



MARWYN VALUE INVESTORS LIMITED

ANNUAL REPORT AND ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2018

# MARWYN VALUE INVESTORS LIMITED

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# MARWYN VALUE INVESTORS LIMITED

## REPORT OF THE CHAIRMAN

I present to shareholders the audited annual report and financial statements of Marwyn Value Investors Limited (the "Company") (LSE: MVI and MVIR) for the year ended 31 December 2018.

### Progress over the period

Over 2018, we saw the IPO of Safe Harbour Holdings plc ("Safe Harbour") on the AIM market of the London Stock Exchange ("AIM"), record results reported for BCA Marketplace plc ("BCA") and significant developments in Zegona Communications plc's ("Zegona") investment in Euskaltel S.A. ("Euskaltel"). However, after considering over 90 potential acquisitions since its formation, Gloop Networks plc ("Gloop") drew a close to its operations with its shares being cancelled from AIM in June 2018.

Safe Harbour, established alongside CEO Rodrigo Mascarenhas (formerly of Bunzl, a FTSE 100 company) and from 20 February 2018 chaired by Avril Palmer-Baunack, completed its IPO in March 2018 raising a further £22.7 million of equity funding with backing from a number of high profile institutional investors. Safe Harbour is focused on becoming a global leader in the B2B distribution and/or business services sector and continues to evaluate a number of platform acquisition targets, with the management team being encouraged by the array of attractive prospects for value creation.

Safe Harbour has strengthened its board with Chris Cole being appointed as a non-executive director in November 2018 and the announcement of the appointment of James Brotherton as Chief Financial Officer in March 2019, joining from Tyman plc where he has been CFO since 2010.

BCA recorded impressive results in both its annual accounts for the year ended 1 April 2018 and its interim results for the six months ended 30 September 2018, with an increase in vehicle volumes across all divisions including UK and international remarketing, showing continued success in leveraging its infrastructure and range of services to provide solutions to automotive customers across a vehicle life cycle. During the year, BCA received two proposals from Apax Partners LLP for an all cash offer for BCA, the first of which was priced at 200p per share. Both offers were unanimously rejected by the BCA directors, concluding that the offers significantly undervalued the business and its attractive long term prospects.

As part of Zegona's sale of Telecable to Euskaltel in 2017, Zegona acquired a 15% equity interest in Euskaltel. In October 2018, Zegona announced its intention to acquire additional shares of Euskaltel, resulting in an equity placing in January 2019, raising gross proceeds of approximately £100.5 million. These funds are to be used for market purchases of Euskaltel shares, with the intention to increase Zegona's influence and to constructively work with the board and management team of Euskaltel to improve the performance of the business. Euskaltel's results for the year ended 31 December 2018 reported a 11.2% increase in revenue with net profit up 26.6% on the prior year.

Wilmcote Holdings plc ("Wilmcote"), established in 2017 alongside CEO Adrian Whitfield (formerly of Synthomer plc) with target acquisitions focused on the downstream and specialty chemicals sector, has explored a number of opportunities in line with its investment strategy. Most notably in 2018 was its bid for Arysta LifeScience from Platform Specialty Products Corporation. Whilst this did not complete, Wilmcote continues to explore a number of further potentially attractive opportunities and remains confident about the prospect of being able to execute the company's investment strategy.

Wilmcote strengthened its board with the appointment of John McAdam in October 2018 as an independent non-executive director. John brings a wealth of experience to Wilmcote's board, both from his extensive career as a senior executive and from his time serving on the boards of some of the UK's most prominent listed businesses. John has a deep understanding of the chemicals sector, which will be invaluable as Wilmcote pursues its platform acquisition.

Le Chameau Group plc ("LCG") continues its operational and marketing development, launching European e-commerce websites and partnering with Amazon in the UK and US, in addition to investing in new digital marketing initiatives to drive brand awareness. This has contributed to 15% of revenue now being generated online. The business has invested heavily in 2018 in refining the brand, better understanding customers and marketing strategies, and creating a holistic proposition reflective of their premium heritage products. Investment has also been made in the Le Chameau product offering, with the leather boot range being extended to include the new Le Chameau Lite products, the addition of children's rubber boots and the development of its new technical apparel and accessory product categories which are set to launch in 2019.

The investment in marketing and product development, coupled with the late arrival of winter has required further investment to be made into Le Chameau. The resulting impact on revenue growth and profitability in 2018 has resulted in the fund making a significant write down to the carrying value of its investment during the year.

Le Chameau has a clear vision to be a leading brand within the premium country lifestyle segment. As such, Financo, a boutique investment bank specialising in the merchandising and retail sector, have been engaged to review the strategic options for the business. No transaction has been agreed and there is no certainty that any transactions will proceed; we will communicate progress with shareholders at the appropriate time.

## MARWYN VALUE INVESTORS LIMITED REPORT OF THE CHAIRMAN

A detailed review of the performance of the underlying investment assets (the "Portfolio Companies") is set out in the Report of the Manager.

### Ordinary Share Distribution Policy

The Ordinary Share Distribution Policy was amended on 5 September 2018, permitting the 'Minimum Annual Distribution' (as defined in the policy) to be made through the repurchase of ordinary shares. Under the amended policy, returns to ordinary shareholders may be made by repurchase of shares, dividend payments, or a combination of both. It is the Board's current intention to effect the distribution via share repurchases, which commenced on 1 October 2018 (the "buy-back scheme"). Should the repurchases under the buy-back scheme not be sufficient to satisfy the quarterly allocation of the Minimum Annual Distribution, the balance will be paid as a dividend. We will continue to review the means by which funds are distributed on a regular basis.

The full amended Ordinary Share Distribution Policy is available within the August 2018 circular, included in the 'Documents' section of the Company's website, [www.marwynvalue.com](http://www.marwynvalue.com).

Prior to the amendment of the distribution policy, quarterly interim dividends of 2.064p per ordinary share were paid in January, April and July 2018.

Under the buy-back scheme, £1.46 million was distributed to ordinary shareholders in Q4 2018. A total of 1,186,468 ordinary shares were repurchased at an average price of 123.12 pence per share. On 31 December 2018, these were converted into exchange shares with the corresponding limited partnership interests cancelled.

### January 2019 Partial Offer

In January 2019, Marwyn Value Investors LP (the "Master Fund"), under instruction from Marwyn Asset Management Limited (the "Manager") made a partial offer to institutional shareholders for ordinary shares in the Company (the "Partial Offer"), conducted by way of a reverse bookbuild. Pursuant to this offer, the Master Fund acquired 4,030,625 ordinary shares at a price of 130p per share for a total consideration of £5.2 million.

To the date of this report, a total of £52.4 million has been returned to ordinary shareholders since the implementation of the Ordinary Share Distribution Policy in November 2013 (including the partial offer in January 2019 and shares purchased under the buy-back scheme in 2019 to date).

### Returns to investors

#### Ordinary shares

The net asset value ("NAV") total return to ordinary shareholders, assuming reinvestment of dividends, over the year to 31 December 2018 fell by 8.6% comprising a decrease in NAV per ordinary share of 10.5% and total dividends paid to ordinary shareholders in 2018 of 6.192p per ordinary share.

Further information regarding these distributions is contained in Note 9 of these annual financial statements.

#### Realisation shares

The NAV total return to realisation shareholders over the year was a fall of 10.3%.

In September 2018, following the receipt of the initial funds as part of the liquidation of Gloop, a total of £442,978 was returned to realisation shareholders by way of a partial redemption of realisation shares.

# MARWYN VALUE INVESTORS LIMITED

## REPORT OF THE CHAIRMAN

### Discount

The Board, together with the Manager and Marwyn Investment Management LLP (the "Investment Adviser"), continues to monitor the discount of the share price to the Company's NAV per share on a regular basis for both share classes. We are committed to explore, and where appropriate pursue, opportunities to reduce the discount.

Following shareholder approval of the amended Ordinary Share Distribution Policy in September 2018, we are utilising the subsequent share buy-back scheme to seek to narrow the discount to NAV of the ordinary shares. It is intended that the buy-backs will provide increased liquidity in the ordinary shares, whilst the purchase of shares in the market at a price below the prevailing NAV will be NAV-accretive for the remaining ordinary shareholders. We remain committed to effect distributions by way of buybacks and/or dividends on a regular and predictable quarterly basis, and will continue to return 50% of net gains on asset disposals (to the extent not already distributed through dividends or share repurchases).

Furthermore, the January 2019 Partial Offer, as described on page 2, returned over £5 million of cash held by the Master Fund to ordinary shareholders. Since the announcement of the Partial Offer, the ordinary share price discount to NAV has narrowed from 38% as at 31 December 2018 to 33% as at 8 March 2019.

We continue to believe that, alongside the regular

returns made to shareholders through the Ordinary Share Distribution Policy, the deployment of remaining cash reserves in opportunities within the existing portfolio and, for ordinary shareholders, future management platforms, will lead to an improvement in both the liquidity of the shares and a narrowing of the discount to the NAV. Wilmcote and Safe Harbour are early-stage acquisition vehicles led by exceptional management teams both seeking their first platform acquisition in sectors which we believe show great opportunity and potential for shareholder value growth. We expect that these companies will require further investment and, in order for Marwyn to retain its influence in these businesses, we believe the Company's resources are best placed supporting these high-calibre management teams to create value and to support future Portfolio Company fundraisings to finance their platform acquisitions.

For realisation shareholders, we believe that the distribution of proceeds on the sale of investments as those investments are realised in line with the realisation share investment policy, will serve to reduce the discount of the realisation shares.

### Outlook

The Board believes that the Company continues to offer a unique and attractive proposition for investing in actively-managed investment opportunities and acquisition-led growth strategies in carefully selected industries.

Robert Ware  
Chairman  
29 March 2019

# MARWYN VALUE INVESTORS LIMITED

## PERFORMANCE SUMMARY

### Performance summary

#### Ordinary Shares

The NAV per ordinary share of the Company decreased during the year by 22.65p to £1.9217, a decrease of 10.5%, with the payment of three quarterly dividends of 2.064p per ordinary share totalling 6.192p per ordinary share in the year, generating a NAV total return loss over the period of 8.6%. As at 31 December 2018, the discount of the share price to NAV per share was 38.3%, an increase over the year from 25.5% as at 31 December 2017.

	NAV Total Return <sup>1</sup>	FTSE All-Share
Year (to 31 December 2018)	(8.6)%	(9.5)%
Since inception (1 March 2006 to 31 December 2018)	177.2%	95.9%

#### Realisation Shares

The NAV per realisation share of the Company decreased during the year by 22.95p to £1.9972, a decrease of 10.3%. As at 31 December 2018, the discount of the share price to NAV per share was 14.9%, a decrease over the year from 23.7% as at 31 December 2017.

	NAV Total Return	FTSE All-Share
Year (to 31 December 2018)	(10.3)%	(9.5)%
Since inception (30 November 2016 to 31 December 2018)	(7.4)%	7.5%

The decrease in NAV per ordinary share and realisation share over the period was primarily attributable to decreases in the share prices of Zegona, Wilmcote (ordinary shares only) and Gloop, a write down of the LCG investment and operational expenses.

A summary of costs ultimately incurred by the both ordinary shareholders and realisation shareholders is included in the 'Key Information Documents', located on the 'Documents' section of the Company's website, [www.marwynvalue.com](http://www.marwynvalue.com).

<sup>1</sup> Total return assumes the reinvestment of dividends paid to shareholders into the Company at NAV and is calculated on a cum income basis

# MARWYN VALUE INVESTORS LIMITED

## REPORT OF THE MANAGER

### DISCLAIMER

The report of the Manager ("Manager's Report") is issued by Marwyn Asset Management Limited which has been registered as a fund service business provider under the Financial Services (Jersey) Law 1998 by the Jersey Financial Services Commission (the "Commission"), in connection with the Master Fund, Marwyn Value Investors II LP ("MVI II LP"), MVI II Co-Invest LP, MVI II DCI I LP and the Company (collectively, the "Marwyn Funds"). The Commission is protected by the Financial Services (Jersey) Law 1998 against liability arising from the discharge of its function under that law.

This Manager's Report does not constitute a prospectus or offering document relating to the Marwyn Funds, nor does it constitute or form part of any offer or invitation to purchase, sell or subscribe for, or any solicitation of any such offer to purchase, sell or subscribe for, any securities in the Marwyn Funds (an "Investment") nor shall this Manager's Report or any part of it, or the fact of its distribution, form the basis of, or be relied on in connection with, any contract therefor.

Persons who wish to make an Investment are reminded that any such Investment should only be made on the basis of the information contained in materials provided for that purpose for your consideration and not on the information contained in this Manager's Report. No reliance may be placed, for any purposes whatsoever, on the information contained in this Manager's Report or on its completeness and this Manager's Report should not be considered a recommendation by Marwyn Investment Management LLP, the Manager or any member of the Marwyn group or any of their respective advisers or affiliates or the Marwyn Funds (the "Relevant Entities") in relation to an Investment.

No representation or warranty, express or implied, is given by or on behalf of the Relevant Entities or any of their respective directors, partners, officers, employees, advisers or any other persons as to the accuracy, fairness or sufficiency of the information or opinions contained in this Manager's Report and none of the information contained in this Manager's

Report has been independently verified by the Relevant Entities or any other person. Save in the case of fraud, no liability is accepted for any errors, omissions or inaccuracies in such information or opinions.

The distribution of this document in certain jurisdictions may be restricted by law and the persons into whose possession this document comes should inform themselves about, and observe, any such restrictions.

This Manager's Report includes "forward-looking statements" which includes all statements other than statements of historical facts, including, without limitation, those regarding the Master Fund's and the Company's financial position, business strategy, plans and objectives of management for future operations and any statements preceded by, followed by or that include forward-looking terminology such as the words "targets", "believes", "estimates", "expects", "aims", "intends", "can", "may", "anticipates", "would", "should", "could" or similar expressions or the negative thereof. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors beyond the control of the Marwyn Funds that could cause the actual results, performance or achievements of the Marwyn Funds to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the present and future business strategies of the Marwyn Funds and the environment in which the Marwyn Funds will operate in the future.

These forward-looking statements speak only as at the date of this Manager's Report.

Investing in the Company involves certain risks, as detailed in these financial statements, and as described more fully in the prospectus published by the Company on 19 October 2016.

# MARWYN VALUE INVESTORS LIMITED

## REPORT OF THE MANAGER

The Manager presents its 2018 annual report to the shareholders of the Company.

The review that follows refers to the underlying Portfolio Companies in which the Company is indirectly invested.

### What we invest in

One of the founding principles of the investment strategy is to identify, support, invest in and work alongside experienced operational management teams to manage, build and grow businesses with a target enterprise value of £150 million to £1.5 billion headquartered in the UK, Europe or the Americas.

