

Abbey Capital Limited

Directors' Report and Financial Statements

For the year ended 30 June 2011

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 - 20
Appendices	21 - 22

Abbey Capital Limited

Corporate Information

Directors	A. Gannon T. Brosnan C. Gately M. Swift D. McCarthy (non-executive, appointed 1 January 2011)
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 2011.

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 Central Bank of Ireland. The results for the year are considered satisfactory and in line with expectations.

The period 2010/2011 has been a mixed period for the managed futures industry with strong performance in the final six months of 2010 followed by small negative performance to end June 2011. Abbey Capital has seen strong growth in its assets under management in this period and turnover increased from €10,625,328 (2010) to €32,478,115 (2011). The Company has performed well relative to its peers, and its funds have experienced continual growth from a diversified range of clients and geographic regions. The multi manager funds pay a management and performance fee to Abbey Capital Limited as Investment Manager in consideration of the role the Company plays in designing the funds' portfolios and in allocating to, and managing the traders in the Abbey Capital multi manager funds.

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

There have been no significant developments during the year.

Future developments

Abbey Capital will continue to market the funds (privately and to qualified persons only) with the objective of continued strong growth in AUM next year. The Company's largest market is the U.S., and the Company intends to expand its business development team to increase its efforts in this region. The Company is also focused on certain European countries, parts of the Middle East, and Asia. 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 €18,434,956 (2010 : €4,275,157).

The directors recommend the payment of a final dividend of €108,656 relating to the year ended 30 June 2011 (2010 : €190,241). This recommendation was made after the year end.

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 2011 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:

	2011 No. A & B ordinary shares of €0.01 each	2011 No. C shares of €0.01 each	2010 No. A & B ordinary shares of €0.01 each	2010 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 2011 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 monitor daily trader and position risk. As the number of traders, positions, funds and investors increases, the Company continues to build the research team and develop these systems.

Subsidiary

The company owns the entire share capital of Abbey Capital (US) LLC, a company incorporated in the United States.

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

Directors' Report

Principal risks and uncertainties - continued

Liquidity and cash flow risk

The Company's policy is to maintain sufficient resources from cash balances, cash flows and near cash liquid investments to meet obligations as 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: 21/09/11

Abbey Capital Limited

Statement of Directors' Responsibilities

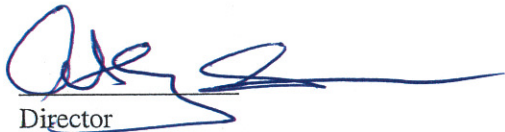
The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and Generally Accepted Accounting Practices in Ireland including the accounting standards issued by the Accounting Standards Board and promulgated by the Institute of Chartered 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: 21/09/11

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 2011 on pages 8 to 20 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 our independent 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 2011 and of its profits 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 2011, a financial situation which, under Section 40(1), Companies (Amendment) Act 1983 would require the convening of an extraordinary general meeting of the Company.

21 September 2011
Date


Robert Leahy
For and on behalf of BDO
Dublin
Registered auditors
AI223876

Abbey Capital Limited

Profit and Loss Account
for the year ended 30 June 2011

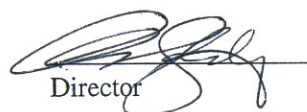
	Notes	2011 €	2010 €
Management and performance fees	2	32,478,115	10,625,328
Administrative expenses		(11,694,089)	(5,906,908)
Operating profit	3	20,784,026	4,718,420
Interest receivable and similar income	4	356,996	212,374
Profit on ordinary activities before taxation		21,141,022	4,930,794
Tax on profit on ordinary activities	7	(2,706,066)	(655,637)
Profit for the financial year		18,434,956	4,275,157
Dividends	6	(190,241)	(106,874)
Retained profit for the financial year	13	18,244,715	4,168,283

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

The notes on pages 11 - 20 form part of these financial statements.

The financial statements were approved by the Board for issue on 21/09/11 and signed on its behalf by:


Director


Director

Abbey Capital Limited

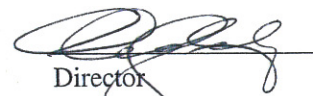
**Balance Sheet
as at 30 June 2011**

	Notes	€	2011 €	€	2010 €
Fixed assets					
Tangible assets	8		461,176		78,597
Financial assets	9		10,138,380		10,162,986
			10,599,556		10,241,583
Current assets					
Debtors	10	2,209,542		1,494,897	
Cash at bank and in hand		27,806,897		9,810,593	
		30,016,439		11,305,490	
Creditors: amounts falling due within one year	11	(1,132,395)		(308,188)	
Net current assets			28,884,044		10,997,302
Net assets			39,483,600		21,238,885
Capital and reserves					
Called up share capital	12		16,661		16,661
Share premium account	13		196,809		196,809
Capital redemption reserve fund	13		4,614		4,614
Profit and loss account	13		39,265,516		21,020,801
Shareholders' funds	13		39,483,600		21,238,885

The notes on pages 11 - 20 form part of these financial statements.

