

STAR COMPASS PLC

Directors' report and consolidated financial statements

For the year ended 31 March 2014

*Registered number* 429179

## STAR COMPASS PLC

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## Directors and other information

<b>Directors</b>	Eimir McGrath (Irish) Conor Blake (Irish)		
<b>Secretary and Administrator</b>	Deutsche International Corporate Services (Ireland) Limited 5 Harbourmaster Place International Financial Services Centre Dublin 1 Ireland		
<b>Arranger, Placement Agent, Calculation Agent &amp; Fund Shares Dealing Counterparty</b>	UBS Limited 1, Finsbury Avenue London EC2M 2PP United Kingdom		
<b>Swap Counterparties</b>	UBS Limited 1, Finsbury Avenue London EC2M 2PP United Kingdom	SF (LUX) SICAV 3 33A Avenue J.F. Kennedy, L-2010 Luxembourg	
<b>Custodians</b>	UBS Limited 1, Finsbury Avenue London EC2M 2PP United Kingdom	Deutsche Bank (Cayman) Limited Po Box 1984 First Floor, Boundary Hal, Cricket Square, Grand Cayman KY1-1104, Cayman Islands	Deutsche Bank AG London, Winchester House, 1, Great Winchester Street, London EC2M 2DB, United Kingdom
<b>Irish Lawyer</b>	Matheson 70 Sir John Rogerson's Quay Dublin 2 Ireland		
<b>Transaction Lawyer</b>	Simmons & Simmons CityPoint One Ropemaker Street London EC2Y 9SS United Kingdom		
<b>Trustee</b>	Deutsche Trustee Company Limited Winchester House 1, Great Winchester Street London EC2M 2DB United Kingdom		
<b>Index Calculation Agent &amp; Index Sponsor</b>	UBS AG, Jersey Branch P.O Box 350 24, Union Street St Helier Jersey JE4 8UJ		
<b>Issue and Principal Paying Agent</b>	Deutsche Bank AG London, Winchester House, 1, Great Winchester Street, London EC2M 2DB, United Kingdom		
<b>Registered office</b>	5 Harbourmaster Place International Financial Services Centre Dublin 1 Ireland		
<b>Independent Auditor</b>	Deloitte & Touche Chartered Accountants and Statutory Audit Firm Earlsfort Terrace Dublin 2 Ireland		
<b>Bankers</b>	Bank of Ireland Corporate Banking 2, Burlington Plaza Burlington Road Dublin 4 Ireland	Deutsche Bank AG London, Winchester House, 1, Great Winchester Street, London EC2M 2DB, United Kingdom	

**Directors' report**

The directors present their annual report together with the audited consolidated financial statements of Star Compass Plc (the "Company") and its subsidiaries (the "Group") for the year ended 31 March 2014.

**Principal activities and business review****The Company**

Star Compass Plc is a special purpose company incorporated in Ireland on 1 November 2006 and established for the purpose of issuing asset backed securities. The principal activities of the Company are the establishment of a secured note programme (the "programme") arranged by UBS Limited for the issuance of up to EUR 20,000,000,000 (or its equivalent in other currencies at the date of issue) aggregate nominal amount of notes (the "Notes") in different series (each a "Series").

At first instance, the Company used the proceeds from the issue of the Series 1, 2, 3 and 4 Notes to invest in shares of UBS Property Holding Conduit Limited. The Company issued Series 9 and 10, the proceeds of which have been used to invest in shares of GAM Composite Absolute Return GBP and EUR Inc. It had also issued Series 11 and used the proceeds to invest in the shares of Q-BLK Appreciation Fund Inc. Furthermore, the Company used the issue proceeds for Series 12 to invest in UBS Stable Diversified Limited and the proceeds for Series 13 to invest in UBS Dynamic Diversified Limited.

During the year ended 31 March 2014, the Company issued Series 15, 16, 17, 18 and 19 to invest in shares of UBS Global Alpha Strategies Limited, Key Multi-Manager Hedge Fund - Diversified Limited, Key Multi-Manager Hedge Fund - Focused Ltd, Stable Alpha (Feeder) Ltd Class I Series 1 CHF and Stable Alpha (Feeder) Ltd Class I Series 1 USD, respectively.

Further to the above issuances, the Company entered into a transaction for Threshold II Series 1 to 10 on 3 November 2010. For Threshold II, the Company entered into a securities lending and borrowing agreement with SF (LUX) SICAV 3 (the "Lux Fund"), pursuant to which the Lux Fund (as Lender) agreed to lend to the Company (as Borrower) and the Company (as Borrower) agreed to borrow from the Lux Fund (as Lender) a loan (the "EP Loan"), pursuant to, and in accordance with the terms of, the EP Loan Agreement. The EP loan was used to purchase fund of hedge fund shares (the "FoHF shares").

**Fully funded Swap with UBS AG, London Branch**

Pursuant to the Company's investment in hedge funds as part of the Threshold II, it entered into a fully funded swap agreement with UBS AG, London Branch, whereby the Company pays any excess of the hedge funds over EP loans to UBS AG, London Branch, in respect of any outperformance and receives any excess of the EP loans over the hedge funds. Refer to note 4 for details of how the swaps are valued. The swap holders bear all the risk of the Company as they are also the arranger.

The Company has also entered into a swap agreement with SF (LUX) Sicav 3 whereby the Company (as Borrower) agreed to borrow from the Lux Fund (as Lender) a loan (the "EP Loan"), pursuant to, and in accordance with the terms of, the EP Loan Agreement. The transactions were entered into for the purpose of creating the security over the Mortgaged Property relating to the Lux Fund.

During the year ended 31 March 2014, the funds held by Series 4, 5, 6, 9 and 10 of the Threshold II were renamed and the Company also issued Series 11, 12 and 13 under the Threshold II EP Loan Agreement. Series 2, 3, 7 and 8 were redeemed during the year.

Details of the Notes issued and the EP Loan for each Series are outlined in note 17 to the financial statements. The related financial assets held under each Series are described in note 13 while description of the swaps entered into has been detailed in note 16. Investment in subsidiaries are detailed in note 12 for the Company and the Available for sale investments for the Group is detailed in note 11.

**The Group**

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries, ORF Property Holdings Limited, SRF Property Holdings Limited, UBS Property Holdings Conduit Limited, UBS Strategic Realty Fund Limited, UBS Opportunistic Realty Fund Limited, UBS Stable Diversified Limited and UBS Dynamic Diversified Limited.

ORF Property Holdings Limited, SRF Property Holdings Limited, UBS Strategic Realty Fund Limited, UBS Opportunistic Realty Fund Limited are consolidated into UBS Property Holdings Conduit Limited, which have investments in real estate Sub funds.

UBS Stable Diversified Limited and UBS Dynamic Diversified Limited issue shares and have investments in funds.

General information regarding the Company and the Group is further described in note 1 of the financial statements.

All the Notes issued are listed on main securities market of the Irish Stock Exchange except Series 11, 15, 16, 17, 18 and 19 which are listed on the Vienna Stock Exchange.

At the reporting date, the Company and Group's financial liabilities designated at fair value through profit or loss were concentrated in Secured Notes, Credit Linked Notes and EP Loan.

**Key performance indicators**

The Company is an SPV and its principal activity is to issue notes, make investments and enter into derivative contracts to hedge its investments.

The directors confirm that the key performance indicators as disclosed below in the financial statements are those that are used to assess the performance of the Company.



**Directors' report (continued)****Key performance indicators (continued)**

During the year:

- The Group made a net gain on financial assets designated at fair value through profit or loss amounting to USD 283,624,614 (2013: USD 1,359,606) which was largely due to the credit improvement of certain financial assets;
- The Group made a net gain on derivative financial instruments amounting to USD 265,890,249 (2013: USD 7,802,441) which is due to increase in the fair value of the financial assets and a decrease in the fair value of the financial liabilities;
- The Group made a net loss on financial liabilities designated at fair value through profit or loss amounting to USD 551,782,863 (2013: USD 10,730,129) which was largely due to the related movement in financial assets and derivative financial instruments;
- The structure performed in accordance with the parameters set out in the multi-issuance programme and the performance is considered satisfactory due to the benefit owing to the Noteholders;
- The following Series of Notes redeemed during the year:  
Threshold II Series 2 - Multi-Strategy Alternative CHF;  
Threshold II Series 3 - Multi-Strategy Alternative EUR;  
Threshold II Series 7 - Global Diversified Alternative CHF; and  
Threshold II Series 8 - Global Diversified Alternative EUR.
- The following Series of Notes were renamed during the year:  
Threshold II Series 4 - Key Multi-Manager Hedge Fund USD - Diversified;  
Threshold II Series 5 - Multi-Strategy Alternative II CHF;  
Threshold II Series 6 - Multi-Strategy Alternative II EUR;  
Threshold II Series 9 - Global Equity (Extension) Alpha CHF - Class J; and  
Threshold II Series 10 - Global Equity (Extension) Alpha EUR Class J.
- The following Series of Notes were issued during the year:  
Series 15 - UBS Global Alpha Strategies Limited  
Series 16 - Key Multi-Manager Hedge Fund - Diversified Limited  
Series 17 - Key Multi-Manager Hedge Fund - Focused Ltd  
Series 18 - Stable Alpha (Feeder) Ltd. Class I Series 1 CHF  
Series 19 - Stable Alpha (Feeder) Ltd. Class I Series 1 USD  
Threshold II Series 11 - Key Multi-Manager Hedge Fund USD - Class H;  
Threshold II Series 12 - Key Multi-Manager Hedge Fund CHF - Class H; and  
Threshold II Series 13 - Key Multi-Manager Hedge Fund EUR - Class H.

As at 31 March 2014, the Company had the following Notes in issue:

Series 1	EUR 91,000,000 Extendable Global Property Investment Notes (EUR) due 2016;
Series 2	CHF 103,500,000 Extendable Global Property Investment Notes (CHF) due 2016;
Series 3	USD 85,500,000 Extendable Global Property Investment Notes (USD) due 2016;
Series 4	GBP 6,000,000 Extendable Global Property Investment Notes (GBP) due 2016;
Series 9	GBP 35,950,000 Extendable GAM Composite Absolute Return GBP Inc. Linked Notes due 2014;
Series 10	EUR 26,100,000 Extendable GAM Composite Absolute Return EUR Inc. Linked Notes due 2014;
Series 11	EUR 224,650,000 Extendable Q-BLK Appreciation Fund, Inc. Class R (EUR) linked Notes due 2014;
Series 12	USD 284,300,000 Extendable UBS Stable Diversified Limited (USD) linked Notes due 2014;
Series 13	USD 160,570,000 Extendable UBS Dynamic Diversified Limited (USD) linked Notes due 2014;
Series 15	USD 50,000,000 Notes linked to Class SH USD Shares of UBS Global Alpha Strategies Limited due 2018;
Series 16	USD 24,788,020 Notes linked to Key Multi-Manager Hedge Fund - Diversified Limited due 2018;
Series 17	USD 10,854,129 Notes linked to Key Multi-Manager Hedge Fund - Focused Ltd due 2018;
Series 18	CHF 31,107,000 Notes linked to Stable Alpha (Feeder) Ltd. Class I Series 1 CHF due 2018; and
Series 19	USD 8,037,000 Notes linked to Stable Alpha (Feeder) Ltd. Class I Series 1 USD due 2018;

As at 31 March 2014,

- The Company's and Group's total EP loan outstanding were USD 1,804,250,680 (2013: USD 936,793,177).
- The Company's and Group's total indebtedness was USD 3,069,778,791 (2013: USD 2,017,738,232).

**Future developments**

The directors expect that the present level of activity will be sustained for the foreseeable future. The Board will continue to seek new opportunities for the Company and will continue to ensure proper management of the current portfolio of Series of the Company. It is anticipated that while some Series will redeem or mature, it is also expected that new issuances will be made.

**Going concern**

The Company's financial statements for the year ended 31 March 2014 have been prepared on a going concern basis. Each asset and derivative transaction are referenced with a specific Note or EP loan, and any loss derived from the asset or derivative will be ultimately borne by the Noteholders. The directors anticipate that the financial assets will continue to generate enough cash flow on an ongoing basis to meet the Company liabilities as they fall due. The Notes in issue as at 31 March 2014 have maturities ranging between the years 2014 to 2018. For these reasons, the directors believe that the going concern basis is appropriate.

**Results and dividends for the year**

The consolidated results for the year are set out on page 9. The directors do not recommend the payment of a dividend for the year (2013: nil).

**Business risks and principal uncertainties**

The main risks facing the Group and the Company relates to its financial instruments. These risks facing the Group and the Company are outlined in note 23 to the financial statements.

**Directors, secretary and their interests**

None of the directors and secretary who held office during the year ended 31 March 2014 did not hold any shares in the Company at that date or at the beginning of the year. Except for the Administration agreement entered into by the Company with Deutsche International Corporate Services (Ireland) Limited, there were no contracts of any significance in relation to the business of the Company in which the directors had any interest, as defined in the Companies Act 1990, at any time during the year.

**Directors' report (continued)****Shares and shareholders**

The authorised share capital of the Company is EUR 40,000 which has been fully issued and paid. The issued shares are held in trust by BADB Charitable Trust Limited, Eurydice Charitable Trust Limited, MEDB Charitable Trust Limited holding 13,332 shares each and Anthony Walsh Christopher Quinn, Turlough Galvin and William Prentice holding 1 share each (the "Share Trustees") under the terms of a declaration of trust (the "Declaration of Trust") under which the Share Trustees hold the benefit of the shares on trust for charitable purposes. The Share Trustee has no beneficial interest in and derives no benefit from its holding of the shares. There are no other rights that pertain to the shares and the shareholders.

**Credit Events**

There has not been any credit event for the year under review.

**Change in directors, registered office or secretary**

There has been no change in director, registered office or secretary during the year.

**Subsequent events**

Refer to note 28 of the financial statement for details about the subsequent events.

**Corporate Governance Statement***Introduction*

The Group and the Company are subject to and comply with Irish Statute comprising the Companies Acts 1963 to 2013 and the Listing rules of the Irish Stock Exchange and Vienna Stock Exchange. The Group and the Company do not apply additional requirements in addition to those required by the above. Each of the service providers engaged by the Group and the Company are subject to their own corporate governance

*Financial Reporting Process*

The Board of directors (the "Board") is responsible for establishing and maintaining adequate internal control and risk management systems of the Company in relation to the financial reporting process. Such systems are designed to manage rather than eliminate the risk of failure to achieve the Company's financial reporting objectives and can only provide reasonable and not absolute assurance against material misstatement or loss. The financial statements of the subsidiaries are prepared by UBS Limited, a reputable company with long term credit rating of A. Therefore, the directors rely on the accuracy and completeness of the financial statements.

The Board has established processes regarding internal control and risk management systems to ensure its effective oversight of the financial reporting process. These include appointing the Administrator, Deutsche International Corporate Services (Ireland) Limited, to maintain the accounting records of the Company independently of UBS Limited (the "Arranger"), Deutsche Bank (Cayman) Limited and Deutsche Bank AG London (the "Custodians"). The Administrator is contractually obliged to maintain proper books and records as required by the Corporate Administration agreement. To that end the Administrator performs reconciliations of its records to those of the Arranger and the Custodians. The Administrator is also contractually obliged to prepare for review and approval by the Board the annual report including financial statements intended to give a true and fair view. The Administrator prepares half yearly and annual financial statements for review and approval by the Board of Directors.

The Board evaluates and discusses significant accounting and reporting issues as the need arises. From time to time the Board also examines and evaluates the Administrator's financial accounting and reporting routines and monitors and evaluates the external auditors' performance, qualifications and independence. The Administrator has operating responsibility for internal control in relation to the financial reporting process and the Administrator's report to the Board.

Market risk limit measures are typically based on individual Prospectus of each Series Issued where the risk factors are defined. These include overall limits on portfolio credit quality, a system of individual counterparty credit limits that is used to mitigate concentration risks, ability to pay interest and enhanced fair values. These risk limits are binding and generally set to ensure that any meaningful increase in risk exposures is promptly escalated to more senior levels of management. The majority of these limits are monitored on a daily basis.