Our approach brings private equity-style investment principles to bear primarily in public equity environments. Marwyn funds typically act as the lead cornerstone investor and draw on capital from high-calibre co-investors which, we believe, augments purchasing power when pursuing acquisitions and provides an independent validation of our investment thesis.

We believe that this unique combination of private equity and public market disciplines allows the team to effectively unlock difficult-to-acquire assets with embedded value and identify synergistic M&A opportunities to drive value for investors across market cycles. We believe our active value investment approach is differentiated through our relationship with management teams and our experience and successful track record of extracting value in the public market environment with an event-driven approach.

### How we invest

When evaluating opportunities, we seek to understand (i) the major drivers for the sector (both positive and negative), (ii) the assets under consideration for acquisition and (iii) how our buy-and-build strategy will improve value creation. Our review of a sector typically begins with discussions with potential management teams, including their investment thesis for the sector, with this information being cross referenced in meetings with companies across the sector for general information purposes.

Our process of canvassing specific industries is robust. Our immersive approach to investment means that our management teams, led by sector experts, live with us for the lifetime of our investment. Over the course of up to two years, we work with management to develop the sector thesis, company resources and target pipeline and identify suitable co-investors prior to the company's platform acquisition. We aim to avoid competitive auction processes with over 90% of deals to date completed outside of competitive processes.

We have developed a methodical approach to sourcing, executing and exiting investments, using the following process:

- partner with experienced industry-leading management teams;
- alongside management, focus on fragmented sectors which can benefit from consolidation or sectors where structural and/or regulatory change is driving a shift in value;
- actively support the development of each business; and
- exit investments at an attractive multiple to original invested capital.

### Performance

To 31 December 2018, our investee companies have together delivered an aggregate gross cash multiple on Marwyn's invested capital of 2.6x, with the investee companies drawing c.£2.7 billion of capital from Marwyn and third party co-investors.

For the year ended 31 December 2018, the NAV per ordinary share decreased by 10.5%, representing a 8.6% NAV total return loss assuming dividend reinvestment, compared with a FTSE All-Share total return loss of 9.5% over the same period. The NAV per realisation share over the period decreased by 10.3%. As noted in the Performance Summary on page 4, the decreases in NAV per ordinary share and per realisation share over the period are primarily attributable to decreases in the share prices of Zegona, Wilmcote and Gloo along with a write down of the LCG investment.

We are confident in the ability of our existing Portfolio Company management teams to deliver attractive returns for the Company's shareholders.

### Investments

We believe that the Company remains a compelling investment opportunity, providing investors with access to exceptional management talent in growing businesses alongside a clearly defined and disciplined distribution policy.

A detailed review of each of the Portfolio Companies is included on pages 8 to 13.

Given the early-stages of Safe Harbour and Wilmcote, we are confident that further opportunities to invest in the current portfolio exist as they complete platform acquisitions or for the Portfolio Companies that continue to execute their strategies.

# MARWYN VALUE INVESTORS LIMITED

## REPORT OF THE MANAGER

### Allocation of Marwyn Value Investors Limited NAV by company

Based upon the Company's investments in the Master Fund (directly) and MVI II LP (indirectly), a detailed breakdown of the Company's total NAV is shown below as at 31 December 2018 and 8 March 2019:

### Allocation of NAV by company at 31 December 2018

#### Ordinary shares

Based upon the Company's indirect investments in the Portfolio Companies through its interest in the Master Fund and MVI II LP, the Company's total NAV attributable to ordinary shareholders is broken down as follows as at 31 December 2018:

Company	Ticker	Focus	% of NAV	Held by
BCA Marketplace plc	BCA LN	Automotive	42.0%	MVI II LP
Zegona Communications plc	ZEG LN	TMT	20.8%	MVI II LP
Wilmcote Holdings plc	WCH LN	Downstream & Specialty Chemicals	7.4%	MVI II LP
Safe Harbour Holdings plc	SHH LN	B2B Distribution & Business Services	5.9%	MVI II LP
Le Chameau Group plc		Luxury Goods	10.9%	Master Fund
Other assets			28.9%	
Liabilities			(15.9)%	
<b>Net assets</b>			<b>100.0%</b>	

#### Realisation shares

Based upon the Company's indirect investments in the Portfolio Companies through its interest in the Master Fund, the Company's total NAV attributable to realisation shareholders is broken down as follows as at 31 December 2018:

Company	Ticker	Focus	% of NAV	Held by
BCA Marketplace plc	BCA LN	Automotive	36.6%	Master Fund
Zegona Communications plc	ZEG LN	TMT	30.4%	Master Fund
Safe Harbour Holdings plc	SHH LN	B2B Distribution & Business Services	8.7%	Master Fund
Le Chameau Group plc		Luxury Goods	13.1%	Master Fund
Other assets			28.1%	
Liabilities			(16.9)%	
<b>Net assets</b>			<b>100.0%</b>	

### Allocation of NAV by company at 8 March 2019

#### Ordinary shares

Based upon the Company's indirect investments in the Portfolio Companies through its interest in the Master Fund and MVI II LP, the Company's total NAV attributable to ordinary shareholders is broken down as follows as at 8 March 2019:

Company	Ticker	Focus	% of NAV*	Held by
BCA Marketplace plc	BCA LN	Automotive	42.9%	MVI II LP
Zegona Communications plc	ZEG LN	TMT	26.5%	MVI II LP
Wilmcote Holdings plc	WCH LN	Downstream & Specialty Chemicals	8.2%	MVI II LP
Safe Harbour Holdings plc	SHH LN	B2B Distribution & Business Services	6.6%	MVI II LP
Le Chameau Group plc		Luxury Goods	12.4%	Master Fund
Other assets			24.1%	
Liabilities			(20.7)%	
<b>Net assets</b>			<b>100.0%</b>	

\*The Company's shares held by the Master Fund, acquired in January 2019 under the partial offer described on page 2 are excluded from the NAV breakdown.

#### Realisation shares

Based upon the Company's indirect investments in the Portfolio Companies through its interest in the Master Fund, the Company's total NAV attributable to realisation shareholders is broken down as follows as at 8 March 2019:

Company	Ticker	Focus	% of NAV	Held by
Zegona Communications plc	ZEG LN	TMT	36.8%	Master Fund
BCA Marketplace plc	BCA LN	Automotive	35.7%	Master Fund
Safe Harbour Holdings plc	SHH LN	B2B Distribution & Business Services	9.2%	Master Fund
Le Chameau Group plc		Luxury Goods	14.2%	Master Fund
Other assets			21.4%	
Liabilities			(17.3)%	
<b>Net assets</b>			<b>100.0%</b>	

# MARWYN VALUE INVESTORS LIMITED REPORT OF THE MANAGER

## INVESTMENTS

Company:	BCA Marketplace plc ("BCA")
Sector:	Automotive
Listing:	Premium Segment of the LSE Main Market
Ticker:	BCA-LN
Website:	<a href="http://www.bcamarketplaceplc.com">www.bcamarketplaceplc.com</a>
Marwyn Fund % ownership:	4.6% (as at 31-Dec-18)
Share classes attributable to:	Ordinary and Realisation
% of NAV - ordinary shares at 31-Dec-18	42.0%
% of NAV - realisation shares at 31-Dec-18	36.6%

BCA is a group formed alongside Avril Palmer-Baunack (Executive Chairman), with the platform asset acquired from Clayton, Dubilier & Rice in April 2015 for an enterprise value of £1.3 billion. BCA's shares are listed on the Premium Segment on the Official List of the UK Listing Authority.

BCA is a managed services provider to the UK and European automotive sector, delivering a range of services throughout the life cycle of a vehicle. The company owns and operates Europe's largest automotive exchange network, providing vehicle remarketing and buying services across the UK and Europe, with over 50 auction centres and over 200 WeBuyAnyCar locations in the UK. Through BCA's online platforms, European auctions bring together buyers from 55 countries. The BCA directors consider that this provides the business with a unique physical infrastructure and market position in the automotive services sector.

BCA's management team has considerable experience and extensive relationships within the European automotive market.

Marwyn principals Mark Brangstrup Watts and James Corsellis served on the board of BCA up to December 2017.

### BCA strategy:

BCA's strategy is to create value for shareholders through both acquisitions and organic growth in the automotive sector in the UK and Europe. To achieve this goal, BCA is focused on achieving volume growth, increasing the range and penetration of its services across the value-chain and improving efficiency. BCA operates across the post-factory automotive value chain, providing physical and digital solutions at scale to its customers. BCA continues to work with all major market participants to develop and adapt integrated solutions to solve and meet the needs of an evolving sector, maximising value for all stakeholders.

### Progress over the period:

On 27 July 2018, BCA released its Annual Report and Accounts for the year ended 1 April 2018, reporting record results with an increase in vehicle volumes across all divisions and significant growth in revenue of £400 million, representing a 20%

increase from the prior year. Adjusted EBITDA<sup>2</sup> increased by 17.6% to £159.5 million, while adjusted diluted earnings per share increased to 11.4p, up 25.3% (compared to 9.1p in 2017). Operating profit increased by 17.9% to £87.6 million.

These results were driven by growth in UK vehicle remarketing volume (up 6.5%, reflecting, for the first time on record, over one million vehicles sold in the UK in one year), international vehicle remarketing volume (up 4.3%) and WeBuyAnyCar volume (up 12.9%).

BCA also secured new outsourced remarketing contracts and major commercial arrangements with a number of global original equipment manufacturers ("OEMs"), and is well-positioned to continue capturing volume in the evolving European automotive market.

BCA declared a final dividend of 5.95p per share, paid on 28 September 2018 (representing a full year dividend of 8.55p, up 26.7% on the prior year). An interim dividend was declared on 29 November 2018 of 3.0p per share which was paid on 30 January 2019.

During the period, BCA received two preliminary and conditional proposals from Apax Partners LLP ("Apax") regarding an all cash offer for BCA, the first of which was priced at 200p per share (details of the subsequently improved offer were not disclosed). After careful consideration, both offers were unanimously rejected by BCA's board, concluding that the offers significantly undervalued the company and its highly attractive long term prospects.

On 29 November 2018, BCA released its unaudited interim results for the six months ended 30 September 2018, with revenue of £1,429.7 million, up 22.0% from the equivalent period in the prior year and adjusted EBITDA<sup>2</sup> of £85.4 million, an increase of 12.7% on the equivalent prior period.

### Performance:

During the year to December 2018, BCA's share price increased from 204.2p at 31 December 2017 to 220.0p, an increase of 7.74%, and BCA paid dividends totaling 8.95p per share.

### Outlook

We continue to be enthused by BCA's prospects over the coming years, based both on its sector-leading progression over the last three years and its current position to capitalise on ongoing shifts in the European automotive sector. We were encouraged that the Board unanimously rejected Apax's offer in June 2018 stating that it significantly undervalued the company, and note that BCA continues to trade at what we believe is an unjustified discount to peers.

<sup>2</sup> Earnings before interest, taxation, depreciation and amortisation adjusted for significant and non-recurring items

# MARWYN VALUE INVESTORS LIMITED

## REPORT OF THE MANAGER

Company:	Zegona Communications plc ("Zegona")
Sector:	TMT
Listing:	Standard Segment of the LSE Main Market
Ticker:	ZEG-LN
Website:	<a href="http://www.zegona.com">www.zegona.com</a>
Marwyn Fund % ownership:	25.8% (as at 31-Dec-18) 18.9% (as at 29-Mar-19)
Share classes attributable to:	Ordinary and Realisation
% of NAV - ordinary shares at 31-Dec-18	20.8%
% of NAV - realisation shares at 31-Dec-18	30.4%

Zegona is an acquisition vehicle formed alongside Eamonn O'Hare (Chairman and CEO) and Robert Samuelson (COO) to acquire businesses in the European TMT sector. Zegona's shares are listed on the Main Market of the London Stock Exchange.

Marwyn principal Mark Brangstrup Watts is a non-executive director of Zegona as well as being a non-executive director of the Manager and a managing partner of the Investment Adviser.

### Zegona strategy:

Zegona was established in the European TMT sector, focusing on network-based communications and entertainment opportunities. Zegona targets strategically sound businesses that require active change to realise value, creating significant long-term returns through fundamental business improvements.

Zegona's current strategy is to increase its ownership position in Euskaltel and to use this increased influence to work constructively with the Euskaltel board of directors and management to improve the performance of the business.

### Progress over the period:

As part of the sale of Telecable, the leading "quad-play" telecommunications operator in Asturias, Spain, to Euskaltel in July 2017, Zegona acquired a 15% equity interest in Euskaltel, with Robert Samuelson being appointed to the Euskaltel board.

On 29 March 2018, Zegona announced its results for the year ended 31 December 2017, reporting a profit for the year of €41.8 million driven by the sale of Telecable and highlighting the opportunity for further shareholder value creation through the 15% ownership in Euskaltel.

On 19 October 2018, Zegona announced its intention to acquire additional shares of Euskaltel by way of a partial tender offer, funded through a non-pre-emptive institutional placing of ordinary shares in Zegona.

On 21 December 2018, Zegona announced that, due to deterioration in equity market conditions, it no longer intended to proceed with the partial tender offer but instead increase its stake in Euskaltel by up to a further 12.5% through market share purchases at a price it considers attractive for its shareholders based on the prevailing market conditions, still funded by an equity placing and up to £30 million of debt financing.

The results of placing were announced on 14 January 2019, with a total of 95.7 million Zegona ordinary shares placed at a price of 105p per share, raising gross proceeds of approximately £100.5 million. Of this, £10 million was invested by the Marwyn funds; our post-placing ownership of Zegona is 18.9%. Members of the Zegona management team participated in the placing, demonstrating their support of the fundraise and future potential of Euskaltel.

Zegona remains focused on increasing its stake in Euskaltel via the market purchases and using its increased influence to constructively work with the board and management team of Euskaltel to improve the performance of the business.

On 28 February 2019, Euskaltel released its results for 2018, reporting a 11.2% increase in revenue with net profit up 26.6% on the prior year.

Over 2019, Zegona announced dividends of 3.9p per share, totaling £4.9 million, paid on 24 April 2018 and 2.8p per share, totalling £3.5 million paid on 28 December 2018.

In January 2019, Zegona revised its dividend policy such that future dividends will be funded by the receipt of dividends from Euskaltel and other cash reserves. Zegona intends, irrespective of any debt financing obligations, for the foreseeable future, to promptly return the sterling equivalent of all the dividends received from Zegona's investment in Euskaltel to its shareholders. Zegona subsequently declared an interim dividend of 2.5p per share, totalling £3.2 million, paid on 1 March 2019.

### Performance:

During the year to 31 December 2018, Zegona's share price decreased from 139.0p at 31 December 2017 to 119.0p, a decrease of 14.39%, and Zegona paid dividends totaling 6.7p per share.

