued a coupon of 20 percent per annum with consequent accrued coupons at ACP and ACPM of €4.8 million each. For 2009, the coupon steps up to 27.5 percent per annum and for 2010 it steps up further to 37.5 percent per annum. The preference shares are redeemable at the option of IFR at par plus accrued interest.

## ACP CAPITAL LIMITED

### CHAIRMAN'S STATEMENT

IFR announced on 18 March 2009 that the holder of the Class B preference shares had exchanged about 25 percent of its Class B Preference Shares for ordinary shares effectively valued at €0.08 each and then had sold a portion of those ordinary shares to IFR's CEO. The upshot of these transactions is that these two shareholders now control about 72 percent of IFR's ordinary shares. As IFR is a Cypriot company, these persons have been able to amass a controlling stake without making a general bid to all shareholders. The remaining shareholders have been diluted. ACP's equity interest in IFR has been reduced from 26.99 percent to 14.22 percent —though the legal and economic effect of this dilution is likely immaterial.

#### CLO and CDO Structured Products

The Group holds ten CLO, four CDO, and two RMBS investments. All investments were made during 2006 and 2007.

Each CLO is essentially a form of securitisation where payments from multiple middle-sized and large business loans are pooled together and investors acquire different tranches. CDOs have a similar structure and comprise, typically, real estate asset-backed loan portfolios, including other CDOs. The problem with these instruments is that they are typically difficult to analyse in detail because they comprise a large and varied collection of assets. A second layer of complexity has to do with the structure of the investments and how ratings downgrades and defaults affect the entitlement of different tranches to payment. The Group holds the lower-ranked tranches with only the equity tranche as a default cushion. Most CLOs limit the amount of lower-rated debt that can be held in the portfolio – so-called ratings concentration tests – which means that as credits are downgraded the portfolio becomes over concentrated in lower-rated debt. This may cause the suspension or termination of interest payments to the lower-rated tranches, such as those we hold.

Investment theory supporting these investments was relatively simple. The rating agencies rated the CDO, RMBS and CLO tranches. Historical default rates for the different ratings were known. Pricing was somewhat better than historical default rates would have implied. The instruments carried internal leverage and could be levered again with a facility like the Group had with Deutsche Bank. Markets now view such instruments with suspicion, which is reflected in the pricing at year end and further falls since 31 December 2008.

There is almost no trading market for these products. We obtain indicative pricing from five different bank sources. The Group's original nominal value in CDO, RMBS and CLO investments was £51.8 million and at year-end the indicative value was £11.3 million. Indicative pricing for CDOs is typically much worse than for CLOs, partly because they are much harder to analyse and often contain riskier assets. Many CDOs are now being liquidated, often with losses for investors, particularly lower-ranked investors such as ACPM.

Given this pricing, it does not seem appropriate to be selling these assets now since the payment of one or two more coupons would often exceed the bids that we see. A recent example involves one of our CLOs with a bi-annual coupon. The market maker bid 4 percent of par. ACPM holds a €7 million face value investment in this instrument. So the market maker was effectively bidding ACPM €280,000 for this investment. This bid was 73 percent of a single coupon or about 4.4 months' worth of coupon. Looked at another way, if ACPM receives one more coupon that coupon will be 1.4x the indicative bid. With these sorts of conditions, we believe it is better to continue to hold.

#### Leasecom Group SAS

Leasecom is a private French leasing company headquartered in Paris with the website [www.leasecom.fr](http://www.leasecom.fr). Leasecom's business model is primarily originating computer equipment leasing contracts with SME companies brokering these contracts to refinancing banks. Leasecom, as a broker, does not bear credit risk, but is itself dependent on bank financing.

In July 2007, ACP invested €33.1 million to acquire 45 percent of the share capital of Leasecom and in June 2008, ACPM entered into a commitment to lend a subsidiary of Leasecom up to €15 million over a period of seven years. ACP carries its investment in Leasecom at £19.12 million, which represents a write down of 39.6 percent. The basis of this write down is our internal valuation coupled with a third party valuation of Leasecom.

#### GCI Management AG ("GCI")

GCI is listed on the Frankfurt Stock Exchange with its headquarters in Munich. It has a website at [www.gci-management.com](http://www.gci-management.com). GCI is primarily a holding company for small private equity and turnaround investments in Germany. ACP's total investment of about €27 million in GCI was valued at about £3.6 million at year end. Trading in the shares is limited and the underlying investments lack visibility. One of the company's major assets, PFAFF, filed for insolvency in mid-2008. Prior to bankruptcy, PFAFF represented 21 percent of GCI's book value. This had a double effect on ACP both through its direct investment in GCI and its investment in ACPM – which in turn had lent €9 million to PFAFF less than three months prior to the bankruptcy. ACPM does not expect any recovery in the insolvency proceedings.

Following year end, ACP disposed of its 40 percent shareholding in GCI Automotive Holding GmbH, another co-investment with GCI, for a total consideration of €3.75 million, resulting in a profit on disposal of €0.86 million. In addition, ACPM sold its mezzanine loan in GCI Automotive GmbH for €3 million with a successful 17.5 percent IRR on gained interests. In connection with this exit, GCI attempted to access the capital markets with very limited success.

## ACP CAPITAL LIMITED

### CHAIRMAN'S STATEMENT

#### Davenham Group plc ("Davenham")

Davenham is an independent, specialist commercial finance lender to the United Kingdom SME sector with an outstanding loan portfolio of £221 million as at 24 March 2009. The company was founded in 1991 and provides loans of between £10,000 and £4 million. Over 50 percent of Davenham's business has typically comprised of real estate lending while the remainder was trade and asset finance. New business in the property finance division ceased in December 2008. Commencing in 2007, ACP acquired shares in Davenham for a total consideration of £26 million and now owns about 29 percent of the company with an average price of £3.30 per share. The share price at our year end was £0.10 – a discount of around 97 percent to ACP's average entry price. Trading in Davenham's shares is currently thin.

As a lender to a perceived risky sector of the market, Davenham was adversely affected by the financial crisis during 2008. Davenham announced in October 2008 that it was withdrawing its dividend recommendation, reducing its headcount by 20 percent and ceasing to provide any new property finance. On 24 March 2009, Davenham announced the result of its strategic review and the successful £215 million refinancing of its banking facilities to support its new strategy of focusing on its asset and trade finance divisions, whilst optimising recoveries from its property division. On 26 March 2009, Davenham announced its interim results for the six months to 31 December 2008, in which a pre-tax loss of £30.4 million, an NAV of £26.3 million, and a diluted loss per share of 88 pence were disclosed. Davenham is a public company and shareholders can access its website at [www.davenham.co.uk](http://www.davenham.co.uk) for information about the company.

\* \* \* \*

The past year has been a difficult one for the Group and its shareholders. The Group has suffered from internal turmoil and very difficult market conditions. Most of our shareholders have seen a substantial diminution in the value of their investment. That said, I believe that we have taken the necessary steps to provide a firm foundation for future returns of capital. We are a far less risky company than we were at mid-year; we have no leverage; our expenses are rock bottom; we now have in place internal controls we believe are appropriate; and, following year end, we have sold one asset and returned a further 4.5 pence per share to shareholders. We are hopeful that we will complete further asset sales as the year progresses and thus be able to return additional capital to shareholders.

I look forward to reporting to you again following our half-year results.

Respectfully yours,

John D. Chapman  
Chairman  
ACP Capital Limited

26 March 2009

# ACP CAPITAL LIMITED

## DIRECTORS' REPORT

The Directors present their report with the financial statements of ACP Capital Limited ("**ACP**" or the "**Company**") and its subsidiaries (together, the "**Group**") for the year ended 31 December 2008. The Company was incorporated on 30 August 2005.

### PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS

The Company is incorporated in Jersey and, while it was in investment mode, provided specialist integrated finance and asset management solutions focused on European small and mid-sized enterprises ("**SMEs**"). The Group provided equity, mezzanine and senior debt to companies targeting an integrated finance solution across their capital structure.

At an EGM held on 17 July 2008, the Company announced that it would seek to dispose of assets on an orderly basis and return the proceeds to shareholders by way of distributions.

#### ACP Mezzanine Limited ("**ACPM**")

The Company owns 54.17% of ACPM. As a result, ACPM is now a subsidiary of the Company and these financial statements are prepared on a consolidated basis including the balances of ACPM at 31 December 2008.

ACPM has invested in a portfolio of debt facilities, collateralised loan obligations and collateralised debt obligations.

At an EGM held on 9 December 2008, shareholders approved a change in investment policy to enable ACPM to seek to dispose of its assets on an orderly basis and return the proceeds to shareholders by way of capital distributions.

### RESULTS AND DIVIDENDS

The results for the year are set out in the financial statements.

For the 2008 calendar year the Company has distributed to shareholders a total of 7.5 pence per share represented by dividends of 3.5 pence per share and a distribution of 4.0 pence per share.

The Directors do not recommend payment of a final dividend.

On 30 January 2009, the Company announced that it intended to make a distribution of 4.5 pence per share on 6 March 2009.

The Group's net asset value per share at the year end was 63 pence per share (2007: 117 pence per share).

### LIQUIDITY ANALYSIS

As at 31 December 2008, the Group had £20.6 million of cash and cash equivalents, of which £9.4 million has since been distributed to shareholders. The Group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due and to budget for a high multiple of operating costs to revenue such that ongoing operating costs are fully covered by the income currently generated by the Group's assets.

# ACP CAPITAL LIMITED

## DIRECTORS' REPORT

### DIRECTORS AND THEIR INTERESTS

The Directors during the year and at the date of this report were:

John Chapman (appointed 17 July 2008)  
Patrick McCann (appointed 17 July 2008)  
James Lowenstein (appointed 17 July 2008)  
Stephen Coe (appointed 17 September 2008)  
Antony Gardner-Hillman (appointed 17 September 2008)  
Derek Vago (resigned 17 July 2008)  
Eric Youngblood (resigned 17 July 2008)  
Nikolaj Larsen (resigned 17 July 2008)  
François Georges (resigned 17 July 2008)  
Heiner Kamps (resigned 29 February 2008)  
Alan Braxton (resigned 17 July 2008)  
Daniele Discepolo (resigned 17 July 2008)  
Craig Stewart (resigned 17 September 2008)  
Hilary Valentine (resigned 17 September 2008)

All of the current Directors hold non-executive positions on the Board. There are currently no executive Directors on the Board. John Chapman and Stephen Coe are also non-executive Directors of ACPM.

The Directors have no interest in the Company's shares as at 31 December 2008.

No Directors have any options to acquire ordinary shares in the Company as at 31 December 2008.

### DIRECTORS' TERMS OF SERVICE

None of the Directors have service contracts with the Group with the exception of John Chapman and Stephen Coe who have contracts with ACP Capital UK LLP, a subsidiary undertaking ("the LLP"). Their terms of appointment are governed by letters of appointment. The majority of Directors are appointed for an initial period of three years and this may be terminated by either the Company or the Director serving three months' written notice on the other at any time and is further subject to rotational retirement rules.

