

Abbey Capital Limited

Directors' Report and Financial Statements

For the year ended 30 June 2010

Abbey Capital Limited

Contents

	Page
Corporate information	1
Directors' report	2 - 4
Statement of directors' responsibilities	5
Independent auditors' report	6 - 7
Profit and loss account	8
Balance sheet	9
Cash flow statement	10
Notes to the financial statements	11 - 21
Appendices	22 - 23

Abbey Capital Limited

Corporate Information

Directors	A. Gannon T. Brosnan C. Gately M. Swift
Secretary	C. Gately
Company number	327102
Registered office and business address	1/2 Cavendish Row Dublin 1
Auditors	BDO Registered Auditors Beaux Lane House Mercer Street Lower Dublin 2
Bankers	Bank of Ireland Ballsbridge Dublin 4
Solicitors	Dillon Eustace 33 Sir John Rogerson's Quay Dublin 2

Abbey Capital Limited

Directors' Report

The directors present their report and audited financial statements for the year ended 30 June 2010.

Principal activities and review of the business

The principal activity of the Company continues to be the provision of investment management services. Abbey Capital Limited is authorised as an Investment Manager by the Irish Financial Regulator. The results for the year are considered satisfactory and in line with expectations.

The period 2009/2010 has been a difficult year for the industry, one in which many hedge funds suffered badly. While Abbey's turnover decreased from €16,470,562 (2009) to €10,625,328 (2010), the company performed well relative to its peers, and its funds have experienced continual growth. The company also managed costs well during the period, with an 18% reduction in fiscal year June 2010. The fund pays a performance fee to Abbey Capital Limited in consideration of the role the Company plays in designing the fund's portfolio and in allocating to, and managing, approximately twenty two traders on behalf of the fund.

The Company continues to have 1,000,000 A shares par value €0.01 each listed on the Bermuda Stock Exchange. The directors believe that such a listing raises the profile of the Company among prospective investors in the U.S. and Europe.

Significant developments during the financial year

On 1 March 2010, the Company acquired the entire share capital of Abbey Capital (US) LLC (formerly known as Celtic Advisors LLC). Abbey Capital (US) LLC is a privately held limited liability company formed in New York in February 2008 for the purpose of conducting business as a securities broker dealer (BD). As a BD, Abbey Capital (US) LLC is registered with the Financial Industry Regulatory Authority (FINRA) and markets investments in securities exempt from registration with the Securities and Exchange Commission.

Future developments

Abbey Capital will continue to market the funds (privately and to qualified persons only) with the objective of strong growth in AUM next year. The Company's key market is the U.S., and the Company intends to expand its marketing team to increase its marketing efforts in this region. The Company is also focused (to a lesser extent) in certain European countries, parts of the Middle East, and Asia. As the marketing team expands, so too will coverage of these areas. The Company believes that it has adequate personnel resources to handle the anticipated growth.

Results for the year and state of affairs

The profit for the year after providing for depreciation and taxation amounted to €4,275,157 (2009 : €8,400,043).

The directors recommend the payment of a final dividend of €190,241 relating to the year ended 30 June 2010 (2009 : €106,874). This recommendation was made after the year end.

Abbey Capital Limited

Directors' Report

Principal risks and uncertainties - continued

Liquidity and cash flow risk

The Company's policy is to ensure that sufficient resources are available either from cash balances, cash flows and near cash liquid investments to ensure all obligations can be met when they fall due. To achieve this, the Company ensures that its liquid investments are in highly rated counterparties with near immediate availability.

Counterparty risk

Cash transactions are only commenced with high credit quality financial institutions.

Operational risk

Other risks faced by the Company include the potential loss of key personnel, reduced performance fees due to poor fund performance and client-concentration. The Company addresses these issues by (i) having in place attractive incentive packages and working environments and ensuring good coverage of all key positions, (ii) ensuring income received from management fees is sufficient to meet annual expenses, in the event that no performance fee is earned in a particular year, and (iii) building the marketing team and seeking new key relationships to ensure a diverse range of clients.

Books of account

The measures taken by the directors to ensure compliance with the requirements of Section 202, Companies Act, 1990, regarding proper books of account are the implementation of necessary policies and procedures for recording transactions, the employment of competent accounting personnel with appropriate expertise and the provision of adequate resources to the financial function. The books of account of the Company are maintained at 1/2 Cavendish Row, Dublin 1.

