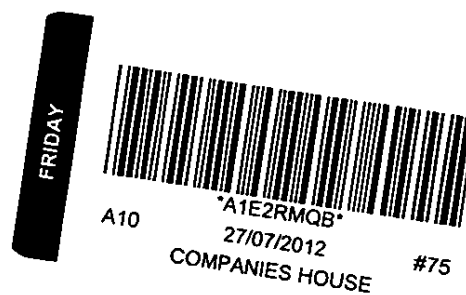


**PCE Investors Limited**  
(Company number. 03477951)

**Directors' Report and Audited Accounts**

Year ended 31 March 2012



# **PCE Investors Limited**

(Company number 03477951)

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## **PCE Investors Limited**

(Company number: 3477951)

### **Company Information**

<b>Directors</b>	T P Duffy NM Ebers
<b>Secretary</b>	MacRae Secretaries Ltd
<b>Registered Office</b>	Charles House 5-11 Regent Street London SW1Y 4LR
<b>Registered Number</b>	03477951 England and Wales
<b>Auditors</b>	O'Hara Wood Limited 29 Gay Street Bath BA1 2NT
<b>Bankers</b>	Royal Bank of Scotland London City Office PO Box 412 62/63 Threadneedle Street London EC2R 8LA
<b>Legal Advisers</b>	Dechert LLP 160 Queen Victoria Street London EC4V 4QQ

# **PCE Investors Limited**

(Company number 03477951)

## **Directors' Report**

The directors present their report and the audited financial statements of the company for the year ended 31 March 2012

### **Principal activity**

The principal activity of the company is that of fund management. The company is regulated by The Financial Services Authority.

### **Results and dividends**

The loss for the year after taxation amounted to £895,826 (2011 £1,035,977), and will be transferred from reserves. No dividends (2011 £nil) were paid or proposed during the year.

After making enquiries, the directors have reasonable expectation that the company has adequate resources to continue operations for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts.

### **Business review and subsequent events**

Over the period, the assets under management have increased from USD\$591M to USD\$721M, even through the volatile markets experienced in 2011. As with 2008 we found that our stable of Funds were able to out-perform their peer group, which has already led to new capital inflows into these Funds. PCE made a number of changes to its business which not only enhanced the operating infrastructure of the business but have made the business more competitive and streamlined for future growth.

The directors are pleased to report that SW1 Capital LP, the controlling shareholder, introduced additional funds during the course of the year to ensure the company met its regulatory capital requirements and continued with the development of its business. Unfortunately a deal that PCE had working on, with Sunwah International Asset Management, which would have opened up numerous channels for business growth and new lines of injection of capital fell through. Even though the potential deal was positive for the business, this unfortunately led to a number of distractions due to the considerable amount of time spent throughout the year working on the due diligence process and the period in which the business was placed on hold while working through the transaction as a whole. However it didn't detract from the growth of the business, the continued evolution of PCE by the management nor has it detracted from a number of suitors emerging wanting to purchase the business. The directors feel an acquisition or a merger of the business with another Asset Manager is still the best way for PCE to reach the heights that it is aspiring to and the directors continue to explore strategic opportunities to expedite the growth of the business.

After the events of this year, with a large proportion of the hedge fund industry having suffered negative returns and increased costs due to regulation, legal, margin and capital, we believe PCE is well positioned to take advantage of these increased barriers to entry and constraints affecting managers managing their own business.

The risks we face as a business are similar to the risks that other investment management companies face which is a risk of asset reduction, coupled with increased expense of managing a business that is as diverse as ours. In addition, the board believes that the next few years will see unprecedented change in the operating environment of alternative asset managers due to the considerable amount of changes in regulations that are being drafted by the regulators around the world, some of which have already started to come into effect. Due to the investment in personnel and infrastructure that SW1 Capital LP has made since acquiring PCE, the directors believe that PCE is well-positioned to meet these changes and challenges.

We believe the continued problems in the Eurozone and the fragile state of world economies will bring a number of investment opportunities in which we are hopeful PCE will benefit from. It should be noted that the investor community is still reluctant to commit capital to new start-up managers as such we feel that PCE will see a contraction in this side of their business, however we believe this will be offset by the addition of assets under management of established fund managers, who will be looking for a more cost effective solution to managing their business while delivering the institutional quality that PCE offers.