### DIRECTORS FEES

Directors' remuneration for the year was as follows:

	<b>Group 2008 £</b>	<b>Group 2007 £</b>
<b>Directors' fees</b>		
Derek Vago	126,067	200,000
Nikolaj Larsen	108,592	175,000
Eric Youngblood	108,546	175,000
Craig Stewart	-	12,000
Hilary Valentine	-	10,000
John Chapman (1)	53,760	-
Patrick McCann	12,500	-
James Lowenstein	12,500	-
Stephen Coe (2)	25,675	-
Antony Gardner-Hillman	15,000	-
	<hr/> 462,640	<hr/> 572,000

# ACP CAPITAL LIMITED

## DIRECTORS' REPORT

(1) John Chapman is also entitled to an additional fee equivalent to 0.3 percent of any amounts distributed by ACP to its shareholders after the date of his appointment. His contract is subject to a 6 month notice period.

(2) Stephen Coe has an entitlement to a discretionary bonus to be determined at the end of 2 years.

The current Director's annual remuneration entitlements are as follows:

	Annual Remuneration (Company)	Annual Remuneration (Group)
	£	£
<b>Directors' fees</b>		
John Chapman (1)	8,211	106,740
Patrick McCann	25,000	25,000
James Lowenstein	25,000	25,000
Stephen Coe	20,000	90,000
Antony Gardner-Hillman	25,000	25,000
	<u>103,211</u>	<u>271,740</u>

(1) John Chapman is entitled to an annual remuneration of \$12,000 from ACP as part of a total annual remuneration from the Group of \$156,000. This entitlement has been converted to Sterling at the 31 December 2008 exchange rate of £1:\$1.4615.

Stephen Coe and John Chapman's service agreements with the LLP contain provisions providing for certain payments on termination or should certain change of control events occur at ACP. ACP has guaranteed the LLP obligations pursuant to these agreements as follows:

### Stephen Coe

Should certain events occur that constitute a change of control or should Mr Coe's engagement by the LLP be terminated (except for cause) prior to 14 May 2010, the LLP has committed to pay Mr Coe an amount equal to 75 percent of the payments he would receive from the Group until 14 November 2010.

### John Chapman

Should Mr Chapman's engagement with the LLP be terminated, the LLP has committed to continue to pay him 0.3 percent of any amounts distributed by ACP to its shareholders during the following two years. Should certain events occur that constitute a change of control, the LLP has committed to pay Mr Chapman up front a reasonable estimate of the payments he is expected to receive from the Group for the following two years (subject to adjustment based on distributions paid by ACP in the following two years).

## SUBSTANTIAL SHAREHOLDINGS

At 28 February 2009, the Company had been notified of the following interests in its issued share capital:

QVT Financial LP	28.15%
Aviva Investors Global Services Limited	12.47%
Derek Vago	11.78%
The Baupost Group LLC	6.60%
Artemis Investment Management Ltd	5.83%
Société Générale Asset Management UK Ltd	4.70%
Millennium Capital Partners Ltd	3.70%
Midas Capital Partners Ltd	3.14%
Weiss Capital Management, Inc	3.04%

## THE ANNUAL GENERAL MEETING

The Notice of the Annual General Meeting of the Company and a circular dealing with any special business to be considered at the Annual General Meeting will be dispatched to shareholders separately.

## **ACP CAPITAL LIMITED**

### **DISCLOSURE OF INFORMATION TO AUDITORS**

So far as the Directors are aware, there is no relevant audit information of which the Company's auditors are unaware. The Directors have taken all the steps they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

### **AUDITORS**

During the period Kingston Smith LLP resigned and BDO Stoy Hayward LLP were appointed as auditors of the Company. BDO Stoy Hayward LLP have expressed their willingness to continue in office as auditors. A resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

On behalf of the Board

Stephen Coe  
Director  
26 March 2009

# ACP CAPITAL LIMITED

## CORPORATE GOVERNANCE

The Directors are committed to maintaining high standards of corporate governance. The Company is incorporated in Jersey. The Companies (Jersey) Law 1991 does not contain a mandatory code of corporate governance, although it does impose statutory obligations on directors to act in good faith and with a view to the best interests of the Company. The Company currently complies with applicable corporate governance requirements in Jersey.

The Directors acknowledge the importance of the principles of corporate governance set out in The Combined Code issued by the Financial Reporting Council in June 2006. Although the Combined Code is not compulsory for AIM traded companies, the Directors have applied the principles as far as practicable and appropriate for a relatively small public company as follows:

## BOARD OPERATION

The Board is currently comprised of a non executive Chairman (John Chapman) and four non-executive Directors. The Board considers that all non-executive Directors are capable of exercising independent judgement. They all have extensive experience to perform the stated strategy.

The non-executive Chairman and Directors are engaged on terms whereby their appointment can be terminated on three months' notice, save as noted in the Directors' Report above.

Directors are subject to re-election by the shareholders at Annual General Meetings. The Articles of Association provide that a certain proportion of the Directors will be subject to re-election at each Annual General Meeting.

The Board meets regularly and is responsible for commercial strategy, performance, approval of investments, monitoring and approval of major business.

The Board has a formal schedule of matters specifically reserved to it for decision. To enable the Board to discharge its duties, all Directors receive appropriate and timely information. Briefing papers are distributed to all Directors in advance of Board meetings. All Directors have access to the advice and services of the Administrator, who is responsible for ensuring that Board procedures are followed and that applicable rules and regulations are complied with. The appointment and removal of the Administrator is a matter for the Board as a whole. In addition, procedures are in place to enable the Directors to obtain independent professional advice in the furtherance of their duties, if necessary, at the Company's expense.

The Board met 29 times during the year, including the Annual and Extraordinary General Meetings.

## BOARD COMMITTEES

### Audit Committee

The Audit Committee comprises Stephen Coe (Chairman), Patrick McCann, and James Lowenstein. At least one member of the Committee has relevant financial experience.

The Audit Committee carries out a variety of functions, including reviewing annual and interim results, receiving reports from its auditors, agreeing the auditors' remuneration and assessing the effectiveness of the audit and internal control environment. The Audit Committee oversees the relations with the external auditors and where necessary, may obtain specialist external advice from either its auditors or other advisers.

Audit Committee meetings coincide with meetings of the Group's Board and take place not less than twice a year. The Audit Committee has written terms of reference.

## **ACP CAPITAL LIMITED**

### **CORPORATE GOVERNANCE**

#### **Remuneration Committee**

The Remuneration Committee comprises Stephen Coe, Antony Gardner-Hillman and James Lowenstein.

The Remuneration Committee is responsible for reviewing the scale and structure of the senior employees' remuneration and the terms of their service or employment contracts, including share option schemes and other bonus arrangements.

Remuneration Committee meetings coincide with meetings of the Group's Board and take place at least once a year.

The Remuneration Committee has written terms of reference.

A full summary of Directors' Remuneration is set out on pages 8 and 9.

#### **Nomination Committee and Litigation Committee**

The Nomination Committee comprises John Chapman, Patrick McCann, and James Lowenstein whilst the Litigation Committee comprises John Chapman, Patrick McCann, and Antony Gardner-Hillman.

The Nomination Committee and Litigation Committee have written terms of reference.

The Nomination Committee and Litigation Committee meet as required.

### **REGULATORY COMPLIANCE**

The Company will take all reasonable steps to ensure compliance by the Directors with the provisions of the AIM Rules relating to dealings in securities of the Company and has adopted a share dealing code for this purpose. The Company is also aware of the Model Code transactions by directors of a listed company and will take all reasonable steps to ensure compliance by the Directors and senior employees with the relevant provisions of this code.

### **INTERNAL FINANCIAL CONTROL**

The Board is responsible for establishing and maintaining the Group's system of internal financial control and places importance on maintaining a strong control environment.

Procedures which the Directors have established with a view to providing effective internal financial control include:

- the Company's organisational structure has clear lines of responsibility and delegation of authority;
- a budgeting system whereby actual performance is measured against budget on a regular basis;
- periodic results and activity reports are closely monitored by the Directors;
- the Board is responsible for identifying the major business risks faced by the Company and for determining the appropriate courses of action to manage those risks; and
- the Audit Committee monitors the effectiveness of the Group's internal financial control system.

The Directors recognise, however, that such a system of internal financial control can only provide reasonable, not absolute, assurance against material misstatement or loss.

### **RELATIONS WITH SHAREHOLDERS**

Communications with shareholders are given high priority. The Group makes regular announcements, including announcements of the half year interim results and the preliminary year end results. The Board uses the Annual General Meeting to communicate with investors and welcomes their participation. The Board aims to ensure that Directors are available at Annual General Meetings to answer questions.

### **CREDITORS PAYMENT POLICY**

Group operating companies are responsible for agreeing the terms and conditions under which business transactions with their suppliers are conducted.

### **DIRECTORS LIABILITY INSURANCE**

The Group maintains liability insurance to indemnify the Directors for losses that may arise from their duties as Directors of the Company or subsidiary companies.

# ACP CAPITAL LIMITED

## CORPORATE GOVERNANCE

### DIRECTOR'S RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors are responsible for preparing the financial statements in accordance with applicable law and International Financial Reporting Standards.

Jersey company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group and Company for that period. In preparing these financial statements, the Directors are required to:

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

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and Company and to enable them to ensure that the financial statements have been properly prepared in accordance with the Companies (Jersey) Law 1991. They are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### GOING CONCERN

After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

On behalf of the Board

Stephen Coe  
Director  
26 March 2009

# ACP CAPITAL LIMITED

## INDEPENDENT AUDITORS' REPORT

### To the Members of ACP Capital Limited

We have audited the financial statements of ACP Capital Limited for the year ended 31 December 2008 which comprise the Group and Company income statement, Group and Company balance sheet, and Group and Company cash flow statement, Group and Company statement of changes in equity and the related notes 1 to 28. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Article 110 of the Companies (Jersey) Law 1991. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable Jersey law and International Financial Reporting Standards are set out in the Statement of Directors' Responsibilities.

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies (Jersey) Law 1991. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records and if we have not received all the information and explanations we require for our audit.

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

We read other information contained in the annual report and consider whether it is consistent with the annual financial statements. This other information comprises only the Chairman Statement and Corporate Governance Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

### Basis of audit opinion

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

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

### Opinion

In our opinion:

- the Group's financial statements give a true and fair view of the state of the Group's affairs in accordance with International Financial Reporting Standards as at 31 December 2008 and of its loss for the year then ended;
- the parent company's financial statements give a true and fair view of the state of the parent company's affairs in accordance with International Financial Reporting Standards as at 31 December 2008 and of its loss for the year then ended;
- the Group's and parent company's financial statements have been properly prepared in accordance with the Companies (Jersey) Law 1991; and
- the information given in the directors' report is consistent with the financial statements.