The fair value of the financial assets designated at fair value through profit or loss are derive from the monthly NAV statement of the individual fund. The derivative financial liabilities are derived by UBS Limited as it's capacity as swap counterparty. For more details, refer to notes 4 of the financial statements.

*Risk Assessment*

The Board is responsible for assessing the risk of irregularities whether caused by fraud or error in financial reporting and ensuring the processes are in place for the timely identification of internal and external matters with a potential effect on financial reporting. The Board has also put in place processes to identify changes in accounting rules and recommendations and to ensure that these changes are accurately reflected in the Company's financial statements. More specifically:

- The Administrator has a review procedure in place to ensure errors and omissions in the financial statements are identified and corrected.
- Regular training on accounting rules and recommendations is provided to the accountants employed by the Administrator.
- Accounting bulletins, issued by Deutsche AG, London, an entity related to Deutsche International Corporate Services (Ireland) Limited, are distributed monthly to all accountants employed by the Administrator.
- The financial statements of the subsidiaries are prepared by UBS Limited, a reputable company with long term credit rating of A. Therefore, the directors rely on the accuracy and completeness of the financial statements for consolidation purposes.

*Control Activities*

The Administrator is contractually obliged to design and maintain control structures to manage the risks which the Board judges to be significant for internal control over financial reporting. These control structures include appropriate division of responsibilities and specific control activities aimed at detecting or preventing the risk of significant deficiencies in financial reporting for every significant account in the financial statements and the related notes in the Company's annual report.

## Directors' report (continued)

## Corporate Governance Statement (continued)

*Monitoring*

The Board has an annual process to ensure that appropriate measures are taken to consider and address the shortcomings identified and measures recommended by the independent auditors.

Given the contractual obligations on the Administrator, the Board has concluded that there is currently no need for the Company to have a separate internal audit function in order for the Board to perform effective monitoring and oversight of the internal control and risk management systems of the Company in relation to the financial reporting process.

*Capital Structure*

The principal shareholders in the Company BADB Charitable Trust Limited, Eurydice Charitable Trust Limited, MEDB Charitable Trust Limited holding 13,332 shares each. Anthony Walsh, Christopher Quinn, Galvin Turlough and William Prentice hold 1 share each. Other than that, no person has a significant direct or indirect holding of securities in the Company. No person has any special rights of control over the Company's share capital.

The directors confirm that share trustees have entered into a share trust agreement whereby they have agreed not to exercise their voting rights.

With regard to the appointment and replacement of Directors, the Company is governed by its Articles of Association, Irish Statute comprising the Companies Acts, 1963 to 2013. The Articles of Association themselves may be amended by special resolution of the shareholders.

*Powers of directors*

The Board is responsible for managing the business affairs of the Company in accordance with the Articles of Association. The directors may delegate certain functions to the Administrator and other parties, subject to the supervision and direction by the directors. The directors have delegated the day to day administration of the Company to the Administrator.

**Audit committee**

Statutory audits in Ireland are regulated by the European Communities Regulations, 2010 (S.I. 220 of 2010). According to the regulations, if the sole business of the Irish SPV relates to the issuing of asset backed securities, the SPV is exempt from the requirement to establish an audit committee (under Regulation 91(9) (d) of the Regulations). The Company is a debt listed Company incorporated in Ireland which satisfies the requirements to avail of this exemption. In this respect, the Company is not required to establish an audit committee.

**Accounting records**

The directors believe that they have complied with the requirements of Section 202 of the Companies Act, 1990 with regard to keeping proper books of account by appointing an administrator, Deutsche International Corporate Services (Ireland) Limited, which has accounting personnel with the appropriate expertise. The books of account of the Company are maintained at 5 Harbourmaster Place, IFSC, Dublin 1, Ireland.

**Independent auditor**

Deloitte & Touche, Chartered Accountants and Statutory Audit Firm, have signified their willingness to continue in office as auditors, in accordance with Section 160(2) of the Companies Act, 1963 to 2013.

On behalf of the board



Eimir McGrath  
Director



Conor Blake  
Director

Date 28/7/14

**Statement of directors' responsibilities**

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable laws and regulations. The directors have elected to prepare financial statements for the Company and the Group in accordance with International Financial Reporting Standards as adopted by the EU (IFRSs) in accordance with the Companies Acts, 1963 to 2013.

International Accounting Standard 1 'Presentation of Financial Statements', requires that financial statements present fairly for each financial year the Company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the Preparation and Presentation of Financial Statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs.

Directors are also required to:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance;
- state that the financial statements have been prepared in accordance with IFRS as issued by the IASB and as adopted by the EU;
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business; and
- make judgements and estimates that are reasonable and prudent.

The directors are responsible for keeping proper books of account which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Acts, 1963 to 2013. 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.

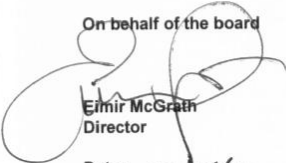
Legislation in Ireland governing the preparation and dissemination of financial statements differs from legislation in other jurisdictions.

**Responsibility statement**

We confirm to the best of our knowledge:

- the financial statements, prepared in accordance with International Financial Reporting Standards as issued by the IASB and as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the Group; and
- the management report which is incorporated into the Directors' report, includes a fair review of the development and performance of the business and the position of the Company and the Group, together with a description of the principal risks and uncertainties they face.

On behalf of the board

  
Eimir McGrath  
Director

Date: 28/7/14

  
Conor Blake  
Director

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF STAR COMPASS PLC

We have audited the financial statements of Star Compass Plc for the year ended 31 March 2014 which comprise the Group Financial Statements (the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity and the Consolidated Statement of Cash Flows), the Company Financial Statements (the Company Statement of Financial Position, the Company Statement of Changes in Equity and the Company Statement of Cash Flows) and the related notes 1 to 30. The financial reporting framework that has been applied in the preparation of the group financial statements is Irish law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is Irish law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the company's members, as a body, in accordance with Section 193 of the 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 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 Statement of Directors Responsibilities, the directors are responsible for the preparation of the financial statements giving a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with Irish law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

### Scope of the audit of the financial statements

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 group's and the parent 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 Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 group's financial statements give a true and fair view, in accordance with IFRSs, as adopted by the European Union, of the state of the group's affairs as at 31 March 2014 and of its results for the year then ended;
- the parent company's statement of financial position gives a true and fair view, in accordance with the IFRSs, as adopted by the European Union, of the state of the parent company's affairs as at 31 March 2014; and
- the financial statements have been properly prepared in accordance with the requirements of the Companies Acts, 1963 to 2013.

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Members of  
Deloitte Touche Tohmatsu

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## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF STAR COMPASS PLC

### *Emphasis of matter – Valuation of financial assets*

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure of the valuation policy of investments set out in Note 3(h) to the financial statements. As disclosed in Note 23, the Group has available for sale investments valued at USD 606,524,308 and financial assets designated at fair value through profit or loss valued at USD 2,125,333,714 and the Company has investment in subsidiaries valued at USD 629,141,034 and financial assets designated at fair value through profit or loss valued at USD 2,125,333,714 as of 31 March 2014, the fair value of which have been estimated by management in the absence of readily determinable market prices. Management's estimates are based on values obtained from brokers and specialist pricing vendors who may use a variety of valuation techniques such as discounted cash flow techniques, option pricing models or any other valuation techniques that provides an estimate of prices obtained should the investments be traded. If prices were available for the investments, they may be different to those presented and those differences could be material. The realisable value of the investments may differ significantly from the fair value recorded. The ultimate outcome of these uncertainties cannot at present be determined.

### **Matters on which we are required to report by the Companies Acts 1963 to 2013**

- We have obtained all the information and explanations which we consider necessary for the purposes of our audit.
- In our opinion proper books of account have been kept by the Company.
- The parent company's statement of financial position is in agreement with the books of account.
- In our opinion the information given in the Directors' Report is consistent with the financial statements.
- The net assets of the parent company, as stated in the parent company statement of financial position 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 31 March 2014 a financial situation which under Section 40 (1) of the Companies (Amendment) Act, 1983 would require the convening of an extraordinary general meeting of the parent company.

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

We have nothing to report in respect of the provisions in the Companies Acts 1963 to 2013 which require us to report to you if, in our opinion, the disclosures of directors' remuneration and transactions specified by law are not made.



John McCarroll  
For and on behalf of Deloitte & Touche  
Chartered Accountants and Statutory Auditors  
Dublin

Date: 28<sup>th</sup> July 2014

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
For the year ended 31 March 2014

	Note	Group Year ended 31-Mar-14 USD	Group Year ended 31-Mar-13 USD
Net gain on financial assets designated at fair value through profit or loss	5	283,624,614	1,359,606
Net (loss)/gain on available for sale investments	11	(35,807,433)	2,496,887
Net loss on financial liabilities designated at fair value through profit or loss	6	(551,782,863)	(10,730,129)
Net gain on derivative financial instruments	7	265,890,249	7,802,441
Net foreign exchange gain		1,785,114	843,594
		(36,290,319)	1,772,399
Other income	8	2,169,198	735,150
Operating expenses	9	(13,791,379)	(4,971,575)
<b>Loss before tax</b>		(47,912,500)	(2,464,026)
Income tax income	10	11,978,125	616,007
<b>Net loss for the year</b>		(35,934,375)	(1,848,019)
<b>Other comprehensive income:</b>			
Movement in unrealised gain on available for sale investments	11	47,918,966	2,464,026
Income tax expense on other comprehensive income	10	(11,979,742)	(616,007)
<b>Total comprehensive income for the year</b>		<u>4,849</u>	<u>-</u>

On behalf of the board

  
Eimir McGrath  
Director  
Date: 28/7/14

  
Conor Blake  
Director



**CONSOLIDATED AND COMPANY STATEMENT OF FINANCIAL POSITION**  
as at 31 March 2014

	Note	Group		Company	
		31-Mar-14	31-Mar-13	31-Mar-14	31-Mar-13
		USD	USD	USD	USD
<b>Assets</b>					
Available for sale investments	11	606,524,308	578,233,367	-	-
Investment in subsidiaries	12	-	-	629,141,034	641,527,600
Financial assets designated at fair value through profit or loss	13	2,125,333,714	1,595,096,739	2,125,333,714	1,595,094,935
Derivative financial assets	16	320,641,616	2,063,016	320,641,616	-
Other receivables	15	4,040,602	60,556,098	359,702	309,805
Cash and cash equivalents	14	23,762,640	28,582,282	135,898	102,407
<b>Total assets</b>		<b>3,080,302,880</b>	<b>2,264,531,502</b>	<b>3,075,611,964</b>	<b>2,237,034,747</b>
<b>Liabilities and equity</b>					
<b>Liabilities</b>					
Financial liabilities designated at fair value through profit or loss	17	3,069,778,791	2,017,738,232	3,069,778,791	2,017,738,232
Derivative financial liabilities	16	5,618,335	218,884,303	5,337,573	218,884,303
Other payables	18	4,811,828	27,818,486	401,674	323,406
Tax payable		1,616	1,345	1,616	1,345
<b>Total liabilities</b>		<b>3,080,210,570</b>	<b>2,264,442,366</b>	<b>3,075,519,654</b>	<b>2,236,947,286</b>
<b>Equity</b>					
Share capital	19	54,684	54,684	54,684	54,684
Revaluation reserve		(64,661,049)	(100,598,598)	-	-
Retained earnings		64,698,675	100,633,050	37,626	32,777
<b>Total equity</b>		<b>92,310</b>	<b>89,136</b>	<b>92,310</b>	<b>87,461</b>
<b>Total liabilities and equity</b>		<b>3,080,302,880</b>	<b>2,264,531,502</b>	<b>3,075,611,964</b>	<b>2,237,034,747</b>

On behalf of the board

Emir McGrath  
Director

Date: 28/7/14

Conor Blake  
Director



CONSOLIDATED AND COMPANY STATEMENT OF CHANGES IN EQUITY  
For the year ended 31 March 2014

<u>Group</u>	Share Capital USD	Revaluation Reserve USD	Retained Earnings USD	Total USD
Balance as at 01 April 2012	54,684	(103,062,624)	103,097,076	89,136
Loss before tax	-	-	(2,464,026)	(2,464,026)
Movement in loss on available for sale investments	-	2,464,026	-	2,464,026
Balance as at 31 March 2013	54,684	(100,598,598)	100,633,050	89,136
Changes in revaluation reserve	-	(1,675)	-	(1,675)
Net loss for the year	-	-	(35,934,375)	(35,934,375)
Movement in loss on available for sale investments	-	35,939,224	-	35,939,224
Balance as at 31 March 2014	54,684	(64,661,049)	64,698,675	92,310

<u>Company</u>	Share Capital USD	Revaluation Reserve USD	Retained Earnings USD	Total USD
Balance as at 01 April 2012	54,684	-	32,777	87,461
Total comprehensive income for the year	-	-	-	-
Balance as at 31 March 2013	54,684	-	32,777	87,461
Total comprehensive income for the year	-	-	4,849	4,849
Balance as at 31 March 2014	54,684	-	37,626	92,310

Share capital relates to the ordinary shares issued by the Company.

Revaluation reserve relates to unrealised gain/ loss on available for sale investments of the Company.

Retained earnings is the profit that the Company has realised from incorporation until 31 March 2014.

**CONSOLIDATED AND COMPANY STATEMENT OF CASH FLOW**  
**For the year ended 31 March 2014**

	Group		Company	
	Year ended 31-Mar-14 USD	Year ended 31-Mar-13 USD	Year ended 31-Mar-14 USD	Year ended 31-Mar-13 USD
<b>Cash flows from operating activities</b>				
(Loss)/profit before tax	(47,912,500)	(2,464,026)	4,849	-
<i>Adjustments for:</i>				
Fair value movement on available for sale investments	35,807,433	(2,496,887)	-	-
Fair value movement on financial assets designated at fair value through profit or loss	(283,624,614)	(1,359,606)	(283,624,614)	(1,359,606)
Fair value movement on investment in subsidiaries	-	-	75,779	(1,155,050)
Fair value movement on financial liabilities designated at fair value through profit or loss	551,782,863	10,730,129	551,782,863	10,730,129
Fair value movement on derivative financial instruments	(265,890,249)	(7,802,441)	(268,234,027)	(8,215,473)
Exchange (gain)/loss on cash and cash equivalents	(1,785,114)	(843,594)	(8,504)	5,179
Decrease/(increase) in other receivables	56,515,496	(40,688,357)	(49,897)	(73,565)
(Decrease)/increase in other payables	(23,009,679)	25,855,283	78,539	18,571
<i>Net cash generated from/(used in) operating activities</i>	<u>21,883,636</u>	<u>(19,069,499)</u>	<u>24,988</u>	<u>(49,815)</u>
<b>Cash flows from investing activities</b>				
Purchase of financial assets designated at fair value through profit or loss	(2,194,822,026)	(159,218,592)	(2,194,823,830)	(159,218,464)
Disposal of financial assets designated at fair value through profit or loss	2,009,090,926	211,181,768	2,009,090,926	211,181,768
Disposal of investments in subsidiaries	-	-	36,953,561	93,516,564
Purchase of investments in subsidiaries	-	-	(24,642,774)	-
Disposal of available for sale investment	(16,179,408)	126,326,717	-	-
Net amount received from/paid to swap counterparty	(265,954,319)	36,130,861	(265,954,319)	36,130,861
<i>Net cash (used in)/generated from investing activities</i>	<u>(467,864,827)</u>	<u>214,420,754</u>	<u>(439,376,436)</u>	<u>181,610,729</u>
<b>Cash flows from financing activities</b>				
Issue of financial liabilities designated at fair value through profit or loss	96,716,165	-	96,716,165	-
Redemption of financial liabilities designated at fair value through profit or loss	(47,556,221)	(166,292,509)	(47,556,221)	(166,292,509)
Issue of equity portfolio loan	2,269,420,874	126,117,438	2,269,420,874	126,117,438
Redemption of equity portfolio loan	(1,879,204,383)	(141,435,658)	(1,879,204,383)	(141,435,658)
<i>Net cash generated from/(used in) financing activities</i>	<u>439,376,435</u>	<u>(181,610,729)</u>	<u>439,376,435</u>	<u>(181,610,729)</u>
(Decrease)/increase in cash and cash equivalents	(6,604,756)	13,740,526	24,987	(49,815)
Exchange gain/(loss) on cash and cash equivalents	1,785,114	843,594	8,504	(5,179)
Cash and cash equivalents at start of the year	28,582,282	13,998,162	102,407	157,401
<b>Cash and cash equivalents at end of the year</b>	<u>23,762,640</u>	<u>28,582,282</u>	<u>135,898</u>	<u>102,407</u>

The accompanying notes on pages 13 to 41 form an integral part of these financial statements

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the year ended 31 March 2014**

**1 General Information**

Star Compass Plc is a special purpose company incorporated in Ireland on 1 November 2006 and established for the purpose of issuing asset backed securities. The principal activities of the Company are the establishment of a secured note programme ("the programme") arranged by UBS Limited for the issuance of up to EUR 20,000,000,000 (or its equivalent in other currencies at the date of issue) aggregate nominal amount of notes (the "Notes") in different series (each a "Series").