### Outlook

We are highly supportive of the Zegona management team and their strategy for Euskaltel, which are expected to drive meaningful additional synergies from the recent Telecable and R Cable acquisitions (estimated at +€40m per annum ongoing). More significantly, we expect substantial upside over the medium term from Zegona's plan to expand Euskaltel nationally across Spain, leveraging the expertise of the highly regarded ex-Jazztel team led by José Miguel García.

# MARWYN VALUE INVESTORS LIMITED

## REPORT OF THE MANAGER

Company:	Wilmcote Holdings plc ("Wilmcote")
Sector:	Downstream and Specialty Chemicals
Listing:	LSE AIM
Ticker:	WCH LN
Website:	<a href="http://www.wilmcoteplc.com">www.wilmcoteplc.com</a>
Marwyn Fund % ownership:	60.4% (as at 31-Dec-18)
Share classes attributable to:	Ordinary
% of NAV - ordinary shares at 31-Dec-18	7.4%
% of NAV - realisation shares at 31-Dec-18	N/A

The company is led by Adrian Whitfield in his role as CEO. Adrian was previously CEO of Synthomer plc (the FTSE-250 listed specialty polymer operator formerly known as Yule Catto).

Wilmcote was established in March 2017 and admitted to trading on the AIM Market of the London Stock Exchange on 17 August 2017. On admission, Wilmcote raised £15 million with backing from institutional investors in addition to the initial £10 million invested by the Marwyn funds.

Mark Brangstrup Watts and James Corsellis are executive directors of Wilmcote, as well as being non-executive directors of the Manager and managing partners of the Investment Adviser.

With effect from 24 September 2018, James Corsellis was appointed Chairman of Wilmcote.

### Wilmcote strategy:

Wilmcote has been established with the objective of creating value for its investors through the acquisition and subsequent development of target businesses in the downstream and specialty chemicals sector. Wilmcote intends to acquire a controlling stake in a company or group of companies with an enterprise value in the region of £500 million to £2 billion and expects the acquired target to act as a platform for follow-on acquisitions that complement the initial business.

Strong opportunities for growth have been identified in this sector, which is expected to be driven primarily by the demands of the end-markets it serves. The opportunity exists to create significant shareholder value through a well-executed buy-and-build strategy. This is supported by, among other things: (i) a large and mature addressable market; (ii) economies of scale; (iii) high levels of fragmentation; and (iv) a constantly evolving customer preference and regulatory environment.

Within this sector, Wilmcote intends to acquire an established operator of scale that leads or is in a position to become a leader in specific attractive niches, headquartered in the UK, Europe or North America. In addition, Wilmcote may subsequently invest in businesses located in global emerging markets in light of geographical shifts in the industry.

### Progress over the period:

Since listing on AIM, Wilmcote has pursued its stated strategy. Wilmcote has explored a number of opportunities in line with its investment strategy, in particular the potential acquisition of Arysta LifeScience from Platform Specialty Products Corporation where considerable progress was made. Following Wilmcote's suspension of trading on 7 June 2018 pursuant to confirming press speculation regarding a potential transaction, Wilmcote announced on 18 June 2018 that it was no longer in discussions with Platform Specialty Products Corporation. Following this announcement, Wilmcote's shares were re-admitted to trading.

The directors of Wilmcote are continuing to explore opportunities and remain excited about the prospects of being able to execute the company's investment strategy and to unlock the full potential of acquired assets.

In September 2018, Wilmcote announced that John McAdam was to join the board as an independent non-executive director, with effect from 1 October 2018.

On 28 September 2018, Wilmcote released its audited annual report and accounts from incorporation to 30 June 2018, reporting a net cash balance after deducting costs incurred and accrued in respect of operating and due diligence expenses of approximately £11.5 million.

### Performance:

During the year to 31 December 2018, Wilmcote's share price decreased from 132.5p at 31 December 2017 to 102.5p, a decrease of 22.64%.

# MARWYN VALUE INVESTORS LIMITED

## REPORT OF THE MANAGER

Company:	Safe Harbour Holdings plc ("Safe Harbour")
Sector:	B2B Distribution & Business Services
Listing:	LSE AIM
Ticker:	SHH LN
Website:	<a href="http://www.safeharbourplc.com">www.safeharbourplc.com</a>
Marwyn Fund % ownership:	30.6% (as at 31-Dec-18)
Share classes attributable to:	Ordinary and Realisation
% of NAV - ordinary shares at 31-Dec-18	5.9%
% of NAV - realisation shares at 31-Dec-18	8.7%

Safe Harbour is led by Rodrigo Mascarenhas who joined the Company from his role as Business Area Head and Managing Director for LATAM (Latin America, Spain & Israel) of Bunzl plc, the FTSE-100 UK distribution conglomerate. Rodrigo is supported by Avril Palmer-Baunack as a Non-Executive Chairman (alongside her role as Executive Chairman of BCA) and, from 14 November 2018, Chris Cole.

Safe Harbour is an AIM-listed company established with the objective of creating value for its investors through the acquisition and subsequent development of assets engaged in B2B distribution and/or business services.

Mark Brangstrup Watts and James Corsellis are executive directors of Safe Harbour, as well as being non-executive directors of the Manager and managing partners of the Investment Adviser.

### Safe Harbour strategy:

Safe Harbour aims to become a global leader in B2B distribution and/or business services through a well-executed buy-and-build strategy. Leveraging Rodrigo's track record of successful buy-and-build strategies, the board intends to draw upon its managerial and operational experience in consolidation and integration to drive business transformation to achieve attractive, long-term compounding returns for shareholders.

Safe Harbour intends to initially acquire a controlling stake in a platform asset of scale, which operates in a sector demonstrating a large addressable market opportunity, a steady growth outlook, and a high level of fragmentation allowing the deployment of a meaningful buy-and-build strategy to capitalise on economies of scale. The location of operations of the platform asset is expected to be in the UK, Europe or North America with an enterprise value in the region of £250 million to £1.5 billion. Safe Harbour will prioritise assets outside competitive auction processes and situations where Safe Harbour has a distinct advantage in acquiring the assets at attractive valuations.

### Progress over the period:

On 15 March 2018, Safe Harbour successfully raised £22.7 million on the London Stock Exchange's AIM market with backing from major institutional investors, through the placing of ordinary shares at a price of 120p per share, in addition to the initial £10 million invested by the Marwyn funds on the launch of Safe Harbour. Additional capital is expected to be raised at the time of the company's platform acquisition.

Safe Harbour released its unaudited interim results for the six months ended 30 June 2018, reporting a cash balance of £28.1 million.

On 14 November 2018, Safe Harbour announced that Chris Cole joined the board as an independent non-executive director, with immediate effect.

During the period, Safe Harbour has evaluated a number of assets meeting its investment criteria. The management team has been encouraged by the array of attractive prospects for value creation and believes that the vehicle is well placed to progress these acquisition opportunities in the year ahead.

Safe Harbour announced the appointment of James Brotherton on 14 March 2019 as Chief Financial Officer and an Executive Director of the Company with effect from 1 August 2019. James joins Safe Harbour from Tyman plc, where he has been CFO since 2010. Tyman is a leading international supplier of engineered components to the door and window industry, and has more than doubled in size and profitability during James' tenure as CFO.

### Performance:

Safe Harbour's share price increased from 120.0p at 15 March 2018, the date of the IPO, to 132.5p as at 31 December 2018, an increase of 10.42%.

# MARWYN VALUE INVESTORS LIMITED

## REPORT OF THE MANAGER

Company: Le Chameau Group plc ("LCG")

Sector: Luxury Goods

Listing: Unquoted

Marwyn Fund % ownership: 93.4% (as at 31-Dec-18)

Share classes attributable to: Ordinary and Realisation

% of NAV - ordinary shares at 31-Dec-18 10.9%

% of NAV - realisation shares at 31-Dec-18 13.1%

LCG indirectly owns the operating business Le Chameau, the French premium rubber boot and luxury goods company led by David Robinson OBE. The Master Fund is LCG's largest shareholder with a nearly 100% economic interest.

Founded in 1927, Le Chameau has over 90 years of heritage in the manufacturing of premium rubber boots. The handmade production process is critical to the quality of the product and differentiates the brand from its competitors.

Mark Brangstrup Watts and James Corsellis are non-executive directors of LCG, as well as being non-executive directors of the Manager and managing partners of the Investment Adviser. Robert Ware, the Chairman of the Company, is also the Chairman of LCG.

### LCG Strategy:

Le Chameau has a unique heritage and a strong brand associated with its premium rubber boots. To fully understand and leverage this, Le Chameau engaged external consultants to work alongside them to refine its brand. Research undertaken helped Le Chameau to further understand its customers and further define and develop the Le Chameau brand.

The results of the exploratory work inspired a rework of marketing strategy and during the year Le Chameau developed and implemented a detailed marketing plan using a wide range of marketing tactics. The results of the various marketing tactics were carefully analysed and reported, the learnings of which are the foundation of the 2019 marketing plan which Le Chameau believe puts them in a strong position for the year ahead.

### Progress over the period:

During 2018, Le Chameau invested substantially in its product offering, extending its leather boot range with its new Chameau Lite products, designing and developing a range of children's rubber boots and extending its accessories offering. In 2019, Le Chameau will launch its second leather boot range alongside new technical apparel. The new lines have been initially presented at trade shows and to large retailers where the reception has been very positive.

Throughout the year, LCG focused on increased revenue generated through direct to customer sales. The investment in branding has strengthened Le Chameau's online presence and improved its website. However, the most significant element of this growth has been their partnership with Amazon UK and USA. Having only launched in Q3 2018, the revenue generated via Amazon has exceeded budget and issues have been identified and addressed during this period cementing the potential for further growth in this area during 2019. However, slower than anticipated growth has led to a significant write down in the value of our investment in LCG during the year.

In June 2018, the Master Fund extended the loan facility agreement with LCG, originally entered into in 2016, to £25.7 million in order to fund these business transformation initiatives. As at 31 December 2018, £24.7 million of the facility was drawn.

In February 2019, the Company confirmed that the Master Fund had engaged Financo, LLC to review its strategic options for LCG, although no transaction has been agreed and there is no certainty that any transaction will proceed.

### Performance:

Whilst the business is considered to be well-positioned for growth over the coming years resulting from the recent investment in various initiatives, this investment has required increased debt funding from the Master Fund. The mild autumn experienced across Europe and a longer than expected lead time to realise the benefits of marketing initiatives has resulting in slower than anticipated growth in 2018. As such, the carrying value of Marwyn's stake in the debt and equity of LCG has decreased to £16.7 million which reflects an increase in the loan from the Master Fund of £4.5 million, accrued interest of £1.8 million and a combined write down of equity and provision against debt of £12.9 million.

## MARWYN VALUE INVESTORS LIMITED REPORT OF THE MANAGER

Company:	Gloo Networks plc ("Gloo")
Listing:	Unquoted
Marwyn Fund % ownership:	N/A – in liquidation
Share classes attributable to:	Ordinary and Realisation

In the period since its establishment and listing on the AIM market of the London Stock Exchange in August 2015, Gloo adopted a disciplined and rigorous approach to assessing acquisition opportunities, reviewing more than 90 potential assets and conducting in-depth discussions with 11 target companies. Following a strategic review of the pipeline of potential acquisitions that demonstrated the requisite financial characteristics, the Gloo board believed that the likely timeframe to a successful completion would prove unpalatable to the broader shareholder base.

Gloo's board announced on 3 May 2018 its intention to return Gloo's remaining capital by means of a voluntary liquidation of the company.

The cancellation of Gloo's ordinary shares on AIM was achieved on 5 June 2018.

On 31 July 2018, the liquidators of Gloo declared the first distribution to all shareholders of 47p per share, representing 39.2% of gross capital invested at cost. The Marwyn Funds together received a total of c.£4.2 million of the liquidation proceeds in August 2018, crystallising a realised loss of £5.6 million attributable to the Company's ordinary shareholders and £0.7 million attributable to the Company's realisation shareholders. The proceeds received attributable to the realisation shareholders were subsequently returned to those shareholders. It is anticipated that a further small distribution will be declared in due course once the final tax return has been filed and settled with HMRC, and the winding-up process is expected to be concluded before the end of June 2019.

Following the appointment of the liquidators on 4 June 2018, Rebecca Miskin, Arnaud De Puyfontaine, James Corsellis and Mark Brangstrup Watts resigned as directors of Gloo.

## MARWYN VALUE INVESTORS LIMITED REPORT OF THE DIRECTORS

The directors submit their Annual Report and the audited financial statements for the year ended 31 December 2018.

### Directors and their interests

The directors of the Company who served during the year and subsequent to the date of this report were:

Robert Ware  
Ronald Hobbs  
Louisa Bonney  
Martin Adams

#### Robert Ware (Non-Executive Chairman)

Committee membership:  
Audit Committee – Member  
Nomination Committee – Chairman  
Remuneration Committee – Member

Length of service: 13 years  
Date of appointment: 3 October 2006  
Last re-elected to the Board: 26 June 2018 at the Annual General Meeting

Robert served first as corporate development director and then as deputy chief executive of MEPC between June 1997 and June 2003. MEPC was the fourth largest property company quoted on the LSE until September 2000, when Leconport Estates, a company jointly owned by clients of Hermes Pensions Management Limited and GE Real Estate, took the company private. During his tenure at MEPC, Robert and the team realised over £6 billion of international properties and invested over £2 billion, mainly in the UK. Prior to joining MEPC, Robert served as a director of Development Securities plc between 1988 and 1994.

Robert is currently chief executive officer of The Conygar Investment Company PLC, an AIM quoted property investment and development company formed in 2003 by Robert and members of the ex-MEPC team. Robert is also the Chairman of Le Chateau Group plc and a non-executive director at Tarsus Group plc.

Whilst the Company is not required to comply with the UK Corporate Governance Code, in recognition of Robert's long tenure on the Board, Robert will stand for re-election at each Annual General Meeting of the Company.

#### Ronald Hobbs (Non-Executive Director)

Committee membership:  
Audit Committee – Chairman  
Nomination Committee – Member  
Remuneration Committee – Member

Length of service: 5 years  
Date of appointment: 2 January 2014  
Last re-elected to the Board: 20 June 2017 at the Annual General Meeting

Ronald Hobbs, a qualified accountant, has over 25 years of private equity experience, having been managing director and senior partner with UBS AG, London and Paris in their European Private Equity Division as well as Vice President at Citicorp Venture Capital, London.

#### Louisa Bonney (Non-Executive Director)

Committee membership:  
Audit Committee – Member  
Nomination Committee – Member  
Remuneration Committee – Member

Length of service: 5 years  
Date of appointment: 2 January 2014  
Last re-elected to the Board: 5 September 2016 at the Annual General Meeting

Louisa Bonney qualified as a chartered accountant with Ernst & Young and has worked in the finance industry in Jersey for over 20 years. Her experience includes working with large multi-jurisdictional structures with private equity, real estate and private wealth. Louisa is the managing director of Axio Capital Solutions Limited ("Axio"), a provider of fund and corporate administration services in Jersey, which is the Company's administrator.