BDO Stoy Hayward LLP  
Chartered Accountants

26 March 2009

# ACP CAPITAL LIMITED

## FINANCIAL STATEMENTS

### Income Statement

For the year ended 31 December 2008

	Notes	Group 2008 £	Group 2007 £	Company 2008 £	Company 2007 £
<b>Investment income</b>					
Losses on investments at fair value through profit or loss		(79,907,473)	(12,678,348)	(102,901,782)	(12,678,348)
Dividend and interest income		19,444,903	9,466,693	26,909,818	9,204,293
Fees and other income		3,773,163	5,734,489	2,540,020	5,734,489
<b>Total investment income</b>		<u>(56,689,407)</u>	<u>2,522,834</u>	<u>(73,451,944)</u>	<u>2,260,434</u>
Exchange movements		6,215,010	987,825	3,763,756	987,825
Impairment of loans and receivables		(9,412,455)	-	(9,412,455)	-
Impairment of available for sale investments		(32,567,588)	-	(3,334,131)	-
Negative goodwill	24	1,127,177	-	-	-
Equity-settled share-based payments	21	(6,043,952)	(1,207,248)	(6,043,952)	(1,207,248)
Other operating expenses	7	<u>(11,544,344)</u>	<u>(2,661,698)</u>	<u>(10,622,968)</u>	<u>(2,960,125)</u>
<b>Operating loss</b>		<u>(108,915,559)</u>	<u>(358,287)</u>	<u>(99,101,694)</u>	<u>(919,114)</u>
Finance income	8	2,247,272	2,243,316	968,896	2,243,316
Finance expense	8	<u>(6,903,054)</u>	<u>(322,064)</u>	<u>(3,482,297)</u>	<u>(322,064)</u>
<b>(Loss) profit before tax</b>		<u>(113,571,341)</u>	<u>1,562,965</u>	<u>(101,615,095)</u>	<u>1,002,138</u>
Income taxes	9	<u>(109,659)</u>	<u>(83,055)</u>	-	-
<b>(Loss) profit for the period</b>		<u><u>(113,681,000)</u></u>	<u><u>1,479,910</u></u>	<u><u>(101,615,095)</u></u>	<u><u>1,002,138</u></u>
<b>Attributable to:</b>					
Equity Shareholders		(93,692,121)	1,479,910		
Minority Interests		<u>(19,988,879)</u>	-		
		<u><u>(113,681,000)</u></u>	<u><u>1,479,910</u></u>		
<b>(Loss) / earnings per share attributable to the equity holders of the parent during the year</b>					
Basic	20	(46.18) p	0.85 p	(50.08) p	0.58 p
Diluted	20	(46.18) p	0.83 p	(50.08) p	0.56 p

# ACP CAPITAL LIMITED

## FINANCIAL STATEMENTS

### Balance Sheet

As at 31 December 2008

	Notes	Group 2008 £	Group 2007 £	Company 2008 £	Company 2007 £
<b>Assets</b>					
<b>Non-current assets</b>					
Investments measured at fair value through profit or loss	10	113,743,509	164,676,271	105,187,286	164,676,271
Investments classified as loans and receivables	11	-	15,912,561	-	15,912,561
Available-for-sale investments	12	24,585,894	-	3,165,974	-
Property, plant and equipment	13	-	27,233	-	9,448
		<u>138,329,403</u>	<u>180,616,065</u>	<u>108,353,260</u>	<u>180,598,280</u>
<b>Current assets</b>					
Investments measured at fair value through profit or loss	10	2,228,496	845,927	1,507,955	845,927
Trade and other receivables	15	5,105,434	1,864,640	4,480,098	1,858,699
Cash and cash equivalents		20,621,092	59,855,959	9,262,635	59,141,431
<b>Total current assets</b>		<u>27,955,022</u>	<u>62,566,526</u>	<u>15,250,688</u>	<u>61,846,057</u>
<b>Total assets</b>		<u>166,284,425</u>	<u>243,182,591</u>	<u>123,603,948</u>	<u>242,444,337</u>
<b>Liabilities</b>					
<b>Non-current liabilities</b>					
Loans and borrowings	16	-	9,188,157	-	9,188,157
<b>Total non-current liabilities</b>		<u>-</u>	<u>9,188,157</u>	<u>-</u>	<u>9,188,157</u>
<b>Current liabilities</b>					
Trade and other payables	17	2,519,643	761,016	6,569,537	715,941
Current income tax payable	9	185,345	83,055	-	-
<b>Total current liabilities</b>		<u>2,704,988</u>	<u>844,071</u>	<u>6,569,537</u>	<u>715,941</u>
<b>Total liabilities</b>		<u>2,704,988</u>	<u>10,032,228</u>	<u>6,569,537</u>	<u>9,904,098</u>
<b>Net assets</b>		<u>163,579,437</u>	<u>233,150,363</u>	<u>117,034,411</u>	<u>232,540,239</u>
<b>Equity attributable to owners of the Company</b>					
Issued capital	18	208,341	199,531	208,341	199,531
Share premium	19	208,400,632	216,734,311	208,400,632	216,734,311
Capital Redemption Reserve		3,435	-	3,435	-
Translation reserve		12,956,160	-	-	-
Retained earnings		(90,773,910)	16,216,521	(91,577,997)	15,606,397
<b>Total equity attributable to owners of the Company</b>		<u>130,794,658</u>	<u>233,150,363</u>	<u>117,034,411</u>	<u>232,540,239</u>
Minority interest		32,784,779	-	-	-
<b>Total equity</b>		<u>163,579,437</u>	<u>233,150,363</u>	<u>117,034,411</u>	<u>232,540,239</u>
<b>Net asset value per share (pence)</b>		<u>62.8</u>	<u>116.8</u>	<u>56.2</u>	<u>116.5</u>

The financial statements were approved by the Board of Directors and authorised for issue on 26 March 2009.

**Stephen Coe**  
Director

# ACP CAPITAL LIMITED

## FINANCIAL STATEMENTS

### Cash Flow Statement

For the year ended 31 December 2008

	Note	Group 2008 £	Group 2007 £	Company 2008 £	Company 2007 £
<b>Cash flow from operating activities:</b>					
Profit/(loss) for the financial period		(113,681,000)	1,479,910	(101,615,095)	1,002,138
Income tax expense		109,659	83,055	-	-
Profit/(loss) before tax		(113,571,341)	1,562,965	(101,615,095)	1,002,138
Movement in fair value of investments and loans		79,907,473	12,678,348	102,901,782	12,678,348
Negative goodwill		(1,127,177)	-	-	-
Finance expense		6,903,054	322,064	3,482,297	322,064
Finance income		(2,247,272)	(2,243,316)	(968,896)	(2,243,316)
Impairment of loans and receivables		9,412,455	-	9,412,455	-
Impairment of available-for-sale investments		32,567,588	-	3,334,131	-
Loss on disposal of property, plant and equipment		17,785	-	-	-
Exchange rate differences		(6,215,011)	(987,825)	(3,763,756)	(987,825)
Equity-Settled Share-Based Payments		6,043,952	1,207,248	6,043,952	1,207,248
Changes in working capital:					
Decrease / (increase) in trade and other receivables		(1,455,018)	(323,055)	2,725,470	(448,707)
(Decrease) / increase in trade and other payables		(1,108,880)	220,521	1,215,645	175,446
New lending / investments		(10,257,026)	(233,309,998)	(46,946,525)	(233,309,998)
Sale / repayment of investments		3,306,860	113,881,100	2,871,702	113,881,100
<b>Net cash flow from operations</b>		<b>2,177,442</b>	<b>(106,991,948)</b>	<b>(21,306,838)</b>	<b>(107,723,502)</b>
<b>Cash flow from investing activities</b>					
Purchase of property, plant and equipment		-	(17,026)	-	-
Acquisition of subsidiary net of cash acquired	24	32,938,915	-	-	-
<b>Net cash flow from investing activities</b>		<b>32,938,915</b>	<b>(17,026)</b>	<b>-</b>	<b>-</b>
<b>Cash flow from financing activities</b>					
Proceeds from issues of share capital		-	145,290,833	-	145,290,833
Options exercised		12,245	-	12,245	-
Buy back of own shares		(4,635,581)	-	(4,635,581)	-
Repayment of financing		(56,092,802)	-	(10,835,153)	-
Interest paid and other related financing costs		(7,904,639)	(281,021)	(4,201,137)	(281,021)
New bank loans raised		5,036,081	9,947,352	5,036,081	9,947,352
Bank interest received		2,268,559	2,243,316	968,896	2,243,316
Dividends & capital distributions paid to minority interests		(12,344,382)	-	-	-
Dividends & capital distributions paid to holders of the Company		(15,317,296)	(1,988,377)	(15,317,297)	(1,988,377)
<b>Net cash flow from financing activities</b>		<b>(88,977,815)</b>	<b>155,212,103</b>	<b>(28,971,946)</b>	<b>155,212,103</b>
Effects of exchange rate changes on cash and cash equivalents		14,626,591	883,362	399,988	883,362
<b>Net (decrease) increase in cash and cash equivalents</b>		<b>(39,234,867)</b>	<b>49,086,491</b>	<b>(49,878,796)</b>	<b>48,371,963</b>
Opening cash and cash equivalents		59,855,959	10,769,468	59,141,431	10,769,468
<b>Closing cash and cash equivalents</b>	27	<b>20,621,092</b>	<b>59,855,959</b>	<b>9,262,635</b>	<b>59,141,431</b>

# ACP CAPITAL LIMITED

## FINANCIAL STATEMENTS

### Statement of Changes in Equity - Group For the year ended 31 December 2008

	Issued capital	Share premium	Capital redemption reserve	Translation reserve	Retained earnings	Shareholders equity	Minority interest	Total
	£	£	£	£	£	£	£	£
<b>At 31 December 2006</b>	77,237	69,231,328	-	-	17,423,478	86,732,043	-	86,732,043
Profit for the period	-	-	-	-	1,479,910	1,479,910	-	1,479,910
Share options and awards granted	2,094	2,092,350	-	-	(1,759,461)	334,983	-	334,983
Issue of shares	120,200	150,119,800	-	-	(140,000)	150,100,000	-	150,100,000
Costs of share issue	-	(4,709,167)	-	-	-	(4,709,167)	-	(4,709,167)
Dividends paid	-	-	-	-	(1,994,654)	(1,994,654)	-	(1,994,654)
Equity settled share based payments	-	-	-	-	1,207,248	1,207,248	-	1,207,248
<b>At 31 December 2007</b>	199,531	216,734,311	-	-	16,216,521	233,150,363	-	233,150,363
Loss for the period	-	-	-	-	(93,692,121)	(93,692,121)	(19,988,879)	(113,681,000)
Effect of exchange rate fluctuations	-	-	-	12,956,160	-	12,956,160	10,912,519	23,868,679
Total recognised income and expenses for the year	-	-	-	12,956,160	(93,692,121)	(80,735,961)	(9,076,360)	(89,812,321)
Equity share options exercised	12,245	-	-	-	-	12,245	-	12,245
Equity settled share based payments	-	-	-	-	6,043,952	6,043,952	-	6,043,952
Shares acquired for Employee Share Awards	-	-	-	-	(1,748,303)	(1,748,303)	-	(1,748,303)
Buy back and cancellation of shares	(3,435)	-	3,435	-	(2,881,330)	(2,881,330)	-	(2,881,330)
Dividends paid	-	-	-	-	(6,983,617)	(6,983,617)	-	(6,983,617)
Revaluation adjustment on gaining control of subsidiary	-	-	-	-	(7,729,012)	(7,729,012)	-	(7,729,012)
Minority interest on acquisition of subsidiary	-	-	-	-	-	-	54,205,520	54,205,520
Capital distribution	-	(8,333,679)	-	-	-	(8,333,679)	-	(8,333,679)
Distributions to minority interests	-	-	-	-	-	-	(12,344,381)	(12,344,381)
<b>At 31 December 2008</b>	<u>208,341</u>	<u>208,400,632</u>	<u>3,435</u>	<u>12,956,160</u>	<u>(90,773,910)</u>	<u>130,794,658</u>	<u>32,784,779</u>	<u>163,579,437</u>