At first instance, the Company used the proceeds from the issue of the Series 1, 2, 3 and 4 Notes to invest in shares of UBS Property Holding Conduit Limited. The Company issued Series 9 and 10, the proceeds of which have been used to invest in shares of GAM Composite Absolute Return GBP and EUR Inc. It also issued Series 11 and used the proceeds to invest in the shares of Q-BLK Appreciation Fund. Furthermore, the Company used the issue proceeds for Series 12 to invest in UBS Stable Diversified Limited and the proceeds for Series 13 to invest in UBS Dynamic Diversified Limited.

During the year ended 31 March 2014, the Company issued Series 15, 16, 17, 18 and 19 to invest in shares of UBS Global Alpha Strategies Limited, Key Multi-Manager Hedge Fund - Diversified Limited, Key Multi-Manager Hedge Fund - Focused Ltd, Stable Alpha (Feeder) Ltd Class I Series 1 CHF and Stable Alpha (Feeder) Ltd Class I Series 1 USD, respectively.

Further to the above issuances, the Company entered into a transaction for Threshold II Series 1 to 10 ("Threshold II") on 3 November 2010. In fact, for Threshold II, the Company entered into a securities lending and borrowing agreement with SF (LUX) SICAV 3 (the "Lux Fund"), pursuant to which the Lux Fund (as Lender) agreed to lend to the Company (as Borrower) and the Company (as Borrower) agreed to borrow from the Lux Fund (as Lender) an Equity Portfolio loan (the "EP Loan"), pursuant to, and in accordance with the terms of, the EP Loan Agreement. The EP loan was used to purchase Fund of hedge fund shares (the "FoHF shares").

**Fully funded Swap with UBS AG, London Branch**

Pursuant to the Company's investment in hedge funds as part of the Threshold II, it entered into a fully funded swap agreement with UBS AG, London Branch, whereby the Company pays any excess of the hedge funds over EP loans to UBS AG, London Branch, in respect of any outperformance and receives any excess of the EP loans over the hedge funds. Refer to note 4 for details of how the swaps are valued. The swap holders bear all the risk of the Company as they are also the arranger.

The transactions were entered for the purpose of creating the security over the mortgaged property ("Mortgaged Property") relating to the Lux Fund.

During the year ended 31 March 2014, the funds held by Series 4, 5, 6, 9 and 10 of the Threshold II were renamed and the Company also issued Series 11, 12 and 13 under the Threshold II EP Loan Agreement. Series 2, 3, 7 and 8 were redeemed during the year.

All the Notes issued are listed on main securities market of the Irish Stock Exchange except Series 11, 15, 16, 17, 18 and 19 which are listed on the Vienna Stock Exchange.

**2 Basis of preparation**

**(a) Statement of compliance**

The financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU (IFRS) and in accordance with the Companies Acts 1963 to 2013.

The accounting policies set out below have been applied in preparing the financial statements for the year ended 31 March 2014; the comparative information for 2013 presented in these financial statements has been prepared on a consistent basis.

These financial statements have been prepared on a going concern basis as described in the Directors' Report.

**(b) Functional and presentation currency**

The financial statements are presented in USD, which is the Company's functional currency. Functional currency is the currency of the primary economic environment in which the entity operates. Majority of the debt securities issued are denominated in USD. The Directors of the Company believe that USD most faithfully represents the economic effects of the underlying transactions, events and conditions.

All the presentational currency of the subsidiaries are also USD.

**(c) Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the period are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**For the year ended 31 March 2014**

**2 Basis of preparation (continued)**

**(c) Basis of consolidation (continued)**

Financial statements for 31 March 2014 are not available for consolidation for the Jersey subsidiary companies. In such cases, financial statements for 31 January 2014 are consolidated and subsequent reviews are performed to ensure there were no material movements in investment values between 31 January 2014 and 31 March 2014. However, for the Cayman subsidiary companies, the 31 March 2014 management accounts have been used for consolidation purposes.

The Statements of financial position have been presented in order of liquidity.

**(d) Basis of measurement**

The financial statements have been prepared on the historical cost basis except for the following:

- Available for sale investments are measured at fair value with gains and losses recorded in equity;
- Financial assets designated at fair value through profit or loss are measured at fair value;
- Investment in subsidiaries measured at fair value;
- Derivative financial instruments are measured at fair value; and
- Financial liabilities issued designated at fair value through profit or loss are measured at fair value.

**(e) Use of estimates and judgements**

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Details of material judgements and estimates have been further described in accounting policy 3(h) "Financial instruments", note 4 and note 23 to the financial statements.

Sensitivity analysis of fair values are disclosed in note 23 of the financial statements.

**Critical judgements in applying accounting policies**

The following are the critical judgments, apart from those involving estimations, that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

- **Designating investments purchased and notes issued at fair value through profit or loss**  
 Note 3(h) to the financial statements describes that the directors have designated the investments purchased and notes issued at fair value through profit or loss. In making their judgment, the directors have considered the requirements of IAS 39 Financial Instruments: Recognition and Measurement. Directors consider that such designating will significantly reduce an accounting mismatch that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.
- **Fair value of derivatives and other financial instruments**  
 The fair values of financial instruments that are not traded in an active market are determined by using valuation techniques. The Company uses its judgement to select a variety of methods and valuation techniques. This judgment is based on the type of financial instruments held, associated risks and cost of fair valuing such instruments.

**Key sources of estimation uncertainty**

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

- **Fair value of derivatives and other financial instruments**  
 The fair values of financial instruments that are not traded in an active market are determined by using valuation techniques. In applying the variety of the valuation, the Company makes assumptions that are mainly based on market conditions existing at the end of each reporting period, some of which are unobservable as outlined in note 23 to the financial statements.

The fair value of derivative financial instruments is obtained from the Swap counterparty which uses its proprietary valuation model that takes into accounts the notional amount, maturity date and any early redemption clause.

Because of the limited recourse nature of the entity, the fair values of Notes issued by Company (financial liabilities designated at fair value through profit or loss) are determined by reference to the fair value of associated financial assets designated at fair value through profit or loss and the fair value of derivative financial instruments. Any future change in the fair value of financial assets and derivatives will have an equal but opposite impact on the fair value of financial liabilities.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**For the year ended 31 March 2014**

**2 Basis of preparation (continued)**

**(f) New standards and interpretations**

*Standards adopted for the first time*

The Company has adopted a number of new standards for the first time including IFRS 13, IFRS 7 (amendments) and IAS 1 (amendments) which has an impact on initial application for the first time as required by IAS 8.28.

**Amendments to IAS 1 Presentation of Items of Other Comprehensive Income:** In June 2011, the IASB issued "Presentation of Items of Other Comprehensive Income" (Amendments to IAS 1). The amendments require the Company to group together items within Other Comprehensive Income that will and will not subsequently be reclassified to the profit or loss section of the income statement. The amendments also reaffirm existing requirements that items in Other Comprehensive Income and profit or loss should be presented as either a single statement or two consecutive statements. The amendments impact presentation only, and therefore the adoption of the amendments on 1 January 2013 did not have an impact on the Company's financial position, results of operation or cash flows.

**IFRS 13 Fair Value Measurement:** In May 2011, the IASB issued IFRS 13 "Fair Value Measurement" (IFRS 13). IFRS 13 defines fair value, sets out a framework for measuring fair value and requires certain disclosures about fair value measurements. IFRS 13 applies to IFRSs that require or permit fair value measurements or disclosures about fair value measurements, except in specified circumstances. The adoption of IFRS 13 on 1 January 2013 did not have a material impact on the Company's financial position, results of operations or cash flows. In addition IFRS 13 replaces and expands the disclosure requirements about fair value measurements in other IFRSs.

**IFRS 7 Disclosures - Offsetting Financial Assets and Financial Liabilities:** In December 2011, the IASB issued amendments to IFRS 7 "Disclosures - Offsetting Financial Assets and Financial Liabilities" (IFRS 7). The amendments require disclosures about the effect or potential effects of offsetting financial assets and financial liabilities and related arrangements on an entity's financial position. The amendments to IFRS 7 relate to disclosure only and therefore did not have an impact on the Company's financial position or results of operation or cash flows.

*Standards, amendments and interpretations that are not yet effective but relevant for the Company's operations:*

Title	Subject	Mandatory for accounting periods starting on or after
IFRS 9	Financial Instruments	01-Jan-15
IFRS 13	Corporate Finance Management	01-Jan-14
Amendments to IAS 19	Employee benefits	01-Jan-14
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities	01-Jan-14
Amendments to IAS 36	Disclosures for Non-Financial Assets	01-Jan-14
Amendments to IAS 39	Financial Instruments: Recognition and Measurement	01-Jan-14

There are no other standards, interpretations or amendments to existing standards that are not yet effective that would be expected to have a significant impact on the Company, except for IFRS 9 which the directors are currently assessing the impact.

**3 Significant accounting policies**

**(a) Net gain on financial assets designated at fair value through profit or loss**

Net gain on financial assets designated at fair value through profit or loss relates to investments and includes all realised and unrealised fair value changes and foreign exchange differences. Any gains and losses arising from changes in fair value of the financial assets designated at fair value through profit or loss are recorded in the Statement of comprehensive income. Details of recognition and measurement of financial assets are disclosed in the accounting policy of financial instruments (note 3(h)).

Realised gains and losses are recognised on disposal of financial assets, when the disposal price is not equal to the carrying value of the asset.

**(b) Net loss on financial liabilities designated at fair value through profit or loss**

Net loss on financial liabilities designated at fair value through profit or loss and includes all realised and unrealised fair value changes and foreign exchange differences. Any gains and losses arising from changes in fair value of the financial liabilities designated at fair value through profit or loss are recorded in the Statement of comprehensive income. Details of recognition and measurement of financial liabilities are disclosed in the accounting policy of financial instruments (note 3(h)).

Realised gains and losses are recognised on redemption of the financial liabilities when the redemption price is not equal to the carrying value of the financial liabilities.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**For the year ended 31 March 2014**

**3 Significant accounting policies (continued)**

**(c) Net gain on derivative financial instruments**

Net gain on derivative financial instruments relates to the fair value movements on swaps held by the Company and includes realised and unrealised fair value movements and foreign exchange differences. Any gains and losses arising from changes in fair value of the derivative financial instruments are recognised in the Statement of comprehensive income. Details of recognition and measurement of derivative financial instruments are disclosed in the accounting policy of financial instruments (note 3(h)).

Realised gains and losses are recognised on termination of swap when the termination price is not equal to the carrying value of the financial liabilities.

**(d) Other income and expenses**

All other income and expenses are accounted for on an accrual basis.

**(e) Interest income and expense**

Interest income and expense are recognised in the statement of comprehensive income for all financial instruments on an accruals basis.

**(f) Income tax expense**

The Company meets the criteria for a "Section 110 vehicle" under the Tax Consolidation Act, 1997 and is therefore subject to special tax regime which potentially allows the Company to be tax neutral. The tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable profit for the period as calculated in accordance with Irish Tax Laws. Taxable profit may differ from profit before tax as reported in the Statement of Comprehensive Income because it excludes items of income or expense that are not taxable or deductible. The Company liability for current tax is calculated using tax rate that has been enacted or substantively enacted by the reporting date.

**(g) Cash and cash equivalents**

Cash and cash equivalents includes cash with banks, which are subject to insignificant risk of changes in their fair value, and are used by the Group in the management of its short term commitments.

**(h) Financial instruments**

The financial instruments held by the Group include the following

- Available for sale investment
- Financial assets designated at fair value through profit or loss
- Financial liabilities designated at fair value through profit or loss
- Derivative financial instruments

*Classification*

A financial asset or financial liability at fair value through profit or loss is a financial asset or liability that is classified as held-for-trading or designated as at fair value through profit or loss. (Investment securities, debt securities issued and derivative financial instruments).

Derivative financial instruments that are not designated and effective as hedging instruments are classified as held for trading.

*Available for sale investments*

Available-for-sale financial assets are those non-derivative financial assets that are designed as available-for-sale. After initial measurement, available-for-sale financial assets are measured at fair value with unrealised gains and losses being recognised directly in equity in the available-for-sale revaluation reserve. When the investment is disposed of, the cumulative gain or loss previously recorded in equity is recognised in the income statement.

*Financial assets designated at fair value through profit or loss*

All financial investments held by the Company are designated as at fair value through profit or loss at initial recognition in order to eliminate or significantly reduce accounting mismatch.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**For the year ended 31 March 2014**

**3 Significant accounting policies (continued)**

**(h) Financial instruments (continued)**

*Financial liabilities designated at fair value through profit or loss*

The financial liabilities are initially measured at fair value and are designated as liabilities at fair value through profit or loss in order to either eliminate or significantly reduce accounting mismatch or when they contain an embedded derivative that significantly modifies the cash flows that would otherwise be required under the contract.

*Derivative financial instruments*

Derivative financial instruments include all derivative assets and liabilities that are used to economically hedge. Derivatives are not however formally designated into a qualifying hedge relationship and therefore all changes in their fair value are recognised immediately in the statement of comprehensive income.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in the Statement of comprehensive income immediately. A derivative with a positive fair value is recognised as a financial asset; a derivative with a negative fair value is recognised as a financial liability.

*Recognition*

The Company initially recognises all financial assets and liabilities at fair value on the trade date at which the Company becomes a party to the contractual provisions of the instruments. From trade date, any gains and losses arising from changes in fair value of the financial assets or financial liabilities at fair value through profit or loss are recorded in the Statement of comprehensive income.

*Subsequent measurement*

After initial measurement, the Company measures financial instruments which are classified as at fair value through profit or loss at their fair value. Subsequent changes in the fair value of financial instruments designated at fair value through profit or loss are recognised directly in the Statement of comprehensive income. Fair value of a financial asset and financial liability is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

*Determination of fair values*

The determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of valuation techniques as described in note 23 to the financial statements. For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

For more details, refer to note 4 of the financial statements.

**Critical accounting judgements in applying the Company's accounting policies**

Critical accounting judgements made in applying the Company's accounting policies in relation to valuation of financial instruments is further described in note 23.

**Fair value measurement principles**

The determination of fair values of financial assets is based on quoted market prices or dealer price quotations for financial instruments traded in active markets, where these are available. If a quoted market price is not available on a recognised stock exchange, the fair value of the financial instruments may be estimated by the directors based on values obtained from brokers and specialist pricing vendors who may use a variety of valuation techniques such as discounted cash flow techniques, option pricing models or any other valuation techniques that provides an estimate of prices obtained should the investment be traded. If other independent prices were available for the investments, the valuation may be different to those presented and those differences could be material. Therefore, the realisable value of the Company's investments may differ significantly from the fair values recorded. The financial liabilities and the derivatives are not quoted in an active market and as such the directors believe that the fair value of the financial liabilities and the derivatives approximate the fair value of the financial assets.

Where discounted cash flow techniques are used, estimated future cash flows are based on the directors' best estimates and applying appropriate discount rates. The discount rate used is a market rate at the reporting date applicable for an instrument with similar terms and conditions. Where other pricing models are used, inputs are based on market data available at the reporting date. Subsequent changes in the fair value of financial instruments at fair value through profit or loss are recognised in the Statement of comprehensive income.