A copy of the latest Pillar 3 risk disclosure statement is attached as an Appendix to these financial statements.

**PCE Investors Limited**  
(Company number 03477951)

**Directors' Report (continued)**

**Directors**

The directors who served the company during the year and up to the date of this report were as follows

TP Duffy  
NM Ebers  
MJ Powell (resigned 3 November 2011)

**Directors' responsibility for the financial statements**

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the 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 then apply them consistently,
- make judgments and accounting estimates that are reasonable and prudent,
- 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 adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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.

Each of the persons who are a director at the date of the approval of the report confirms that

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of S 418 of the Companies Act 2006.

**Auditors**

O'Hara Wood Ltd has indicated its willingness to continue in office and appropriate arrangements are being made for them to be deemed reappointed as auditors.

By order of the Board



N Ebers  
Director

11 July 2012

## **Independent Auditor's Report**

### **To the Members of PCE Investors Limited**

We have audited the financial statements of PCE Investors Limited for the year ended 31 March 2012 on pages 6 to 19. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters that we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

#### **Respective responsibilities of directors and auditors**

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors' Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 March 2012 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

## **Independent Auditor's Report**

**To the Members of PCE Investors Limited (continued)**

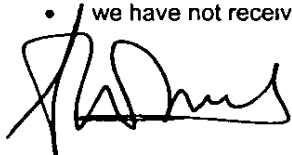
### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



Adrian Wood (senior statutory auditor)  
for and on behalf of

O'Hara Wood Ltd  
Chartered Accountants and  
Statutory Auditors  
29 Gay Street  
Bath  
BA1 2NT

11 July 2012

# PCE Investors Limited

## Profit and Loss Account

For the financial year ended 31 March 2012

		2012 £	2011 £
Turnover – continuing operations	2	2,136,681	1,514,648
Cost of sales		<u>(570,494)</u>	<u>(494,759)</u>
Gross profit		1,566,187	1,019,889
Administrative expenses		<u>(2,437,470)</u>	<u>(2,026,430)</u>
Operating loss	5	(871,283)	(1,006,541)
Interest receivable and similar income	6	1,567	49
Interest payable and similar charges	7	<u>(26,110)</u>	<u>(29,485)</u>
Loss on ordinary activities before taxation		(895,826)	(1,035,977)
Tax on loss on ordinary activities	8	<u>-</u>	<u>-</u>
Loss on ordinary activities after taxation		<u><u>(895,826)</u></u>	<u><u>(1,035,977)</u></u>

There were no acquisitions or discontinued operations during the current or preceding year

### Total recognised gains and losses

The company has no recognised gains or losses other than the losses for the above two years

The notes on pages 9 to 19 form part of these accounts

# PCE Investors Limited

## Balance Sheet

As at 31 March 2012

		£	2012	£	£	2011	£
<b>Fixed assets</b>							
Tangible assets	10		<b>422,562</b>			749,748	
Investments	11		<b>2,747</b>			2,747	
			<u><b>425,309</b></u>			<u>752,495</u>	
<b>Current assets</b>							
Debtors	12	<b>8,866,088</b>			1,390,411		
Cash at bank and in hand		<b>493,318</b>			<u>316,694</u>		
			<u><b>9,359,406</b></u>		<u>1,707,105</u>		
<b>Creditors - amounts falling due within one year</b>	13	<b>(9,101,027)</b>			<u>(1,600,880)</u>		
<b>Net current assets</b>			<u><b>258,379</b></u>			<u>106,225</u>	
<b>Total assets less current liabilities</b>			<u><b>683,688</b></u>			<u>858,720</u>	
<b>Creditors – amounts falling due after More than one year</b>	14		<b>(62,535)</b>			<b>(249,563)</b>	
<b>Net assets</b>			<u><u><b>621,153</b></u></u>			<u><u>609,157</u></u>	
<b>Capital and reserves</b>							
Share capital	17		<b>6,052,292</b>			5,144,470	
Share premium account	19		<b>328,000</b>			328,000	
Profit and loss account	19		<b>(5,759,139)</b>			<b>(4,863,313)</b>	
<b>Equity shareholders' funds</b>	20		<u><u><b>621,153</b></u></u>			<u><u>609,157</u></u>	