# ACP CAPITAL LIMITED

## FINANCIAL STATEMENTS

### Statement of Changes in Equity – Company For the year ended 31 December 2008

	Issued capital	Share premium	Capital redemption reserve	Retained earnings	Shareholders equity
	£	£	£	£	£
<b>At 31 December 2006</b>	77,237	69,231,328	-	17,291,126	86,599,691
Profit for the period	-	-	-	1,002,138	1,002,138
Share options and awards granted	2,094	2,092,350	-	(1,759,461)	334,983
Issue of shares	120,200	150,119,800	-	(140,000)	150,100,000
Costs of share issue	-	(4,709,167)	-	-	(4,709,167)
Dividends paid	-	-	-	(1,994,654)	(1,994,654)
Equity settled share based payments	-	-	-	1,207,248	1,207,248
<b>At 31 December 2007</b>	199,531	216,734,311	-	15,606,397	232,540,239
Loss for the period	-	-	-	(101,615,095)	(101,615,095)
Equity share options exercised	12,245	-	-	6,043,952	6,056,197
Shares acquired for Employee Share Awards	-	-	-	(1,748,303)	(1,748,303)
Buy back and cancellation of shares	(3,435)	-	3,435	(2,881,330)	(2,881,330)
Capital distribution	-	(8,333,679)	-	-	(8,333,679)
Dividends paid	-	-	-	(6,983,618)	(6,983,618)
<b>At 31 December 2008</b>	<u>208,341</u>	<u>208,400,632</u>	<u>3,435</u>	<u>(91,577,997)</u>	<u>117,034,411</u>

# ACP CAPITAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### 1 General information

ACP Capital Limited (“ACP” or the “Company”) and its subsidiaries (together the “Group”), while they were in investment mode, provided specialist integrated finance and asset management solutions focused on European small and medium-sized enterprises (“SMEs”). The Company was incorporated on 30 August 2005 and registered in Jersey under registration number 91066. The Company's shares were admitted to trading on AIM on 6 January 2006. The consolidated financial statements for the year ended 31 December 2008 were authorised for issue by the Board of Directors on 26 March 2009.

At an EGM held on 17 July 2008, the Company announced that it would seek to dispose of assets on an orderly basis and return the proceeds to shareholders by way of distributions.

### 2 Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations (collectively “IFRSs”) issued by the International Accounting Standards Board (“IASB”) as adopted by the European Union and with those parts of Companies (Jersey) Law 1991 applicable to companies preparing their financial statements under IFRSs.

The Group and Company financial statements have been presented in Sterling, the functional currency of the Company. Some of the subsidiary entities of the Group use a different functional currency, being the currency in the primary economic environment in which the entity operates.

They are prepared under the historical cost convention modified to include investments measured at fair value through profit or loss. 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 the experience of the Directors 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 or notes to the financial statements.

Note 3 sets out a description of the significant accounting policies of the Group. The accounting policies are consistent with those applied in the year ended 31 December 2008, and amended to reflect the adoption of the new standards, amendments to standards or interpretations which are mandatory for the first time for the financial year ended 31 December 2008.

#### ***Standards, amendments and interpretations to published standards not yet effective***

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning after 1 January 2009 or later periods and which the Group has decided not to adopt early.

These are listed below and not expected to have a significant impact on the Group's financial statements.

Amendments to IFRIC 9 and IAS 39 – Embedded Derivatives (effective for accounting period beginning on after 30 June 2009 – still to be endorsed)

Amendments to IFRS 7 – Improving disclosures about Financial Instruments (effective for accounting period beginning on after 1 January 2009 – still to be endorsed)

Amendments to IAS 1 – Presentation of Financial Statements: A Revised Presentation (effective for accounting period beginning on after 1 January 2009)

IAS 27 - Consolidated and Separate Financial Statements (effective for accounting periods beginning on or after 1 July 2009)

IAS 32 & IAS1 - Puttable Financial Instruments and Obligations Arising on Acquisition (effective for accounting periods beginning on or after 1 January 2009)

IFRS1 & IAS 27 - Cost of an Investment in a Subsidiary, Jointly-Controlled Entity or Associate (effective for accounting periods beginning on or after 1 January 2009)

# ACP CAPITAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

IAS 39 - Financial Instruments: recognition and Measurement: Eligible Hedged Items (effective for accounting periods beginning on or after 1 July 2009)

IFRIC 13 - Customer Loyalty Programmes (effective for accounting periods beginning on or after 1 July 2008)

IFRIC 15 - Agreements for the Construction of Real Estate (effective for accounting periods beginning on or after 1 January 2009)

IFRIC 16 - Hedges of a Net Investment in a Foreign Operation (effective for accounting periods beginning on or after 1 October 2008)

IFRIC 17 - Distributions of Non-Cash Assets to Owners (effective for accounting periods beginning on or after 1 July 2009)

IFRIC 18 - Transfer of Assets from Customers (effective for accounting periods beginning on or after 1 July 2009)

Amendment to IFRS2 - Share Based payments: Vesting Conditions and Cancellations (effective for accounting periods beginning on or after 1 January 2009)

IFRS 3 - Business Combinations and Complementary Amendments to IAS 27 Consolidated and Separate Financial Statements (both effective for accounting periods beginning on or after 1 July 2009)

IFRS 8 - Operating Segments (effective for accounting periods beginning on or after 1 January 2009)

### 3 Significant accounting policies

The accounting policies have been consistently applied across the Group entities for the purpose of producing these consolidated financial statements. The significant accounting policies applied are as follows:

#### a) Basis of consolidation

The financial information in the Group's Financial Statements for the year ended 31 December 2008 incorporates the Financial Statements of the Company and its subsidiaries. Subsidiaries are entities controlled by the Group. Control exists when the company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are currently exercisable or convertible are taken into account. The financial statements of the subsidiaries are included in the consolidated financial statements from the date that the control commences until the date control ceases.

Intra-group balances and any unrealised gains and losses arising from intra-group transactions are eliminated in preparing the Financial Statements of the Group.

#### b) Acquisitions

Acquisitions are accounted for as a business combination, in which case, the identifiable assets, liabilities and contingent liabilities of a subsidiary or joint venture are measured at their estimated fair value at the date of acquisition. The cost of acquisition is measured as the fair value of the consideration given together with any liabilities incurred or assumed at the date of acquisition, plus costs directly attributable to the acquisition.

The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. Where the fair value of identifiable assets, liabilities and contingent liabilities exceed the fair value of consideration paid, the excess is credited in full to the consolidated income statement on the acquisition date.

Where a subsidiary is acquired in stages, the identifiable assets, liabilities and contingent liabilities are measured at their estimated fair value and compared to the cost of acquisition at each date investment in the subsidiary took place. If the investment has previously been carried at fair value through profit or loss, fair value movements recognised in prior periods are reversed through equity.

#### c) Investments measured at fair value through profit or loss

Investments are recognised and derecognised at trade date. All listed and unlisted equity investments are designated as at fair value through profit or loss and subsequently carried in the balance sheet at fair value.

The valuation technique used for each class of investment is as follows:

Equity – publicly traded equity is valued at bid price at the balance sheet date. Non traded equity is stated at Directors' valuation having regard to venture capital guidelines and third party reports.

Preference equity– valued as a percentage to par using the same percentage to par of indicative bids of junior debt in the company in which the preference equity is held.

# ACP CAPITAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Syndicated loans – valued based on indicative bids from market makers.

### **d) Loans and receivables**

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Group will be unable to collect all of the amounts due under the terms receivable, the amount of such provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable.

### **e) Available-for-sale**

Non-derivative financial assets not included in the above categories are classified as available-for-sale and comprise principally the Group's CDOs, CLOs and SME loans. They are carried at fair value and valued based on an average of indicative bids from market makers. Where there is a significant or prolonged decline in fair value of an available for sale financial asset (which constitutes objective evidence of impairment), the full amount of the impairment, including any amount previously charged to equity is recognised in the income statement. Purchases and sales of available-for-sale financial assets are recognised on trade date with any change in fair value between trade date and settlement date being recognised in retained earnings.

### **f) Property, Plant and Equipment**

Office equipment is stated at historical cost less depreciation. Depreciation is calculated on a straight line method to allocate the cost over the estimated useful life. The estimated life of office equipment is 3 years. Assets costing less than £25,000 are written off on the year of acquisition.

### **g) Trade and other receivables**

Trade and other receivables are recognised initially at fair value. A provision for impairment is established where there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables concerned.

### **h) Cash & cash equivalents**

Cash and cash equivalents comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

### **i) Loans**

All loans and borrowings are initially recognised at the fair value of the consideration received net of issue costs associated with the borrowings. After initial recognition, these are subsequently measured at amortised cost using the effective interest method, which is the rate that exactly discounts the estimated future cash flows through the expected life of the liabilities. Amortised cost is calculated by taking into account any issue costs and any discount or premium on settlement.

### **j) Trade and other payables**

Trade and other payables are stated at amortised cost.

### **k) Equity instruments**

Equity instruments issued by the Group are recognised at the proceeds or fair value received with the excess of the amount received over 0.1p par value being credited to the share premium account. Direct issue costs are deducted from equity.

### **l) Revenue**

Income from loans and receivables is recognised as it accrues by reference to the principal outstanding and the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash flows through the expected life of the financial asset to that asset's carrying value.

Fee income earned on financing arrangements that relate to investments measured at fair value through profit or loss are recognised when that investment is made. Fees earned from financing arrangements that relate to investments classified as loans and receivables are recognised over the life of the assets. Fees in respect of any ongoing services are recognised as that service is provided.

Dividends from equity investments are recognised in the income statement when the shareholders rights to receive payment have been established.

### **m) Dividends**

Dividends are recognised when they become legally payable. In the case of interim dividends to equity shareholders, this is when declared by the Directors. In the case of final dividends, this is when approved by the shareholders at the AGM.

# ACP CAPITAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### n) Share-based payments

Where equity settled share options are awarded to employees, the fair value of the options at the date of grant is charged to the consolidated income statement over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

When the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the consolidated income statement over the remaining vesting period.

### o) Finance expense

Interest expense is calculated using the effective interest rate method. Finance costs are recognised in the income statement over the period of the loans and borrowings related to those costs.

### p) Foreign currency translation

Transactions entered into by group entities in a currency other the currency of the primary economic environment in which they operate (their “functional currency”) are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the balance sheet date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are translated at the rates ruling at the balance sheet date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are recognised immediately in the consolidated income statement.