*Investments in Subsidiaries*

In absence of active market, the fair value of investments in subsidiaries are valued using the financial statements, as at the valuation point. Any movement in the fair value is recognized in the Statement of comprehensive income.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2014

**3 Significant accounting policies (continued)****(h) Financial instruments (continued)***Loans and receivables*

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are initially measured at fair value plus transaction cost and are subsequently carried at amortised cost using the effective interest method. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

*Available for sale investments*

Available-for-sale financial assets are non-derivative financial assets. After initial measurement, available-for-sale financial assets are measured at fair value with unrealised gains or losses recognised directly in equity until the investment is derecognised or determined to be impaired due to objective evidence of a significant or prolonged decline in value at which time the cumulative gain or loss previously recorded in equity is recognised in the statement of comprehensive income.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the statement of comprehensive income, is transferred from equity to the Statement of comprehensive income. Reversals of impairment losses in respect of equity instruments classified as available-for-sale are not recognised in profit or loss. Reversals of impairment losses on debt instruments are reversed through profit or loss, if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognised in statement of comprehensive income. There has been no impairment that has occurred during the year.

When the fair value declines, management makes assumptions about the decline in value to determine whether it is an impairment that should be recognised in profit or loss.

Net gain or loss on available for sale investments in the Statement of comprehensive income includes realised fair value gain or loss and realised foreign exchange gain or loss on available for sale investments.

Movement in unrealised gain or loss on available for sale investments in the Statement of comprehensive income includes unrealised fair value movements on available for sale investments.

*Derecognition*

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability.

The Company derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

*Offsetting*

Financial assets and liabilities are set off and the net amount presented in the Statement of financial position when, and only when, the Company has a legal right to set off the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously. Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains and losses arising from a group of similar transactions.

**(i) Foreign currency transaction**

Transactions in foreign currencies are translated to the functional currency of the Company at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. Foreign currency differences arising on retranslation are recognised in the statement of comprehensive income and are included under net gain/(loss) from financial assets, available for sale investments, derivative financial instruments and financial liabilities respectively.

**(j) Other receivables**

Other receivables are short-term in nature and have been reviewed for any evidence of impairment.

**(k) Other payables**

Other payables are accounted at amortised cost.

**(l) Deferred income**

Deferred income relates to income deferred for future payments and are recognised in the Statement of financial position.

**(m) Equity instruments**

Equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of issue costs.

**(n) Share capital**

Share capital is issued in Euro (EUR). Dividends are recognised as a liability in the period in which they are approved.

**(o) Funding from arranger**

Income is received from UBS Limited (the "Arranger") to meet the expenses of the Company and Group. These amounts are accounted for in the statement of comprehensive income under other income.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**For the year ended 31 March 2014**

**3 Significant accounting policies (continued)**

**(p) Investment in subsidiaries**

The Company has invested in subsidiaries which have been consolidated in the Group financial statements. These investments are valued at fair value through profit or loss.

**(q) Segment reporting**

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity).

The Company is a special purpose vehicle whose principal activities are the issuance of notes and investment in collaterals, which are the revenue generating segment of the Company. All administering and operating functions are carried out and reviewed by the Administrator and Corporate Secretary, Deutsche International Corporate Services (Ireland) Limited. The activities of the Company are governed by its initial base prospectus and individual series information memorandum. In relation to ensuring that activities are in compliance with the memorandum, the Chief Operating Decision Maker (CODM) of the operating segment is the Board. The CODM is responsible for the Company's entire portfolio. The Board's assessment of the Company's performance is evaluated on an overall basis. Further details of the concentration of the investment type of assets and geographical location are disclosed in note 27.

**4 Determination of fair values**

The determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of valuation techniques as described in note 23 to the financial statements. For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

For more complex instruments, the Company relies on prices provided from broker/ counterparty.

**Critical accounting judgements in applying the Company's accounting policies**

Critical accounting judgements made in applying the Company's accounting policies in relation to valuation of financial instruments is further described in note 23.

**Fair value measurement principles**

The following methodologies have been applied in determining the fair values of each class of Notes:

*Fund Linked Notes - Series 1, 2, 3 and 4*

Investment - The methodology applied to fair value the investments is the percentage holding of the consolidated net asset value ("NAV") as at 31 January 2014 of the following fund: UBS Opportunistic Reality Fund Limited, UBS Conduit, ORF Property Holdings, UBS Strategic Reality Fund Limited and SRF Property Holdings.

Notes- Due to the limited recourse aspects of the Notes, the value of the Notes equals to the value of the underlying collateral.

Details of the Fund Linked Notes are included in note 17.

*Fund Linked Notes - Series 9,10,11,12, 13, 15, 16, 17, 18 and 19*

Investment - The methodology applied to fair value the investments is to use the NAV as at 31 March 2014 of the individual fund as detailed below:

Series	Fund
9	GAM Composite Absolute Return GBP Inc.
10	GAM Composite Absolute Return EUR Inc.
11	Q-BLK Appreciation Fund, Inc.
12	UBS Stable Diversified Ltd
13	UBS Dynamic Diversified Ltd
15	UBS Global Alpha Strategies Limited
16	Key Multi-Manager Hedge Fund - Diversified Limited
17	Key Multi-Manager Hedge Fund - Focused Ltd
18	Stable Alpha (Feeder) Ltd. Class I Series 1 CHF
19	Stable Alpha (Feeder) Ltd. Class I Series 1 USD

Notes- Due to the limited recourse aspects of the Notes, the value will be equal to the value of the underlying collateral.

Details of the Fund Linked-Notes are included in note 17.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**For the year ended 31 March 2014**

**4 Determination of fair values (continued)**

*EP Loan*

Investment - The methodology applied to fair value the investments is to use the NAV as at 31 March 2014 of the individual fund as detailed below:

Series	Fund
1	A&Q Alternative Solution
4	Multi-Strategy Alternative USD
5	Multi-Strategy Alternative II CHF
6	Multi-Strategy Alternative II EUR
9	Global Equity (Extension) Alpha CHF - Class J
10	Global Equity (Extension) Alpha EUR Class J
11	Key Multi-Manager Hedge Fund USD - Class H
12	Key Multi-Manager Hedge Fund CHF - Class H
13	Key Multi-Manager Hedge Fund EUR - Class H

Swaps - For the UBS Swap, UBS AG, London Branch delivers the performance of the relevant stock exchange index, as detailed below, to the Company. For the Lux Swap, the Company receives the outperformance of the stock exchange index over the equity portfolio index.

Series	Stock exchange index
1	A&Q EUR Index
4	MSA USD Index
5	MSA II CHF Index
6	MSA II EUR Index
9	GEEA CHF Index
10	GEEA EUR Index
11	Focused USD Index
12	Focused CHF Index
13	Focused EUR Index

EP Loan - The fair value is determined by relying on the valuation provided by UBS Limited. UBS Limited takes into account the total stock value of each equity under each portfolio.

Details of the EP Loan is included in note 17.

**5 Net gain on financial assets designated at fair value through profit or loss**

Net gain on financial assets designated at fair value through profit or loss

Group	
Year ended	Year ended
31-Mar-14	31-Mar-13
USD	USD
283,624,614	1,359,606
283,624,614	1,359,606

**6 Net loss on financial liabilities designated at fair value through profit or loss**

Net loss on financial liabilities designated at fair value through profit or loss

Group	
Year ended	Year ended
31-Mar-14	31-Mar-13
USD	USD
(551,782,863)	(10,730,129)
(551,782,863)	(10,730,129)

**7 Net gain on derivative financial instruments**

Fair value movement on derivative financial instruments

Group	
Year ended	Year ended
31-Mar-14	31-Mar-13
USD	USD
265,890,249	7,802,441
265,890,249	7,802,441

**8 Other income**

Dividend received  
Funding from arranger  
Corporate benefit  
Bank interest

Group	
Year ended	Year ended
31-Mar-14	31-Mar-13
USD	USD
1,093,070	-
1,068,841	734,795
6,464	-
823	355
2,169,198	735,150

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
For the year ended 31 March 2014

9 Operating expenses

	Group	
	Year ended 31-Mar-14	Year ended 31-Mar-13
	USD	USD
Impairment loss on investments	(9,711,118)	-
Investment management fees	(2,518,692)	(2,681,849)
Professional fees	(1,265,200)	(1,993,440)
Administration fees	(177,926)	(168,847)
Audit fees	(53,415)	(55,553)
Directors' fees	(43,075)	(43,370)
Directors' insurance	(21,466)	(28,473)
Bank charges	(487)	(43)
	<u>(13,791,379)</u>	<u>(4,971,575)</u>

Auditors remuneration for the year (excluding VAT)

	Company	
	USD	USD
- Audit of individual Company account	34,313	38,772
- Tax advisory services	5,490	5,127
- Other assurance services	-	-
- Other non-audit services	-	-
	<u>39,803</u>	<u>43,899</u>

The directors of Star Compass Plc received no remuneration from the Company during the year (2013: USD nil). The Company has no employees and services required are contracted from third parties. During the year, fees of USD 43,075 (2013: USD 43,370) were paid to directors of UBS Property Holding Conduit, UBS Stable Diversified Ltd and UBS Dynamic Diversified Ltd, for services rendered.

10 Income tax

	Group	
	Year ended 31-Mar-14	Year ended 31-Mar-13
	USD	USD
Tax on profit on ordinary activities	11,978,125	616,007
Tax on other comprehensive expense	(11,979,742)	(616,007)
Total tax charge	<u>(1,617)</u>	<u>-</u>

Factors affecting the tax charge for the year:

	Group	
	Year ended 31-Mar-14	Year ended 31-Mar-13
	USD	USD
Profit on ordinary activities	(47,912,500)	(2,464,026)
Taxed at rate of 25%	11,978,125	616,007
Income tax expense on profit on ordinary activities	<u>11,978,125</u>	<u>616,007</u>
Other comprehensive expense	47,918,966	2,464,026
Tax at rate of 25%	(11,979,742)	(616,007)
Income tax on other comprehensive income	<u>(11,979,742)</u>	<u>(616,007)</u>

The Company will continue to be taxed at 25% in accordance with Section 110 of the Taxes Consolidation Act, 1997.

11 Available for sale investments

	Group		Company	
	31-Mar-14	31-Mar-13	31-Mar-14	31-Mar-13
	USD	USD	USD	USD
Available for sale investments	<u>606,524,308</u>	<u>578,233,367</u>	<u>-</u>	<u>-</u>
<i>Movement in available for sale investments</i>				
At start of year	578,233,367	699,599,171	-	-
<i>Transactions:</i>				
Disposal during the year	16,179,408	(126,326,717)	-	-
Net (loss)/gain on available for sale investments	(35,807,433)	2,496,887	-	-
Movement in unrealised gain on available for sale investments	47,918,966	2,464,026	-	-
At end of the year	<u>606,524,308</u>	<u>578,233,367</u>	<u>-</u>	<u>-</u>

The subsidiaries invest into three subfunds of UBS Wealth Management - Global Property Fund Limited exposing it to commercial, office and residential real estate asset classes throughout North America, Europe, Australia, Asia and the United Kingdom.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
For the year ended 31 March 2014

**11 Available for sale investments (continued)**

Available for sale measured at fair value based on Level 3

	Group	
	31-Mar-14	31-Mar-13
	USD	USD
At start of year	578,233,367	699,599,171
Non-cash transactions:		
Disposals during the year	16,179,408	(126,326,717)
Net (loss)/gain on available for sale investments	(35,807,433)	2,496,887
Movement in unrealised loss on available for sale investments	47,918,966	2,464,026
At end of the year	606,524,308	578,233,367

**12 Investment in subsidiaries**

	Group		Company	
	31-Mar-14	31-Mar-13	31-Mar-14	31-Mar-13
	USD	USD	USD	USD
At start of the year	-	-	641,527,600	733,889,114
Non-cash transactions:				
Additions during the year	-	-	24,642,774	-
Disposals during the year	-	-	(36,953,561)	(93,516,564)
Fair value movement	-	-	(75,779)	1,155,050
At end of the year	-	-	629,141,034	641,527,600

Details of the Company's subsidiaries at 31 March 2014 are as follows:

Name of Company	Nature of business	% Holding	Place of Incorporation
UBS Property Holding Conduit Limited (1)	Financial	100	Jersey
*UBS Opportunistic Reality Fund Limited (1)	Financial	100	Jersey
*UBS Strategic Reality Fund Limited (1)	Financial	100	Jersey
**SRF Property Holdings Ltd (1)	Financial	100	Jersey
**ORF Property Holdings Ltd (1)	Financial	100	Jersey
UBS Stable Diversified Ltd	Financial	100	Cayman Islands
UBS Dynamic Diversified Ltd	Financial	100	Cayman Islands

\*These companies are wholly owned by UBS Property Holding Conduit Limited.

(1) These companies are consolidated on the basis of their financial results for the year to 31 January 2014. Financial statements for 31 March 2014 are not available for consolidation. Subsequent event reviews confirmed that there were no material movements in investment values between 31 January 2014 and 31 March 2014.

\*\* These companies are consolidated on the basis that UBS Opportunistic Reality Fund Limited and UBS Strategic Reality Fund Limited is their only investor.

Series 1, 2, 3, 4, 12 and 13 hold investments in the companies mentioned above.

**13 Financial assets designated at fair value through profit or loss**

	Group		Company	
	31-Mar-14	31-Mar-13	31-Mar-14	31-Mar-13
	USD	USD	USD	USD
Investments	2,125,333,714	1,595,096,739	2,125,333,714	1,595,094,935
Movement in investments:				
At start of the year	1,595,096,739	1,645,700,308	1,595,094,935	1,645,698,633
Non-cash transactions:				
Additions during the year	2,194,822,026	159,218,593	2,194,823,830	159,218,464
Disposals during the year	(1,998,863,700)	(211,181,768)	(1,998,863,700)	(211,181,768)
Cash transactions:				
Additions during the year	60,881,261	-	60,881,261	-
Disposals during the year	(10,227,226)	-	(10,227,226)	-
Fair value movement	283,624,614	1,359,606	283,624,614	1,359,606
At end of the year	2,125,333,714	1,595,096,739	2,125,333,714	1,595,094,935

**Maturity Analysis**

	Group		Company	
	31-Mar-14	31-Mar-13	31-Mar-14	31-Mar-13
	USD	USD	USD	USD
Less than 1 year	495,802,475	326,366,868	495,802,475	326,366,867
1-2 years	30,887,079	113,050,588	30,887,079	113,050,588
2-5 years	1,598,644,160	-	1,598,644,160	-
> 5 years	-	1,155,679,283	-	1,155,677,480
	2,125,333,714	1,595,096,739	2,125,333,714	1,595,094,935

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
For the year ended 31 March 2014

13 Financial assets designated at fair value through profit or loss (continued)

Series	Investment	Type	Nature of business	Place of incorporation	Group and Company	
					31-Mar-14 USD	31-Mar-13 USD
(i) 9	GAM Composite Absolute Return GBP Inc.	Non-voting	Investment	British Virgin Islands	76,633,294	74,506,714
(ii) 10	GAM Composite Absolute Return EUR Inc.	Non-voting	Investment	British Virgin Islands	44,584,991	38,543,875
(iii) 11	Q-BLK Appreciation Fund, Inc.	Non-voting	Investment	Cayman Islands	374,584,189	326,366,867
(iv) 15	UBS Global Alpha Strategies Limited	Non-voting	Investment	Cayman Islands	53,954,105	-
(v) 16	Key Multi-Manager Hedge Fund - Diversified Limited	Non-voting	Investment	Cayman Islands	31,098,093	-
(vi) 17	Key Multi-Manager Hedge Fund - Focused Ltd	Non-voting	Investment	Cayman Islands	11,556,146	-
(vii) 18	Stable Alpha (Feeder) Ltd. Class I Series 1 CHF	Non-voting	Investment	Cayman Islands	35,824,041	-
(viii) 19	Stable Alpha (Feeder) Ltd. Class I Series 1 USD	Non-voting	Investment	Cayman Islands	8,152,217	-
					636,387,076	439,417,456

Star Compass Plc has invested in the Non Voting shares of GAM Composite Absolute Return GBP Inc., GAM Composite Absolute Return EUR Inc., Q-BLK Appreciation Fund, Inc., UBS Global Alpha Strategies Ltd, Key multi-Manager Hedge Fund Diversified Ltd, Key Multi-Manager Hedge Fund - Focused Ltd, Stable Alpha (Feeder) Ltd Class I Series 1 CHF and Stable Alpha (Feeder) Ltd Class I Series 1 USD. As such, the Company does not have any voting rights and thus, no control and power over the investees.