These accounts were approved by the Board on 11 July 2012

  
N Ebers  
Director

The notes on pages 9 to 19 form part of these accounts

# PCE Investors Limited

## Cash Flow Statement

For the financial year ended 31 March 2012

		£	2012	£	£	2011	£
<b>Net cash outflow from operating activities</b>	18			(491,631)		(1,296,614)	
<b>Returns on investments and servicing of finance</b>							
Interest received			1,567			49	
Interest paid			(26,110)			(29,485)	
				(24,543)		(29,436)	
<b>Taxation paid</b>				-		-	
<b>Capital expenditure</b>							
Payments to acquire tangible fixed assets			(1,249)			(2,605)	
Proceeds from sale of fixed assets			-			8,140	
				(1,249)		5,535	
<b>Net cash outflow before management of liquid resources and financing</b>				(517,423)		(1,320,515)	
<b>Management of liquid resources and financing</b>							
Issue of ordinary share capital			907,822			1,121,649	
Increase in short term borrowing			-			149,738	
Repayment of loan			(175,091)			(570,957)	
Capital element of finance lease contracts			(38,684)			(61,165)	
				694,047		639,265	
<b>Increase/(decrease) in cash in the year</b>	18			176,624		(681,250)	

The notes on pages 9 to 19 form part of these accounts

# PCE Investors Limited

## Notes to the Accounts

For the financial year ended 31 March 2012

### 1 Accounting policies

#### *Accounting convention*

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards

#### *Going concern*

In order to meet its working capital and regulatory capital requirements, the company relies upon the continued financial support of its parent undertaking. The directors have received assurances that this support will continue. After making appropriate enquiries, the directors have a reasonable expectation that the company 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.

#### *Tangible fixed assets and depreciation*

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided on fixed assets on a straight line basis to write off the cost of assets over their expected lives at the following rates:

Leasehold improvements	Length of the lease
Fixtures, fittings, and equipment	25%
IT equipment	16 67%-25%

#### *Foreign currency translation*

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange prevailing at the balance sheet date. Transactions in foreign currencies are recorded at the rate of exchange prevailing at the date of the transaction. All other exchange differences are dealt with through the profit and loss account.

#### *Leases and hire purchase commitments*

Assets acquired under hire purchase contracts are capitalised as tangible assets and depreciated over the term of the financing contract. Assets acquired under finance leases are capitalised as tangible assets and depreciated over the shorter of the lease term and their useful economic lives. The corresponding lease or hire purchase obligation is treated in the balance sheet as a liability. The interest element of rental obligations is charged to the profit and loss account over the period of the lease at a constant proportion of the outstanding balance of capital repayments.

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profit on a straight line basis over the lease term.

#### *Consolidation*

The company has taken advantage of the exemption from providing group financial statements as conferred by FRS 2 on the grounds that there are long-term restrictions such as to hinder the exercise of the rights of the parent company over the assets and management of its subsidiary undertaking.

# PCE Investors Limited

## Notes to the Accounts

For the financial year ended 31 March 2012 (continued)

### 1 Accounting policies (continued)

#### Deferred taxation

Deferred tax is provided in full on all timing differences between profits in the accounts and profits for taxation purposes which will result in an obligation to pay more (or less) tax at a future date, at the average tax rates which are expected to apply when the timing differences reverse, based on current tax rates and laws

Deferred taxation assets are recognised to the extent that it is considered more likely than not that they will be recovered

### 2 Turnover

Turnover, which is stated net of value added tax, represents net amounts received and receivable from the company's continuing principal activity. Income from management and performance fees charged to funds is invoiced in full by PCE Investors Limited, who under Joint Venture Agreements are eligible for an agreed share. Only the share due to PCE Investors Limited from this is recognised in turnover, and liabilities for the amounts owing for the remainder are recognised in creditors

Turnover was earned in the following geographical markets

	2012 £	2011 £
The Cayman and British Virgin Islands	1,483,439	746,940
United Kingdom and Ireland	576,368	761,936
United States of America	76,874	5,772
	<u>2,136,681</u>	<u>1,514,648</u>

### 3 Staff and related costs

The average number of employees during the year was 7 (2011: 9)

	2012 £	2011 £
Wages and salaries	420,152	498,986
Social security costs	51,313	58,544
	<u>471,465</u>	<u>557,530</u>

# PCE Investors Limited

## Notes to the Accounts

For the financial year ended 31 March 2012 (continued)