On consolidation, the results of overseas operations are translated into sterling at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations are translated at the rate ruling at the balance sheet date. Exchange differences arising on translation the opening assets at opening rate and the results of overseas operations at actual rate are recognised directly in equity (the “translation reserve”).

## 4 Significant judgments, key assumptions and estimates

The Group’s significant accounting policies are stated in note 3 above. Not all of these significant accounting policies required management to make difficult, subjective or complex judgements or estimates. The following is intended to provide an understanding of the policies that management consider critical because of the level of complexity, judgment or estimation involved in their application and their impact on the consolidated financial statements. These judgments involve assumptions or estimates in respect of future events. Actual results may differ from these estimates.

### a) Fair value of financial instruments

The Group determines the fair value of financial instruments that are not quoted by using either indicative prices or valuation techniques. These indicative prices and valuation techniques are significantly affected by the assumptions used, including discount rates and estimates of future cash flows. In that regard, the derived fair value estimation cannot always be substantiated by comparison with independent markets and in many cases may not be capable of being realised immediately.

### b) Trade receivables and interest receivables on investments

The Group is required to judge when there is sufficient objective evidence to require the impairment of individual trade receivables or interest receivables on its investments. It does this on the basis of the age of the relevant receivables, external evidence of the credit status of the debtor entity and the status of any disputed amounts.

### c) Legal proceedings

The Group reviews outstanding legal cases at each balance sheet date in order to assess the need for provisions and disclosures in the financial statements. This requires the Group’s management to make determinations about various factual and legal matters beyond its control. Among the factors considered in making decisions on provisions are the nature of litigation, claim or assessment, the legal process and potential level of damages in the jurisdiction in which the litigation, claim or assessment has been brought, the progress of the case the opinions or views of legal advisers, experience on similar cases and any decision of the Group’s management as to how it will respond to the litigation, claim or assessment.

## 5 Segment reporting

The Directors consider that there is only one business segment being specialist integrated finance and asset management and only one geographic area being Europe.

# ACP CAPITAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### 6 Financial risk management

The Group's activities expose it to a variety of financial risks: concentration risk, market price risk, interest rate risk, currency risk, credit risk, liquidity risk and capital risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

#### a) Concentration risk

Concentration risk arises from individual investments to which the Group has significant exposure. The Group defines significant exposure as 20 percent of gross portfolio value. Concentration risk is managed through regular review of public information and from review of reports from debt agents and similar, where appropriate. The Group seeks to have board representation on such investments and to communicate regularly with managers of these investments. ACP management reports quarterly to the Board on the relevant investments.

The concentration risks at year end were:

-IFR Capital plc – the Group's exposure totaled £89.7 million of the net asset value total of £163.6 million (2007: £128.8 million of £233.2 million)

-Leasecom Group SAS – the Group's exposure totaled £24.7 million of the net asset value total of £163.6 million (2007: £24.3 million of £233.2 million)

#### b) Market price risk

Market price risk arises from uncertainty in the future value of financial instruments. No new investments are being made. Existing investments are managed by the investment advisor who reports regularly to the Board to review past and expected future performance. The nature of investments is diverse. Monitoring includes reviewing monthly and quarterly financial management reports and monthly portfolio managers' reports. Regular contact is maintained with borrowers, agent banks and portfolio managers. Board meetings are also attended. Where available, prices are monitored daily as are companies on watch lists. Investments are not actively traded but opportunistic sales of investments have occurred. Other than listed equity investments all pricing is indicative only as there is little, if any, actual trading in other instruments.

The Group's investments are exposed to market price fluctuation. If the valuation of the Group's investment had been 20 percent lower at 31 December 2008 the Group's loss would have been higher and the Group's net assets lower by £28.1million (2007: £36.3 million). A 20 percent increase in value would, on the same basis, have decreased the loss and increased net assets by the same amount.

If the valuation of the Company's investment had been 20 percent lower at 31 December 2008 the Company's loss would have been higher and the Group's net assets lower by £22.0 million (2007: £36.3 million). A 20 percent increase in value would, on the same basis, have decreased the loss and increased net assets by the same amount.

#### c) Interest rate risk

As the Group has no borrowings, interest rate risk arises solely from interest received in respect of the Group's investments and loans and cash balances. Investments and loans issued at floating interest rates expose the Group to cash flow interest rate risk. The Group is also exposed to fair value risk interest rate risk on the debt instruments held at fair value through profit or loss.

The table below details the Group's exposure to interest rates at 31 December 2008 by reference to the earlier of the contractual repricing or maturity date:

<b>Group</b>	<b>Within</b>	<b>2-5 years</b>	<b>More than</b>	<b>Total</b>
<b>2008</b>	<b>1 year</b>	<b>5 years</b>	<b>5 years</b>	<b>£</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Fixed rate:				
Investments measured at fair value through profit or loss	-	-	12,740,161	12,740,161
Floating rate:				
Investments measured at fair value through profit or loss	2,228,496	20,284,573	49,871,827	72,384,896
Available-for-sale investments	-	205,283	24,380,612	24,585,895
Cash and cash equivalents	20,621,092	-	-	20,621,092
	<u>22,849,588</u>	<u>20,489,856</u>	<u>86,992,600</u>	<u>130,332,044</u>

# ACP CAPITAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

<u>2007</u>	Within 1 year	2-5 years	More than 5 years	Total
	£	£	£	£
Fixed rate:				
Investments measured at fair value through profit or loss	-	-	-	-
Floating rate:				
Investments measured at fair value through profit or loss	845,927	12,443,408	38,400,604	51,689,939
Loans and receivables	-	-	15,912,561	15,912,561
Cash and cash equivalents	59,855,959	-	-	59,855,959
Loans and borrowings	(9,188,157)	-	-	(9,188,157)
	<u>51,513,729</u>	<u>12,443,408</u>	<u>54,313,165</u>	<u>118,270,302</u>

### Company

<u>2008</u>	Within 1 year	2-5 years	More than 5 years	Total
	£	£	£	£
Fixed rate:				
Investments measured at fair value through profit or loss	-	-	-	-
Floating rate:				
Investments measured at fair value through profit or loss	1,507,955	13,849,028	29,973,244	45,330,226
Available-for-sale investments	-	-	3,165,974	3,165,974
Cash and cash equivalents	9,262,635	-	-	9,262,635
	<u>10,770,590</u>	<u>13,849,028</u>	<u>33,139,218</u>	<u>57,758,835</u>

<u>2007</u>	Within 1 year	2-5 years	More than 5 years	Total
	£	£	£	£
Fixed rate:				
Investments measured at fair value through profit or loss	-	-	-	-
Floating rate:				
Investments measured at fair value through profit or loss	845,927	12,443,408	38,400,604	51,689,939
Loans and receivables	-	-	15,912,561	15,912,561
Cash and cash equivalents	59,141,431	-	-	59,141,431
Loans and borrowings	(9,188,157)	-	-	(9,188,157)
	<u>50,799,201</u>	<u>12,443,408</u>	<u>54,313,165</u>	<u>117,555,774</u>

Floating rate interest is based on Libor and Euribor and a fixed margin.

The Group monitors movements in interest rates on an ongoing basis and has factored in the current low rates of Libor and Euribor in its projections.

At 31 December 2008, if interest rates on Euro floating rate investments had been 150 basis points lower with all other variables held constant, the Group loss after tax for the year would have £1.5 million higher (2007: profit £0.95 million lower).

At 31 December 2008, if interest rates on Euro floating rate investments had been 150 basis points lower with all other variables held constant, the Company loss after tax for the year would have £0.9 million higher (2007: profit £0.95 million lower).

The Directors consider that 150 basis points is the maximum likely change in Euro interest rates over the next year. The Directors consider that UK and US interest rates are unlikely to fall significantly further than their current rates.

# ACP CAPITAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### d) Foreign exchange risk

The Group invests in assets denominated in currencies other than Sterling. The Group has no foreign exchange hedging in place as the Directors do not consider that the reduction in foreign currency exposure warrants the cash flow risk created from such hedging techniques. Therefore the movements in the exchange rate between Sterling and any currencies in which the Group transact exposes the Group to currency risk resulting in gains or losses on retranslation into Sterling. These movements in the exchange rate may be influenced by factors such as trade imbalances, levels of short term interest rates, differences in relative values of similar assets in different currencies, long term opportunities for investment and capital appreciation and political developments.

The Group's policy is for Group entities to settle liabilities denominated in their own currency with cash generated from operation in that same currency. If Group entities have liabilities denominated in a currency other than their functional currency (and have insufficient reserves of that currency to settle them) cash already in that currency will, where possible, be transferred from elsewhere in the Group.

The table below details the Group and Company's exposure to foreign currencies at the balance sheet date:

#### Group

<u>2008</u>	<b>Sterling</b>	<b>Euro</b>	<b>US Dollar</b>	<b>Swiss Franc</b>	<b>Total</b>
	£	£	£	£	£
Total Assets	7,280,417	158,061,010	937,272	5,726	166,284,425
Total Liabilities	(2,461,985)	(243,003)	-	-	(2,704,988)
Net assets	<u>4,818,432</u>	<u>157,818,007</u>	<u>937,272</u>	<u>5,726</u>	<u>163,579,437</u>

#### Group

<u>2007</u>	<b>Sterling</b>	<b>Euro</b>	<b>US Dollar</b>	<b>Swiss Franc</b>	<b>Total</b>
	£	£	£	£	£
Total Assets	35,794,320	207,388,271	-	-	243,182,591
Total Liabilities	(4,922,696)	(5,109,532)	-	-	(10,032,228)
Net assets	<u>30,871,624</u>	<u>202,278,739</u>	<u>-</u>	<u>-</u>	<u>233,150,363</u>

#### Company

<u>2008</u>	<b>Sterling</b>	<b>Euro</b>	<b>US Dollar</b>	<b>Swiss Franc</b>	<b>Total</b>
	£	£	£	£	£
Total Assets	3,707,103	119,896,845	-	-	123,603,948
Total Liabilities	(6,569,537)	-	-	-	(6,569,537)
Net assets	<u>(2,862,434)</u>	<u>119,896,845</u>	<u>-</u>	<u>-</u>	<u>117,034,411</u>

#### Company

<u>2007</u>	<b>Sterling</b>	<b>Euro</b>	<b>US Dollar</b>	<b>Swiss Franc</b>	<b>Total</b>
	£	£	£	£	£
Total Assets	35,169,902	207,274,435	-	-	242,444,337
Total Liabilities	(4,877,621)	(5,026,477)	-	-	(9,904,098)
Net assets	<u>30,292,281</u>	<u>202,247,958</u>	<u>-</u>	<u>-</u>	<u>232,540,239</u>

# ACP CAPITAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

The table below shows the effect on the net assets of the Group and Company at the balance sheet date if the Euro had strengthened or weakened by various percentages against sterling with all other variables held constant.