	Group and Company	
	31-Mar-14 USD	31-Mar-13 USD
At beginning of the year	439,419,260	506,913,188
Non-cash transactions:		
Additions during the year	1,962,514	-
Disposals during the year	8,852,378	(72,775,945)
Cash transactions:		
Additions during the year	60,881,261	-
Fair value movement	74,617,628	5,280,213
At end of the year	585,733,041	439,417,456

(ix) Investment in hedge funds

The composition of the fund as at 31 March 2014 are as follows:

Series	Description	Units outstanding	Group and Company	
			Fair value 31-Mar-14 USD	Fair value 31-Mar-13 USD
Series 1	A&Q Alternative Solution	17,610	30,887,079	30,887,079
Series 4	Key Multi-manager hedge fund USD - Diversified Limited	15,639	19,637,900	19,637,900
Series 5	Key Multi-manager hedge fund CHF - Diversified Limited	269,503	330,386,277	330,386,277
Series 6	Key Multi-manager hedge fund EUR - Diversified Limited	443,714	715,228,735	715,228,735
Series 9	Global Equity (Extension) Alpha CHF - Class J	636	941,235	941,235
Series 10	Global Equity (Extension) Alpha EUR Class J	3,317	6,197,263	6,197,263
Series 11	Key Multi-Manager Hedge Fund USD - Focussed Ltd	6,629	7,058,016	7,058,016
Series 12	Key Multi-Manager Hedge Fund CHF - Focussed Ltd	100,201	120,101,378	120,101,378
Series 13	Key Multi-Manager Hedge Fund EUR - Focussed Ltd	177,256	258,508,755	258,508,755
		1,034,505	1,488,946,638	1,488,946,638

During the year ended 31 March 2014, Series 2, 3, 7 and 8 redeemed. Series 4, 5, 6, 9 and 10 were renamed and the investments change as per below:

Series	From	To
Series 4	Multi-Strategy Alternative USD	Key Multi-manager hedge fund USD - Diversified
Series 5	Multi-Strategy Alternative II CHF	Key Multi-manager hedge fund CHF - Diversified
Series 6	Multi-Strategy Alternative II EUR	Key Multi-manager hedge fund EUR - Diversified
Series 9	Global Equity (Extension) Alpha CHF	Global Equity (Extension) Alpha CHF - Class J
Series 10	Global Equity (Extension) Alpha EUR	Global Equity (Extension) Alpha EUR Class J

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
For the year ended 31 March 2014

13 Financial assets designated at fair value through profit or loss (continued)

Series	Description	Units outstanding	Group	Company
			Fair value 31-Mar-13 USD	Fair value 31-Mar-13 USD
Series 1	A&Q Alternative Solution	22,384	33,948,564	33,948,564
Series 2	Multi-Strategy Alternative CHF	62,392	69,694,405	69,694,405
Series 3	Multi-Strategy Alternative EUR	158,400	237,244,660	237,244,660
Series 4	Multi-Strategy Alternative USD	17,592	21,746,228	21,746,228
Series 5	Multi-Strategy Alternative II CHF	124,796	134,242,213	134,242,213
Series 6	Multi-Strategy Alternative II EUR	376,792	532,903,831	532,903,831
Series 7	Global Diversified Alternative CHF	3,025,292	32,230,575	32,230,575
Series 8	Global Diversified Alternative EUR	5,618,808	80,843,494	80,843,494
Series 9	Global Equity (Extension) Alpha CHF	1,351	1,560,159	1,560,159
Series 10	Global Equity (Extension) Alpha EUR	7,720	11,265,154	11,263,350
		9,415,527	1,155,679,283	1,155,677,479

Movement in investment in hedge funds:

	Company			
	31-Mar-14 Units	31-Mar-14 Fair value USD	31-Mar-13 Units	31-Mar-13 Fair value USD
At beginning of the year	9,415,527	1,155,677,479	9,392,039	1,138,785,445
Non-cash transactions:				
Additions during the year	1,708,108	2,131,978,251	1,389,466	159,218,464
Disposals during the year	(10,089,130)	(2,007,716,078)	(1,365,978)	(138,405,823)
Fair value movement	-	209,006,986	-	(3,920,607)
At end of the year	1,034,505	1,488,946,638	9,415,527	1,155,677,479

Some of the investment securities have upon initial recognition been designated at fair value through profit or loss when the Company holds related derivatives at fair value through profit or loss, and designation therefore eliminates or significantly reduces an accounting mismatch that would otherwise arise. The investment securities are held as collateral for debt securities issued by the Company.

The carrying value of the assets of the Company represents their maximum exposure to the credit risk. The credit risk is eventually transferred to the swap counterparty or the Noteholders.

Refer to note 23 for a description of the credit risk, concentration and currency risk disclosures relating to investment securities.

14 Cash and cash equivalents

	Group		Company	
	31-Mar-14 USD	31-Mar-13 USD	31-Mar-14 USD	31-Mar-13 USD
Cash at bank	23,762,640	28,582,282	135,898	102,407

The Company's cash and cash equivalents are held with Bank of Ireland (61%) and Deutsche Bank AG, London (39%).

15 Other receivables

	Group		Company	
	31-Mar-14 USD	31-Mar-13 USD	31-Mar-14 USD	31-Mar-13 USD
Redemption receivable from investments	3,678,638	16,892,670	-	-
Income receivable from arranger	205,459	189,408	205,459	189,408
Prepayments	91,212	77,569	88,952	74,468
Corporate benefit receivable	3,088	45,929	3,088	45,929
VAT receivable	62,203	-	62,203	-
Other debtors	2	-	-	-
Prepaid investment purchases	-	34,250,000	-	-
Overdue proceeds receivable	-	9,063,771	-	-
Other prepayments	-	36,751	-	-
	4,040,602	60,556,098	359,702	309,805

16 Derivative financial instruments

	Group		Company	
	31-Mar-14 USD	31-Mar-13 USD	31-Mar-14 USD	31-Mar-13 USD
At beginning of the year	(216,821,287)	(188,492,867)	(218,884,303)	(190,968,915)
Non-cash transactions:				
Net amount received from swap counterparty	265,954,319	(36,130,861)	265,954,319	(36,130,861)
Fair value movement due to market risk	265,890,249	7,802,441	268,234,027	8,215,473
At end of the year	315,023,281	(216,821,287)	315,304,043	(218,884,303)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**For the year ended 31 March 2014**

**16 Derivative financial instruments (continued)**

	Group		Company	
	31-Mar-14	31-Mar-14	31-Mar-14	31-Mar-13
	USD	USD	USD	USD
Derivative asset - Swap with Lux Fund	197,736,873	-	197,736,873	-
Derivative asset - Swap with UBS Fund	122,904,743	-	122,904,743	-
Derivative asset - Forward currency contracts	-	2,063,016	-	-
	<u>320,641,616</u>	<u>2,063,016</u>	<u>320,641,616</u>	<u>-</u>
Derivative liabilities - Swap with Lux Fund	(5,337,573)	(218,884,303)	(5,337,573)	(218,884,303)
Derivative asset - Forward currency contracts	(280,762)	-	-	-
	<u>(5,618,335)</u>	<u>(218,884,303)</u>	<u>(5,337,573)</u>	<u>(218,884,303)</u>

**Forward currency contracts**

UBS Conduit Limited also entered into a forward currency contract whereby the Company has hedged a significant portion of its foreign currency exposure. The fair value of the forward hedge at year end amounts to USD 280,762 representing a liability for the Group (2013: USD 2,154,506 representing an asset for the Group).

**Fully funded Swap with UBS AG, London Branch**

Pursuant to the Company's investment in hedge funds as part of the Threshold II, it entered into a fully funded swap agreement with UBS AG, London Branch, whereby the Company pays any excess of the hedge funds over EP loans to UBS AG, London Branch, in respect of any outperformance and receives any excess of the EP loans over the hedge funds. Refer to note 4 for details for the swaps are valued. The swap holders bear all the risk of the Company as they are also the arranger.

Details regarding the valuation of derivative financial instruments are outlined in note 3(h), note 4 and note 23 to the financial statements.

**Threshold II**

	Group		Company	
	31-Mar-14	31-Mar-13	31-Mar-14	31-Mar-13
	USD	USD	USD	USD
Series 1 A&Q Alternative Solution	(2,942,996)	(8,356,401)	(2,942,996)	(8,356,401)
Series 2 Multi-Strategy Alternative CHF	-	(15,801,782)	-	(15,801,782)
Series 3 Multi-Strategy Alternative EUR	-	(35,771,039)	-	(35,771,039)
Series 4 Multi-Strategy Alternative USD	5,925,529	(6,703,379)	5,925,529	(6,703,379)
Series 5 Multi-Strategy Alternative II CHF	74,754,727	(31,469,309)	74,754,727	(31,469,309)
Series 6 Multi-Strategy Alternative II EUR	165,669,753	(97,011,155)	165,669,753	(97,011,155)
Series 7 Global Diversified Alternative CHF	-	(7,228,535)	-	(7,228,535)
Series 8 Global Diversified Alternative EUR	-	(11,947,635)	-	(11,947,635)
Series 9 Global Equity (Extension) Alpha CHF	-	(684,988)	-	(684,988)
Series 9 Global Equity (Extension) Alpha CHF - Class J	114,979	-	114,979	-
Series 10 Global Equity (Extension) Alpha EUR	-	(3,910,080)	-	(3,910,080)
Series 10 Global Equity (Extension) Alpha EUR Class J	795,103	-	795,103	-
Series 11 Key Multi-Manager Hedge Fund USD	1,722,244	-	1,722,244	-
Series 12 Key Multi-Manager Hedge Fund CHF	20,629,670	-	20,629,670	-
Series 13 Key Multi-Manager Hedge Fund EUR	48,635,034	-	48,635,034	-
Forward currency contracts	(280,762)	2,063,016	-	-
	<u>315,023,281</u>	<u>(216,821,287)</u>	<u>315,304,043</u>	<u>(218,884,303)</u>

During the year ended 31 March 2014, Series 2, 3, 7 and 8 matured. Series 4, 5, 6, 9 and 10 were renamed. However, the swap transactions remain unchanged.

**17 Financial liabilities designated at fair value through profit or loss**

	Group		Company	
	31-Mar-14	31-Mar-13	31-Mar-14	31-Mar-13
	USD	USD	USD	USD
	<u>3,069,778,791</u>	<u>2,017,738,232</u>	<u>3,069,778,791</u>	<u>2,017,738,232</u>

**Maturity Analysis - Group and Company**

	Fund-linked	EP loan	Total	Fund-linked	EP loan	Total
	31-Mar-14	31-Mar-14	31-Mar-14	31-Mar-13	31-Mar-13	31-Mar-13
	USD	USD	USD	USD	USD	USD
Less than 1 year	1,044,787,409	-	1,044,787,409	439,417,455	911,201,012	1,350,618,467
1-2 years	-	27,944,082	27,944,082	522,328,469	-	522,328,469
2-5 years	220,740,702	1,776,306,598	1,997,047,300	119,199,131	25,592,165	144,791,296
> 5 years	-	-	-	-	-	-
	<u>1,265,528,111</u>	<u>1,804,250,680</u>	<u>3,069,778,791</u>	<u>1,080,945,055</u>	<u>936,793,177</u>	<u>2,017,738,232</u>



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
For the year ended 31 March 2014

17 Financial liabilities designated at fair value through profit or loss (continued)

	Group		Company	
	31-Mar-14 USD	31-Mar-14 USD	31-Mar-14 USD	31-Mar-14 USD
<b>Movement in financial liabilities</b>				
At beginning of year	1,080,945,055	1,240,802,302	1,080,945,055	1,240,802,302
<i>Non-cash transactions:</i>				
Additions	96,716,165	-	96,716,165	-
Redemptions	(375,434)	(166,292,509)	(375,434)	(166,292,509)
<i>Cash transactions:</i>				
Additions	60,881,261	-	60,881,261	-
Redemptions	(47,180,787)	-	(47,180,787)	-
Fair value movement	74,541,851	6,435,262	74,541,851	6,435,262
At end of the year	1,265,528,111	1,080,945,055	1,265,528,111	1,080,945,055
<b>Movement in Equity Portfolio loan</b>				
At beginning of year	936,793,177	947,816,530	936,793,177	947,816,530
<i>Non-cash transactions:</i>				
Additions	2,269,420,874	126,117,438	2,269,420,874	126,117,438
Redemptions	(1,879,204,383)	(141,435,658)	(1,879,204,383)	(141,435,658)
Fair value movement	477,241,012	4,294,867	477,241,012	4,294,867
At end of the year	1,804,250,680	936,793,177	1,804,250,680	936,793,177
<b>Total</b>	<b>3,069,778,791</b>	<b>2,017,738,232</b>	<b>3,069,778,791</b>	<b>2,017,738,232</b>

**Fund Linked Notes**

Details of the debt securities in issue at 31 March 2014 are detailed below:

Series	Description	Maturity date	Ccy	31-Mar-14 Nominal	31-Mar-14 Fair values
1	Zero coupon extendable Global Property Investment Notes (EUR)	08-Dec-16	EUR	91,000,000	20,819,986
2	Zero coupon extendable Global Property Investment Notes (CHF)	08-Dec-16	CHF	103,500,000	26,589,702
3	Zero coupon extendable Global Property Investment Notes (USD)	08-Dec-16	USD	85,500,000	30,292,112
4	Zero coupon extendable Global Property Investment Notes (GBP)	08-Dec-16	GBP	6,000,000	2,454,300
9	Zero coupon extendable GAM Composite Absolute Return GBP Inc. linked Notes	30-Sep-14	GBP	35,950,000	76,633,294
10	Zero coupon extendable GAM Composite Absolute Return EUR Inc. linked Notes	30-Sep-14	EUR	26,100,000	44,584,992
11	Zero coupon extendable Q-BLK Appreciation Fund, Inc. Class R (EUR) linked Notes	30-Jun-14	EUR	224,650,000	374,584,189
12	Extendable UBS Stable Diversified Limited (USD) linked Notes	30-Sep-14	USD	284,300,000	350,878,940
13	Extendable UBS Stable Diversified Limited (USD) linked Notes	30-Sep-14	USD	160,570,000	198,105,994
15	Extendable Fund Linked Notes Linked to Class SH-USD Shares of UBS Global Alpha Strategies Limited	25-Apr-18	USD	50,000,000	53,954,105
16	Extendable Notes Linked to Key Multi-Manager Hedge Fund – Diversified (USD) Index	31-Jul-18	USD	24,788,020	31,098,093
17	Extendable Notes Linked to Key Multi-Manager Hedge Fund – Focused (USD) Index	31-Jul-18	USD	10,854,129	11,556,146
18	Extendable Index Linked Notes Linked to Stable Alpha (CHF) Index	31-Jul-18	CHF	31,107,000	35,824,041
19	Extendable Index Linked Notes Linked to Stable Alpha (USD) Index	28-Sep-18	USD	8,037,000	8,152,217
				<b>1,265,528,111</b>	



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**For the year ended 31 March 2014**

**17 Financial liabilities designated at fair value through profit or loss (continued)**

The risk associated with the financial liabilities remain with the Noteholders due to the limited recourse nature of the Notes issued.

Details of the debt securities in issue as at 31 March 2013 are detailed below:

Series	Description	Maturity date	Ccy	31-Mar-13 Nominal	31-Mar-13 Fair values
1	Zero coupon extendable Global Property Investment Notes	08-Dec-16	EUR	91,000,000	32,557,301
2	Zero coupon extendable Global Property Investment Notes	08-Dec-16	CHF	103,500,000	39,025,874
3	Zero coupon extendable Global Property Investment Notes	08-Dec-16	USD	85,500,000	43,928,773
4	Zero coupon extendable Global Property Investment Notes	08-Dec-16	GBP	6,000,000	3,687,183
9	Zero coupon extendable GAM Composite Absolute Return GBP Inc. Linked Notes	30-Sep-14	GBP	41,450,000	74,506,714
10	Zero coupon extendable GAM Composite Absolute Return EUR Inc. Linked Notes	30-Sep-14	EUR	26,100,000	38,543,874
11	Zero coupon extendable Q-BLK Appreciation Fund, Inc. Class R (EUR) linked Notes	30-Jun-14	EUR	224,650,000	326,366,867
12	Extendable UBS Stable Diversified Limited (USD)linked Notes	30-Sep-14	USD	269,870,000	308,457,423
13	Extendable UBS Stable Diversified Limited (USD) linked Notes	30-Sep-14	USD	184,220,000	213,871,046
				<u>1,080,945,055</u>	

All the Notes as mentioned above are Fund Linked notes, have an option for early redemption and are valued at fair value.