### 4 Directors' emoluments

Aggregate directors' remuneration for managerial services, including benefits in kind, amounted to £nil (2011 £nil)

### 5 Operating loss

The operating loss for the year is stated after charging/(crediting) the following

	2012 £	2011 £
Depreciation	327,733	362,281
Loss/(profit) on foreign exchange transactions	12,927	(26,667)
Operating lease rentals	366,072	446,556
Profit on sale of fixed assets	702	(8,140)
Fees paid to auditor in respect of -		
- audit of the financial statements	9,400	10,500
- other services	2,155	5,385
	<u>          </u>	<u>          </u>

### 6 Interest receivable

	£	£
Bank interest receivable	1,567	49
	<u>          </u>	<u>          </u>

### 7 Interest payable

	£	£
Bank interest payable	-	3
Hire purchase and finance lease interest	22,502	14,413
Interest on loans from group undertakings	3,608	15,069
	<u>          </u>	<u>          </u>
	26,110	29,485
	<u>          </u>	<u>          </u>

# PCE Investors Limited

## Notes to the Accounts

For the financial year ended 31 March 2012 (continued)

### 8 Tax on loss on ordinary activities

	2012 £	2011 £
UK corporation tax	-	-
Deferred tax (note 16)	-	-
	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>

### Factors affecting tax charge for year

The tax assessed for the year is lower than the standard rate of corporation tax in the UK (26%) The differences are explained below

	2012 £	2012 £
Loss on ordinary activities before tax	(895,826)	(1,035,977)
Tax on loss on ordinary activities at standard rate of 26% (2011 28%)	(232,915)	(290,074)
Factors affecting charge for period		
Expenses not deductible for tax purposes	8,659	1,744
Depreciation in excess of/(less than) capital allowances	77,154	47,842
Tax-adjusted losses carried forward	147,102	240,488
Current tax charge for year	<u>-</u>	<u>-</u>

### Factors that may affect the future tax charge

It is anticipated that the tax charge in future periods will be reduced by the utilisation of carried forward tax-adjusted losses

### 9 Dividends

No dividends were paid during the year (2011 £nil)

# PCE Investors Limited

## Notes to the Accounts

For the financial year ended 31 March 2012 (continued)

### 10 Tangible assets

	Leasehold improvements £	Fixtures, fittings and equipment £	IT equipment £	Total £
<b>Cost</b>				
At 1 April 2011	251,980	183,294	1,425,094	1,860,368
Additions	-	-	1,249	1,249
Disposals	-	(54,683)	(296,623)	(351,306)
At 31 March 2012	251,980	128,611	1,129,720	1,510,311
<b>Depreciation</b>				
At 1 April 2011	75,007	147,513	888,100	1,110,620
Charge for year	25,198	31,783	270,752	327,733
Disposals	-	(54,683)	(295,921)	(350,604)
At 31 March 2012	100,205	124,613	862,931	1,087,749
<b>Net book value</b>				
At 31 March 2012	151,775	3,998	266,789	422,562
At 31 March 2011	176,973	35,781	536,994	749,748

There were no capital commitments on 31 March 2012 (2011 £nil)

Included within the above are assets held under finance leases or hire purchase contracts as follows

	Leasehold improvements £	Fixtures, fittings and equipment £	IT equipment £	Total £
<b>Net book value</b>				
At 31 March 2012	-	-	-	-
At 31 March 2011	-	-	41,365	41,365
<b>Depreciation charge for year</b>				
At 31 March 2012	-	-	-	-
At 31 March 2011	19,869	-	42,521	62,390

# PCE Investors Limited

## Notes to the Accounts

For the financial year ended 31 March 2012 (continued)

### 11 Fixed asset investments

	2012 £	2011 £
Subsidiary undertakings	<u>2,747</u>	<u>2,747</u>

#### Subsidiary undertakings

In December 2009 PCE Investors Limited acquired 100% of the ordinary share capital of Pacific Chartered Europe Espana SL, a company registered in Spain, which the above investment comprises. The investment is carried at historic cost.

The principal activity of the company is investment research.