Louisa is also an executive director of the Manager as well as a non-executive director of Marwyn Capital Management Limited, Marwyn General Partner Limited (the general partner of the Master Fund), Marwyn General Partner II Limited (the general partner of MVI II LP) and other Marwyn group companies.

Louisa will stand for re-election at the forthcoming Annual General Meeting of the Company.

#### Martin Adams (Non-Executive Director)

Committee membership:  
Audit Committee – Member  
Nomination Committee – Member  
Remuneration Committee – Chairman

Length of service: 4 years  
Date of appointment: 8 May 2015  
Last re-elected to the Board: 26 June 2018 at the Annual General Meeting

Martin is the founder and Managing Director of Vietnam Fund Management Company (VFMC), which previously managed The Vietnam Fund Limited – the first institutional private equity fund to specialise in Vietnam. Martin is also currently the Chairman of Kubera Cross-Border Fund Limited, Eastern European Property Fund Limited and is a non-executive director of Metage Funds Limited and Vietnam Phoenix Fund Limited. Prior to establishing VFMC, Martin worked for the Lloyds Bank Group in the United Kingdom, the Netherlands, Portugal and Hong Kong.

# MARWYN VALUE INVESTORS LIMITED

## REPORT OF THE DIRECTORS

### Directors' interests

The directors' interests in the Ordinary Shares of the Company were as follows as at 31 December 2018 and 31 December 2017 and to the date of approval of these financial statements:

	Ordinary Shares 2018	Ordinary Shares 2017
Robert Ware	500,000	500,000
Ronald Hobbs	200,000	150,000
Martin Adams	40,000	40,000
Louisa Bonney	Nil	Nil

The directors' interests in the Realisation Shares of the Company were nil as at 31 December 2018 (2017: nil) and to the date of the approval of these financial statements.

The Board has put in place measures to ensure that the EU Market Abuse Regulation ("MAR") is adhered to.

### Status and activities

Marwyn Value Investors Limited is a closed-ended investment company registered by way of continuation in the Cayman Islands (registered number MC-228005). The rights of shareholders are governed by Cayman law and the Company's Articles of Association ("Articles"). These rights may differ from the rights and duties owed to shareholders in a UK incorporated company.

The Company was admitted to trading as a closed-ended investment company on the Specialist Fund Market (the precursor to the Specialist Fund Segment) on 8 December 2008.

The investment objective is to maximise total returns, primarily through the capital appreciation of its investment in the Master Fund. The Master Fund was launched in March 2006. It is an open-ended fund domiciled in the Cayman Islands. MVI II LP was launched in December 2015. It is an expert-fund pursuant to the Jersey Funds Law and the Expert Fund Guide and domiciled in Jersey, Channel Islands.

The investment policy allows follow-on investment in existing Portfolio Companies and, only in so far as it relates to the ordinary shares, permits investment in new Portfolio Companies.

A review of the performance of, and the outlook for, the portfolio is provided in the Report of the Manager.

An analysis of the Company's exposure to financial risk and the policies adopted in its efforts to mitigate such risks are disclosed in Note 13 to the financial statements.

### Results

The results attributable to the shareholders for the year are shown in the Statement of Comprehensive Income.

### Share capital

As at 31 December 2018, the Company had 69,585,358 ordinary shares in issue (31 December 2017: 70,771,826) and 6,720,731 realisation shares in issue (2017: 6,931,793).

### Capital returns, dividends and share repurchases

As detailed in the Report of the Chairman, pursuant to the ordinary share distribution policy for holders of ordinary shares, quarterly interim dividends of 2.064p per ordinary share were paid in January, April and July 2018.

Under the Company's buy-back scheme, £1.46 million was distributed to the ordinary shareholders in Q4 2018. A total of 1,186,468 ordinary shares were re-purchased at an average price of 123.12 pence per share. On 31 December 2018, these were converted into exchange shares with the corresponding Master Fund limited partnership interests cancelled.

In October 2018, realisation shareholders received a return of capital totalling £442,978. Following a redemption of the Company's interests in Class R(F) and Class R(G) of the Master Fund to the value of £442,978, the distribution to realisation shareholders was effected by way of a redemption of 211,062 realisation shares which were subsequently cancelled.

In January 2019, the Master Fund made a partial offer to institutional shareholders for ordinary shares in the capital of the Company. Under this offer, a total of 4,030,625 of the Company's ordinary shares were purchased at a price of 130p for a total consideration of £5.2 million.

### Facility

On 31 May 2017, MVI II LP, along with MVI II Co-Invest LP, agreed on a revolving credit facility of £50 million with Barclays Bank Plc, allowing them to execute acquisitions of portfolio company shares in the market, settled on a T+2 basis, at short notice, as well as allowing them to manage working capital effectively. The loan is secured against undrawn commitments and any facility draw down may be outstanding for a maximum of 180 days, ordinarily settled by a call of those outstanding commitments. Interest on each loan is LIBOR plus 1.70% per annum and the facility has a term of two years. During the year, there were no draw downs on the loan facility. The loan facility payable as at 31 December 2018 is £Nil (2017: £Nil). In March 2019, the facility was reduced to £30 million,

# MARWYN VALUE INVESTORS LIMITED

## REPORT OF THE DIRECTORS

### Directors' remuneration

The emoluments of the individual directors for the year were as follows:

	2018	2017
	£	£
Robert Ware	45,000	45,000
Ronald Hobbs	40,000	40,000
Martin Adams	40,000	40,000
Louisa Bonney*	40,000	40,000
	<u>165,000</u>	<u>165,000</u>

\*Payable to Axio

Directors' fees are paid directly from the Master Fund. The above fees do not include reimbursed out-of-pocket expenditure.

### Fund Manager

The Manager is entitled to a management fee, payable by the Company in arrears, equal to 1/12<sup>th</sup> of 2% per month of the NAV from the Company where such investment is not in the Master Fund. As the Company's investments are all through the Master Fund, the Company does not pay a management fee to the Manager.

The Manager receives a management fee from the Master Fund, payable monthly in arrears, equal to 1/12<sup>th</sup> of 2% of the NAV before management fees and incentive allocations in respect of Class F, Class G, Class R(F)1 and Class R(G)1 interests of the Master Fund into which the Company invests. From 30 November 2018, being 2 years after the creation of the realisation pool, the management fee on the realisation share interests is calculated by reference to NAV before management fees and incentive allocation less the aggregate value of cash and near cash investments attributable to the realisation share interests.

The Manager may, at its discretion, pay from the management fee to any person to which it has delegated any of the functions it is permitted to delegate such as the Investment Adviser. MUFG Alternative Fund Services (Ireland) Limited, the administrator to the Master Fund, calculates the management fee payable to the Manager by the Master Fund. The Manager is also entitled to reimbursement of certain expenses incurred by it in connection with its duties. The Company does not pay any management fee or carried interest charge as a result of its indirect investment in MVI II LP through the Master Fund.

As detailed in Note 14 to the financial statements, incentive allocations are due from the Master Fund in respect of interests in Class F, Class G, Class R(F)1 and Class R(G)1 into which the Company invests.

### Incentive allocation

The incentive allocations are due on returns generated by the Master Fund and are deducted from the Gross Asset Value of the Master Fund in deriving the NAV. The NAV is used to calculate the value of the Company's holding in the Master Fund.

The incentive allocations to be borne by the Class F, Class G, Class R(F)1 and Class R(G)1 interests in the Master Fund will only be due on further returns being made.

Following settlement of the Partial Offer in January 2019 the 'reference amount' in respect of Class F, being the amount that must be distributed to shareholders before any incentive allocation is due, was distributed in full. Consequently, the 'initial incentive allocation' in respect of Class F of £2,460,579 was crystallised and distributed.

During the year ended 31 December 2018, the total uncrystallised incentive allocations relating to the ordinary and realisation shares decreased by £2,786,785 (for the year ended 31 December 2017, the allocation increased by £1,696,685). The value of the total incentive allocation as at 31 December 2018 amounted to £22,918,164 (2017: 25,704,949). Four of the directors of the Manager are incentivised through the incentive allocation and three are beneficially interested in the investment advisory fee payable by the Master Fund.

Investors can assess remuneration and incentives by reference to the disclosure of the basis of calculation of the incentive allocations which was made in the Circular dated 19 October 2016 (the "Circular") in relation to the Company's investment in Class F, Class R(F)1, Class G and Class R(G)1 interests of the Master Fund. These documents are available on the Company's website. Disclosure of the amount of investment advisory fee is contained in Note 14.

# MARWYN VALUE INVESTORS LIMITED

## REPORT OF THE DIRECTORS

### Substantial shareholdings

At 31 December 2018 the following interests in 3% or more of the issued ordinary shares had been notified to the Company.

	Number of ordinary shares	Percentage of ordinary share capital
Invesco Asset Management	31,671,415	45.51
Lazard Asset Management LLC	5,198,109	7.47
Armstrong Investments Limited	5,165,000	7.42
Barclays Funds Investments Limited	3,409,090	4.90

At 31 December 2018 the following interests in 3% or more of the issued realisation shares had been notified to the Company.

	Number of realisation shares	Percentage of realisation share capital
Fidelity International Limited (FIL)	4,755,408	70.76
Third Point LLC	1,328,770	19.77
CG Asset Management	417,082	6.21

At 1 March 2019 the following interests in 3% or more of the issued ordinary shares had been notified to the Company.

	Number of ordinary shares	Percentage of ordinary share capital
Invesco Asset Management	31,671,415	45.51
Marwyn Asset Management Limited	4,812,424	6.92
Armstrong Investments Limited	4,615,000	6.63
Lazard Asset Management LLC	3,576,486	5.14
Barclays Funds Investments Limited	3,409,090	4.90

At 1 March 2019 the following interests in 3% or more of the issued realisation shares had been notified to the Company.

	Number of realisation shares	Percentage of realisation share capital
Fidelity International Limited (FIL)	4,755,408	70.76
Third Point LLC	1,328,770	19.77
CG Asset Management	417,082	6.21

# MARWYN VALUE INVESTORS LIMITED

## REPORT OF THE DIRECTORS

### Future prospects

The Board continues to believe that there is long-term value in the Master Fund and MVI II LP, with the Safe Harbour and Wilmcote investments being early stage with significant potential follow-on investment opportunities, BCA reporting strong performance and Zegona continuing to execute its investment strategy. Additional details regarding these investments are contained in the Report of the Manager.

### Auditors

The Audit Committee does not have any reason to believe that PricewaterhouseCoopers LLP ("PwC") did not conduct an effective audit.

PwC has expressed its willingness to continue to act as auditor to the Company and a resolution for its re-appointment will be proposed at the forthcoming Annual General Meeting. Audit fees for the year ended 31 December 2018 for the Company total £29,448. Non-audit fees paid to PwC for the Company for the same period totalled €7,500. All Company-related expenses are paid by the Master Fund and allocated to the relevant Master Fund class interest as described in Note 3.8 to the financial statements.

### Annual General Meeting

The notice of the Annual General Meeting will be forwarded to shareholders under separate cover.

### Corporate governance

As a company registered in the Cayman Islands and subject to the rules of the Specialist Fund Segment of the Main Market of the London Stock Exchange (the "SFS"), the Company is not required to comply with the UK Corporate Governance Code published by the Financial Reporting Council.

The directors however recognise the importance of maintaining sound corporate governance and so seek to ensure that the Company adopts policies and procedures which reflect those principles of good corporate governance as are appropriate to the Company's size. Full details are included in the latest Company prospectus available on the Company's website.

The Company is a member of the AIC and the Board has considered the principles and recommendations of the AIC Code of Corporate Governance ("AIC Code") by reference to the AIC Corporate Governance Guide for Investment Companies ("AIC Guide").

The AIC Code, as explained by the AIC Guide, addresses all the principles set out in the UK Corporate Governance Code, as well as setting out additional principles and recommendations that are of specific relevance to the Company. The AIC Code together with the AIC Guide are available on the AIC's website (<http://www.theaic.co.uk/>).

The Board considers that reporting against the principles and recommendations of the AIC Code, and by reference to the AIC Guide (which incorporates the UK Corporate Governance Code), provides better information to shareholders.

The Company has complied with the recommendations of the AIC Code and the relevant provisions of the UK Corporate Governance Code, except as set out below in this report.

The UK Corporate Governance Code includes provisions relating to:

- the role of the chief executive
- executive directors' remuneration
- the need for an internal audit function

For the reasons set out in the AIC Guide, and as explained in the UK Corporate Governance Code, the Board considers these provisions are not relevant to the position of the Company being an externally managed investment company. In particular, all of the Company's day-to-day management and administrative functions are outsourced to third parties. As a result, the Company has no executive directors, employees or internal operations. The Company has therefore not reported further in respect of these provisions.

### The Board

The Chairman, Robert Ware, is not considered to be independent due to his tenure as Chairman and his having interests in, and having other directorships within, the Marwyn group and LCG. The Board does not consider it necessary to have an independent Chairman as it believes that Robert's high level and range of business knowledge, financial experience and integrity enables him to provide clear and effective leadership and, in conjunction with his fellow directors, proper stewardship of the Company.

Louisa Bonney is not considered to be independent due to her having interests in, and having other directorships within, the Marwyn group. Notwithstanding such interests, the Board believes Louisa's skills and her position within Marwyn are of benefit to the Board, and as such do not consider that it is necessary for her to be independent. Ronald Hobbs and Martin Adams are considered to be independent in terms of their respective directorships, however they have a beneficial interest in the Company as detailed on page 15.

Given the size and composition of the Board it is not currently felt necessary to appoint a senior independent director however this position is reviewed on an annual basis by the Nomination Committee.

The Board has adopted a policy on tenure which requires the Nomination Committee to annually consider the appropriateness of the tenure of the Chairman and each director. One-third, or the nearest number to one-third, of the directors shall retire and offer themselves for re-appointment at each annual general meeting in accordance with the Articles. Each director is required to offer themselves for re-election at least every three years.

## MARWYN VALUE INVESTORS LIMITED REPORT OF THE DIRECTORS

As mentioned on page 14, given Robert Ware's tenure on the board, he will retire and offer himself for re-election at each Annual General Meeting of the Company. Louisa Bonney will also offer herself for re-election at the forthcoming Annual General Meeting of the Company.

The Chairman regularly meets with representatives of the Manager and is in regular communication with his fellow directors. In addition, the Board maintains open and frequent communication with the Manager and the administrator throughout the year so that any ad hoc items for the Board's consideration are able to be considered in a timely manner by all members of the Board.

The Board normally meets on a quarterly basis to consider among other things, the investment performance and associated matters such as

marketing and investor relations, risk and portfolio management, the suitability of the investment policy, performance of the share price as well as NAV performance and any discount between the share price and the NAV, the shareholder profile of the Company and the performance and cost of service providers, to ensure control is maintained over the Company's affairs. Regular ad hoc informal meetings are also held with the Manager principally to review the performance of the investments.