Post balance sheet events

No important events affecting the Company have taken place since the end of the financial year.

Auditors

In accordance with Section 160 (2) of the Companies Act, 1963, the auditors, BDO, Registered Auditors, have indicated their willingness to continue in office.

On behalf of the board


Director


Director

Date: 01st November, 2010

Abbey Capital Limited

Directors' Report

Directors and secretary and their interests

The names of persons who were directors or secretary at any time during the year ended 30 June 2010 are set out on page 1. Except as indicated they served as directors or secretary for the entire year. In accordance with the Articles of Association, the directors are not required to retire by rotation.

The directors and secretary who served on the board during the year and their interests in the called up share capital of the company at the beginning and end of the year are as follows:

	2010 No. A & B ordinary shares of €0.01 each	2010 No. C shares of €0.01 each	2009 No. A & B ordinary shares of €0.01 each	2009 No. C shares of of €0.01 each
A. Gannon	845,764	-	845,764	-
T. Brosnan	720,466	-	720,466	-
C. Gately	-	33,282	-	33,282
M. Swift	-	66,565	-	66,565
	<u>1,566,230</u>	<u>99,847</u>	<u>1,566,230</u>	<u>99,847</u>

There were no changes in shareholdings between 30 June 2010 and the date of approval of the financial statements.

Research and development

Over the last 10 years, the Company has developed sophisticated risk systems to analyse and constantly monitor trader and position risk. As the number of traders, positions, funds and investors increases, the Company continues to develop these systems (collectively named ACTION). The company has the support of Enterprise Ireland (which has part funded its risk development project) and the new integrated systems were implemented in early 2009. The Company is continuing to work with consultants, Cognos, to avail of the latest technology to improve these risk systems.

Branch operations

The Company has no branch operations.

Principal risks and uncertainties

Financial risk management objectives and policies

The board reviews and agrees policies for the prudent management of risks as follows:

Currency risk

The Company's management and incentive fee income is generated in USD, and converted to Euro on the day of payment. As the Company's operating expenses are to a large extent in Euro, the generation of USD income results in currency exposure. The Company may use financial instruments (derivatives) to manage some or all of its currency exposure. All transactions in derivatives are designed to hedge against risks and not to engage in speculative transactions.

Abbey Capital Limited

Statement of Directors' Responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and Generally Accepted Accounting Practices in Ireland including the accounting standards issued by the Accounting Standards Board and promulgated by the Institute of Chartered Accountants in Ireland.


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

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper books of account that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Acts, 1963 to 2009. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

On behalf of the Board


Director


Director

Date: 01st November, 2010

Independent Auditors' Report
To the members of Abbey Capital Limited

We have audited the financial statements of Abbey Capital Limited for the year ended 30 June 2010 on pages 8 to 21 which comprise the Profit and Loss Account, Balance Sheet, Cash Flow Statement and the related notes. These financial statements have been prepared in accordance with the accounting policies set out on page 11.

This report is made solely to the Company's members, as a body, in accordance with Section 193, Companies Act, 1990. 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'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 Annual Report and the financial statements in accordance with applicable law and the Accounting Standards issued by the Accounting Standards Board and promulgated by the Institute of Chartered Accountants in Ireland (Generally Accepted Accounting Practice in Ireland), are set out in the Statement of Directors' Responsibilities set out on page 5. Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (United Kingdom and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view in accordance with Generally Accepted Accounting Practice in Ireland and are properly prepared in accordance with the Companies Acts, 1963 to 2009. We also report to you whether in our opinion: proper books of account have been kept by the Company; whether, at the balance sheet date, there existed a financial situation requiring the convening of an extraordinary general meeting of the Company; and whether the information given in the Directors' Report is consistent with the financial statements. In addition, we state whether we have obtained all the information and explanations necessary for the purposes of our audit and whether the Company's financial statements are in agreement with the books of account.

We also report to you if, in our opinion, any information specified by law regarding directors' remuneration and directors' transactions is not given and, where practicable, include such information in our report.

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

Independent Auditors' Report
To the members of Abbey Capital Limited (continued)

Basis of opinion

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

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

Opinion

In our opinion, the financial statements give a true and fair view, in accordance with Generally Accepted Accounting Practice in Ireland, of the state of the Company's affairs at 30 June 2010 and of its profit and cash flows for the year then ended and have been properly prepared in accordance with the Companies Acts, 1963 to 2009.