Consolidated accounts have not been prepared on the grounds that PCE Investors Limited is substantially hindered in exercising its rights over the assets and management of Pacific Chartered Europe Espana SL. The results of the subsidiary as at 31 March 2012 were as follows:

#### Pacific Chartered Europe Espana SL

	Year ended 31 March 2012 £	Year ended 31 March 2011 £
Shareholders' funds	6,391	5,464
Profit after taxation	<u>1,190</u>	<u>730</u>

### 12 Debtors

	2012 £	2011 £
Trade debtors	651,479	-
Other debtors	119,730	217,329
Rent deposit	469,421	467,946
Prepayments and accrued income	7,570,730	610,411
Other tax and social security	54,728	94,725
	<u>8,866,088</u>	<u>1,390,411</u>

# PCE Investors Limited

## Notes to the Accounts

For the financial year ended 31 March 2012 (continued)

### 13 Creditors - amounts falling due within one year

	2012 £	2011 £
Obligations under finance leases and hire purchase contracts	-	38,684
Trade creditors	1,398,336	581,985
Other loans	-	175,091
Other taxes and social security costs	9,840	17,809
Other creditors	103,164	121,094
Accruals and deferred income	7,589,687	666,217
	<u>9,101,027</u>	<u>1,600,880</u>

Other loans falling due within one year includes a loan of £nil (2011 £149,738) from the parent company SW1 Capital LP on normal commercial terms with interest payable at a rate of 8%

### 14 Creditors - amounts falling due after more than one year

	2012 £	2011 £
Other creditors	<u>62,535</u>	<u>249,563</u>

#### Loans

	£	£
The maturity of the loans is as follows		
Less than one year	-	175,091
Two to five years	-	-
Over five years	-	-
	<u>-</u>	<u>175,091</u>

# PCE Investors Limited

## Notes to the Accounts

For the financial year ended 31 March 2012 (continued)

### 14 Creditors - amounts falling due after more than one year (continued)

#### Obligations under finance leases and hire purchase contracts

	2012 £	2011 £
The maturity of obligations under finance leases and hire purchase contracts is as follows		
Less than one year	-	38,684
Two to five years	-	-
Over five years	-	-
	<u>-</u>	<u>38,684</u>

Obligations under finance leases and hire purchase contracts are secured on the assets to which they relate

### 15 Sale and leaseback

In the year ending 31 March 2009 the company entered into a sale and leaseback transaction with an unconnected third party. Tangible fixed assets with a net book value of £121,729 were sold for a consideration of £157,279 and then leased back to the company for a three year period. Although legal title was transferred, substantially all of the benefits and risks of ownership remained with the company.

In view of this, the financial statements did not recognise a disposal of fixed assets, the £157,279 consideration is treated as a loan to the company. The outstanding liability of £nil at 31 March 2012 (2011 £38,684) is included in the obligations under finance leases and hire purchase contracts balances in creditors (notes 13 and 14).

### 16 Provisions for liabilities and charges

	2012 £	2011 £
<b>Deferred taxation</b>		
Accelerated capital allowances	-	-
Tax adjusted losses	-	-
	<u>-</u>	<u>-</u>

A deferred tax asset of £1,241,222 (2011 £1,153,301) for UK tax losses and capital allowances has not been recognised because it is the directors' assessment that it is not likely that there will be sufficient taxable profits available in the foreseeable future against which these losses and allowances can be utilised.

# PCE Investors Limited

## Notes to the Accounts

For the financial year ended 31 March 2012 (continued)

### 17 Share capital

	2012 £	2011 £
<b>Issued and fully paid</b>		
6,052,292 ordinary shares of £1 each	<u>6,052,292</u>	<u>5,144,470</u>

During the year 907,822 (2011: 1,121,649) new ordinary shares were issued at par for the purpose of providing working capital, all of which was in the form of forgiveness of repayment of loans

### 18 Cashflow

#### Reconciliation of operating loss to net cash outflow from operating activities

	2012 £	2011 £
Operating loss	(871,283)	(1,006,541)
Depreciation charge	327,733	362,281
Loss/(profit) on sale of fixed assets	702	(8,140)
(Increase)/decrease in prepayments and other debtors	(7,475,677)	823,923
Increase/(decrease) in creditors and accruals	<u>7,526,894</u>	<u>(1,468,137)</u>
Net cash outflow from operating activities	<u>(491,631)</u>	<u>(1,296,614)</u>