Debt securities issued for a particular Series are designated at fair value through profit or loss when the related investment securities and derivatives are fair valued or when they contain embedded derivatives that significantly modify cash flows that otherwise would be required to be separated.

All the Notes are limited recourse Notes and are secured by a way of a charge over the collateral held as noted in note 13. They have an option for early redemption.

In the event that the accumulated losses prove not to be recoverable during the life of the debt securities issued, this will reduce the obligation to the Noteholders by the Company.

All the Notes issued are listed on main securities market of the Irish Stock Exchange except Series 11, 15, 16, 17, 18 and 19 which are listed on the Vienna Stock Exchange.

In case of winding up, the priority of payments will be to pay all the Company's outstanding invoices. The remaining funds will be used to pay the Noteholders and finally the shareholders.

**EP Loans**

The outstanding loans as at 31 March 2014 and 2013 were as follows:

Series	Description	Maturity date	31-Mar-14		31-Mar-13	
			Units	Fair value USD	Units	Fair value USD
1	EP loan	30-Sep-15	2,202	27,944,082	2,572	25,592,165
2	EP loan	30-Sep-13	-	-	5,419	53,892,623
3	EP loan	30-Sep-13	-	-	20,248	201,473,621
4	EP loan	30-Sep-18	2,006	25,563,429	1,509	15,042,849
5	EP loan	30-Sep-18	31,837	405,141,004	10,334	102,772,904
6	EP loan	30-Sep-18	69,415	880,898,487	43,807	435,892,676
7	EP loan	30-Sep-13	-	-	2,514	25,002,040
8	EP loan	30-Sep-13	-	-	6,924	68,895,859
9	EP loan	30-Sep-18	83	1,056,215	88	875,170
10	EP loan	30-Sep-18	551	6,992,366	739	7,353,270
11	EP loan	30-Sep-18	689	8,780,261	-	-
12	EP loan	30-Sep-18	11,059	140,731,048	-	-
13	EP loan	30-Sep-18	24,203	307,143,788	-	-
			<u>142,045</u>	<u>1,804,250,680</u>	<u>94,154</u>	<u>936,793,177</u>

At the reporting date, the Company's financial liabilities designated at fair value through profit or loss were concentrated in the following types:

Types of financial liabilities	31-Mar-14	31-Mar-13
Fund-Linked Notes	41%	54%
EP Loans	59%	46%
	<u>100%</u>	<u>100%</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**For the year ended 31 March 2014**

**17 Financial liabilities designated at fair value through profit or loss (continued)**

A description of the principal types of financial liabilities in issue is as follows:

*Fund-Linked Notes*

Under these Series, the Company and the Group issued Notes and used the Notes proceeds to invest in the respective funds for each specified Series. The Company and the Group invests in available for sale investments and financial assets designated at fair value through profit or loss.

*EP Loans*

Under these Series, the Company and the Group borrowed loans and used the loan proceeds to purchase fund of hedge fund shares. The Company also enters into swap agreements with Lux Fund and UBS. The Company and the Group invests in financial assets designated at fair value through profit or loss.

**18 Other payables**

	Group		Company	
	31-Mar-14	31-Mar-13	31-Mar-14	31-Mar-13
	USD	USD	USD	USD
Accruals	4,811,828	2,220,373	401,674	283,969
Deferred income	-	39,437	-	39,437
Subscription received in advance	-	24,400,000	-	-
Performance fees payable	-	1,158,676	-	-
	<u>4,811,828</u>	<u>27,818,486</u>	<u>401,674</u>	<u>323,406</u>

**19 Share capital**

	Group		Company	
	31-Mar-14	31-Mar-13	31-Mar-14	31-Mar-13
	USD	USD	USD	USD
<i>Authorised</i>				
40,000 ordinary share of EUR 1 each	54,684	54,684	54,684	54,684
(converted at historical rate of EUR:USD 1.3671 )				
<i>Issued and fully paid</i>				
40,000 ordinary share of EUR 1 each	54,684	54,684	54,684	54,684
(converted at historical rate of EUR:USD 1.3671 )				

**20 Ownership of the Company**

The principal shareholders in the Company are BADB Charitable Trust Limited, Eurydice Charitable Trust Limited and MEDB Charitable Trust Limited, each holding 13,332 shares of EUR 1 each. All shares are held under the terms of declarations of trust under which the relevant share trustee holds the issued shares of the Company on trust for a charity. Mr Anthony Walsh, Mr Christopher Quinn, Mr Turlough Galvin and Mr William Prentice each holds 1 share.

**21 Accounting classifications of financial assets and financial liabilities**

Group	Carrying value USD 31-Mar-14	Fair value USD 31-Mar-14	Carrying value USD 31-Mar-13	Fair value USD 31-Mar-13
Available for sale investments	606,524,308	606,524,308	578,233,367	578,233,367
Financial assets designated at fair value through profit or loss	2,125,333,714	2,125,333,714	1,595,096,739	1,595,096,739
Derivative financial assets- at fair value	320,641,616	320,641,616	2,063,016	2,063,016
Cash and cash equivalents- at amortised cost	23,762,640	23,762,640	28,582,282	28,582,282
Other receivables-at amortised cost	4,040,602	4,040,602	60,556,098	60,556,098
Financial liabilities designated at fair value through profit or loss	(3,069,778,791)	(3,069,778,791)	(2,017,738,232)	(2,017,738,232)
Other payables- at amortised cost	(4,811,828)	(4,811,828)	(27,818,486)	(27,818,486)
Derivative financial liabilities- at fair value	(5,618,335)	(5,618,335)	(218,884,303)	(218,884,303)
	<u>93,926</u>	<u>93,926</u>	<u>90,481</u>	<u>90,481</u>
<b>Company</b>	<b>Carrying value USD 31-Mar-14</b>	<b>Fair value USD 31-Mar-14</b>	<b>Carrying value USD 31-Mar-13</b>	<b>Fair value USD 31-Mar-13</b>
Investment in subsidiaries	629,141,034	629,141,034	641,527,600	641,527,600
Financial assets designated at fair value through profit or loss	2,125,333,714	2,125,333,714	1,595,094,935	1,595,094,935
Cash and cash equivalents- at amortised cost	135,898	135,898	102,407	102,407
Other receivables-at amortised cost	359,702	359,702	309,805	309,805
Financial liabilities designated at fair value through profit or loss	(3,069,778,791)	(3,069,778,791)	(2,017,738,232)	(2,017,738,232)
Other payables- at amortised cost	(401,674)	(401,674)	(323,406)	(323,406)
Derivative financial assets- at fair value	320,641,616	320,641,616		
Derivative financial liabilities- at fair value	(5,337,573)	(5,337,573)	(218,884,303)	(218,884,303)
	<u>93,926</u>	<u>93,926</u>	<u>88,806</u>	<u>88,806</u>

Since the assets and liabilities of the Company and Group are short term in nature, the carrying value equals the fair value.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**For the year ended 31 March 2014**

**22 Charges**

Given the ring fenced nature of the Notes issued by the Company, Series are secured by way of a charge over the collateral purchased by the respective series and by an assignment of a fixed first charge of the Company's rights, title and interest under respective swap agreement for the series. All of the financial assets at fair value through profit or loss on the statement of financial position are held as collateral under each series. The Charged Assets comprise of notes, securities, equity interests (including shares and participating income notes), other assets as more particularly specified in the relevant Supplemental Information Memorandum.

Further to the above, the Company entered into a loan transaction whereby the Lux Fund agrees to lend to the Company and the Company agrees to borrow from the Lux Fund an Equity Portfolio. The EP loan was used to purchase Fund of hedge fund shares. The transactions were entered for the purpose of creating the security over the Mortgaged Property relating to the Lux Fund.

Pursuant to the Company's investment in hedge funds as part of the Threshold II, it entered into a fully funded swap agreement with UBS AG, London Branch, whereby the Company pays any excess of the hedge funds over EP loans to UBS AG, London Branch, in respect of any outperformance and receives any excess of the EP loans over the hedge funds. Refer to note 4 for detail on how the swaps are valued. The swap holders bear all the risk of the Company as they are also the arranger.

**23 Financial risk management**

The Company was incorporated on the 1 November 2006 and commenced trading on the same date. The Company can issue Securities under its EUR 20,000,000,000-Limited Recourse Secured Obligations Programme. The Company may raise finance by way of the issue of Notes or in other forms under the Programme including, without limitation, by way of issuing or entering into Debt Instruments.

The net proceeds of each Series will be used by the Company to purchase the Collateral, pay for or enter into any Swap Agreement or Credit Enhancement Agreement and in meeting certain expenses and fees payable in connection with the operations of the Company and the issue of the Notes as set out in the relevant Offering Circular Supplement relating to such Tranche.

The Company is not engaged in any other activities.

**Risk management framework**

The Company has exposure to the following risks from its use of financial instruments:

- (a) Operational risk;
- (b) Credit risk
- (c) Market risk; and
- (d) Liquidity risk.

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk and the Company's management of capital.

The Company operates in an autopilot mode with the risk management framework agreed at the time of issuance of the Notes and included in the prospectus of each Series of Notes. The prospectus provides detailed information to the Noteholders regarding their exposure to different risks as well as how such risks will be managed going forward until the maturity of Notes. The Board of Directors has responsibility to ensure compliance with the prospectus and execute different legal documents as the need arises.

The Company has entered into a number of Series in the Programme. Each Series is governed by a separate Prospectus and consists of an investment in collateral from the proceeds of the issuance of debt securities.

In Threshold II, the Company has, in all of its Series, entered into Swap Agreements with UBS Limited and SF (Lux) Sicav 3. Refer to note 16 for a description of the different types of swaps entered into by the Company.

The ultimate amount repayable to the Noteholders will be dependent upon the proceeds from the sale of the collateral and/ or payment/ receipt to/ from the Swap Counterparties.

**(a) Operational risk**

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes and infrastructure, and from external factors other than credit, markets and liquidity issues such as those arising from legal and regulatory requirements and generally accepted standards to corporate behaviour.

Operational risks arise from all of the Company's operations. The Company was incorporated with the purpose of engaging in those activities outlined in the preceding paragraphs. The Company limits its exposure to operational risks by outsourcing all management and administration functions to Deutsche International Corporate Services (Ireland) Limited which has years of experience in this field.

**(b) Credit risk**

Credit risk is the risk of financial loss to the Company if counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's assets. The Company's principal financial assets are cash and cash equivalents, other receivables, financial assets designated at fair value through profit or loss and derivative financial instruments, which represent the Company's maximum exposure to credit risk. The Company limits its exposure to credit risk by investing in secured securities and only with counterparties that are defined in the documentation of the relevant series.

The risk of default on these assets is either borne by the swap counterparty or the Noteholders in accordance with their respective agreements.

For Series 1, 2, 3, 4, 11, 12 and 13, the Company has invested in shares of the subsidiaries and is therefore exposed to the performance of the subsidiaries.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**For the year ended 31 March 2014**

**23 Financial risk management (continued)**

**(b) Credit risk (continued)**

For Series 9, 10, 15, 16, 17, 18 and 19, the Company invested in participating shares and is therefore exposed to the performance of the shares.

For all the threshold Series, the Company invested in investment funds and is therefore exposed to the performance of the funds.

The Company's maximum exposure to credit risk in the event that counterparties fail to perform their obligations as at 31 March 2014 in relation to each class of recognised financial assets is the carrying amount of those assets as indicated in the statement of financial position.

*Fund linked Notes*

	Group		Company	
	31-Mar-14	31-Mar-13	31-Mar-14	31-Mar-13
	USD	USD	USD	USD
Available for sale investments	606,524,308	578,233,367	-	-
Investment in subsidiaries	-	-	629,141,034	641,527,600
Financial assets designated at fair value through profit or loss	636,387,076	439,417,456	636,387,076	439,417,456
	<u>1,242,911,384</u>	<u>1,017,650,823</u>	<u>1,265,528,110</u>	<u>1,080,945,056</u>

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to the credit risk at the reporting date was:

*EP Loan*

	Group		Company	
	31-Mar-14	31-Mar-13	31-Mar-14	31-Mar-13
	USD	USD	USD	USD
Financial assets designated at fair value through profit or loss	1,488,946,638	1,155,679,283	1,488,946,638	1,155,677,479
	<u>1,488,946,638</u>	<u>1,155,679,283</u>	<u>1,488,946,638</u>	<u>1,155,677,479</u>

At the reporting date, the Company's financial assets designated at fair value through profit or loss were concentrated in the following asset types:

*Fund linked Notes*

	Group		Company	
	31-Mar-14	31-Mar-13	31-Mar-14	31-Mar-13
	%	%	%	%
Investment in Notes	55%	46%	54%	48%
Participating non voting	30%	32%	30%	30%
Special Non-Voting	10%	11%	10%	10%
Participating shares	5%	11%	6%	12%
	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

*EP Loan*

	Group		Company	
	31-Mar-14	31-Mar-13	31-Mar-14	31-Mar-13
	%	%	%	%
Investment in hedge funds	100%	100%	100%	100%
	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

There are no amounts past due at year end.

At the reporting date, the Company's financial assets designated at fair value through profit or loss were concentrated in the following geographical locations:

*Fund linked Notes*

	Group		Company	
	31-Mar-14	31-Mar-13	31-Mar-14	31-Mar-13
	%	%	%	%
Cayman Islands	85%	78%	84%	79%
British Virgin Islands	10%	11%	10%	10%
Jersey	5%	11%	6%	11%
	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

*EP Loan*

	Group		Company	
	31-Mar-14	31-Mar-13	31-Mar-14	31-Mar-13
	%	%	%	%
Cayman Islands	100%	100%	100%	100%
	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

At the reporting date, the Company's financial assets designated at fair value through profit or loss, the available for sale investments and the investments in subsidiaries were not rated.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
For the year ended 31 March 2014

**23 Financial risk management (continued)**

**(b) Credit risk (continued)**

**Counterparty risk (continued)**

**Counterparty risk**

Counterparty risk is managed through the credit ratings of counterparties.

At the reporting date, the credit rating of the swap counterparties are as follows:

	31-Mar-14	31-Mar-14	31-Mar-13	31-Mar-13
	Long Term	Short term	Long Term	Short term
UBS Limited and SF (LUX) SICAV 3				
Standard & Poor's	A	A-1	A	A-1
Moody's	A2	NR	A2	P-1
Fitch	A	F1	A	F1

**Cash and cash equivalents**

The Company and Group held cash and cash equivalents as at 31 March 2014 and 2013 are disclosed in note 14, which represents its maximum credit exposure on these assets. The cash and cash equivalents are held with Bank of Ireland and Deutsche Bank AG, London.

Cash balances held with Bank of Ireland has the following ratings:

	Long term	Short term	Long term	Short term
	31-Mar-14	31-Mar-14	31-Mar-13	31-Mar-13
Standard & Poor's	BB+	B	BB+	B
Moody's	Ba3	N-P	Ba2	N-P
Fitch	BBB	F2	BBB	F2

Although Standard & Poor's long term credit rating of Bank of Ireland changed from Ba2 to Ba3 in 2014, Bank of Ireland is still considered to be highly rated.

Cash balances with Deutsche Bank AG, London has the following ratings:

	Long term	Short term	Long term	Short term
	31-Mar-14	31-Mar-14	31-Mar-13	31-Mar-13
Standard & Poor's	A	A-1	A	A-1
Moody's	A2	P-1	A2	P-1
Fitch	A+	F1+	A+	F1+

**(c) Market risk**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The Noteholders are exposed to the market risk of the assets portfolio.

Market risk embodies the potential for both loss and gains and includes interest rate risk, currency risk and price risk. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimising the returns on risk.