During the financial year ended 31 December 2018, the Board met a total of four times, for formal quarterly meetings. In addition, the Audit Committee, met 3 times during the year, with the Nomination Committee and the Remuneration Committee each meeting twice.

### Attendance record:

The number held has been shown for each individual to reflect the number of meetings held over the year or since the date of their appointment.

Director:	Formal Board Meetings		Audit Committee		Nomination Committee		Remuneration Committee	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Robert Ware	4	4	3	3	2	2	2	2
Louisa Bonney	4	4	3	3	2	2	2	2
Ronald Hobbs	4	4	3	3	2	2	2	2
Martin Adams	4	3	3	3	2	2	2	2

# MARWYN VALUE INVESTORS LIMITED

## REPORT OF THE DIRECTORS

### Board committees

The Company uses a number of committees to manage its operations. Each committee has formal written terms of reference, which clearly define their responsibilities. The terms of reference are available to access on the Company's website [www.marwynvalue.com](http://www.marwynvalue.com).

### Audit Committee

The Audit Committee comprises all the directors of the Company and meets at least twice a year. Ronald Hobbs is Chairman of the Audit Committee. The terms of reference of the Audit Committee are reviewed and reassessed for their adequacy on an annual basis. The Audit Committee provides a forum through which the Company's auditor has access to and can report to the Board. Its functions relate to the Company only and do apply to the Master Fund, MVI II LP or any other vehicle.

The Company's auditor provides certain tax services to the Company. However audit independence regulations do not currently restrict the services which are provided under the terms of the separate engagement entered into.

The Audit Committee performs the following functions:

- selection of the statutory auditor and making recommendations relating to the appointment of the statutory auditor to the Board;
- monitoring the financial reporting (including cash and securities reconciliations) process and submitting recommendations or proposals to the board in order to ensure the integrity of that process;
- monitoring the statutory audit of the Company's annual financial statements and the performance of the Company's auditor, taking into account any findings and conclusions by the Financial Reporting Council under article 26 (6) of Regulation 538/2014 (the "Audit Regulation");
- reviewing and monitoring auditor independence in accordance with paragraphs 2(3), 2(4), 3 to 8 and 10 to 12 of Schedule 1 to the Statutory Auditors and Third Country Auditors Regulations 2016 (SI 2016/649) and article 6 of the Audit Regulation, and in particular the appropriateness of the provision of non-audit services to the issuer in accordance with article 5 of the Audit Regulation;
- informing the Board of the outcome of the statutory audit and explaining how the statutory audit contributed to the integrity of the financial reporting process what role the Audit Committee played in that process; and
- keep under review the adequacy and effectiveness of the Company's internal financial controls and internal control and risk management systems

### Nomination Committee

The Nomination Committee comprises all the directors of the Company and meets at least twice a year. Robert Ware is Chairman of the Nomination Committee. The terms of reference of the Nomination Committee are reviewed and reassessed for their adequacy on an annual basis. Members of the Nomination Committee do not participate in the review of their own position, and further, Robert Ware will not chair a meeting of the Nomination Committee when it is dealing with the matter of succession to the chairmanship of the Board.

The function of the Nomination Committee is to consider the appointment and re-appointment of directors. When considering the appointment and re-appointment of directors, the Nomination Committee and the Board consider whether the Board and its committees have a balance of skills, experience, length of service, knowledge of the Company, its diversity, how the Board works together and any other factors relevant to the effectiveness of the Board including if the director or candidate being reviewed has sufficient time to devote to the Company to carry out their duties effectively.

The Board and the Nomination Committee does not take into account the gender of a director or candidate as they do not believe it affects a director's performance.

The Board also believes that due to the specialist nature of the Company it is not appropriate at this time to use an external search consultancy or open advertising. This position is reviewed by the Board prior to any new appointments.

Formal induction training is provided to new directors on request. All new directors meet with the Chairman, and members of the Nomination Committee, prior to appointment in order to discuss the Company, the Manager, the responsibilities of a director of the Company and investment company industry matters.

Any new directors will meet with the full Board at the earliest opportunity following their appointment. In addition, all directors have full access to the administrator and the Manager.

All directors are re-elected at the next Annual General Meeting following their appointment and thereafter retire by rotation (with one third of the directors being required to retire by rotation each year) subject also to the requirement that all directors are required to offer themselves for re-election at least every three years.

# MARWYN VALUE INVESTORS LIMITED

## REPORT OF THE DIRECTORS

### Remuneration Committee

The Remuneration Committee comprises all the directors of the Company and meets at least twice a year. Martin Adams is Chairman of the Remuneration Committee. The terms of reference of the Remuneration Committee are reviewed and reassessed for their adequacy on an annual basis. Members of the Remuneration Committee do not participate in the review of their own remuneration.

The Company's remuneration policy is to set remuneration at a level to attract individuals of a calibre appropriate to the Company's future development.

### Management Engagement Committee

The Board considers that due to its size and structure as a feeder fund, it would be unnecessarily burdensome to establish a separate management engagement committee. The review of the performance of, and contractual arrangements with, the Manager is undertaken by the Board. However only directors independent of the Manager are involved with this review.

### Relations with shareholders

The directors are always available for communication with shareholders and all shareholders have the opportunity, and are encouraged, to attend and vote at the Annual General Meetings of the Company during which the Board and the Manager will be available to discuss issues affecting the Company. The Board is regularly informed of shareholders' views via regular updates from the Manager and Broker as to meetings and other communications they may have had with shareholders.

### Statement of going concern

Under the relevant class agreements between the Company and the Master Fund, the Master Fund is required to meet the Company's expenses and as such, the directors consider that there is no mismatch between the Company's assets and liabilities. The directors believe that the Company, via the Master Fund, has sufficient resources to meet all liabilities as they fall due for the foreseeable future and continue to adopt a going concern basis in preparing the financial statements.

### Internal control

The Board is responsible for establishing and maintaining the Company's system of internal quality control and risk management and reviewing its effectiveness. Internal control systems are designed to meet the particular needs of the Company and the particular risks to which it is exposed.

The procedures are designed to manage rather than eliminate risk and by their nature can only provide reasonable but not absolute assurance against material misstatement or loss. The key procedures which have been established to provide effective internal controls are as follows:

The duties of managing the investments and accounting are segregated

- MUFG Alternative Fund Services (Ireland) Limited, a company independent of the Manager and the Board, provides administrative and accounting services to the Master Fund
- Custodian services are provided by an independent party to the Master Fund and are segregated from the administrative and accounting services provided
- The Board reviews financial information produced by the Manager and Axio on a regular basis
- The Manager and Axio are regulated entities and are subject to an annual audit by an independent auditor. This is confirmed to the Board on an annual basis
- Assets attributable to the realisation shares are segregated from those attributable to the ordinary shares

The Company does not have an internal audit function as all of the Company's management functions are delegated to third parties and it is therefore felt that there is no need for the Company to have an internal audit function.

The Audit Committee has reviewed the Company's risk management and control systems and believes that the controls are satisfactory given the nature and size of the Company.

### Financial Risk Profile

The Company's financial instruments comprise investments, cash and various items such as payables and receivables that arise directly from the Company's operations. The main purpose of these instruments is the investment of shareholders' funds. The main risks are detailed in Note 13 to the financial statements and pages 43 to 47.

## MARWYN VALUE INVESTORS LIMITED REPORT OF THE DIRECTORS

### Directors' Responsibilities

The directors are responsible for preparing the financial statements in accordance with applicable law and International Financial Reporting Standards as adopted by the European Union ("IFRS").

The directors are required to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period and to confirm that the Reports contained in these Financial Statements includes a fair review of the performance of the business and the position of the Company.

In preparing these financial statements the directors are required to:

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

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with Cayman law. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Each of the directors, whose names and functions are listed on page 14, confirms that, to the best of their knowledge:

- these financial statements, which have been prepared in accordance with IFRS, give a true and fair view of the assets, liabilities, financial position and loss of the Company; and
- the Reports contained in these financial statements includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces.

On behalf of the Board

Robert Ware  
Chairman  
29 March 2019

Louisa Bonney  
Director  
29 March 2019

# MARWYN VALUE INVESTORS LIMITED

## REPORT OF THE INDEPENDENT AUDITOR

### **Independent auditors' report to the directors of Marwyn Value Investors Limited**

#### **Report on the audit of the financial statements**

##### **Opinion**

In our opinion, Marwyn Value Investors Limited's non-statutory financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its loss and cash flows for the year then ended; and
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

We have audited the financial statements, included within the Annual Report and Accounts (the "Annual Report"), which comprise: the statement of financial position as at 31 December 2018; the statement of comprehensive income, the statement of cash flows, the statement of changes in net assets attributable to equity holders of the company for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

##### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

##### **Independence**

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

#### **Our audit approach**

##### **Overview**



- Overall materiality: £1,471,458 (2017: £1,674,000), based on 1% of net assets.
- The net asset value of the Fund is directly linked to the valuation of the underlying investments held by the Master Fund.
- We obtain evidence over the financial assets measured at fair value through profit or loss of the Fund by performing procedures over the underlying investments held by the Master Fund.
- The Master Fund, which is managed by Marwyn Asset Management Limited, holds a portfolio of investments which is composed of 7.60% listed equity securities, 0.02% of unlisted equity securities, 12.55% of internally modelled equity and debt securities, and a 79.82% investment in a related fund, Marwyn Value Investors II LP.
- The investment, Marwyn Value Investors II LP ("MVI II") is managed by Marwyn Asset Management Limited, and it invests in a portfolio of investments which is composed of 99.80% listed equity securities and 0.20% unlisted equity securities.
- Valuation of the investment in the Master Fund (MVI LP) and the valuation of investments held by MVI LP
- Distribution Income from the Master Fund

##### **The scope of our audit**

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

##### **Key audit matters**

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This

# MARWYN VALUE INVESTORS LIMITED REPORT OF THE INDEPENDENT AUDITOR

is not a complete list of all risks identified by our audit.

## **Key audit matter**

## **How our audit addressed the key audit matter**

### *Valuation of the investment in the Master Fund*

The company has invested all of its available capital in limited partnership interests of the Master Fund and measures this investment at fair value through profit or loss. Changes in the valuation of the Master Fund directly impacts the company. The valuation of the Master Fund is determined by the fair value of its underlying investments as of the reporting date.

Valuation of the Fund's investment in the Master Fund is also impacted by allocations of gains, losses, and charging of expenses in accordance with the Master Fund's governing agreements.

We have tested cash investments into the Master Fund and distributions received and the cash movements to the bank statements, agreements, and notices. No material misstatements were identified which required reporting to those charged with governance.

The valuation of the investment in the Master Fund is primarily determined by the valuation of the investments held by the Master Fund itself. We gained an understanding of management's valuation process over those investments, including an assessment of the design of relevant controls, and performed the following procedures:

- We tested the valuation of the listed equity investments by agreeing prices used in the valuation to independent third party sources. All prices used by management were within a tolerable range of our independently obtained pricing, no material misstatements were identified which required reporting to those charged with governance.
- For unlisted investment in Le Chateau Group Plc, we obtained support for the valuations by testing internal models and comparing to recent transaction values. Using valuation specialists, we reviewed the model and compared it to industry norms, evaluated significant assumptions to observable market or standard industry assumptions, and agreed key inputs to the model to supporting documentation. This included an assessment of management's significant assumptions for bias. Based on the procedures performed, management's significant assumptions and conclusions were found to be reasonable, with no material misstatements identified which required reporting to those charged with governance. We have recalculated the related unrealised fair value loss incurred in the year in respect of the Le Chateau valuation, no material misstatements were identified.
- We tested the valuation of investments in MVI II by agreeing the recorded net asset value to the audited financial statements of MVI II in line with the Master Fund's percentage ownership. In addition, we performed additional valuation procedures through agreeing prices used in the valuation of the listed investments to independent third party sources. Through performance of these procedures, no material misstatements were identified which required reporting to those charged with governance.

We tested a sample of monthly allocations of gains and losses for completeness and accuracy. Further, we obtained the audited financial statements of the Master Fund and analysed the allocation of performance for reasonableness. No material misstatements were identified which required reporting to those charged with governance.

### *Distribution Income from the Master Fund*

Distribution Income relates to quarterly distributions received from the Master Fund in accordance with the Fund's "Dividends and distributions" policy. We focused on

We assessed the accounting policy for recognition of distribution income for compliance with IFRS as adopted by the EU. We found that the accounting policies implemented were in accordance with accounting standards.

# MARWYN VALUE INVESTORS LIMITED

## REPORT OF THE INDEPENDENT AUDITOR

### Key audit matter

the accuracy and completeness of distribution income recognition and its presentation in the Statement of Comprehensive Income. This is because incomplete or inaccurate income could have a material impact on the Company's net asset value.

### How our audit addressed the key audit matter

We tested the accuracy and completeness of distribution income by:

- Agreeing the amounts recognised to notices provided by the Master Fund;
- Agreeing recorded cash received to bank statements;
- Reviewing minutes of the general partner meetings for the Master Fund to verify occurrence and completeness of distribution activity; and
- Agreed the total amount of distribution income received and/or accrued to the amount of distributions per the Master Fund's audited financial statements.

No material misstatements were identified by our testing which required reporting to those charged with governance.

### How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the company, the accounting processes and controls, and the industry in which it operates.

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we looked at where the Directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. We also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

The risks of material misstatement that had the greatest effect on our audit, including the allocation of our resources and effort, are identified as a "Key audit matter" in the table above. We have also set out how we tailored our audit to address these specific areas in order to provide an opinion on the financial statements as a whole, and any comments we make on the results of our procedures should be read in this context. This is not a complete list of all risks identified by our audit.

As the Fund invests materially all of its assets into the Master Fund, in scoping our audit approach we obtained evidence over the net asset value by performing procedures over the underlying investments held by the Master Fund. The nature and scope of our procedures performed was dictated by the types of underlying investments held by Master Fund. The Master Fund, which is managed by Marwyn Asset Management Limited, holds a portfolio of investments which is composed of 7.60% listed equity securities, 0.02% of unlisted equity securities, 12.55% of internally modelled equity and debt securities, and a 79.82% investment in a related fund, Marwyn Value Investors II LP which then invests in a portfolio of investments which is composed of 99.80% listed equity securities and 0.20% unlisted equity securities.

### Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

<b>Overall materiality</b>	£1,471,458 (2017: £1,674,000).
<b>How we determined it</b>	1% of net assets.
<b>Rationale for benchmark applied</b>	We believe that net assets is the primary measure used by the shareholders in assessing the performance of the entity, and is a generally accepted auditing benchmark.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £73,573 (2017: £83,700) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

### Conclusions relating to going concern

ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a

# MARWYN VALUE INVESTORS LIMITED

## REPORT OF THE INDEPENDENT AUDITOR

period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union, which is currently due to occur on 29 March 2019, are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

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### Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

### Responsibilities for the financial statements and the audit

#### *Responsibilities of the directors for the financial statements*

As explained more fully in the Directors' Responsibilities set out on page 22, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

#### *Auditors' responsibilities for the audit of the financial statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

#### *Use of this report*

This report, including the opinion, has been prepared for and only for the company's directors as a body for the audit of your financial statements for the year ended 31 December 2018 as required by the Company's governing documents agreement dated 19 November 2013 in accordance with our engagement letter dated 9 November 2018 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come, including without limitation under any contractual obligations of the company, save where expressly agreed by our prior consent in writing.

#### *Partner responsible for the audit*

The engagement partner on the audit resulting in this independent auditors' report is Natasha McMillan.

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### Other matter

We draw attention to the fact that these financial statements have not been prepared under section 394 of the Companies Act 2006 and are not the company's statutory financial statements.

# MARWYN VALUE INVESTORS LIMITED

## STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Notes	Year ended 31 December 2018			Year ended 31 December 2017		
		£			£		
		Revenue	Capital	Total	Revenue	Capital	Total
<b>INCOME</b>							
Finance income		295	-	295	25	-	25
Distribution income	9	2,921,461	-	2,921,461	5,842,922	-	5,842,922
Net (loss) / profit on financial assets measured at fair value through profit or loss	6	-	(18,415,116)	(18,415,116)	-	4,073,561	4,073,561
<b>TOTAL NET (LOSS) / INCOME</b>		<b>2,921,756</b>	<b>(18,415,116)</b>	<b>(15,493,360)</b>	<b>5,842,947</b>	<b>4,073,561</b>	<b>9,916,508</b>
<b>EXPENSES</b>							
Finance cost and bank charges		295	-	295	25	-	25
<b>TOTAL OPERATING EXPENSES</b>		<b>295</b>	<b>-</b>	<b>295</b>	<b>25</b>	<b>-</b>	<b>25</b>
<b>(LOSS) / PROFIT FOR THE YEAR</b>		<b>2,921,461</b>	<b>(18,415,116)</b>	<b>(15,493,655)</b>	<b>5,842,922</b>	<b>4,073,561</b>	<b>9,916,483</b>
<b>TOTAL COMPREHENSIVE (EXPENSE) / INCOME</b>		<b>2,921,461</b>	<b>(18,415,116)</b>	<b>(15,493,655)</b>	<b>5,842,922</b>	<b>4,073,561</b>	<b>9,916,483</b>
<b>RETURNS PER SHARE</b>							
Attributable to holders of ordinary shares		2,921,461	(16,845,492)	(13,924,031)	5,842,922	2,925,493	8,768,415
Weighted average ordinary shares in issue for the year ended 31 December	11	70,739,320	70,739,320	70,739,320	70,771,826	70,771,826	70,771,826
Return per ordinary share - basic and diluted		4.13p	(23.81)p	(19.68)p	8.26p	4.13p	12.39p
Attributable to holders of realisation shares		-	(1,569,624)	(1,569,624)	-	1,148,068	1,148,068
Weighted average realisation shares in issue for the year ended 31 December	11	-	6,887,846	6,887,846	-	8,250,393	8,250,393
Return per realisation share - basic and diluted		-	(22.79)p	(22.79)p	-	13.92p	13.92p

Notes 1 to 18 on pages 31 to 42 form an integral part of these financial statements.

# MARWYN VALUE INVESTORS LIMITED

## STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Notes	31 December 2018 £	31 December 2017 £
<b>NON CURRENT ASSETS</b>			
Financial assets measured at fair value through profit or loss	6	147,145,808	167,464,632
<b>CURRENT ASSETS</b>			
Distributions receivable	9	-	1,460,730
Cash and cash equivalents	7	<u>127,827</u>	<u>127,557</u>
<b>TOTAL ASSETS</b>		<b>147,273,635</b>	<b>169,052,919</b>
<b>CURRENT LIABILITIES</b>			
Loan payable	8	(125,000)	(125,000)
Accruals		(2,827)	(2,557)
Dividends payable	9	<u>-</u>	<u>(1,460,730)</u>
<b>TOTAL LIABILITIES</b>		<b>(127,827)</b>	<b>(1,588,287)</b>
<b>NET ASSETS ATTRIBUTABLE TO EQUITY HOLDERS</b>		<b><u>147,145,808</u></b>	<b><u>167,464,632</u></b>
<b>CAPITAL AND RESERVES ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY</b>			
Share capital	11	94	94
Share premium	11	82,671,859	84,185,977
Special distributable reserve	12	26,346,979	26,346,979
Exchange reserve	12	54,386	54,386
Capital reserve	12	28,568,828	47,148,102
Revenue reserve	12	<u>9,503,662</u>	<u>9,729,094</u>
<b>TOTAL EQUITY</b>		<b><u>147,145,808</u></b>	<b><u>167,464,632</u></b>
Net assets attributable to ordinary shares		133,723,278	152,029,498
Ordinary shares in issue at 31 December		69,585,358	70,771,826
Net assets per ordinary share		192.17p	214.82p
Net assets attributable to realisation shares		13,422,530	15,435,134
Realisation shares in issue at 31 December		6,720,731	6,931,793
Net assets per realisation share		199.72p	222.67p

The financial statements on pages 27 to 42 were approved by the Board of Directors and authorised for issue on 29 March 2019. They were signed on its behalf by:

Robert Ware

Louisa Bonney

Notes 1 to 18 on pages 31 to 42 form an integral part of these financial statements.

# MARWYN VALUE INVESTORS LIMITED

## STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	31 December 2018	31 December 2017
Notes	£	£
<b>Cash flows from operating activities</b>		
Interest received	295	-
Bank charges paid	(25)	(25)
Cash received on redemption of Class R(F) and Class R(G) interests in the Master Fund	6 442,978	3,813,160
Distributions received on Class F and Class G interests in the Master Fund	9 <u>4,382,191</u>	<u>5,842,922</u>
Net cash inflow from operating activities	10 4,825,439	9,656,057
<b>Cash flows used in financing activities</b>		
Cash paid to realisation shareholders on redemption of realisation shares	11 (442,978)	(3,813,160)
Dividends paid to ordinary shareholders	9 <u>(4,382,191)</u>	<u>(5,842,922)</u>
Net cash outflow used in financing activities	(4,825,169)	(9,656,082)
<b>Net increase / (decrease) in cash and cash equivalents</b>		
	270	(25)
Cash and cash equivalents at the beginning of the year	<u>127,557</u>	<u>127,582</u>
Cash and cash equivalents at the end of the year	<u><u>127,827</u></u>	<u><u>127,557</u></u>

Notes 1 to 18 on pages 31 to 42 form an integral part of these financial statements.

# MARWYN VALUE INVESTORS LIMITED

## STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

For the year ended 31 December 2018

	Notes	Share capital £	Share premium £	Special distributable reserve £	Exchange reserve £	Capital reserve £	Revenue reserve £	Total £
Opening balance		94	84,185,977	26,346,979	54,386	47,148,102	9,729,094	167,464,632
Dividends paid to ordinary shareholders	9	-	-	-	-	-	(2,921,461)	(2,921,461)
Redemption of realisation shares	11	-	(228,669)	-	-	(214,309)	-	(442,978)
Ordinary share re-purchases and exchange	11	-	(1,285,449)	-	(175,281)	-	-	(1,460,730)
Transfer of realised losses and exchange to revenue reserve		-	-	-	175,281	50,151	(225,432)	-
Total comprehensive //(expense) income for the year	6	-	-	-	-	(18,415,116)	2,921,461	(15,493,655)
Closing balance		<u>94</u>	<u>82,671,859</u>	<u>26,346,979</u>	<u>54,386</u>	<u>28,568,828</u>	<u>9,503,662</u>	<u>147,145,808</u>

For the year ended 31 December 2017

	Notes	Share capital £	Share premium £	Special distributable reserve £	Exchange reserve £	Capital reserve £	Revenue reserve £	Total £
Opening balance		95	85,906,903	26,346,979	54,386	46,759,205	8,136,663	167,204,231
Dividends paid to ordinary shareholders	9	-	-	-	-	-	(5,842,922)	(5,842,922)
Redemption of realisation shares	11	(1)	(1,720,926)	-	-	(2,092,233)	-	(3,813,160)
Total comprehensive income for the year	6	-	-	-	-	4,073,561	5,842,922	9,916,483
Transfer of realised gains to revenue reserve		-	-	-	-	(1,592,431)	1,592,431	-
Closing balance		<u>94</u>	<u>84,185,977</u>	<u>26,346,979</u>	<u>54,386</u>	<u>47,148,102</u>	<u>9,729,094</u>	<u>167,464,632</u>

Notes 1 to 18 on pages 31 to 42 form an integral part of these financial statements.

# MARWYN VALUE INVESTORS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### 1. General information

Marwyn Value Investors Limited (the "Company") is a closed-ended investment fund registered by way of continuation in the Cayman Islands (registered number MC-228005) and is traded on the Specialist Fund Segment of the Main Market of the London Stock Exchange (the "SFS"). The rights of the shareholders are governed by Cayman law and may differ from the rights and duties owed to shareholders in a UK incorporated company. The address of its registered office is PO Box 309, Uglund House, Grand Cayman, KY1-1104, Cayman Islands.

### 2. New standards and amendments to IFRS

The following standards and amendments to existing standards, which are effective for annual periods beginning on or after 1 January 2018 have had no impact on the Company's financial position or results:

Standard	Effective Date
Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts	1 January 2018
IFRS 9 Financial Instruments	1 January 2018
IFRS 15 Revenue from Contracts with Customers	1 January 2018
IFRIC 22 Foreign Currency Transactions and Advance Consideration	1 January 2018
Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions	1 January 2018
Amendments to IAS 40 Transfers of Investment Property	1 January 2018

#### 2.1 New standards, amendments and interpretations not yet effective

A number of new standards, amendments and interpretations are effective for annual periods beginning on or after 1 January 2019 and have not been early adopted in preparing these financial statements. The Company has considered the impact of these and concluded that none of these are expected to have a significant effect on the financial position or results of the Company.

### 3. Summary of significant accounting policies

The principal accounting policies, which have been consistently applied in the preparation of these financial statements, are set out below.

#### 3.1 Basis of preparation

The financial statements have been prepared under the historical cost convention on a going concern basis, as modified by the revaluation of financial assets measured at fair value through profit or loss.

#### 3.2 Statement of compliance

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS") together with the applicable legal and regulatory requirements of Cayman law.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates and judgements. It also requires the Board of Directors to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 4.

The Statement of Recommended Practice ("SORP") issued in November 2014 and updated in February 2018 by the Association of Investment Companies ("AIC") seeks to best reflect the activities of an investment company. Where the SORP contains recommendations applicable to the Company and involving material balances, its recommendations have been incorporated in these financial statements.

These financial statements also comply with the requirements of the Codes of Practice for Alternative Investment Funds and AIF Service Business issued by the Jersey Financial Services Commission (the "Codes").

#### 3.3 Foreign currency translation

##### (a) Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates (the functional currency). In arriving at the functional currency the directors have considered the currency in which the original capital was raised, any distributions that may be made and ultimately the currency that the capital would be returned in on a break up basis.

The directors have also considered the currency to which the underlying investments are exposed. The directors are of the opinion that British Pounds Sterling ("Sterling") best represents the functional currency and therefore the financial statements are presented in Sterling.

# MARWYN VALUE INVESTORS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### (b) Transactions and balances

Foreign currency transactions are translated into Sterling using the exchange rates prevailing at the dates of the transactions. Foreign currency assets and liabilities are translated using the exchange rate prevailing at the Statement of Financial Position date. Foreign exchange gains and losses arising from translation are included in the Statement of Comprehensive Income.

### 3.4 Financial assets measured at fair value through profit or loss

#### (a) Classification

The Company's investment in the Master Fund was designated by the Board of Directors at fair value through profit or loss at inception as it is not held for trading but is managed, and its performance evaluated, on a fair value basis, in accordance with the Company's documented investment strategy.

On adoption of IFRS 9 Financial Instruments ("IFRS9") on 1 January 2018, the Company's business model was re-assessed. As the investment is not held for trading and the Company did not irrevocably elect, at transition, to classify the investment as a financial asset measured at fair value through other comprehensive income, the investment continues to be held as a financial asset measured at fair value through profit or loss under IFRS 9.

Changes in the fair value of investments measured at fair value through profit or loss are recognised in the Capital column of the Statement of Comprehensive Income. On disposal, realised gains and losses are also recognised in the Capital column of the Statement of Comprehensive Income and are transferred from the capital reserve to the revenue reserve in the Statement of Changes in Net Assets.

#### (b) Recognition, derecognition and measurement

The Company recognises unquoted investments measured at fair value through profit or loss on the date it commits to purchase the instrument. Derecognition of an investment occurs when the rights to receive cash flows from the investment expires or is transferred and substantially all of the risks and rewards of ownership have been transferred.

The amount that may be realised from the disposal of an investment in the Master Fund may differ from the values reflected in the financial statements.

#### (c) Fair value estimation

The Master Fund is unquoted and accordingly the fair value of the investment is determined based primarily on the NAV information provided by the administrator of the Master Fund. The NAV of the Master Fund is determined by the administrator of the Master Fund by deducting the fair value of the liabilities of the Master Fund from the fair value of the Master Fund's assets.

### 3.5 Financial assets measured at amortised cost

Financial assets include distributions receivable, which are initially recognised at transaction price and subsequently measured at amortised cost. At the end of each period, financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of estimated, discounted cash flows. Any impairment loss is recognised in profit or loss in the Statement of Comprehensive Income.

### 3.6 Financial liabilities

The Company recognises a financial liability on assuming a financial obligation and derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire. Borrowings are initially measured at fair value net of transaction costs and subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis in the Statement of Comprehensive Income. Financial liabilities include loans payable, accruals and dividends payable.

### 3.7 Cash and cash equivalents

Cash and cash equivalents comprise bank balances held by the Company including short-term bank deposits with an original maturity of three months or less. The carrying value of these assets approximates to their fair value.

### 3.8 Finance income

Interest income on cash deposits is accounted for on an accruals basis.

### 3.9 Expenditure

Pursuant to the "Amended and restated agreement relating to Class F, Class G and Class R interests in Marwyn Value Investors LP", the Master Fund is legally obliged to settle all expenses specifically attributable to the Company. The Manager does not receive a management fee or incentive allocation from the Company in respect of funds invested by the Company in the Master Fund.

# MARWYN VALUE INVESTORS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### 3.10 Costs directly attributable to the issue of equity

Share issue costs are placing expenses directly relating to the issue of the Company's shares. These expenses include fees payable under share placement agreements, printing, advertising and distribution costs and legal fees and any other applicable expenses. All such costs are charged to equity and deducted from the proceeds received.