#### Analysis of changes in net funds

	At 31 March 2011 £	Cash flows £	At 31 March 2012 £
Cash at bank	316,694	176,624	<b>493,318</b>
Finance leases and hire purchase	(38,684)	38,684	-
Debt due within one year	(175,091)	175,091	-
Debt due after one year	-	-	-
Total	<u>102,919</u>	<u>390,399</u>	<u><b>493,318</b></u>

#### Reconciliation of net cash flow to movement in net funds

	£	£
Increase in cash in the year	176,624	
Cash inflow from increase in debt and lease financing	<u>213,775</u>	
Change in net cash resulting from cash flows	390,399	
Net funds at 31 March 2011		<u>102,919</u>
Net funds at 31 March 2012		<u><b>493,318</b></u>

# PCE Investors Limited

## Notes to the Accounts

For the financial year ended 31 March 2012 (continued)

### 19 Reserves

	Share premium account £	Profit and loss account £	Total £
Balance at 1 April 2011	328,000	(4,863,313)	(4,535,313)
Retained loss for the year	-	(895,826)	(895,826)
Dividends paid	-	-	-
Balance at 31 March 2012	<u>328,000</u>	<u>(5,759,139)</u>	<u>(5,431,139)</u>

### 20 Reconciliation of movement in shareholders' funds

	2012 £	2011 £
Loss for the year	(895,826)	(1,035,977)
Issue of share capital	907,822	1,121,649
Dividends paid	-	-
Net movement in shareholders' funds for the year	<u>11,996</u>	<u>85,672</u>
Opening shareholders' funds	<u>609,157</u>	<u>523,485</u>
Closing shareholders' funds	<u>621,153</u>	<u>609,157</u>

### 21 Lease commitments – operating leases

As at 31 March 2012, the company had annual commitments under non-cancellable operating leases for land and buildings which fall due as follows

	2012 £	2011 £
Within one year	-	-
Within two to five years	-	-
After five years	366,072	366,072
	<u>366,072</u>	<u>366,072</u>

# PCE Investors Limited

## Notes to the Accounts

*For the financial year ended 31 March 2012 (continued)*

### 22 Refund shares

PCE Investors Limited serves as the investment manager of Cumulus Energy Fund ("Cumulus Energy") In accordance with the terms of the PPM, PCE Investors Limited earns incentive fees above the High Water Mark On each performance fee crystallisation date, part of the incentive fees earned by PCE Investors Limited is retained by Cumulus Energy and applied by it in the issue of special share classes U to Z (the "Refund Shares") to PCE Cayman Limited PCE Cayman Limited held in its name the Refund Shares on behalf of PCE Investors Limited, with a corresponding liability for PCE Investors Limited

A prescribed proportion of the Refund Shares will be redeemed and the proceeds paid to the investors for any share class of Cumulus Energy that bore incentive fees that were redeemed while below their High Water Mark A proportion of the outstanding Refund Shares may also be redeemed quarterly and the proceeds paid to PCE Investors Limited The future redemption of the shares, being contingent upon the post year end performance of the fund as managed by the Investment Managers, has not been recognised in these financial statements

In addition, further transactions in refund shares were carried out with an effective date of the 2<sup>nd</sup> April 2012, for performance fees relating to the quarter ended 31 March 2012 The total contingent asset relating to the period ended 31 March 2012 therefore was £293,056

### 23 Contingent Liability

The company is currently involved in litigation over differing interpretations of the terms of a commercial contract Due to the sensitive nature of this dispute the directors are not at liberty to provide any further disclosure in the financial statements at this present time Consistent with past practice the company has expensed any costs associated with this litigation as they become contractually payable

### 24 Control of the company and related party transactions

The immediate controlling party is SW1 Capital LP, a limited partnership registered in the Cayman Islands, which owns 96.2% of the ordinary share capital After the balance sheet date SW1 Capital acquired 100% of the share capital in PCE Investors Limited

During the year 907,822 (2011 1,121,649) new ordinary shares were issued at par to SW1 Capital LP for the purpose of providing working capital, all of which was in the form of forgiveness of repayment of loans and amounts outstanding

During the year SW1 Capital LP paid £122,293 (2011 £62,391) on behalf of PCE Investors Limited to a supplier The balance outstanding to SW1 Capital and included in other creditors was £nil (2011 £62,391) In addition, interest payable on loans from SW1 Capital LP (note 13) amounted to £3,608 (2011 £15,069) during the year, of which £1,577 (2011 £141,603) was accrued at the year end