Group	2008	2007
	Net Assets	Net Assets
% change in Euro against Sterling	£	£
20% weakened	137,276,437	199,437,240
10% weakened	149,232,347	214,761,387
5% weakened	156,064,295	223,518,042
Year end closing rate	163,579,438	233,150,363
5% strengthened	171,885,649	243,796,612
10% strengthened	181,114,772	255,625,778
20% strengthened	203,033,940	283,720,048

Company	2008	2007
	Net Assets	Net Assets
% change in Euro against Sterling	£	£
20% weakened	97,051,604	198,832,246
10% weakened	106,134,698	214,154,061
5% weakened	111,325,037	222,909,384
Year end closing rate	117,034,411	232,540,239
5% strengthened	123,344,771	243,184,869
10% strengthened	130,356,283	255,012,235
20% strengthened	147,008,622	283,102,229

### e) Credit risk

Credit risk is the risk of financial loss to the Group if a counterparty to a financial instrument fails to meet its contractual obligations.

The Group is exposed to credit risk from deposits with banks and financial institutions. The credit risk on cash and cash equivalents is limited due to the high proportion of funds being held with high rated banking institutions. The table below shows the balance of cash and cash equivalents held with various financial institutions at the end of each reporting period.

	Group	Group	Company	Company
Bank & rating at 31 December 2008	Balance at 31 Dec 08	Balance at 31 Dec 07	Balance at 31 Dec 08	Balance at 31 Dec 07
	£			
Deutsche Bank AG - <b>rated AA-</b>	19,854,295	59,141,431	9,052,028	59,141,431
The Bank of New York Mellon Corp. - <b>rated AA-</b>	630,253	-	210,607	-
Bank of Cyprus Public Co. Ltd - <b>rated BB+</b>	74,944	93,216	-	-
HSBC Holdings Plc - <b>rated AA</b>	55,465	600,692	-	-
Bayerische Hypo-und Vereinsbank AG - <b>rated A</b>	6,135	20,620	-	-
	<u>20,621,092</u>	<u>59,855,959</u>	<u>9,262,635</u>	<u>59,141,431</u>

The Group is exposed to a loss in investment value, loss in income and increase in costs, such as legal fees, if counterparties of their investments fail to meet their interest payment obligations.

The table below shows the fair value of the Group's investments at the end of each of reporting period and the rating of those investments (where applicable). The fair value approximates to the Group's maximum credit exposure to these debt instruments.

# ACP CAPITAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Group	2008		2007	
	£	%	£	%
<b>Syndicated Loans:</b>				
Rating - B	9,228,649	6.6%	-	0.0%
Rating - BB	47,708,907	33.9%	33,978,849	18.7%
	<u>56,937,556</u>	<u>40.5%</u>	<u>33,978,849</u>	<u>18.7%</u>
<b>Equity (not rated)</b>	30,846,948	21.9%	113,724,024	62.7%
<b>Preference Shares (not rated)</b>	28,187,503	20.1%	17,819,325	9.8%
<b>SME Loans (not rated)</b>	13,307,620	9.5%	3,692,578	2.0%
<b>CLO<sup>1</sup>:</b>				
Rating - B	1,556,528	1.1%	-	0.0%
Rating - BB	7,415,333	5.3%	-	0.0%
Rating - BBB	609,765	0.4%	1,837,250	1.0%
	<u>9,581,626</u>	<u>6.8%</u>	<u>1,837,250</u>	<u>1.0%</u>
<b>CDO<sup>2</sup>:</b>				
Rating - BB	1,333,447	0.9%	5,973,333	3.3%
Rating - BBB	100,373	0.1%	-	0.0%
Rating - BB-	-	0.0%	3,674,500	2.0%
Rating - BBB-	-	0.0%	734,900	0.4%
	<u>1,433,820</u>	<u>1.0%</u>	<u>10,382,733</u>	<u>5.7%</u>
<b>RMBS<sup>3</sup>:</b>				
Rating - B	251,168	0.2%	-	0.0%
Rating - CCC	11,658	0.0%	-	0.0%
	<u>262,826</u>	<u>0.2%</u>	<u>-</u>	<u>0.0%</u>
	<u>140,557,899</u>	<u>100.0%</u>	<u>181,434,759</u>	<u>100.0%</u>

Company	2008		2007	
	£	%	£	%
<b>Syndicated Loans:</b>				
Rating - BB	32,544,163	29.6%	33,978,849	18.8%
<b>Equity (rating n/a)</b>	61,365,015	55.9%	113,724,024	62.7%
<b>Preference Shares (not rated)</b>	12,786,063	11.6%	17,819,325	9.8%
<b>SME Loans (not rated)</b>	1,846,289	1.7%	3,692,578	2.0%
<b>CLO<sup>1</sup>:</b>				
Rating - BBB	609,765	0.6%	1,837,250	1.0%
<b>CDO<sup>2</sup>:</b>				
Rating - BB	609,547	0.6%	5,973,333	3.3%
Rating - BBB	100,373	0.1%	-	0.0%
Rating - BB-	-	0.0%	3,674,500	2.0%
Rating - BBB-	-	0.0%	734,900	0.4%
	<u>709,920</u>	<u>0.6%</u>	<u>10,382,733</u>	<u>5.7%</u>
	<u>109,861,215</u>	<u>100.0%</u>	<u>181,434,759</u>	<u>100.0%</u>

# ACP CAPITAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

<sup>1</sup> Structured portfolio of leveraged loan assets (“CLO”)

<sup>2</sup> Structured portfolio of debt assets (“CDO”)

<sup>3</sup> Structured portfolio of residential mortgage assets (“RMBS”)

In all cases the lowest ranking debt tranches are held for CLO and CDO investments. As such, the Directors consider these investments pose a credit risk, particularly as there is no active market for these assets and underlying portfolio asset defaults are increasing and expected to continue. However as these investments accounted for only 14 percent of the Group’s revenue, the Directors believe that the Group’s cash flows would not be severely affected if some of the counterparties defaulted on interest payments.

To mitigate against potential interest default and loss in value, investments are managed on an ongoing basis as follows:

- Review of monthly reports.
- Daily monitoring of watch- listed companies in CLO portfolios.
- Monthly contact with CLO and CDO managers in particular to determine steps to remedy defaults on covenants and performance of portfolio assets.
- Review of quarterly financial covenant compliance certificates.
- Regular contact with agent banks or in some instances the borrower directly, to determine covenant compliance, trading status and performance.
- Regular contact with CEOs where equity is held.
- Attendance at board meetings where equity is held and we have a board seat.

However, there is no guarantee that these credit risk management procedures will be able to limit potential loss in investment value or loss of income from counterparties who default on their obligations. If any or the Group’s counterparties default on interest payments, the Group’s revenues and profitability will be adversely affected.

### **f) Liquidity risk**

Liquidity risk is the risk that the Group will be unable to meet its financial commitments.

During the year the Group repaid its borrowings and at 31 December 2008 the Group had working capital of £23.0 million represented by £20.6 million of cash, £5.1 million of short-term receivables and £2.7 million of short-term liabilities.

The Group’s policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due and to budget for a high multiple of operating costs to revenue such that ongoing operating costs are fully covered by the income currently generated by the Group’s assets.

To monitor liquidity risk, the Board receives rolling 12 month cash flow projections on a quarterly basis as well as information regarding cash balances and indications of any potential defaults on income from its investments.

### **g) Capital risk management policies and objectives**

Following the EGM on 17 July 2008, the Group’s capital management policy and objective is to return capital to shareholders by way of distributions.

# ACP CAPITAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### 7 Other operating expenses

Other operating expenses include the following amounts:

#### Services provided by the Group's auditor

During the year the Group obtained the following services from the Group's auditors, Kingston Smith LLP and BDO Stoy Hayward LLP:

	<b>Group 2008</b>	<b>Group 2007</b>	<b>Company 2008</b>	<b>Company 2007</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>Audit services</b>				
Statutory audit	161,203	37,500	125,745	37,500
<b>Non audit services</b>				
Taxation services	46,046	13,081	46,046	13,081
Other services	48,922	15,550	34,426	15,550
	<u>256,170</u>	<u>66,131</u>	<u>206,217</u>	<u>66,131</u>

#### Staff costs

Staff costs (including Directors) comprise:

	<b>Group 2008</b>	<b>Group 2007</b>
	<b>£</b>	<b>£</b>
Wages and salaries	1,482,045	1,224,323
Social security costs	381,553	150,487
	<u>1,863,598</u>	<u>1,374,810</u>
Number of employees	<u>13</u>	<u>12</u>

See note 21 for details of share based payments.

#### Director emoluments

	<b>Group 2008</b>	<b>Group 2007</b>
	<b>£</b>	<b>£</b>
Aggregate emoluments (Directors' fees)	<u>462,641</u>	<u>572,000</u>

The Company had five Directors at 31 December 2008 (2007: nine Directors)

#### Bad debts

	<b>Group 2008</b>	<b>Group 2007</b>	<b>Company 2008</b>	<b>Company 2007</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Bad debt expense	<u>4,229,019</u>	<u>-</u>	<u>2,252,080</u>	<u>-</u>

# ACP CAPITAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### 8 Net finance costs

	Group 2008 £	Group 2007 £	Company 2008 £	Company 2007 £
<i>Finance income</i>				
Interest received on bank deposits	(2,247,272)	(2,243,316)	(968,896)	(2,243,316)
<i>Finance expense</i>				
Interest payable on bank borrowings	1,276,537	322,064	690,543	322,064
Break costs	5,626,517	-	2,791,754	-
	<u>6,903,054</u>	<u>322,064</u>	<u>3,482,297</u>	<u>322,064</u>
Net finance cost (income)	<u>4,655,782</u>	<u>(1,921,252)</u>	<u>2,513,401</u>	<u>(1,921,252)</u>

### 9 Income taxes

The income tax charge represents UK corporation tax at a standard rate of 30 percent chargeable on the profits arising in ACP Capital (UK) Limited, the controlling partner of the Group's adviser, ACP Capital UK LLP.

The Company and a number of the subsidiaries are registered in Jersey as exempt companies and are, therefore, not liable to Jersey income tax on profits derived outside Jersey. Confirmation has been obtained from the Comptroller of Income Tax in Jersey that, by concession, the companies will be liable to tax in Jersey only in respect of income, other than bank interest income, arising in Jersey. During the year no income, other than bank interest income, arose in Jersey.

With effect from the 2009 year of assessment Jersey abolished the exempt company regime for existing companies. Profits arising in the Group for the 2009 year of assessment and future periods will be subject to tax at the rate of 0%. In the prior year the Group was exempt from taxation under the provisions of Article 123A of the Income Tax (Jersey) Law 1961 as amended.

### 10 Investments measured at fair value through profit or loss

	Group 2008 £	Group 2007 £	Company 2008 £	Company 2007 £
Opening balance	165,522,198	62,281,436	165,522,198	62,281,436
Additions	8,498,225	218,497,716	46,946,526	218,497,716
Interest income accrued	199,966	-	-	-
Fair value of investments of subsidiary on acquisition	46,600,479	-	-	-
Write back of brought forward parent company investment in subsidiary on acquisition	(31,054,816)	-	-	-
Disposals	(3,306,858)	(102,578,606)	(2,871,701)	(102,578,606)
Movement in fair value of investments	<u>(70,487,188)</u>	<u>(12,678,348)</u>	<u>(102,901,782)</u>	<u>(12,678,348)</u>
Closing balance	<u>115,972,005</u>	<u>165,522,198</u>	<u>106,695,241</u>	<u>165,522,198</u>
Disclosed in current assets	2,228,496	845,927	1,507,955	845,927
Disclosed in non-current assets	<u>113,743,509</u>	<u>164,676,271</u>	<u>105,187,286</u>	<u>164,676,271</u>
	<u>115,972,005</u>	<u>165,522,198</u>	<u>106,695,241</u>	<u>165,522,198</u>

The fair value of listed investments is based on quoted market price at the balance sheet date. The fair value of unlisted investments is determined by using indicative prices or valuation techniques.