**(i) Price risk**

Price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether caused by factors specific to an individual investment, its Company or all factors affecting all instruments traded in the market.

The Group is subject to price risk due to frequent changes in the market value of its holdings in underlying funds. Price risk is actively managed by the Investment managers in line with the prospectus and offering circulars of all the funds. The amounts exposed to price risk for the Group include investment in subsidiaries, available for sale investments and financial assets at fair value through profit or loss, as outlined in the statement of financial position.

**Sensitivity analysis**

Any changes in the prices of the financial assets designated at fair value through profit or loss would not have any effect on the equity or net profit or loss of the Company as any fair value fluctuations in prices are ultimately borne by the Noteholders. As at 31 March 2014, the Group's and the Company's exposure to price risk relates to value of financial assets amounting to USD 2,731,858,023 (2013: USD 2,167,248,920) and USD 2,754,474,748 (2013: USD 2,230,760,766) respectively. Price risk is actively managed by investing in highly rated investments ensuring that we have priority of payment.

An increase of 10% of the financial assets and financial instruments, would result in an equivalent increase in the fair value of the Notes of USD 273,185,802 (2013: USD 216,724,892). Similarly, a decrease of 10% of the financial assets and financial instruments will have an opposite decrease in the fair value of the Notes.

Any changes in quoted prices or unquoted prices of the financial assets held by the Company would not have any effect on the equity or profit or loss of the Company as any fair value fluctuations are ultimately borne by either the Swap Counterparty and/or the Noteholders issued by the Company and as such no detailed sensitivity analysis has been provided.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
For the year ended 31 March 2014

**23 Financial risk management (continued)**

**(c) Market risk (continued)**

**(ii) Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. There may be a timing mismatch between payments of interest on the Notes and payments of interest on the financial assets, and in the case of floating rate financial assets, the rates at which they bear interest may adjust more or less frequently, and on different dates and based on different indices than the interest rate of the Notes.

The Company does not bear interest rate risk except on cash and cash equivalents.

The interest rate profile of financial assets and financial liabilities as at 31 March 2014 and 31 March 2013 was as follows:

Group	Floating Rate	Non-bearing interest	Total
<b>31-Mar-14</b>	<b>USD</b>	<b>USD</b>	<b>USD</b>
Available for sale investments	-	606,524,308	606,524,308
Financial assets designated at fair value through profit or loss	-	2,125,333,714	2,125,333,714
Financial liabilities designated at fair value through profit or loss	-	(3,069,778,791)	(3,069,778,791)
Cash and cash equivalents	23,762,640	-	23,762,640
Derivative financial assets	-	320,641,616	320,641,616
Derivative financial liabilities	-	(5,618,335)	(5,618,335)
Other receivables	-	4,040,602	4,040,602
Other payables	-	(4,811,828)	(4,811,828)
Tax payable	-	(1,616)	(1,616)
<b>Net exposure</b>	<b>23,762,640</b>	<b>(23,670,330)</b>	<b>92,310</b>
<b>31-Mar-13</b>	<b>USD</b>	<b>USD</b>	<b>USD</b>
Available for sale investments	-	578,233,367	578,233,367
Financial assets designated at fair value through profit or loss	-	1,595,096,739	1,595,096,739
Financial liabilities designated at fair value through profit or loss	-	(2,017,738,232)	(2,017,738,232)
Cash and cash equivalents	28,582,282	-	28,582,282
Derivative financial assets	-	2,063,016	2,063,016
Derivative financial liabilities	-	(218,884,303)	(218,884,303)
Other receivables	-	60,556,098	60,556,098
Other payables	-	(27,818,486)	(27,818,486)
Tax payable	-	(1,345)	(1,345)
<b>Net exposure</b>	<b>28,582,282</b>	<b>(28,493,147)</b>	<b>89,136</b>
<b>Company</b>	<b>Floating Rate</b>	<b>Non-bearing interest</b>	<b>Total</b>
<b>31-Mar-14</b>	<b>USD</b>	<b>USD</b>	<b>USD</b>
Investment in subsidiaries	-	629,141,034	629,141,034
Financial assets designated at fair value through profit or loss	-	2,125,333,714	2,125,333,714
Financial liabilities designated at fair value through profit or loss	-	(3,069,778,791)	(3,069,778,791)
Derivative financial assets	-	320,641,616	320,641,616
Derivative financial liabilities	-	(5,337,573)	(5,337,573)
Cash and cash equivalents	135,898	-	135,898
Other receivables	-	359,702	359,702
Other payables	-	(401,674)	(401,674)
Tax payable	-	(1,616)	(1,616)
<b>Net exposure</b>	<b>135,898</b>	<b>(43,588)</b>	<b>92,310</b>
<b>31-Mar-13</b>	<b>USD</b>	<b>USD</b>	<b>USD</b>
Investment in subsidiaries	-	641,527,600	641,527,600
Financial assets designated at fair value through profit or loss	-	1,595,094,935	1,595,094,935
Financial liabilities designated at fair value through profit or loss	-	(2,017,738,232)	(2,017,738,232)
Derivative financial liabilities	-	(218,884,303)	(218,884,303)
Cash and cash equivalents	102,407	-	102,407
Other receivables	-	309,805	309,805
Other payables	-	(323,406)	(323,406)
Tax payable	-	(1,345)	(1,345)
<b>Net exposure</b>	<b>102,407</b>	<b>(14,946)</b>	<b>87,461</b>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
For the year ended 31 March 2014

23 Financial risk management (continued)

(c) Market risk (continued)

(ii) Interest rate risk (continued)

*Sensitivity analysis*

Sensitivity analysis is determined based on the Company's exposure to interest rates for interest bearing assets (included in the interest rate exposure tables above) at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting year in the case of instruments that have floating rates.

As at 31 March 2014, the Company and Group is not exposed to any interest rate risk as the financial assets does not bear interest except for cash and cash equivalents. If interest rate increases by 10%, the cash and cash equivalents would have increase by USD 13,590 (2013: USD 10,241) for the Company and USD 2,376,264 (2013: USD 2,858,228) for the Group.

(iii) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group limits its exposure to currency risk by operating bank accounts in other currencies than its functional currency for receipts and payments in other currencies than its functional currencies. The Group is exposed to movement in exchange rates between USD, its functional currency, and certain foreign currencies namely Euro (EUR), British Pound (GBP) and Swiss Franc (CHF).

The Group entered into forward currency contracts to hedge its risks associated with foreign currency fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which the derivative contract is entered into and are subsequently remeasured at fair value.

The Group's and Company's net exposure to currency risk as at 31 March 2014 is shown in the following table:

	Amounts in USD			Total
	EUR	CHF	GBP	
Financial assets designated at fair value through profit or loss	1,450,810,998	513,842,633	79,087,594	2,043,741,225
Cash and cash equivalents	135,898	-	-	135,898
Other receivables	95,416	-	-	95,416
Financial liabilities designated at fair value through profit or loss	(1,662,967,890)	(609,342,009)	(79,087,594)	(2,351,397,493)
Other payables	(323,025)	-	-	(323,025)
<b>Net exposure</b>	<b>(212,248,603)</b>	<b>(95,499,376)</b>	<b>-</b>	<b>(307,747,979)</b>

The Group's and Company's net exposure to currency risk as at 31 March 2013 is shown in the following table:

	Amounts in USD			Total
	EUR	CHF	GBP	
Financial assets designated at fair value through profit or loss	1,293,671,942	276,753,226	78,193,897	1,648,619,065
Cash and cash equivalents	102,407	-	-	102,407
Other receivables	45,929	-	-	45,929
Financial liabilities designated at fair value through profit or loss	(1,136,675,633)	(221,568,611)	(78,193,897)	(1,436,438,141)
Other payables	(39,437)	-	-	(39,437)
<b>Net exposure</b>	<b>157,105,208</b>	<b>55,184,615</b>	<b>-</b>	<b>212,289,823</b>



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
For the year ended 31 March 2014

**23 Financial risk management (continued)**

**(c) Market risk (continued)**

**(iii) Currency risk (continued)**

*Sensitivity analysis*

An entity discloses how profit or loss and equity would have been affected by changes in a relevant risk variable that were reasonably possible at the end of the reporting period. The estimation of a reasonably possible change in a relevant risk variable depends on an entity's circumstances.

A strengthening of the USD by 10%, as indicated below, against the EUR, CHF and GBP at 31 March 2014 and 31 March 2013 would have increased/ (decreased) the fair value of the financial liabilities issued by the amounts shown below.

A 10% weakening of the USD against the EUR, CHF and GBP at 31 March 2014 and 31 March 2013 would have had an equal but opposite effect on the fair value of the financial liabilities.

This analysis is based on foreign currency exchange rate variances that the Group and the Company considered to be reasonably possible at the reporting date. The analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of any forecast. The analysis is performed on the same basis for 2013, albeit that the reasonably possible foreign exchange rate variances were different, as indicated below.

	Strengthening USD	Weakening USD
<b>2014</b>		
Financial liabilities designated at fair value through profit or loss	235,139,749	(235,139,749)
<b>2013</b>	USD	USD
Financial liabilities designated at fair value through profit or loss	143,643,814	(143,643,814)

The impact of any change in the exchange rates on the investment securities relating to any Series is offset by the foreign exchange rate changes on the debt securities issued under the series. Any difference is borne by the swap counterparty and thus the exchange rate changes have no net impact on the equity or the profit or loss of the Company.

**(d) Liquidity risk**

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset and thus, the Company will not be able to meet its financial obligations as they fall due.

The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company's obligation to the Noteholders is limited to the net proceeds upon realisation of the collateral of the series should the net proceeds be insufficient to make all payments due in respect of a particular series of notes, the other assets of the Company are not contractually required to be made available to meet payment and the deficit is instead borne by the Noteholders and/or the swap counterparties according to the priority of payments mentioned in the agreements.

The timing and amounts from realising the collateral of each series is subject to market conditions. There were no liquidity issues experienced by the Company or the swap counterparty in respect to meeting obligations to Noteholders and/or to swap counterparties. The Company or the Swap counterparty did not default on any of its contractual commitments during the year.

The following are the contractual maturities of financial assets and liabilities including undiscounted interest payments and excluding the impact of netting agreements:

The maturity profile of the Group's and Company's financial liabilities as at 31 March 2014 is as follows:

	Carrying amount	Gross contractual cash flows	Less than one year	One to five years	More than five years
Group	USD	USD	USD	USD	USD
Available for sale investments	606,524,308	606,524,308	542,113,855	64,410,453	-
Financial assets designated at fair value through profit or loss	2,125,333,714	2,125,333,714	495,802,474	1,629,531,240	-
Cash and cash equivalent	23,762,640	23,762,640	23,762,640	-	-
*Derivative financial assets	320,641,616	320,641,616	320,641,616	-	-
*Derivative financial liabilities	(5,618,335)	(5,618,335)	(885,745,268)	880,126,933	-
Other receivables	4,040,602	4,040,602	4,040,602	-	-
Financial liabilities designated at fair value through profit or loss	(3,069,778,791)	(3,069,778,791)	(495,802,475)	(2,573,976,316)	-
Other payables	(4,811,828)	(4,811,828)	(4,811,828)	-	-
Tax payables	(1,616)	(1,616)	(1,616)	-	-
	92,310	92,310	-	92,310	-



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
For the year ended 31 March 2014

23 Financial risk management (continued)  
(d) Liquidity risk (continued)

	Carrying amount	Gross contractual cash flows	Less than one year	One to five years	More than five years
Company	USD	USD	USD	USD	USD
Investment in subsidiaries	629,141,034	629,141,034	548,984,935	80,156,099	-
Financial assets designated at fair value through profit or loss	2,125,333,714	2,125,333,714	495,802,475	1,629,531,239	-
Cash and cash equivalents	135,898	135,898	135,898	-	-
Other receivables	359,702	359,702	359,702	-	-
*Derivative financial asset	320,641,616	320,641,616	320,641,616	-	-
*Derivative financial liabilities	(5,337,573)	(5,337,573)	(320,733,927)	315,396,354	-
Financial liabilities designated at fair value through profit or loss	(3,069,778,791)	(3,069,778,791)	(1,044,787,409)	(2,024,991,382)	-
Other payables	(401,674)	(401,674)	(401,674)	-	-
Tax payable	(1,616)	(1,616)	(1,616)	-	-
	92,310	92,310	-	92,310	-

\* Derivative financial assets and liabilities are shown at fair value.

The maturity profile of the Group's financial liabilities as at 31 March 2013 is as follows:

	Carrying amount	Gross contractual cash flows	Less than one year	One to five years	More than five years
Group	USD	USD	USD	USD	USD
Available for sale investments	578,233,367	578,233,367	-	578,233,367	-
Financial assets designated at fair value through profit or loss	1,595,096,739	1,595,096,739	326,366,868	1,268,729,871	-
Cash and cash equivalents	28,582,282	28,582,282	28,582,282	-	-
Derivative financial assets	2,063,016	2,063,016	2,063,016	-	-
Other receivables	60,556,098	60,556,098	60,556,098	-	-
Derivative financial liabilities	(218,884,303)	(218,884,303)	49,449,607	(268,333,910)	-
Financial liabilities designated at fair value through profit or loss	(2,017,738,232)	(2,017,738,232)	(439,417,456)	(1,578,320,776)	-
Other payables	(27,818,486)	(27,818,486)	(27,818,486)	-	-
Tax payables	(1,345)	(1,345)	(1,345)	-	-
	89,136	89,136	(219,416)	308,552	-

	Carrying amount	Gross contractual cash flows	Less than one year	One to five years	More than five years
Company	USD	USD	USD	USD	USD
Investment in subsidiaries	641,527,600	641,527,600	-	641,527,600	-
Financial assets designated at fair value through profit or loss	1,595,094,935	1,595,094,935	-	1,595,094,935	-
Cash and cash equivalent	102,407	102,407	102,407	-	-
Other receivables	309,805	309,805	309,805	-	-
Derivative financial asset	(218,884,303)	(218,884,303)	326,279,406	(545,163,709)	-
Financial liabilities designated at fair value through profit or loss	(2,017,738,232)	(2,017,738,232)	(326,366,867)	(1,691,371,365)	-
Other payables	(323,406)	(323,406)	(323,406)	-	-
Tax payable	(1,345)	(1,345)	(1,345)	-	-
	87,461	87,461	-	87,461	-

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**For the year ended 31 March 2014**

**23 Financial risk management (continued)**

**Fair values**

The fair value of a financial asset and financial liability is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Company's derivative financial instruments are carried at fair value on the Statement of financial position. The fair value of the financial instruments can be reliably determined within a reasonable range of estimates. The carrying amounts of all the Company's financial assets and financial liabilities at the reporting date approximated their fair values.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date.

The Company's financial instruments carried at fair value are analysed below by valuation method. The different levels have been defined as follows:

- Level 1: Quoted market price in an active market for an identical instrument.
- Level 2: Valuation techniques based on observable inputs. This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs could have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Refer to accounting policy in note 4 for more details on how the different classes of Notes are valued.