The ultimate controlling party is Blackbnar Holdings Inc , a company incorporated in the Cayman Islands

During the year the company provided sub-advisory services to PCE Cayman Limited, a company under common control, totalling £448,377 (2011 £811,423), of which, under the terms of a joint venture agreement, £97,652 (2011 £161,836) was due to PCE Investors Limited, with £6,837 (2011 £15,396) accrued as at the year end PCE Investors Limited also incurred expenses totalling £3,990 (2011 £nil) on behalf of PCE Cayman Limited, which was written off in the year A balance of £nil (2011 £27,109) was owing to PCE Investors Limited at the year end

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**PCE INVESTORS LIMITED**  
**PILLAR 3 RISK DISCLOSURE STATEMENT**

**1 Introduction**

The firm is required to disclose information relating to the capital it holds and each material category of risk it faces in order to assist users of its accounts and to encourage market discipline. These disclosures aim to provide information on the risk exposures faced by the firm and the risk assessment process it has in place to monitor these. These disclosures are seen as complementary to the firm's minimum capital requirement calculation (Pillar 1) and the internal review of its capital adequacy (Pillar 2).

We are permitted to omit required disclosures if we believe that the information is not material. Information is material if its omission or misstatement is likely to change or influence the decision of a reader relying on that information.

In addition, we may omit required disclosures where we believe that the information is proprietary or confidential. Proprietary information is that which, if it were shared, would undermine our competitive position. Information is confidential where there are obligations to our clients, suppliers, and other counterparties binding us to confidentiality.

We have made no omissions on the grounds of immateriality or for proprietary or confidential information.

**2 Scope and application of the requirements**

PCE Investors Limited is authorised and regulated by the Financial Services Authority (FSA) and as such is subject to minimum regulatory capital requirements. The FSA classifies the company as a limited licence firm for capital resource purposes. The company is an investment management firm and as such has no trading book exposure.

The firm is not a member of a UK consolidation group and consequently, does not report on a consolidated basis for accounting and prudential purposes.

**3 Capital resources**

As at 31 March 2012, the firm held capital resources as follows:

	<b>£000</b>
Tier 1 capital *	621
Tier 2 capital	-
Tier 3 capital	-
Deductions from Tiers 1 and 2	-
<b>Total capital resources</b>	<b>621</b>
*No innovative tier one capital is held	

Tier one capital comprises share capital, share premium, and the profit and loss reserve. Additional capital will be introduced into the firm if required to ensure that the capital resources requirement is met.

#### 4 Risk management

The firm has established risk management procedures in order to ensure that it has effective systems and controls in place to identify, monitor and manage risks arising in the business. The processes by which risks are identified have been embedded throughout the company to ensure that risk management is not seen as being distinct from the day to day activities of the firm.

Where material risks are identified, senior management consider mitigation strategies and the financial impact of these risks as part of their business planning and capital management. They also assess whether the amount of regulatory capital held by the firm is adequate.

Management accounts that demonstrate the continued adequacy of the firm's regulatory capital are prepared on a monthly basis.

The specific risks applicable to the firm are credit, market, business, operational and liquidity risks.

#### 5 Credit risk

Credit risk is the risk that a party will default on a financial agreement. The firm is exposed to credit risk in respect of investment management and performance fees due from clients and deposits held with UK authorised banks.

The firm regularly monitors amounts due from its clients and has appropriate credit control procedures in place. The credit control process is overseen by the firm's Chief Financial Officer. Any significant issues arising would be immediately reported to senior management. The finance department prepares bank reconciliations on a monthly basis to ensure that the firm's records are in agreement with those of the bank. Given the nature of the firm's exposures, no specific policy for hedging and mitigating credit risk is in place.

The firm uses the simplified standardised approach detailed in section 3.5.5 of the FSA's Prudential Sourcebook for Banks, Building Societies and Investment Firms (BIPRU) when calculating risk weighted exposures in respects of its debtors. All bank balances are subject to risk weightings in accordance with BIPRU 3.4 of the FSA Handbook.

The firm's minimum capital requirement for credit risk at 31 March 2012, expressed as 8% of the risk-weighted exposure amounts for each of the applicable exposure classes, was

	£000
Fixed assets	34
Debtors	104
Cash at bank	8
<b>Credit risk minimum capital requirement</b>	<b>146</b>

## **6 Market risk**

Market risk is the risk that arises from fluctuations in values of, or income from, assets or in interest or exchange rates. The firm does not run a trading book and as such only has exposure to debtor and bank balances held in currencies other than sterling.