The financial statements were approved by the Board for issue on 21/09/11 and signed on its behalf by:


Director


Director

Abbey Capital Limited

**Cash Flow Statement
for the year ended 30 June 2011**

	Note	2011 €	2010 €
Net cash inflow from operating activities	14	20,516,689	4,018,989
Returns on investments and servicing of finance	15	356,996	212,374
Taxation	15	(2,223,635)	(1,035,063)
Capital expenditure	15	(463,505)	(10,207)
Acquisitions and disposals	15	-	(162,986)
		<u>18,186,545</u>	<u>3,023,107</u>
Dividends paid		(190,241)	(106,874)
Increase in cash in the year		<u><u>17,996,304</u></u>	<u><u>2,916,233</u></u>
 Reconciliation of net cash flow to movement in net funds			
Increase in cash in the year		17,996,304	2,916,233
Net funds at 1 July		<u>9,810,593</u>	<u>6,894,360</u>
Net funds at 30 June	16	<u><u>27,806,897</u></u>	<u><u>9,810,593</u></u>

Abbey Capital Limited

Notes to the financial statements for the year ended 30 June 2011

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	-	10% straight line basis
Machines	-	20% straight line basis
Computer equipment	-	33.3% straight line basis
Office equipment	-	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 2011

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.

	2011	2010
	€	€
3. Operating profit		
The operating profit is stated after charging:		
Depreciation	80,926	74,425
Directors' remuneration	1,925,704	802,954
Directors' pension	865,979	421,377
Loss on foreign currencies	65,703	41,738
	809,312	1,280,933

	2011	2010
	€	€
4. Interest receivable and similar income		
Bank interest	356,996	212,374
	356,996	212,374

5. Employees

Number of employees

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

	2011	2010
	Number	Number
Management	10	10
Administration	31	24
	41	34

	2011	2010
	€	€
Employment costs		
Salaries	3,353,378	2,119,592
Directors' remuneration	1,758,758	744,979
Social welfare costs	524,223	280,550
Directors' pension cost	865,979	421,377
Other pension costs	62,630	40,789
	6,564,968	3,607,287

Abbey Capital Limited

Notes to the financial statements for the year ended 30 June 2011

6. Dividends	2011 €	2010 €
Dividends on equity shares:		
A & B ordinary shares	<u>190,241</u>	<u>106,874</u>

The directors recommend payment of a final dividend of €0.07 per share (2010: €0.11). This recommendation was made after the year end.

7. Taxation	2011 €	2010 €
Current year taxation		
Corporation tax for the period	<u>2,706,066</u>	<u>655,637</u>
	<u>2,706,066</u>	<u>655,637</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>21,141,022</u>	<u>4,930,794</u>
Tax on ordinary activities at effective corporation tax rate of 12.5% (2010 : 12.5%)	2,642,628	616,349
Effects of :		
Excess depreciation over capital allowances	(33)	2,938
Expenses not deductible for tax purposes	14,826	11,905
Interest income taxed at 25%	40,403	19,578
Tax on medical insurance premium	8,242	4,867
	<u>2,706,066</u>	<u>655,637</u>

Abbey Capital Limited

Notes to the financial statements for the year ended 30 June 2011

8. Tangible assets	Machines	Leasehold property	Office furniture	Computer equipment	Total
	€	€	€	€	€
Cost					
At 1 July 2010	108,972	17,003	57,651	257,124	440,750
Additions	14,400	345,165	20,977	82,963	463,505
At 30 June 2011	<u>123,372</u>	<u>362,168</u>	<u>78,628</u>	<u>340,087</u>	<u>904,255</u>
Depreciation					
At 1 July 2010	97,698	10,201	44,743	209,511	362,153
Charge for the year	7,076	18,182	8,229	47,439	80,926
At 30 June 2011	<u>104,774</u>	<u>28,383</u>	<u>52,972</u>	<u>256,950</u>	<u>443,079</u>
Net book value					
At 30 June 2011	<u>18,598</u>	<u>333,785</u>	<u>25,656</u>	<u>83,137</u>	<u>461,176</u>
At 30 June 2010	<u>11,274</u>	<u>6,802</u>	<u>12,908</u>	<u>47,613</u>	<u>78,597</u>

9. Financial assets	Subsidiary undertaking	Investment in funds	Total
	€	€	€
At 1 July 2010	162,986	10,000,000	10,162,986
Impairment	(24,606)	-	(24,606)
At 30 June 2011	<u>138,380</u>	<u>10,000,000</u>	<u>10,138,380</u>

Investment in funds

The market value of the Company's investment in funds as at 30 June 2011 was €14,354,750 (2010: €11,896,241).

Subsidiary undertaking

The company owns the entire share capital of Abbey Capital (US) LLC, a company incorporated in the United States. Abbey Capital (US) LLC's principal activity is conducting business as a securities broker dealer and its registered office is 330 Madison Avenue, Suite 623, New York 10017, USA.

In the opinion of the directors the value of the financial assets are not less than shown above.