We have obtained all the information and explanations we consider necessary for the purposes of our audit. In our opinion, proper books of account have been kept by the Company. The financial statements are in agreement with the books of account.

In our opinion, the information given in the Directors' Report on pages 2 to 4 is consistent with the financial statements.

The net assets of the Company, as stated in the balance sheet on page 9, are more than half of the amount of its called up share capital and, in our opinion, on that basis there did not exist at 30 June 2010, a financial situation which, under Section 40(1), Companies (Amendment) Act 1983 would require the convening of an extraordinary general meeting of the Company.

1 November 2010

Date

BDO

BDO
Dublin
Registered Auditors

Abbey Capital Limited

Profit and Loss Account
for the year ended 30 June 2010

	Notes	2010 €	2009 €
Management and performance fees	2	10,625,328	16,470,562
Administrative expenses		(5,906,908)	(7,232,182)
Operating profit	3	4,718,420	9,238,380
Interest receivable and similar income	4	212,374	326,853
Other income		-	19,886
Profit on ordinary activities before taxation		4,930,794	9,585,119
Tax on profit on ordinary activities	6	(655,637)	(1,185,076)
Profit for the financial year		4,275,157	8,400,043
Dividends	11	(106,874)	(108,244)
Retained profit for the financial year	12	4,168,283	8,291,799

There are no recognised gains or losses other than the profit for the above two financial years.

The notes on pages 11 - 21 form part of these financial statements.

The financial statements were approved by the Board for issue on 01st October 2010 and signed on its behalf by:


Director


Director

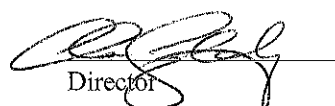
Abbey Capital Limited

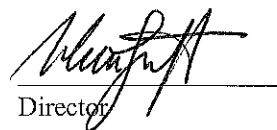
Balance Sheet
as at 30 June 2010

	Notes	€	2010 €	€	2009 €
Fixed assets					
Tangible assets	7		78,597		142,815
Financial assets	8		10,162,986		10,000,000
			<u>10,241,583</u>		<u>10,142,815</u>
Current assets					
Debtors	9	1,494,897		300,562	
Cash at bank and in hand		9,810,593		6,894,360	
		<u>11,305,490</u>		<u>7,194,922</u>	
Creditors: amounts falling due within one year	10	<u>(308,188)</u>		<u>(267,135)</u>	
Net current assets			<u>10,997,302</u>		<u>6,927,787</u>
Net assets			<u>21,238,885</u>		<u>17,070,602</u>
Capital and reserves					
Called up share capital	11		16,661		16,661
Share premium account	12		196,809		196,809
Capital redemption reserve fund	12		4,614		4,614
Profit and loss account	12		21,020,801		16,852,518
Shareholders' funds	12		<u>21,238,885</u>		<u>17,070,602</u>

The notes on pages 11 - 21 form part of these financial statements.

The financial statements were approved by the Board for issue on ~~10 June 2010~~ ^{10 July 2010} and signed on its behalf by:


Director


Director

Abbey Capital Limited

**Cash Flow Statement
for the year ended 30 June 2010**

	Note	2010 €	2009 €
Net cash inflow from operating activities	14	4,018,989	9,670,041
Returns on investments and servicing of finance	15	212,374	326,853
Taxation	15	(1,035,063)	(1,084,790)
Capital expenditure and financial investment	15	(10,207)	(9,943,145)
Acquisitions and disposals	15	(162,986)	-
		<u>3,023,107</u>	<u>(1,031,041)</u>
Dividends paid		(106,874)	(108,244)
Increase/(decrease) in cash in the year		<u><u>2,916,233</u></u>	<u><u>(1,139,285)</u></u>
 Reconciliation of net cash flow to movement in net funds			
Increase/(decrease) in cash in the year		2,916,233	(1,139,285)
Net funds at 1 July		<u>6,894,360</u>	<u>8,033,645</u>
Net funds at 30 June	16	<u><u>9,810,593</u></u>	<u><u>6,894,360</u></u>

Abbey Capital Limited

Notes to the financial statements for the year ended 30 June 2010

1. Accounting policies

1.1. Accounting convention

The financial statements have been prepared in accordance with accounting standards generally accepted in Ireland and Irish statute comprising the Companies Acts, 1963 to 2009. Accounting standards generally accepted in Ireland in preparing financial statements giving a true and fair view are those promulgated by the Institute of Chartered Accountants in Ireland and issued by the Accounting Standards Board.