No specific strategies are adopted in order to mitigate the risk of currency fluctuations. Gains/losses arising on foreign exchange movements are monitored on an ongoing basis and reported to senior management via the management accounts.

The firm calculates its foreign exchange risk by reference to the rules in BIPRU 7.5.1 of the FSA Handbook. The firm applies an 8% risk factor to its foreign exchange exposure, at 31 March 2012, the foreign exchange risk requirement was £27k.

## **7 Business risk**

Business risk is the exposure to uncertainty in the macroeconomic environment.

The firm conducts a formal assessment of the business risk to which it is exposed on an annual basis, though given the size and nature of the firm no separate risk management function is considered necessary in respect of the firm's own balance sheet. Matters arising from the review are considered and mitigating or remedial action is taken where appropriate. In the event that any residual (post mitigation) risk is material, the firm has assigned £18k of Pillar 2 capital to mitigate the risk factor. This latest assessment was done in its ICAAP dated 4 July 2012.

The firm's revenue is reliant on the performance and the assets of the existing funds under management. As such, the risk posed to the firm relates to underperformance resulting in a decline in revenue and ultimately the risk of redemptions from the funds managed by the firm. This risk is mitigated by a drive to increase the number of client funds managed by the firm and grow the funds' investor base, as well as by the continued support of the firm by its parent.

## **8. Operational risk**

Operational risk is the risk of loss arising from inadequate or failed internal processes, people and systems or from external events.

The firm conducts a formal assessment of the operational risk to which it is exposed on an annual basis. Matters arising from the review are considered and mitigating or remedial action is taken where appropriate. In the event that any residual (post mitigation) risk is material, the firm will assign an appropriate level of Pillar 2 capital to mitigate the risk factor.

Whilst no separate risk management function is considered necessary in respect of the operational risks that the firm faces given its size and the nature of the risks faced, risk management remains a key function of the firm's business in respect of the portfolios it manages.

The firm has professional indemnity insurance in place to meet its operational requirements and the obligations imposed by regulators. The insurance is provided through Chartis UK Limited (60%) and Lloyds Syndicate 2987 (40%).

The firm is reliant on its ability to attract and retain key investment management personnel. Appropriate policies are in place to mitigate this, including thorough vetting procedures and an appropriate remuneration structure.

The firm has a detailed disaster recovery plan in place. These arrangements are tested on a regular basis in order to ensure that they would be effective should they be required to be invoked.

## **9. Liquidity risk**

Liquidity risk is the risk where the firm either does not have available sufficient financial resources to enable it to meet its obligations as they fall due, or can secure such resources only at excessive cost

The level of liquidity risk that the firm faces has been assessed as significant. The firm is not currently self-financing, in the sense that income from the firm's share of management fees received from client funds does not cover ongoing costs (despite the cost base being lean) because the firm's AUM is below breakeven level, and the firm relies on funds' generating performance fees to make up the shortfall. Securing more assets (either from existing funds or additional funds) is therefore an important concern.

Liquidity is provided by SW1 Capital LP which has confirmed to the FSA that it has set aside a line of credit for the firm to meet its liquidity and regulatory capital requirements.

## **10. Fixed overhead requirement**

The Pillar 1 capital requirement of the firm is determined by the greater of

- the base capital requirement of €50,000, or
- the sum of the credit and market risk requirements, or
- the fixed overhead requirement (FOR)

The firm has found that the FOR, as calculated in accordance with section 2.1.53 of the FSA's General Prudential Sourcebook (GENPRU), always exceeds the sum of the credit and market risk requirements. The firm calculates its FOR after first deducting variable costs from its annual expenditure. Variable costs deducted when calculating the firm's current FOR include exchange gains and non-recurring facilities costs.

The firm monitors its expenditure on a monthly basis. The Chief Financial Officer oversees this process, with internally produced management accounts being reported to the senior management on a monthly basis. Material fluctuations in expenditure are taken into account when assessing whether the FOR remains appropriate for the size and nature of the business. Intra-year adjustments to the FOR are made if and when appropriate.

The FOR has been calculated as at 31 March 2012 at a level of £484k.