### 3.11 Segment reporting

The Company is organised and operates as one segment by allocating its assets to its investment in the Master Fund which is not actively traded.

## 4. Critical accounting estimates and judgements

The Company makes estimates, judgements and assumptions that affect the reported amounts of assets and liabilities. Estimates and underlying assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The fair value of the investment held in the Master Fund is determined by the directors on the basis of the NAV of the Master Fund as determined by the administrator of the Master Fund at the year end date. In turn, the NAV of the Master Fund is primarily determined by the fair value of its underlying investments which, as described in Note 6, comprise fair value hierarchy level 1 and level 3 investments. Due to their unobservable nature, level 3 investments are inherently subject to a higher degree of judgement and uncertainty. The fair value of the investment held by the Master Fund in Marwyn Value Investors II LP ("MVI II LP") (also being a fund), is determined by the MVI II LP administrator and is also primarily based on the fair value of its underlying investments, which comprise level 1 and level 3 fair value hierarchy equities. Please refer to Note 6 for further details of the valuation methodologies applied.

## 5. Taxation

The Company is exempt from all forms of taxation in the Cayman Islands, including income and capital gains. However, dividend income and certain other interest from other countries are subject to withholding taxes at various rates. The Company recognises interest and penalties, if any, related to unrecognised tax benefits as income tax expense in the Statement of Comprehensive Income. During the years ended 31 December 2018 and 31 December 2017, the Master Fund did not incur any interest or penalties. The Company identifies its major tax jurisdiction as the Cayman Islands where the Company makes significant investments (in the Master Fund). The Board has considered the Company's tax positions, and has concluded that no liability for unrecognised tax liabilities should be recorded related to uncertain tax positions for open tax years and the positions to be taken for tax year ended 31 December 2018.

The directors of the Company intend to manage the affairs of the Company in such a way that it is not resident in the United Kingdom for United Kingdom tax purposes. In these circumstances, the Company will not be subject to United Kingdom tax on its profits and gains (other than withholding tax on any interest or certain other income which has a United Kingdom source).

The Company recognises the tax benefits of uncertain tax positions only where the position is "more likely than not" to be sustained assuming examination by tax authorities. As at 31 December 2018, there are no such tax benefits recognised (31 December 2017: none).

## 6. Financial assets measured at fair value through profit or loss

As at 31 December 2018, 100% (2017: 100%) of the financial assets measured at fair value through profit or loss relate to the Company's investment in the Master Fund. The fair value of the investment in the Master Fund is based on the latest available NAV reported by the administrator of the Master Fund. The limited partnership interests in the Master Fund are not publicly traded.

As a result, the carrying value of the Master Fund may not be indicative of the value ultimately realised on redemption. In addition, the Company may be materially affected by the actions of other investors who have invested in the Portfolio Companies in which the Master Fund has directly or indirectly invested.

# MARWYN VALUE INVESTORS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### Net Asset Value – investment movements

	2018	2017
Marwyn Value Investors LP	£	£
Opening cost	108,635,923	110,856,652
Redemption of Class F and Class G interests	(1,658,778)	-
Redemption of Class R(F) and Class R(G) interests	(295,082)	(2,220,729)
Closing cost	<u>106,682,063</u>	<u>108,635,923</u>
Unrealised gain brought forward	58,828,709	56,347,579
Movement in unrealised gain	(18,364,964)	2,481,130
Unrealised gain carried forward	<u>40,463,745</u>	<u>58,828,709</u>
At fair value in accordance with IFRS 13	<u>147,145,808</u>	<u>167,464,632</u>
Class F interests	101,803,224	115,018,553
Class G interests	31,920,054	37,010,945
Total attributable to ordinary shareholders	<u>133,723,278</u>	<u>152,029,498</u>
Class R(F)1 interests	10,193,011	11,654,703
Class R(G)1 interests	3,229,519	3,780,431
Total attributable to realisation shareholders	<u>13,422,530</u>	<u>15,435,134</u>
At fair value in accordance with IFRS 13	<u>147,145,808</u>	<u>167,464,632</u>
Realised gain on redemption of Class R(F) and Class R(G) interests	147,897	1,592,431
Realised loss on redemption of Class F and Class G interests	(198,048)	-
Total net realised (loss)/gain on redemptions	<u>(50,151)</u>	<u>1,592,431</u>
Unrealised (loss)/gain recognised in the year	<u>(18,364,965)</u>	<u>2,481,130</u>
Net (loss)/gain recognised in the Statement of Comprehensive Income	<u>(18,415,116)</u>	<u>4,073,561</u>

The net gain or loss recognised on financial assets measured at fair value through profit or loss reported in the Statement of Comprehensive Income consists of the movement in the unrealised gain or loss and the net realised gains or losses on redemptions. Realised gains or losses are subsequently transferred from the capital reserve to the revenue reserve.

The Company holds 100% (2017: 100%) of the Class F interests which represent 67.79% (2017: 67.35%) of the NAV of the Master Fund and 100% (2017: 100%) of the Class G interests which represent 21.26% (2017: 21.67%) of the NAV of the Master Fund.

The Company holds 100% (2017: 100%) of the Class R(F)1 interests which represent 6.78% (2017: 6.82%) of the NAV of the Master Fund and 100% (2017: 100%) of the Class R(G)1 interests which represent 2.15% (2017: 2.21%) of the Master Fund.

As the Company has no control over either the Master Fund's activities or MVI II LP and has no voting power in either of their affairs, neither the Master Fund nor MVI II LP are considered to be subsidiaries.

### Fair value hierarchy

The Company classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2)
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3)

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined by the lowest level input that is significant to the fair value instrument. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. Assessing the significance of a particular input to the fair value measurement requires judgement, considering factors specific to the asset or liability.

The determination of what constitutes 'observable' requires significant judgement. Observable data is considered to be market data that is readily available, regularly distributed or updated, reliable, not proprietary and provided by independent sources that are actively involved in the market.

## MARWYN VALUE INVESTORS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

Taking into account the valuation methodology applied to the investments in the Master Fund and in MVI II LP (which is held by the Master Fund at NAV), the Company's valuation of investments is classified as level 3 (2017: level 3). The Portfolio Company investments are categorised as level 1 fair value measurement if they are quoted in active markets (BCA Marketplace plc and Zegona Communications plc) or as level 3 if they are (i) unquoted investments (Le Chateau Group plc) or (ii) quoted, but trading in the stock does not constitute an 'active market' under IFRS (Safe Harbour Holdings plc and Wilmcote Holdings plc). The level 3 categorised investments are valued in accordance with International Private Equity and Venture Capital valuation guidelines – edition December 2018 ("IPEV Guidelines").

The following table presents the movement in the Company's investments classified as Level 3 instruments:

	31 December 2018 £	31 December 2017 £
Opening balance	167,464,632	167,204,231
(Loss)/Gain included in Statement of Comprehensive Income	(18,415,116)	4,073,561
Disposal of Class F and G interests	(1,460,730)	-
Disposal of Class R(F) and Class R(G) interests	(442,978)	(3,813,160)
Closing balance	<u>147,145,808</u>	<u>167,464,632</u>

The following table summarises the valuation methodology used for the Company's investments characterised as Level 3 as at 31 December 2018:

Security	Fair Value £	Valuation methodology	Unobservable inputs	Ranges
Master Fund	147,145,808	NAV	Zero % discount	N/A

The following table summarises the valuation methodologies used for the Company's investments characterised as Level 3 as at 31 December 2017:

Security	Fair Value £	Valuation methodology	Unobservable inputs	Ranges
Master Fund	167,464,632	NAV	Zero % discount	N/A

#### 7. Cash and cash equivalents

For the purposes of the Statement of Cash Flows, cash and cash equivalents comprise balances with original maturity of less than 3 months, which total £127,827 as at 31 December 2018 (2017: £127,557).

#### 8. Loan payable

The Master Fund has made a loan to the Company of £125,000 (2017: £125,000) for which the Company pays interest received on the corresponding cash amount held. The loan will be repaid by set-off on the date that the Company's interests in the Master Fund are redeemed. As a cash balance is held to the value of the loan payable and all interest earned on the cash balance is added to accruals, the effect of discounting is not material to the cash flows or balance sheet position.

#### 9. Distributions

During the year, three quarterly interim dividends of 2.064p per ordinary share were paid in January, April and July, totalling £4,382,191. Of this, £1,460,730 was recognised as a liability as at 31 December 2017, resulting in £2,921,491 being recognised in the current year. In the fourth quarter of 2018 (being October – December), a further £1,460,730 was distributed to ordinary shareholders via the Master Fund's purchase of the Company's ordinary shares under the Company's buyback scheme, announced on 14 September 2018. As these purchases were effected by the Master Fund, there is no recognition of distribution income in the Statement of Comprehensive Income.

In the prior year, four quarterly interim dividends of 2.064p per ordinary share were paid in January, April, July and October, totalling £5,842,922, of which £1,460,730 was recognised as a liability as at 31 December 2016.

# MARWYN VALUE INVESTORS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### 10. Reconciliation of net (loss)/profit for the year to net cash inflow from operating activities

	2018	2017
	£	£
(Loss)/profit for the year	(15,493,655)	9,916,483
Loss/(profit) on financial assets held at fair value through profit or loss	18,415,116	(4,073,561)
Cash received on redemption of Class R(F) and Class R(G) interests in the Master Fund	442,978	3,813,160
Decrease in receivables	1,460,730	-
Increase/(decrease) in accruals	270	(25)
<b>Net cash inflow from operating activities</b>	<b>4,825,439</b>	<b>9,656,057</b>

### 11. Share Capital

As at 31 December 2018 and 31 December 2017 the authorised share capital was as follows:

Ordinary shares of 0.0001p each	10,893,258,506,473
Exchange shares of 0.0001p each	10,892,176,350,000
Deferred shares of 9.9999p each	82,156,473

The ordinary share capital of the Company of a par value of 0.0001p may be issued or redesignated in classes, and includes realisation shares.

On 31 October 2017, the Company announced the completion of a return of capital to realisation shareholders following completion of Zegona's sale of its operating company, Telecable de Asturias S.A., proceeds of which were subsequently returned to shareholders of Zegona by way of a tender offer. Following a redemption of the Company's interests in Class R(F) and Class R(G) of the Master Fund to the value of £3,813,160, the distribution to realisation shareholders was effected by way of a redemption of 1,588,413 realisation shares which were subsequently cancelled. As required by IAS 32, this has been reflected through the Statement of Changes in Equity.

In September 2018, the Company announced that, following the receipt of funds from the liquidation of Gloop, the funds attributable to realisation shareholders would be returned to realisation shareholders by way of a redemption of realisation shares. Following a redemption of the Company's interests in Class R(F) and Class R(G) of the Master Fund to the value of £442,978, the distribution to realisation shareholders was effected by way of a redemption of 211,062 realisation shares which were subsequently cancelled. As required by IAS 32, this has been reflected through the Statement of Changes in Equity.

In the fourth quarter of 2018 (being October – December), the Master Fund purchased 1,186,468 ordinary shares in the Company for a total of £1,460,730 pursuant to the Company's buyback scheme as announced on 14 September 2018. In December 2018, these ordinary shares were converted into exchange shares under the Company's Exchange Procedure (as defined and described in the Company's prospectus dated 19 October 2016) and the corresponding Master Fund interests cancelled.

Shares in issue

	2018			2017		
	Ordinary*	Exchange	Total	Ordinary*	Exchange	Total
As at 1 January	77,703,619	16,050,000	93,753,619	79,292,032	16,050,000	95,342,032
Redemption	(211,062)	-	(211,062)	(1,588,413)	-	(1,588,413)
Exchange	(1,186,468)	1,186,468	-	-	-	-
As at 31 December	76,306,089	17,236,468	93,542,557	77,703,619	16,050,000	93,753,619
Share capital (£)	76	17	94	78	16	94

Share premium

	2018	2017
Ordinary shares*	84,185,977	85,906,903
As at 1 January	84,185,977	85,906,903
Redemption and exchange	(1,514,118)	(1,720,926)
As at 31 December	82,671,859	84,185,977

\*Includes both ordinary and realisation shares, which constitute a single class of share for the purpose of the Company's Articles and Cayman law.

The weighted average number of shares in issue for the year ended 31 December:

	2018	2017
Ordinary	70,739,320	70,771,826
Realisation	6,887,846	8,250,393

# MARWYN VALUE INVESTORS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### (a) Voting rights

- (i) Ordinary shares (including realisation shares) carry the right to receive notice of and attend and vote at any general meeting of the Company in accordance with the Articles.
- (ii) Exchange shares carry the rights to receive notice of and to attend any general meeting of the Company but not vote unless there are no ordinary shares in issue in which case Exchange shares will have the voting rights set out in (i) above as if Exchange shares were ordinary shares.

### (b) Dividends and distributions

- (i) Subject to the Companies Law (2013 Revision) (the "Companies Law"), the directors may declare dividends (including interim distributions) and distributions on shares in issue and authorise payment of the dividends or distributions out of the funds of the Company lawfully available. No dividend or distribution will be paid except out of the realised or unrealised profits of the Company, or as otherwise permitted by the Companies Law. There are no fixed dates on which the entitlement to dividends arises. All dividend payments will be non-cumulative.
- (ii) Distributions on each class of ordinary shares may only be paid from proceeds received from the corresponding class of interests in the Master Fund.
- (iii) Exchange shares will not confer any rights to dividends or other distributions.
- (iv) At the 2015 EGM a new distribution policy for the ordinary shareholders was adopted which resulted in:
  - a progressive return, payable quarterly in the form of a dividend in January, April, July and October each year that will be maintained or grown on a pence per ordinary share basis. Quarterly interim dividends of 2.064p per ordinary share were paid in January, April and July 2018 (in 2017, quarterly dividends of 2.064p per ordinary share in January, April, July and October 2017);
  - in addition to the return detailed above, where the Master Fund or MVI II LP disposes of an asset for a Net Capital Gain<sup>3</sup> and has not already returned an aggregate amount in excess of 50% of that gain and any previous such gains pursuant to the distribution policy, the Company will make an additional capital return of the difference to ordinary shareholders by way of tender offers, share repurchases or other returns of capital and distributions; and
  - the opportunity to augment the distribution policy by returning cash in excess of the amounts referred to in (i) and (ii) above being kept under review and to be undertaken through periodic tender offers, share repurchases or other returns of capital and distributions.
- (v) At an ordinary class meeting held on 5 September 2018, the ordinary share distribution policy was further amended, permitting the 'Minimum Annual Distribution' to be made by the repurchase of ordinary shares. Under the amended policy, returns to ordinary shareholders may be made by repurchase of shares, dividend payments, or a combination of both.

The distribution policy does not apply to the realisation shares.