1.2. Tangible assets and depreciation

Depreciation is provided at rates calculated to write off the cost less residual value of each asset over its expected useful life, as follows:

Leasehold property	-	Straight line over the life of the lease
Machines	-	20% straight line basis
Computer equipment	-	33.3% straight line basis
Office furniture	-	20% straight line basis

1.3. Pensions

The Company operates a defined contribution scheme. Pension contributions in respect of the scheme for employees are charged to the profit and loss account as they become payable in accordance with the rules of the scheme. The assets are held separately from those of the Company in an independently administered fund.

Differences between the amounts charged in the profit and loss account and payments made to pension funds are treated as assets or liabilities.

1.4. Financial assets

Financial assets are carried at cost value. Where provision for diminution in value is required, this is dealt with in the profit and loss account.

1.5. Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into Euro (€) at the rates prevailing at the accounting date. Transactions in foreign currencies are recorded at the date of the transactions and differences arising are taken to the profit and loss account.

1.6. Taxation

The charge for taxation is based on the profit for the year. Deferred taxation is provided on timing differences to the extent that it is expected to become payable in the foreseeable future and any amount not provided for is disclosed as a contingent liability.

1.7. Consolidated accounts

The company is exempt from the requirement to prepare group financial statements by virtue of Regulation 7 of the European Communities (Companies: Group Accounts) Regulations, 1992. These financial statements present information about the company as an individual undertaking and not about its group.

Abbey Capital Limited

**Notes to the financial statements
for the year ended 30 June 2010**

2 Management and performance fees

Revenue represents the value of management and performance fees from the funds managed by the company during the year.

All revenue is derived from continuing operations of the Company.

3. Operating profit	2010	2009
	€	€
The operating profit is stated after charging:		
Depreciation	74,425	74,226
Directors' remuneration	744,979	2,127,609
Loss on foreign currencies	41,738	44,330
Auditors' remuneration	12,000	12,000
	<u> </u>	<u> </u>

4. Interest receivable and similar income	2010	2009
	€	€
Bank interest	212,374	326,853
	<u> </u>	<u> </u>

5. Employees

Number of employees

The average number of employees (including executive directors) during the year was:

	2010	2009
	Number	Number
Management	10	10
Administration	24	18
	<u> </u>	<u> </u>
	<u> </u>	<u> </u>

Employment costs	2010	2009
	€	€
Salaries	2,119,592	1,913,489
Directors' remuneration	744,979	2,127,609
Social welfare costs	280,550	351,390
Directors' pension cost	421,377	570,961
Other pension costs	40,789	28,714
	<u> </u>	<u> </u>
	<u> </u>	<u> </u>

Abbey Capital Limited

**Notes to the financial statements
for the year ended 30 June 2010**

6. Taxation	2010	2009
	€	€
Current year taxation		
Corporation tax for the period	655,637	1,216,063
Adjustment in respect of previous periods	-	(30,987)
	<u>655,637</u>	<u>1,185,076</u>
Factors affecting tax charge for the period		
The tax assessed for the period is higher than the standard rate of corporation tax in Ireland. The differences are explained below:		
Profit on ordinary activities before tax	<u>4,930,794</u>	<u>9,585,119</u>
Tax on ordinary activities at effective corporation tax rate of 12.5% (2009 : 12.5%)	616,349	1,198,140
Effects of :		
Excess depreciation over capital allowances	2,938	3,072
Expenses not deductible for tax purposes	11,905	7,748
R & D tax credit claimed	-	(31,002)
Interest income taxed at 25%	19,578	31,825
Other income taxed at 26%	-	2,685
Tax on medical insurance premium	4,867	3,595
	<u>655,637</u>	<u>1,216,063</u>