Group	Fair value hierarchy as at 31 March 2014			
	Level 1 USD	Level 2 USD	Level 3 USD	Total USD
Available for sale investments	-	-	606,524,308	606,524,308
Financial assets designated at fair value through profit or loss	-	-	2,125,333,714	2,125,333,714
Derivative financial assets	-	-	320,641,616	320,641,616
Derivative financial liabilities	-	-	(5,618,335)	(5,618,335)
Financial liabilities designated at fair value through profit or loss	-	(1,804,250,680)	(1,265,528,111)	(3,069,778,791)
	-	(1,804,250,680)	1,781,353,192	(22,897,488)

Group	Fair value hierarchy as at 31 March 2013			
	Level 1 USD	Level 2 USD	Level 3 USD	Total USD
Available for sale investments	-	-	578,233,367	578,233,367
Financial assets designated at fair value through profit or loss	-	-	1,595,096,739	1,595,096,739
Derivative financial assets	-	-	2,063,016	2,063,016
Derivative financial liabilities	-	-	(218,884,303)	(218,884,303)
Financial liabilities designated at fair value through profit or loss	-	(936,793,177)	(1,080,945,055)	(2,017,738,232)
	-	(936,793,177)	875,563,764	(61,229,413)

Company	Fair value hierarchy as at 31 March 2014			
	Level 1 USD	Level 2 USD	Level 3 USD	Total USD
Investment in subsidiaries	-	-	629,141,034	629,141,034
Financial assets designated at fair value through profit or loss	-	-	2,125,333,714	2,125,333,714
Derivative financial assets	-	-	320,641,616	320,641,616
Derivative financial liabilities	-	-	(5,337,573)	(5,337,573)
Financial liabilities designated at fair value through profit or loss	-	(1,804,250,680)	(1,265,528,111)	(3,069,778,791)
	-	(1,804,250,680)	1,804,250,680	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
For the year ended 31 March 2014

23 Financial risk management (continued)  
*Fair values (continued)*

Company	Fair value hierarchy as at 31 March 2013			
	Level 1 USD	Level 2 USD	Level 3 USD	Total USD
Investment in subsidiaries	-	-	641,527,600	641,527,600
Financial assets designated at fair value through profit or loss	-	-	1,595,094,935	1,595,094,935
Derivative financial liabilities	-	-	(218,884,303)	(218,884,303)
Financial liabilities designated at fair value through profit or loss	-	(936,793,177)	(1,080,945,055)	(2,017,738,232)
	-	(936,793,177)	936,793,177	-

*Available for sale measured at fair value based on Level 3*

Group	31-Mar-14 USD	31-Mar-13 USD
At start of year	578,233,367	699,599,171
Disposals during the year	16,179,408	(126,326,717)
Net gain on available for sale investments	(35,807,433)	2,496,887
Movement in unrealised gain on available for sale investments	47,918,966	2,464,026
Transfer out of Level 3	-	-
At end of the year	606,524,308	578,233,367

*Financial assets measured at fair value based on Level 3*

Group	31-Mar-14 USD	31-Mar-13 USD
At start of the year	1,595,096,739	1,645,700,308
Additions during the year	2,255,703,287	159,218,592
Disposals during the year	(2,009,090,926)	(211,181,768)
Fair value movement	283,624,614	1,359,606
Transfer out of Level 3	-	-
At end of the year	2,125,333,714	1,595,096,738

Company	31-Mar-14 USD	31-Mar-13 USD
At start of the year	1,595,094,935	1,645,698,633
Additions during the year	2,255,705,091	159,218,464
Disposals during the year	(2,009,090,926)	(211,181,768)
Fair value movement	283,624,614	1,359,606
Transfer out of Level 3	-	-
At end of the year	2,125,333,714	1,595,094,935

*Investment in subsidiaries measured at fair value based on Level 3*

Company	31-Mar-14 USD	31-Mar-13 USD
At start of the year	641,527,600	733,889,114
Additions during the year	24,642,774	-
Disposals during the year	(36,953,561)	(93,516,564)
Fair value movement	(75,779)	1,155,050
Transfer out of Level 3	-	-
At end of the year	629,141,034	641,527,600

*Derivative financial instruments measured at fair value based on Level 3*

Group	31-Mar-14 USD	31-Mar-13 USD
At beginning of the year	(216,821,287)	(188,492,867)
Net amount received from swap counterparty	265,954,319	(36,130,861)
Fair value movement due to market risk	265,890,249	7,802,441
Transfer out of Level 3	-	-
At end of the year	315,023,281	(216,821,287)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**For the year ended 31 March 2014**

**23 Financial risk management (continued)**

*Fair values (continued)*

Company	31-Mar-14 USD	31-Mar-13 USD
At beginning of the year	(218,884,303)	(190,968,915)
Net amount received from swap counterparty	265,954,319	(36,130,861)
Fair value movement due to market risk	268,234,027	8,215,473
Transfer out of Level 3	-	-
At end of the year	<u>315,304,043</u>	<u>(218,884,303)</u>

*Financial liabilities measured at fair value based on Level 3*

Group	31-Mar-14 USD	31-Mar-13 USD
At beginning of year	1,080,945,055	2,188,618,832
Additions	157,597,426	126,117,438
Redemptions	(47,556,221)	(307,728,167)
Fair value movement	74,541,851	10,730,129
Transfer out of Level 3	-	(936,793,177)
At end of the year	<u>1,265,528,111</u>	<u>1,080,945,055</u>

Company	31-Mar-14 USD	31-Mar-13 USD
At beginning of year	1,080,945,055	2,188,618,832
Additions	157,597,426	126,117,438
Redemptions	(47,556,221)	(307,728,167)
Fair value movement	74,541,851	10,730,129
Transfer out of Level 3	-	(936,793,177)
At end of the year	<u>1,265,528,111</u>	<u>1,080,945,055</u>

Additional information has been made available to assess the levelling of the Equity Portfolio held by the Company as at 31 March 2014. As a result the Equity Portfolio has been classified as Level 1 in the current year.

The total amount of gain/loss estimated using a valuation technique based on significant unobservable data (level 3) that was recognised in the statement of comprehensive income is as follows:

	31-Mar-14 USD	31-Mar-13 USD
Available for sale investments	(35,807,433)	2,496,887
Financial assets designated at fair value through profit or loss	283,624,614	1,359,606
Financial liabilities designated at fair value through profit or loss	(551,782,863)	(10,730,129)
Derivative financial instruments	265,890,249	7,802,441
	<u>(38,075,433)</u>	<u>928,805</u>

Although the directors believe that their estimates of fair value are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value as fair value estimates are made at a specific point in time, based on market conditions and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgement e.g. interest rates, volatility, credit spreads, probability of defaults, estimates cashflows etc and therefore, cannot be determined with precision.

For recognised fair values measured using significant unobservable inputs, changing one or more assumptions used to reasonably possible alternative assumptions might impact on the value attributable to Noteholders, but would not have any effect on the profit or loss or on equity as any change in fair value will be borne by the Noteholders due to the limited recourse nature of the debt issued by the Company. Financial assets are fair valued based on unaudited NAVs at 31 March 2014. The latest audited financial statements are as at 31 December 2013. These NAVs as at 31 March 2014 are subject to a degree of significant unobservable inputs and hence have been classified as Level 3. The derivative financial instruments have also been classified as Level 3. The valuation of the derivative financial instruments are based on a valuation model and require a degree of subjectivity.

**Fair value measurement sensitivity analysis**

If the price of Level 3 financial assets designated at fair value through profit or loss for the Group was to increase by 10%, this would increase investments by USD 212,533,685 (2013: USD 159,509,674) for the Group and USD 212,533,371 (2013: USD 159,509,494) for the Company.

If the price of Level 3 available for sale investments for the Group was to increase by 10%, this would increase investments by USD 61,623,542 (2013: USD 57,823,336) for the Group and USD 63,885,215 (2013: USD 64,152,760) for the Company.

If the price of Level 3 derivative financial instruments for the Group was to increase by 10%, this would increase financial instruments by USD 31,502,328 (2013: decrease by USD 21,682,128) for the Group and USD 31,530,404 (2013: decrease by USD 21,888,430) for the Company.

If the price of Level 3 financial liabilities designated at fair value through profit or loss for the Group was to increase by 10%, this would increase financial liabilities by USD 127,523,923 (2013: USD 108,094,506) for the Group and USD 127,523,923 (2013: decrease by USD 108,094,506) for the Company.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**For the year ended 31 March 2014**

**24 Fair value of financial assets and financial liabilities that are not measured at fair value**

The directors consider the carrying amounts of financial assets and financial liabilities recognised in the financial statements approximate their fair values.

Group	Carrying value 31-Mar-14 USD	Fair value 31-Mar-14 USD	Carrying value 31-Mar-13 USD	Fair value 31-Mar-13 USD
<i>At amortised cost</i>				
<i>Financial assets</i>				
Cash and cash equivalents	23,762,640	23,762,640	28,582,282	28,582,282
Other receivables	4,040,602	4,040,602	60,556,098	60,556,098
<i>Financial liabilities</i>				
Tax payable	(1,616)	(1,616)	(1,345)	(1,345)
Other payables	(4,811,828)	(4,811,828)	(27,818,486)	(27,818,486)
	<u>22,989,798</u>	<u>22,989,798</u>	<u>61,318,549</u>	<u>61,318,549</u>
<b>Company</b>				
<i>At amortised cost</i>				
<i>Financial assets</i>				
Cash and cash equivalents	135,898	135,898	102,407	102,407
Other receivables	359,702	359,702	309,805	309,805
<i>Financial liabilities</i>				
Other payables	(401,674)	(401,674)	(323,406)	(323,406)
	<u>93,926</u>	<u>93,926</u>	<u>88,806</u>	<u>88,806</u>

The Company's and Group's financial assets and financial liabilities that are not accounted for at fair value through profit and loss are short term financial assets and financial liabilities whose carrying amounts approximate fair values. The different levels have been defined in note 23 to the financial statements.

Fair value hierarchy as at 31 March 2014				
Group	Level 1 USD	Level 2 USD	Level 3 USD	Total USD
<i>Financial assets</i>				
Cash and cash equivalents	-	23,762,640	-	23,762,640
Other receivables	-	4,040,602	-	4,040,602
<i>Financial liabilities</i>				
Other payables	-	(4,811,828)	-	(4,811,828)
	-	<u>22,991,414</u>	-	<u>22,991,414</u>

Fair value hierarchy as at 31 March 2014				
Group	Level 1 USD	Level 2 USD	Level 3 USD	Total USD
<i>Financial assets</i>				
Cash and cash equivalents	-	28,582,282	-	28,582,282
Other receivables	-	60,556,098	-	60,556,098
<i>Financial liabilities</i>				
Other payables	-	(27,818,486)	-	(27,818,486)
	-	<u>61,319,894</u>	-	<u>61,319,894</u>

Fair value hierarchy as at 31 March 2014				
Company	Level 1 USD	Level 2 USD	Level 3 USD	Total USD
<i>Financial assets</i>				
Cash and cash equivalents	-	135,898	-	135,898
Other receivables	-	359,702	-	359,702
<i>Financial liabilities</i>				
Other payables	-	(401,674)	-	(401,674)
	-	<u>93,926</u>	-	<u>93,926</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
For the year ended 31 March 2014

24 Fair value of financial assets and financial liabilities that are not measured at fair value (continued)

Group	Fair value hierarchy as at 31 March 2013			
	Level 1 USD	Level 2 USD	Level 3 USD	Total USD
<i>Financial assets</i>				
Cash and cash equivalents	-	102,407	-	102,407
Other receivables	-	309,805	-	309,805
<i>Financial liabilities</i>				
Tax payable	-	1,616	-	1,616
Other payables	-	(323,406)	-	(323,406)
	-	90,422	-	90,422

25 Transactions with arranger and administrator

UBS Limited, as arranger, for each Series, paid the Company €500 per Series. During the year the Company incurred a fee of USD 177,926 (2013: USD 168,847) relating to administration services provided by Deutsche International Corporate Services (Ireland) Limited. Conor Blake, as director of the Company, has an interest in this fee in their capacity as director of Deutsche International Corporate Services (Ireland) Limited.

As at the reporting date, the Company has investments in subsidiaries amounting to USD 629,141,033 (2013: USD 641,527,600). For further details, please refer to note 12.

26 Capital management

The Company is a special purpose vehicle set up to issue debt for the purpose of making investments as defined under the programme memorandum and in each of the Series memorandum agreements. Ordinary share capital of USD 54,684 was issued in line with Irish Company Law and is not used for financing the investment activities of the Company. The Company is not subject to any other externally imposed capital requirements.

27 Segmental reporting

The principal asset of the Company and Group is the available for sale financial assets and financial assets designated at fair value through profit and loss. They are originated in Cayman Islands and Jersey Islands. They were funded by Notes issued in the same country. All cash and cash equivalents are held in Ireland. The directors do not use any other segments for the purpose of managing the Company and further segmental reporting is not considered necessary.

The segmental reporting is further detailed as per below:

- **Products and services from which reportable segments derive their revenues**  
Information reported to the directors for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. The Group has only one segment under IFRS 8 which is investments.
- **Segment revenues and results**  
Since the Group has only one segment, the analysis of revenue and profit will be similar to the statement of comprehensive income.  
  
The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 2. Segment profit represents the profit earned by each segment. This is the measure reported to the directors for the purposes of resource allocation and assessment of segment performance.
- **Segments assets and liabilities**  
Since the Group is reporting only one segment, the allocation of assets and liabilities is similar to that of the statement of financial position.
- **Geographical information**  
The Group operates mainly in Ireland. However, the subsidiaries operate in two geographical areas namely Cayman Islands and Jersey Islands. Please refer to note 12 for details of the geographical locations of the subsidiaries.

The Group's other income by location of operations and information about its non-current assets by location are detailed below:

	31-Mar-14	
	Cayman Islands USD	Jersey Islands USD
Available for sale investments	542,113,855	64,410,453
Operating expenses	1,794,172	1,209,929
Other income	-	1

	31-Mar-13	
	Cayman Islands USD	Jersey Islands USD
Available for sale investments	467,593,303	110,640,064
Operating expenses	2,726,582	1,520,300
Other income	5,260	19

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
For the year ended 31 March 2014

**28 Subsequent events**

The following full redemption took place after year end:

Series	Date	Redemption of Notes	Shares disposed
Series 9	09 April 2014	GBP 35,950,000	364,605
Series 10	05 May 2014	EUR 26,100,000	294,217

The following subscription took place after year end:

Series	Date	Issuance of Notes	Shares acquired
Series 18	24 April 2014	CHF 3,250,000	3,239
Series 19	24 April 2014	USD 1,051,000	1,049

On 23 May 2014, The Company issued Series 20, USD 30,000,000 Extendable Fund Linked Notes Linked to Arden Alternative Advisers SPC USD – Series J due 2024 and invested the whole amount in the Fund Arden Alternative Advisers SPC USD.

The following Series were issued post year end:

- Series 20 - USD 30,000,000 Extendable Fund Linked Notes Linked to Arden Alternative Advisers SPC USD - Series J due 2024;
- Series 21 - Extendable Fund Linked Notes due 2015 Linked to Multi Manager Access II - Global Fixed Income Enhanced Strategies comprising of Tranche 1 EUR 16,313,035 Extendable Fund Linked Notes due 2015 Linked to Multi Manager Access II - Global Fixed Income Enhanced Strategies, Tranche 2 USD 492,700, Extendable Fund Linked Notes due 2015, Linked to Multi Manager Access II - Global Fixed Income Enhanced Strategies and Tranche 3 CHF 5,021,829 Extendable Fund Linked Notes due 2015 Linked to Multi Manager Access II - Global Fixed Income Enhanced Strategies;
- Series 22 - Extendable Fund Linked Notes due 2015 Linked to Multi Manager Access II - Emerging Markets Debt comprising of Tranche 1 EUR 120,801,134 Extendable Fund Linked Notes due 2015 Linked to Multi Manager Access II - Emerging Markets Debt, Tranche 2 USD 3,235,535 Extendable Fund Linked Notes due 2015 Linked to Multi Manager Access II - Emerging Markets Debt and Tranche 3 CHF 52,962,941 Extendable Fund Linked Notes due 2015 Linked to Multi Manager Access II - Emerging Markets Debt;
- Series 23 - Extendable Fund Linked Notes due 2015 Linked to UBS Lux SIF SICAV 1 - Global Equity Strategy Fund 1 comprising of Tranche 1 EUR 16,392,378 Extendable Fund Linked Notes due 2015 Linked to UBS Lux SIF SICAV 1 - Global Equity Strategy Fund 1, Tranche 2 USD 1,277,986 Extendable Fund Linked Notes due 2015 Linked to UBS Lux SIF SICAV 1 - Global Equity Strategy Fund 1 and Tranche 3 CHF 4,048,199 Extendable Fund Linked Notes due 2015 Linked to UBS Lux SIF SICAV 1 - Global Equity Strategy Fund 1.

**29 Profit dealt within the Company financial statements**

In accordance with the exemption contained within Section 148(8) of the Companies Act, 1963 and section 7(1A) of the Companies (Amendment) Act, 1986 the primary financial statements of the Company do not include a Statement of comprehensive income. Profit for the year of the Company is USD 4,849 (2013: USD nil).

**30 Approval of financial statements**

The board of directors approved these financial statements on 28 July 2014.