# ACP CAPITAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### 11 Loans and receivables

	<b>Group 2008</b>	<b>Group 2007</b>	<b>Company 2008</b>	<b>Company 2007</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Opening balance	15,912,561	13,588,149	15,912,561	13,588,149
Additions	-	15,436,209	-	15,436,209
Fair value of loans and receivables of subsidiary on acquisition	40,916,553	-	-	-
Repayments	-	(13,465,066)	-	(13,465,066)
Interest income accrued	-	24,261	-	24,261
Impairment of loans and receivables	(9,412,454)	329,008	(9,412,454)	329,008
Transfer to Available-for-sale investments	(47,416,660)	-	(6,500,107)	-
Closing balance	<u>-</u>	<u>15,912,561</u>	<u>-</u>	<u>15,912,561</u>

Loans and receivables are carried at amortised cost using the effective interest rate method, less provision for impairment. Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Group will be unable to collect all of the amounts due under the terms receivable, the amount of such provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable.

### 12 Available-for-sale investments

	<b>Group 2008</b>	<b>Group 2007</b>	<b>Company 2008</b>	<b>Company 2007</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Transfer from loans and receivables	47,416,660	-	6,500,107	-
Additions	1,520,190	-	-	-
Interest income accrued	38,644	-	-	-
Impairment of Available-for-sale investments	(24,389,600)	-	(3,334,133)	-
Closing balance	<u>24,585,894</u>	<u>-</u>	<u>3,165,974</u>	<u>-</u>

Following the EGM on 17 July 2008, the Company announced that it would seek to dispose of its assets and distribute proceeds to its shareholders by way of distributions. Accordingly assets previously disclosed as Loans and receivables have been reclassified to Available-for-sale investments.

Available-for-sale investments are carried at fair value which is determined by using indicative prices.

Where the valuation of an asset was based on an average of indicative prices, if the lowest price had been used then the value of the Group's Available-for-sale investments at 31 December 2008 would have been £2.17million lower (£2.17 million greater if highest price used).

Where the valuation of an asset was based on an average of indicative prices, if the lowest price had been used then the value of the Company's Available-for-sale investments at 31 December 2008 would have been £0.54 million lower (£0.54 million greater if highest price used).

# ACP CAPITAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### 13 Property, plant and equipment

	Group £	Company £
<b>Cost</b>		
Brought forward at 1 January 2008	50,335	26,790
Disposals	<u>(50,335)</u>	<u>(26,790)</u>
Carried forward as at 31 December 2008	<u>-</u>	<u>-</u>
<b>Depreciation</b>		
Brought forward at 1 January 2008	23,102	17,342
Disposals	<u>(23,102)</u>	<u>(17,342)</u>
Carried forward as at 31 December 2008	<u>-</u>	<u>-</u>
<b>Net book value as at 31 December 2008</b>	<u><u>-</u></u>	<u><u>-</u></u>
<b>Cost</b>		
Brought forward at 1 January 2007	33,309	17,728
Additions	<u>17,026</u>	<u>9,062</u>
Carried forward as at 31 December 2007	<u>50,335</u>	<u>26,790</u>
<b>Depreciation</b>		
Brought forward at 1 January 2007	8,522	6,397
Charge for period	<u>14,580</u>	<u>10,945</u>
Carried forward as at 31 December 2007	<u>23,102</u>	<u>17,342</u>
<b>Net book value as at 31 December 2007</b>	<u><u>27,233</u></u>	<u><u>9,448</u></u>

The Group's property, plant and equipment was written down to £nil during the year ended 31 December 2008.

### 14 Financial instruments by category

The accounting policies for financial instruments have been applied to line items as follows:

#### Group

2008	Assets at fair value through profit or loss £	Available for sale assets £	Loans and receivables £	Total £
<b>Assets as per balance sheet</b>				
Equity share investments	30,846,948	-	-	30,846,948
Preference share investments	28,187,503	-	-	28,187,503
Syndicated loans	56,937,555	-	-	56,937,555
Collateralised debt obligations	-	1,433,820	-	1,433,820
Collateralised loan obligations	-	9,581,626	-	9,581,626
SME loans	-	13,307,622	-	13,307,622
Residential Mortgage Backed Securitisation	-	262,826	-	262,826
Trade and other receivables	-	-	5,105,434	5,105,434
Cash and cash equivalents	-	-	20,621,092	20,621,092
	<u>115,972,005</u>	<u>24,585,894</u>	<u>25,726,526</u>	<u>166,284,425</u>

**ACP CAPITAL LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**Liabilities  
held at  
amortised  
cost  
£**

**Liabilities as per balance sheet**

Trade and other payables	2,519,643
	<u>2,519,643</u>

**Assets at fair  
value  
through  
profit or loss  
£**

2007	Available for sale assets £	Loans and receivables £	Total £
<b>Assets as per balance sheet</b>			
Equity share investments	113,724,024	-	113,724,024
Preference share investments	17,819,325	-	17,819,325
Syndicated loans	33,978,849	-	33,978,849
Collateralised debt obligations	-	10,382,733	10,382,733
Collateralised loan obligations	-	1,837,250	1,837,250
SME loans	-	3,692,578	3,692,578
Property, plant and equipment	27,233	-	27,233
Trade and other receivables	-	1,864,640	1,864,640
Cash and cash equivalents	-	59,855,959	59,855,959
	<u>165,549,431</u>	<u>-</u>	<u>243,182,591</u>

**Liabilities  
held at  
amortised  
cost  
£**

**Liabilities as per balance sheet**

Trade and other payables	761,016
Borrowings	9,188,157
	<u>9,949,173</u>

# ACP CAPITAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### Company

2008	Assets at fair value through profit or loss £	Available for sale assets £	Loans and receivables £	Total £
<b>Assets as per balance sheet</b>				
Equity share investments	61,365,015	-	-	61,365,015
Preference share investments	12,786,063	-	-	12,786,063
Syndicated loans	32,544,163	-	-	32,544,163
Collateralised debt obligations	-	709,920	-	709,920
Collateralised loan obligations	-	609,765	-	609,765
SME loans	-	1,846,289	-	1,846,289
Trade and other receivables	-	-	3,874,645	3,874,645
Amounts owed from subsidiary undertakings	-	-	605,454	605,454
Cash and cash equivalents	-	-	9,262,635	9,262,635
	<u>106,695,241</u>	<u>3,165,974</u>	<u>3,874,645</u>	<u>123,603,949</u>

### Liabilities held at amortised cost £

#### Liabilities as per balance sheet

Trade and other payables	2,002,477
Amounts owed to subsidiary undertakings	4,567,060
Borrowings	-
	<u>6,569,537</u>

2007	Assets at fair value through profit or loss £	Available for sale assets £	Loans and receivables £	Total £
<b>Assets as per balance sheet</b>				
Equity share investments	113,724,024	-	-	113,724,024
Preference share investments	17,819,325	-	-	17,819,325
Syndicated loans	33,978,849	-	-	33,978,849
Collateralised debt obligations	-	-	10,382,733	10,382,733
Collateralised loan obligations	-	-	1,837,250	1,837,250
SME loans	-	-	3,692,578	3,692,578
Property, plant and equipment	9,448	-	-	9,448
Trade and other receivables	-	-	1,858,699	1,858,699
Cash and cash equivalents	-	-	59,141,431	59,141,431
	<u>165,531,646</u>	<u>-</u>	<u>76,912,691</u>	<u>242,444,337</u>

# ACP CAPITAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

**Liabilities  
held at  
amortised  
cost  
£**

**Liabilities as per balance sheet**

Trade and other payables	715,941
Borrowings	9,188,157
	<u>9,904,098</u>

### 15 Trade and other receivables

	<b>Group 2008 £</b>	<b>Group 2007 £</b>	<b>Company 2008 £</b>	<b>Company 2007 £</b>
Trade receivables	4,076,139	1,645,603	3,068,101	1,639,662
Amounts owed from subsidiary undertakings (note 22)	-	-	605,454	-
Other receivables	955,276	100,000	790,042	100,000
Prepayments	74,019	119,037	16,501	119,037
	<u>5,105,434</u>	<u>1,864,640</u>	<u>4,480,098</u>	<u>1,858,699</u>

Trade receivables include interest receivable on interest bearing assets. The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The Group does not hold any collateral as security.

At 31 December 2008 trade and other receivables that were past due but not impaired are detailed below, including ageing analysis. These relate to customers with no default history.

	<b>Group 2008 £</b>	<b>Group 2007 £</b>	<b>Company 2008 £</b>	<b>Company 2007 £</b>
3-6 months	<u>886,905</u>	<u>100,000</u>	<u>886,905</u>	<u>100,000</u>

At 31 December 2008 trade receivables of £537,119 (2007: £nil) were past due and impaired. The amount of the provision as at 31 December was £134,000 (2007: £nil). The ageing of these receivables is as follows:

	<b>Group 2008 £</b>	<b>Group 2007 £</b>	<b>Company 2008 £</b>	<b>Company 2007 £</b>
6-12 months	<u>537,119</u>	<u>-</u>	<u>537,119</u>	<u>-</u>

# ACP CAPITAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### 16 Loans and borrowings

	Group 2008 £	Group 2007 £	Company 2008 £	Company 2007 £
Loans and borrowings	-	9,188,157	-	9,188,157

The maturity profile of borrowings is as follows:

In the fifth year	-	9,188,157	-	9,188,157
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The currency profile of borrowings is as follows:

Sterling	-	4,500,000	-	4,500,000
Euro	-	4,688,157	-	4,688,157
	-	9,188,157	-	9,188,157

### 17 Trade and other payables

	Group 2008 £	Group 2007 £	Company 2008 £	Company 2007 £
Trade payables	450,909	348,514	327,120	335,869
Amounts owed to subsidiary undertakings (note 22)	-	-	4,567,060	-
Accruals	2,068,735	412,502	1,675,357	380,072
	2,519,643	761,016	6,569,537	715,941

### 18 Share capital

	2008 No. (000s)	2008 £	2007 No. (000s)	2007 £
Authorised share capital of 350 million 0.1pence ordinary shares		350,000		350,000
Issued and fully paid 0.1 pence ordinary shares				
Brought forward	199,531,941	199,531	77,237,497	77,237
Issued on placing	-	-	120,000,000	120,000
Employee share awards	-	-	2,094,444	2,094
Share options exercised	12,245,000	12,245	200,000	200
Buy back of shares	(3,435,000)	(3,435)	-	-
Carried forward	208,341,941	208,341	199,531,941	199,531

In the period the Group acquired 3,435,000 of the Company's own shares. The share buy back was made at the prevailing market rates at the date of transaction with the total cost being £2,881,330. 12,245,000 of shares were issued at par when all outstanding share options vested in July 2008.