Abbey Capital Limited

Notes to the financial statements
for the year ended 30 June 2010

7. Tangible assets	Machines €	Leasehold property €	Office furniture €	Computer equipment €	Total €
Cost					
At 1 July 2009	107,422	17,003	57,651	248,467	430,543
Additions	1,550	-	-	8,657	10,207
At 30 June 2010	<u>108,972</u>	<u>17,003</u>	<u>57,651</u>	<u>257,124</u>	<u>440,750</u>
Depreciation					
At 1 July 2009	82,841	8,501	34,507	161,879	287,728
Charge for the year	14,857	1,700	10,236	47,632	74,425
At 30 June 2010	<u>97,698</u>	<u>10,201</u>	<u>44,743</u>	<u>209,511</u>	<u>362,153</u>
Net book value					
At 30 June 2010	<u>11,274</u>	<u>6,802</u>	<u>12,908</u>	<u>47,613</u>	<u>78,597</u>
At 30 June 2009	<u>24,581</u>	<u>8,502</u>	<u>23,144</u>	<u>86,588</u>	<u>142,815</u>

8. Financial assets	Subsidiary undertaking €	Investment in funds €	Total €
At 1 July 2009	-	10,000,000	10,000,000
Addition	162,986	-	162,986
At 30 June 2010	<u>162,986</u>	<u>10,000,000</u>	<u>10,162,986</u>

Investment in funds

The market value of the Company's investment in funds as at 30 June 2010 was €11,896,241 (2009: €10,799,000).

Subsidiary undertaking

On 1 March 2010 the company acquired the entire share capital of Abbey Capital (US) LLC (formerly known as Celtic Advisors LLC) for a consideration of \$200,000 (EUR equivalent €162,986).

In the opinion of the directors the value of this investment is not less than shown above.

Abbey Capital Limited

**Notes to the financial statements
for the year ended 30 June 2010**

9. Debtors: amounts falling due within one year	2010	2009
	€	€
Amounts owed by related parties (note 17)	1,179,967	291,437
VAT repayable	10,567	9,125
Corporation tax	304,363	-
	<u>1,494,897</u>	<u>300,562</u>
	<u><u>1,494,897</u></u>	<u><u>300,562</u></u>
10. Creditors: amounts falling due within one year	2010	2009
	€	€
Trade creditors	28,650	2,136
Accruals	201,579	125,291
Corporation tax	-	75,063
PAYE/PRSI	68,062	64,645
Amounts owed to group company (note 17)	9,897	-
	<u>308,188</u>	<u>267,135</u>
	<u><u>308,188</u></u>	<u><u>267,135</u></u>
11. Called up share capital	2010	2009
	€	€
Authorised equity		
5,000,000 A ordinary shares of €0.01 each	50,000	50,000
5,000,000 B ordinary shares of €0.01 each	50,000	50,000
200,000 C shares of €0.01 each	2,000	2,000
	<u>102,000</u>	<u>102,000</u>
	<u><u>102,000</u></u>	<u><u>102,000</u></u>
Allotted, called up and fully paid equity		
783,115 A ordinary shares of €0.01 each	7,831	7,831
783,115 B ordinary shares of €0.01 each	7,831	7,831
99,847 C shares of €0.01 each	999	999
	<u>16,661</u>	<u>16,661</u>
	<u><u>16,661</u></u>	<u><u>16,661</u></u>

The A and B ordinary shares rank equally in all respects and carry voting rights. The C ordinary shares rank equally with the A and B shares except that they do not carry voting rights.

The directors recommend payment of a final dividend of €0.11 per share (2009: €0.06). This recommendation was made after the year end.

Abbey Capital Limited

**Notes to the financial statements
for the year ended 30 June 2010**

12. Reconciliation of movements in shareholders' funds

	Share capital €	Share premium €	Capital redemption €	Profit and loss €	Total €
Opening shareholders' funds	16,661	196,809	4,614	16,852,518	17,070,602
Retained profit for the year	-	-	-	4,168,283	4,168,283
Closing shareholders' funds	<u>16,661</u>	<u>196,809</u>	<u>4,614</u>	<u>21,020,801</u>	<u>21,238,885</u>

13. Financial commitments

At 30 June 2010 the Company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings	
	2010	2009
	€	€
Expiry date:		
In over five years	<u>167,000</u>	<u>167,000</u>

14. Reconciliation of operating profit to net cash inflow from operating activities

	2010	2009
	€	€
Operating profit	4,718,420	9,238,380
Depreciation	74,425	74,226
(Increase)/decrease in debtors	(889,972)	333,440
Increase in creditors	116,116	23,995
Net cash inflow from operating activities	<u>4,018,989</u>	<u>9,670,041</u>