Abbey Capital Limited

**Notes to the financial statements
for the year ended 30 June 2011**

10. Debtors: amounts falling due within one year	2011 €	2010 €
Amounts owed by related parties (note 17)	2,151,471	1,179,967
Other debtors and prepayments	30,858	-
VAT repayable	27,213	10,567
Corporation tax	-	304,363
	2,209,542	1,494,897
	2,209,542	1,494,897
11. Creditors: amounts falling due within one year	2011 €	2010 €
Trade creditors	90,044	28,650
Accruals	707,409	201,579
Corporation tax	178,068	-
PAYE/PRSI	102,351	68,062
Amounts owed to group company (note 17)	54,523	9,897
	1,132,395	308,188
	1,132,395	308,188
12. Called up share capital	2011 €	2010 €
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
	102,000	102,000
	102,000	102,000
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
	16,661	16,661
	16,661	16,661

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.

Abbey Capital Limited

**Notes to the financial statements
for the year ended 30 June 2011**

13. Reconciliation of movements in shareholders' funds

	Share capital €	Share premium €	Capital redemption reserve fund €	Profit and loss €	Total €
Opening shareholders' funds	16,661	196,809	4,614	21,020,801	21,238,885
Retained profit for the year	-	-	-	18,244,715	18,244,715
Closing shareholders' funds	<u>16,661</u>	<u>196,809</u>	<u>4,614</u>	<u>39,265,516</u>	<u>39,483,600</u>

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

	2011 €	2010 €
Operating profit	20,784,026	4,718,420
Depreciation	80,926	74,425
Impairment of financial asset	24,606	-
Increase in debtors	(1,019,008)	(889,972)
Increase in creditors	646,139	116,116
Net cash inflow from operating activities	<u>20,516,689</u>	<u>4,018,989</u>

15. Analysis of headings grouped in cash flow statement

	2011 €	2010 €
Returns on investments and servicing of finance		
Interest received	356,996	212,374
Taxation		
Corporation tax paid	(2,223,635)	(1,035,063)
Capital expenditure		
Payments to acquire tangible assets	(463,505)	(10,207)
Acquisitions and disposals		
Payments on acquisition of group interests	-	(162,986)

Abbey Capital Limited

Notes to the financial statements for the year ended 30 June 2011

16. Analysis of changes in net funds during the year	Opening balance €	Cash flows €	Closing balance €
Cash at bank and in hand	9,810,593	17,996,304	27,806,897
Net funds	9,810,593	17,996,304	27,806,897

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 €30,565,588 from the ACL Alternative Fund Limited. The balance outstanding at the year end was €2,019,961.

Abbey Capital Limited is related to the ACL Fund SICAV Limited through a common director. The Company received fees of €292,803 for the year from the ACL Fund SICAV Limited. At the year end, €24,586 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 €1,619,724 for the year from the Abbey Capital Fund LP. At the year end, €106,924 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 Limited is related to Abbey Capital (US) LLC through common directors. Abbey Capital (US) LLC is a wholly owned subsidiary of the Company. The Company incurred costs of \$1,976,547 (EUR equivalent of €1,427,749) on behalf of 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 \$78,802 (EUR equivalent of €54,523).

Abbey Capital Limited

Notes to the financial statements for the year ended 30 June 2011

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 Central Bank of Ireland, 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 Central Bank of Ireland 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 2011

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 EUR. This risk is managed through the use of derivatives.

Abbey Capital Limited

Notes to the financial statements for the year ended 30 June 2011

Disclosure required under Pillar III.....continued

Capital adequacy

Under Article 20 of Directive EC/2006/49, Abbey Capital Limited must have Own Funds equal to the higher of (i) one quarter of our preceding year's fixed overheads, (as determined by the Central Bank of Ireland 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). In addition to qualitative controls, the Company maintains Own Funds in excess of Pillar I requirements, to mitigate against specific risks identified under its Pillar II review.

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 2011

	2011	2010
	€	€
Salaries	3,353,378	2,119,592
Directors' emoluments	1,758,758	744,979
ER PRSI contributions	524,223	280,550
Directors' pension costs	865,979	421,377
Staff pension costs	62,630	40,789
Health insurance contributions	33,899	22,248
Rent and rates	199,996	199,010
Client servicing	1,427,749	617,255
Insurance	14,162	13,754
Marketing	54,754	69,714
Repairs and maintenance	29,133	37,061
Recruitment expenses	63,329	11,020
Printing, postage and stationery	23,264	20,138
Communications	59,088	61,020
Computer costs	130,611	57,813
Travel and subsistence	409,952	347,817
Staff costs and training	166,457	89,694
Legal and professional	128,246	107,767
Audit and accountancy	16,000	14,000
Bank charges	5,531	4,947
Loss on foreign exchange	65,703	41,738
General expenses	44,335	34,447
Subscriptions and donations	450,671	73,849
Fee expenses	1,725,315	401,904
Depreciation	80,926	74,425
	<u>11,694,089</u>	<u>5,906,908</u>