At 31 December 2008, 2,073,823 shares (2007: nil) at a total value of £1,748,303 (2007: nil) were held for employee share awards.

# ACP CAPITAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### 19 Share premium

	2008 £	2007 £
Brought forward	216,734,311	69,231,328
Issued on placing	-	150,119,800
Cost of share issue	-	(4,709,167)
Share options and awards granted	-	2,092,350
Capital distribution	<u>(8,333,679)</u>	<u>-</u>
Carried forward	<u>208,400,632</u>	<u>216,734,311</u>

### 20 Earnings per share

The calculation of the basic earnings and diluted earnings per share attributable to the equity shareholders of the Company is based on the following data:

	Group 2008 £	Group 2007 £	Company 2008 £	Company 2007 £
(Loss) / earnings per share attributable to the equity holders of the Company during the year	<u>(93,692,121)</u>	<u>1,479,910</u>	<u>(101,615,095)</u>	<u>1,002,138</u>
Weighted average number of ordinary shares for the purposes of basic earnings per share	202,905,796	173,535,776	202,905,796	173,535,776
Effect of dilutive potential ordinary shares:				
Share options	-	4,949,411	-	4,949,411
Weighted average number of ordinary shares for the purposes of diluted earnings per share	<u>202,905,796</u>	<u>178,485,187</u>	<u>202,905,796</u>	<u>178,485,187</u>

# ACP CAPITAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### 21 Share based payments

The Company operates an executive share option scheme for Directors and certain senior management.

	2008 £ Weighted average exercise price	2008 No.	2007 £ Weighted average exercise price	2007 No.
Outstanding at beginning of year		4,430,000		4,430,000
Granted during the year		8,065,000		-
Exercised during the year		(12,245,000)		-
Lapsed during the year		<u>(250,000)</u>		<u>-</u>
Outstanding at end of year	<u>0.001</u>	<u>-</u>	<u>0.001</u>	<u>4,430,000</u>

All options vested during the year. The exercise price of all options outstanding as at 31 December 2007 was £0.001 per share.

All shares were exercised on 17 July 2008. The share price at that date was 63 pence.

The weighted average fair value of options granted during the year was 47 pence (2007: no options granted).

The following information is relevant in the determination of the fair value of options granted during the year (2007: no options granted) under the equity share option scheme operated by the Group.

	2008 £
Option pricing model used	QCA - IRS
Weighted average share price at grant date	Option value 0.855
Exercise price	0.001
Expected Life of Option (years)	3
Expected dividend yield	2%
Expected volatility	5%
Illiquid market discount	20%
Discount due to market performance targets	20%

The Company recognised the following total expenses and costs in respect of equity settled share payments in the period.

	2008 £	2007 £
Recognised immediately as an expense and charged to Income statement	<u>6,043,952</u>	<u>1,207,248</u>

# ACP CAPITAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### 22 Related parties

In 2006, the Company entered into an Advisory Services agreement with the LLP. Under the agreement, the LLP was appointed Advisor for an initial period of 5 years to provide investment advice to the Company. The annual management fee chargeable by the Advisor is currently based on a fee of 120 percent of the Advisor's budgeted costs for the year.

In 2006, ACPIM, a wholly owned subsidiary of ACP, entered into an Investment Management Agreement with ACPM. Under the agreement, ACPIM was appointed Investment Manager for an initial period of 3 years and given discretion to manage the investment portfolio of ACPM subject to certain guidelines. The period of appointment was extended to 7 years starting in December 2007. The annual management fee chargeable by the Investment Manager is currently based on 1.75 percent of gross shareholders' equity, as reduced by returns of capital to shareholders. Additionally, the Investment Manager is entitled to a performance fee equivalent to 25 percent above the benchmark return (minimum 2 percent per quarter).

Related party transactions between the Company and its subsidiaries are detailed below:

Balance due from/owed to subsidiaries at the balance sheet date:

	<b>2008</b>	<b>2007</b>
	<b>£</b>	<b>£</b>
Due from:		
ACP Mezzanine Limited	242,163	-
Mittelstand Kapital Solutions GmbH	5,552	-
ACP Capital (Cyprus) Limited	357,739	-
	<u>605,454</u>	<u>-</u>
Owed to:		
ACP Capital UK LLP	822,743	-
ACP Investment Management Limited	3,744,317	-
	<u>4,567,060</u>	<u>-</u>

Income and expense transactions with subsidiaries during the year were as follows:

	<b>2008</b>	<b>2007</b>
	<b>£</b>	<b>£</b>
<b>Income</b>		
Dividend received from ACP Mezzanine Limited	3,238,860	2,149,072
Distribution received from ACP Mezzanine Limited	13,089,746	-
Dividend received from ACP Capital (Cyprus) Limited	1,092,518	-
<b>Expenses</b>		
Advisory fee from ACP Capital UK LLP	2,095,340	1,457,610
Recharged expenses from Mittelstand Kapital Solutions GmbH	18,698	-

The Company has 9,141,200 (2007: 10,141,200) options to purchase ordinary shares in ACPM at an exercise price of €1.00 per share. The options are fully vested and exercisable between January 2008 and July 2011.

In the prior year, loans and receivables with an amortised cost of €7,978,284 were transferred from ACPM to the Company.

In the prior year, the Company loaned Eric Youngblood, a former director of the Company, £100,000. This loan remains unpaid at the year end.

# ACP CAPITAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### 23 Subsidiaries

The Group has the following subsidiaries:

Name	Country of incorporation and registration	Percentage owned	Principal activity
ACP Mezzanine Limited	Jersey	54.17%	Mezzanine assets and other investments
ACP Mezzanine (UK) Limited	England & Wales	54.17%	Investment holdings
ACP Mezzanine Asset Holdings 1 Limited	Jersey	54.17%	Dormant
ACP Mezzanine Asset Holdings 2 Limited	Jersey	54.17%	Dormant
ACP Investment Management Limited	Jersey	100%	Investment manager
ACP Capital Nominee Limited	Jersey	100%	Trustee for employee awards
ACP Capital UK LLP	England & Wales	100%	Advisory services
ACP Capital (UK) Limited	England & Wales	100%	Controlling member of the LLP
ACP Capital Cyprus (HR) limited [insolvency proceedings]	Cyprus	100%	Ceased trading in 2008. Used to be employment
ACP Capital (Cyprus) Limited	Cyprus	100%	Investment holdings
Perseus Holdings Limited	Jersey	100%	Investment holdings
Mittelstand Kapital Solutions GmbH [insolvency proceedings]	Germany	100%	Ceased trading in 2008. Used to be advisory services

### 24 Acquisitions during the year

In June 2008, ACP exercised options as part of an Option Deed to acquire 1,000,000 shares in ACPM at €1.00 per share. The Company also subscribed for 79,219,798 shares as part of ACPM's secondary placing of 133,333,333 shares for a consideration of £38,453,274. The Company had previously acquired 46.35 percent of ACPM in July 2006 for £32,106,018 and acquired a further 0.47 percent in June 2007 for £162,591.

The initial investment was included in the accounts at market value. The transactions in June 2008 resulted in ACP holding a controlling interest of 54.17 percent. As the holding is now in excess of 50 percent, ACPM is accounted for as a subsidiary of the Company.

# ACP CAPITAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

The net assets acquired in these transactions, and the goodwill arising, are as follows:

	July 2006 £	June 2007 £	June 2008 £
Investments measured at fair value through profit or loss	-		44,553,053
Loans and receivables	-		42,963,979
Trade and other receivables	-		1,487,969
Cash and cash equivalents	68,310,677	67,746,089	71,392,189
Loans and borrowings	-		(37,647,258)
Trade and other payables	(1,691,658)	(1,677,676)	(3,256,653)
	<u>66,619,019</u>	<u>66,068,413</u>	<u>119,493,279</u>
Acquiree's fair value of net assets before combination			
Fair value of share of net assets acquired	30,874,984	312,713	40,661,363
Goodwill	1,231,034	(150,122)	(2,208,089)
	<u>32,106,018</u>	<u>162,591</u>	<u>38,453,274</u>
Consideration			
Net cash inflow arising on acquisition:			
Cash consideration paid			(38,453,274)
Cash and cash equivalents acquired			<u>71,392,189</u>
			<u>32,938,915</u>

ACP's investment in ACPM had previously been carried in the balance sheet at fair value. In acquiring a controlling stake, £3,175,420 of fair value losses and £822,796 of foreign exchange gains that were recognised in prior periods, have been written back to the Income Statement in the current period.

In accordance with the requirements of IFRS 3 in accounting for piecemeal acquisitions, a total of £1,127,177 of negative goodwill arose on the acquisition of ACPM. The negative goodwill arising is attributable to the acquisition of the shares at a discount to ACPM's net asset value.

The loss incurred by ACPM in the period between the date of acquisition and the balance sheet date was £43.7million.

If the acquisition had been completed on 1 January 2008, total Group revenue for the period would have been negative £52.6 million and losses for the period would have been £123.8 million.

### 25 Dividends

	2008 £	2007 £
Interim dividends paid in the period		
Year ended 31 December 2007 - paid February 2007	-	1,994,654
Year ended 31 December 2008 - paid April 2008	6,983,618	-
	<u>6,983,618</u>	<u>1,994,654</u>

The Company additionally made a capital distribution of 8,333,679 (2007: £nil).

## ACP CAPITAL LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

#### 26 Post balance sheet events

On 15 January 2009, the Company sold its 40 percent shareholding in GCI Automotive Holding GmbH for £3.40 million (€3.75 million) resulting in a profit on disposal of £0.78 million (€0.86 million.) As part of this same transaction, ACPM sold its subordinated debt investment in GCI Automotive Holding GmbH for £2.72 million (€3 million) plus accrued interest, with successful 17.5 IRR on gained interest.

On 4 February 2009, ACPM sold its participation in the Iceland Foods Group Limited mezzanine loan for £3.8 million with accrued interest.

On 3 March 2009, ACP received its share of a distribution made by ACPM in the amount of €1.9 million.

On 6 March 2009, ACP made a distribution to shareholders of 4.5 pence per share (£9.4 million in total).

#### 27 Cash and cash equivalents

Cash and cash equivalents comprise:

	<b>Group 2008</b>	<b>Group 2007</b>	<b>Company 2008</b>	<b>Company 2007</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Cash available on demand	20,621,300	59,855,959	9,262,635	59,141,431
Overdrafts	(208)	-	-	-
	<u>20,621,092</u>	<u>59,855,959</u>	<u>9,262,635</u>	<u>59,141,431</u>

#### 28 Commitments

On 11 June 2008, ACPM made a commitment to a subsidiary of Leasecom Group SAS to provide financing of up to €15 million. As at 31 December 2008, ACPM had acquired notes totalling €5.85 million under this commitment.

The loans notes are issued at market rate and the maximum exposure to credit risk on commitments at the reporting date is €9.15 million.