Abbey Capital Limited

**Notes to the financial statements
for the year ended 30 June 2010**

15. Analysis of headings grouped in cash flow statement	2010	2009	
	€	€	
 Returns on investments and servicing of finance			
Interest received	212,374	326,853	
	<u> </u>	<u> </u>	
Taxation			
Corporation tax paid	(1,035,063)	(1,084,790)	
	<u> </u>	<u> </u>	
Capital expenditure and financial investment			
Payments to acquire tangible assets	(10,207)	(88,031)	
Payments to acquire financial assets	-	(10,000,000)	
Receipts from sales of financial assets	-	144,886	
	<u> </u>	<u> </u>	
	(10,207)	(9,943,145)	
	<u> </u>	<u> </u>	
Acquisitions and disposals			
Payments on acquisition of group interests	(162,986)	-	
	<u> </u>	<u> </u>	
 16. Analysis of changes in net funds during the year			
	Opening	Cash	Closing
	balance	flows	balance
	€	€	€
Cash at bank and in hand	6,894,360	2,916,233	9,810,593
	<u> </u>	<u> </u>	<u> </u>
Net funds	6,894,360	2,916,233	9,810,593
	<u> </u>	<u> </u>	<u> </u>

Abbey Capital Limited

Notes to the financial statements for the year ended 30 June 2010

17. Related party transactions

Abbey Capital Limited is related to the ACL Alternative Fund Limited through a common director. During the year the Company received fees of €9,295,127 from the ACL Alternative Fund Limited. The balance outstanding at the year end was €1,026,567.

Abbey Capital Limited is related to the ACL Fund SICAV Limited through a common director. The Company received fees of €258,740 for the year from the ACL Fund SICAV Limited. At the year end, €21,841 was due from the ACL Fund SICAV Limited.

Abbey Capital Limited is related to the Abbey Capital Fund LP through a common director. The Company received fees of €1,071,461 for the year from the Abbey Capital Fund LP. At the year end, €131,559 was due from the Abbey Capital Fund LP.

During the year, the Company paid rent of €167,000 to the Gannon, Brosnan, Gately and Swift Partnership. The Company is related to the partnership through common directors and partners.

Abbey Capital (US) LLC is a wholly owned subsidiary of the Company. The Company incurred costs of \$287,348 (EUR equivalent of €234,168) from Abbey Capital (US) LLC in relation to client servicing and marketing services and this amount is recorded as an expense in the profit and loss account. At the year end the company owed Abbey Capital (US) LLC \$27,557 (EUR equivalent of €22,457).

Abbey Capital Limited

Notes to the financial statements for the year ended 30 June 2010

18. Disclosure required under Pillar III

The following information is provided pursuant to the Pillar III disclosure rules as laid out in Part 2 of Annex XII of Directive 2006/48/EC.

The Irish Financial Regulator, in accordance with EU Directives, has implemented a framework for investment firms, consisting of three 'pillars':-

- (i) Pillar I sets out the minimum capital requirements for investment firms;
- (ii) Pillar II is an assessment of whether additional capital is needed over and above that determined under Pillar I; and
- (iii) Pillar III requires the investment firm to publish its objectives and policies in relation to risk management, and information on its risk exposures and capital resources.

Investment firms are required to certify to the Financial Regulator each year that they have complied with the Pillar III disclosure requirements as outlined in the directive.

The rules provide that disclosures are only required where the information would be considered material to a user relying on that information to make economic decisions. The disclosures below are based on the premise that (i) Abbey Capital Limited is authorised to act as an Investment Firm, but cannot take proprietary trading positions, (ii) it does not have retail clients, and (iii) it does not hold client money.

As such, the main risks facing the company relate to its operations and business environment.

The Company believes that the risk management framework applied is appropriate in relation to the scale and complexity of the Company's operations, and that the capital held is sufficient to meet the risks assessed. However, while the company monitors risk on a continual basis, the company cannot guarantee capital sufficiency in the event an unlikely risk arises with an unusually high impact.

Risk Management

The Company's risk management function and its compliance function continually monitor the risks faced by the company. These risks are identified, documented, revised and monitored by these business units. Each unit of Abbey Capital Limited is advised of the risks relating to their business unit and senior management are assigned responsibility for the management of risks within their unit.

The Company's Chief Operating Officer, Chief Financial Officer, Compliance Officer and Risk Director have responsibility for identifying material risks to the directors of the Company, and for putting appropriate mitigating controls in place. Risks and their mitigating controls are periodically reassessed, taking into account the company's risk appetite, and at least annually, a risk review is submitted by the compliance function for review by the board.

Some of the risks facing the firm are noted below (this is not an exhaustive list of risks):-

Abbey Capital Limited

Notes to the financial statements for the year ended 30 June 2010

Disclosure required under Pillar III.....continued

Operational risk

This is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events, including legal risk. The company seeks to minimise these risks through qualitative measures, with well documented and up-to-date procedures, checklists for daily and monthly requirements as well as for new events and products. The more significant risks in this category that face the company include failure of a service provider (administrator or trader), a complete systems failure, and unexpected material fund losses. These risks are continually monitored by the Company.

Business Risk

Business risk arises from external sources such as adverse economic changes, and also from internal sources such as poor investment decisions resulting in poor fund performance/reputational damage. The company spends significant resources (systems, people, investment) to continually improve its risk monitoring process, a vital element of the company operations.

Various different scenarios are modelled in order to assess the impact of adverse economic conditions on the company's financial position, which enables the Company to monitor its business risk and assist in capital planning.

Credit Risk

The company has a very limited number of credit exposures, and the main risk relates to deposits held with banking institutions.

Market risk

This relates to Foreign Exchange risk in respect of its accounts receivable and cash balances in currencies other than €. This risk is managed through the use of derivatives.

Abbey Capital Limited

Notes to the financial statements for the year ended 30 June 2010

Disclosure required under Pillar III.....continued

Capital Adequacy

Under Article 20 of Directive EC/2006/49, Abbey Capital must have Own Funds equal to the higher of (i) one quarter of our preceding year's fixed overheads, (as determined by the Financial Regulator on review of the company's audited accounts each year), and (ii) the sum of the capital requirements contained in points (a) to (c) of Article 75 of 2006/48, which states that own funds must be equal to or greater than the sum of the following (i) for credit risk and dilution risk, 8% of the total of our risk-weighted exposure amounts calculated in accordance with Section 3 of 2006/48 (minimum level of own funds), and (ii) in respect of all business activities and for FX risk, the capital requirements laid down in Article 18 of 2006/49.

The Company takes a prudent approach to the management of its capital base and monitors its expenditure on a regular basis to take account of any material fluctuations which may cause its fixed overheads requirement to be reassessed.

In accordance with Pillar II requirements, the Company has undertaken an assessment of the adequacy of its capital based on all the risks identified by the business (ICAAP process). The review concluded that the capital allocated to support Pillar I requirements is currently sufficient for Pillar II requirements, given the qualitative controls established to mitigate against the identified risks. As at this date, the company determines that no additional capital injections are necessary.

Abbey Capital Limited

Appendices

These appendices are for the directors only
and do not form part of the Audited Statutory Financial Statements.

Abbey Capital Limited

Administrative Expenses for the year ended 30 June 2010

	2010	2009
	€	€
Salaries	2,119,592	1,913,489
Directors' emoluments	744,979	2,127,609
ER PRSI contributions	280,550	351,390
Directors' pension costs	421,377	570,961
Staff pension costs	40,789	28,714
Health insurance contributions	22,248	16,437
Rent and rates	199,010	199,190
Client servicing	617,255	582,700
Insurance	13,754	7,018
Marketing	69,714	47,483
Repairs and maintenance	37,061	25,365
Recruitment expenses	11,020	17,929
Printing, postage and stationery	20,138	16,184
Communications	61,020	64,721
Computer costs	57,813	78,814
Travel and subsistence	347,817	352,199
Staff costs and training	89,694	42,202
Legal and professional	107,767	78,039
Audit and accountancy	14,000	17,950
Bank charges	4,947	4,243
Loss on foreign exchange	41,738	44,330
General expenses	34,447	31,261
Subscriptions and donations	73,849	113,985
Fee expenses	401,904	425,743
Depreciation	74,425	74,226
	<u>5,906,908</u>	<u>7,232,182</u>