### (c) Realisation opportunities

On 19 October 2016, the Company offered its shareholders the opportunity to redesignate some or all of their ordinary shares of 0.0001p each in the capital of the Company as realisation shares of the same par value. The realisation shares rank equally and otherwise carry the same rights as the ordinary shares, save that (i) the investment policy differs to that of the ordinary shares, the realisation pool is only permitted to invest cash in follow-on investments in the Portfolio Companies within three years of creation of the realisation pool and cash generated on the sale of an investment in the realisation pool may not be re-invested, (ii) the distribution policy for the ordinary shares will not apply and (iii) the realisation shares entitle their holders to returns only in respect of realisations made on investments attributable to the realisation pool.

Realisation opportunities will be offered every five years, with the next scheduled for 2021.

### (d) Rights as to capital

There are no exit penalties for those ordinary shareholders electing to re-designate all or some of their investment into realisation shares or on a return of capital attributable to the realisation shares. Equivalent realisation share offers will be made to ordinary shareholders again in November 2021 and thereafter at five-yearly intervals. Whilst the realisation shares currently in issue are listed on the SFS, listing of realisation shares from future offers will be subject to the receipt of all required consents and approvals, including the approval of the UKLA of a prospectus in relation to their admission to trading.

The surplus capital and assets of the Company will, on a winding-up or on a return of capital (otherwise than on a purchase by the Company of any of its shares) be paid to the holders of ordinary shares and realisation shares pro rata to their holding of such shares out of the proceeds of the corresponding class of interests in the Master Fund.

<sup>3</sup> Net Capital Gains means the net sale proceeds received by the Master Fund or MVI II LP on a Profitable Realisation (being the disposal of a security for a net consideration with a value higher than its value on 27 August 2013 for investments held at that date or, in respect of new investments made after that date, the Weighted Average Investment Cost (being the total capital cost of the investment dividend by the number of shares held in such investment)).

# MARWYN VALUE INVESTORS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### 12. Reserves

#### Special distributable reserve

A special distributable reserve was created when the Company cancelled all of its share premium account in existence as at 26 January 2007, transferring it to a distributable reserve to allow, among other things, the buy-back and cancellation of the ordinary shares subject to shareholder approval at each Company Annual General Meeting.

#### Exchange reserve

Movements in capital in respect of shareholders exchanging into and out of the Company are recognised in the exchange reserve. In 2018, a total of £175,281 was recognised in the exchange reserve following the exchange of the Company's ordinary shares held by the Master Fund as explained above. There were no movements in the prior year.

Where the Company's partnership interests in the Master Fund are cancelled following exchanges by the Master Fund out of ordinary shares, the capital amount previously transferred to the exchange reserve is transferred to the revenue reserve. As a result, in 2018, £175,281 was transferred from the exchange reserve to the revenue reserve. There were no movements in the prior year.

#### Revenue reserve

Realised gains and losses on redemptions of interests in the Master Fund made during the year are transferred from the capital reserve to the revenue reserve. In the current year, £50,151 has been recognised as a realised loss on redemption of interests in the Master Fund (2017: £1,592,431 realised gain). All distribution income received in the years ended 31 December 2018 and 2017 had been paid to shareholders by way of dividends.

#### Capital reserve

Unrealised gains and losses on interests in the Master Fund are recognised in the capital reserve.

### 13. Instruments and associated risks

The Company invests substantially all its assets in the Master Fund, which is exposed to market risk (including currency risk, interest risk and price risk), credit risk and liquidity risk arising from financial instruments it holds.

As at 31 December 2018, the Company owned 97.98% (2017: 98.05%) of the net assets of the Master Fund.

#### Market price risk

The Company is susceptible to the same market price risk arising from uncertainties about future values of the underlying Portfolio Companies. The Board accepts the market price risks inherent in the investment portfolio and monitors this by ensuring full and timely access to relevant information from the Manager. The Board receives quarterly reports from the Manager, meets regularly with the Manager and at each quarterly board meeting reviews investment performance.

Any movement in the value of the ordinary interests or the realisation interests of the Master Fund, or (in the case of the ordinary interests) the value of partnership interests in MVI II LP, would result in an equivalent movement in the reported NAV per ordinary share and realisation share respectively.

The Company's exposure to changes in market prices at 31 December 2018 and 31 December 2017 on its unquoted investments was as follows:

	2018 £	2017 £
Financial assets measured at fair value through profit or loss – ordinary shares	133,723,278	152,029,498
Financial assets measured at fair value through profit or loss – realisation shares	<u>13,422,530</u>	<u>15,435,134</u>
	<u>147,145,808</u>	<u>167,464,632</u>

The following table shows the average monthly performance of the reported NAV of the Company:

	2018 Analysis of monthly returns	2017 Analysis of monthly returns
Number of periods	12	12
Percent profitable	42%	50%
Average period return	(0.72)%	0.49%
Average return in profitable months	3.32%	2.76%
Average return in loss making months	(3.60)%	(1.77)%

# MARWYN VALUE INVESTORS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

The impact on net income and equity of the average monthly period returns set out in the above table as of 31 December 2018 and 2017 is as follows:

	Monthly returns		Impact of Increase		Impact of Decrease	
	Increase (%)	Decrease (%)	Net income (£)	Equity (£)	Net income (£)	Equity (£)
2018	3.32	(3.60)	4,885,241	4,885,241	(5,299,288)	(5,299,288)
2017	2.76	(1.77)	4,622,024	4,622,024	(2,965,320)	(2,965,320)

The Company invests directly in the Master Fund and indirectly in MVI II LP. The Company is therefore exposed to price risks derived from the investment portfolios of the Master Fund and MVI II LP.

The Master Fund is theoretically exposed to a loss limited to the value of its investments if the market value of its investment holdings decreases. The Master Fund's direct and indirect investments in underlying Portfolio Companies are subject to normal market fluctuations and the risks inherent in investment in international securities markets and there can be no assurances that the Master Fund's objective of capital appreciation will be achieved.

### Currency risk

The Company is not directly exposed to any material currency risk, although this may be a factor in price risk as a result of the investments made by the Master Fund or by MVI II LP. It is therefore considered that the Company is not materially exposed to significant direct currency risk.

	31 December 2018	31 December 2017
Summary of currency exposure of the Master Fund	£	£
Monetary assets in GBP	174,127,475	199,034,300
Non-monetary assets in GBP	-	-
Monetary liabilities in GBP	619,972	2,080,853
Non-monetary liabilities in GBP	-	-

### Liquidity risk

The Company may not sell its investment in the Master Fund without the approval of the Master Fund's General Partner. Redemption opportunities are available in relation to ordinary shares in line with the policy adopted at the 2013 EGM and as disclosed in Note 11(c). Further, the Master Fund has no control over the timing of the redemption of its investment in MVI II LP and a significant proportion of the investments in the Portfolio Companies are in publicly traded investments, the holdings of which may not be readily realisable due to their size or in private companies which may also not be readily realisable. As such the Master Fund and/or Company may not be able to readily dispose of such illiquid investments and, in some cases, may be contractually prohibited from doing so. However, the Company's liquidity profile of its assets is matched with the liquidity profile of its liabilities, as described below.

The Company holds Class F, Class G, Class R(F)1 Class R(G)1 interests in the Master Fund. The policy is that the Company should remain fully invested in normal market conditions. The Company is only required to settle its liabilities when its investment is fully redeemed. The following table shows the contractual, undiscounted cash flows of the Company's financial liabilities:

	Less than 1 month 2018	1-3 months 2018	Less than 1 month 2017	1-3 months 2017
	£	£	£	£
Loan from Master Fund	125,000	-	125,000	-
Payables and accruals	2,827	-	2,557	-

The Company holds, and will continue to hold, a minimum of £125,000 (2017: £125,000) in respect of the £125,000 loan payable to the Master Fund (2017: £125,000) (see Note 8). The remainder of the loan will be repaid by set-off on the date that Master Fund interests are fully redeemed.

As all Company specific operating expenses, other than share issue costs paid directly by the Company from the proceeds of shares issued, are paid by the Master Fund as discussed in Note 3.9 and as the loan is repayable by set-off, the directors do not consider the Company has any net liquidity risk.

# MARWYN VALUE INVESTORS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### Interest rate risk

The Company itself is not exposed to significant interest rate risk, however it is indirectly exposed to such risk through its direct investment in the Master Fund and indirect investment in MVI II LP. Details of this exposure to interest rate risk is set out below:

The Master Fund holds cash and cash equivalents at short-term market interest rates. This exposes it to risks associated with the effects of fluctuations in the prevailing levels of the market interest rates on its cash flows. The impact of any movement in interest rates is not considered to have a material effect on the Master Fund.

Between 2016 and 2018, a loan facility totalling £25.7 million was extended to Le Chameau Group plc by the Master Fund with an interest rate of 8% per annum on drawdown amounts and a commitment fee of 1.5% on undrawn amounts. A total of £24.7 million was drawn down as at 31 December 2018 (2017: £20.1 million). The total value of the Master Fund's investment in Le Chameau Group plc was written down to £16.7 million as at 31 December 2018.

The remainder of the Master Fund's assets and liabilities are non-interest bearing.

MVI II LP, along with MVI II Co-Invest LP, has an interest-bearing secured committed sterling revolving credit facility with Barclays Bank for a combined £50 million. It has a two year term, expiring in May 2019, although pursuant to the Limited Partnership Agreement of MVI II LP it requires each utilisation to be repaid within six months, and carries a margin of 170bps above LIBOR and a commitment fee of 30bps on undrawn amounts. As at 31 December 2018, none of the Facility had been drawn (2017: Nil).

### Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The main credit risk relates to the cash held with financial institutions.

The Company, the Master Fund and MVI II LP manage their exposure to credit risk associated with their cash deposits by selecting counterparties with a high credit rating with which to carry out these transactions. The counterparty for these transactions is HSBC Bank plc, which holds a short-term credit rating of P-1, as issued by Moody's. The Company's maximum exposure to credit risk is the carrying value of the cash on the balance sheet.

The Master Fund's policy is to enter into financial instruments with a range of reputable counterparties. Therefore, the Master Fund does not expect to incur material credit losses on its financial instruments. At 31 December 2018, having considered the Portfolio Companies directly and indirectly held by the Master Fund, the Board considers that credit risk is limited to the extent of the equity investments in the underlying Portfolio Companies (the risks associated with such investments have been considered under Market Price Risk) and the drawn down facility extended to Le Chameau Group plc. The carrying value of the debt investment is periodically assessed in accordance with IPEV Guidelines. Whilst the facility is secured by charges over shares in other Le Chameau group entities and over certain bank accounts, partly reducing the credit risk exposure of the facility, the risk is only mitigated to the extent that these other group entities and bank accounts have any incremental value.

### 14. Material contracts and related-party transactions

In the opinion of the directors on the basis of shareholdings advised to them, the Company has no ultimate controlling party.

The Company, the Master Fund and MVI II LP are each managed by the Manager.

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party, or the parties are under common control or influence, in making financial or operational decisions.

#### (a) Management fee, investment advisory fee and incentive allocation

On 29 November 2013, Marwyn Asset Management Limited was appointed Manager to the Company. The Manager engaged Marwyn Investment Management LLP as the Investment Adviser on the same date.

Under the Management Agreement dated 29 November 2013 the Manager does not receive any fees to the extent that the Company invests its assets only in the Master Fund. In respect of any assets of the Company not invested in the Master Fund, the Manager receives aggregate performance and management fees on the same basis as those to which it would have been entitled if such assets had been those of the Master Fund.

The Company has not made any such investments during the year and as such no fees were paid by the Company or payable at the year end (2017: nil).

# MARWYN VALUE INVESTORS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Under the Master Fund Management Agreement, the Manager receives monthly management fees from the Master Fund not exceeding 2% of the NAV before incentive allocations of each class of interests in the Master Fund, payable monthly in arrears. From 30 November 2018, being 2 years after the creation of the realisation pool, the management fee on the realisation share interests is calculated by reference to NAV before management fees and incentive allocation less the aggregate value of cash and near cash investments attributable to the realisation share interests. The total management fee expense, borne by the Master Fund for the year ended 31 December 2018 was £3,789,621 (2017: £4,083,492).

The incentive allocations to be borne by the Class F, Class G, Class R(F)1 and Class R(G)1 interests in the Master Fund will only be due on returns being made to shareholders as disclosed in Part II, section 9 of the prospectus published on 19 October 2016. Following the return to realisation shareholders in October 2017 as detailed in Note 11, the 'initial incentive allocation' in respect of Class R(F) of £296,229 was crystallised and distributed. Following settlement of the Partial Offer in January 2019 the 'initial incentive allocation' in respect of Class F of £2,460,579 was crystallised and distributed.

In 2016, an amount totalling £7,243,939 was distributed to retired partners in accordance with the provisions of the Circular. As a result of this distribution to the retired partners, the incentivisation of the existing Marwyn partners and senior management team is fully aligned with the interests of ordinary shareholders in the Company. The net impact of the distribution to retired partners on the NAV attributable to ordinary shareholders is zero, although ordinary shareholders benefit from the calculation of the management fee on a reduced Gross Asset Value, which decreased by the amount of the payment.

During the year ended 31 December 2018, the total uncrystallised incentive allocations relating to the ordinary and realisation shares decreased by £2,786,785 (for the equivalent year to 31 December 2017, the increase was £1,696,685). The value of the total incentive allocation as at 31 December 2018 amounted to £22,918,164 (2017: £25,704,949).

As noted in the Report of the directors, investors can assess remuneration and incentives by reference to the disclosure of the basis of calculation of the incentive allocations which was made in the Circular and in the prospectus published on 19 October 2016. These documents are available on the Company's website.

### (b) Administration fee

Axio is the administrator of the Company and is considered to be a related party due to common ownership with the Manager.

Axio was paid a fee of £120,000 in 2018 (2017: £100,000) for the administration of the ordinary and realisation shares, payable monthly in arrears. Axio is entitled to reimbursement of certain expenses incurred by it in connection with its duties. These fees are paid by the Master Fund as they were in 2017 as per Note 3.9.

### (c) Board of Directors' remuneration

Directors' fees are paid by the Master Fund as per Note 3.9. The directors of the Company received the following fees in the year:

Robert Ware	£45,000	(2017: £45,000)
Ronald Hobbs	£40,000	(2017: £40,000)
Martin Adams	£40,000	(2017: £40,000)
Louisa Bonney*	£40,000	(2017: £40,000)

\*Paid to Axio

All directors are entitled to receive reimbursement for all travel and other costs incurred as a direct result of carrying out their duties as directors.

### 15. Capital management policies and procedures

The Company's capital management objectives are to ensure that it will be able to continue as a going concern and to maximise capital return to its equity shareholders.

The Company's capital at 31 December comprises:

	2018	2017
	£	£
Share capital	94	94
Share premium	82,671,859	84,185,977
Special distributable reserve	26,346,979	26,346,979
Exchange reserve	54,386	54,386
Capital reserve	28,568,828	47,148,102
Revenue reserve	9,503,662	9,729,094
Total capital	<u>147,145,808</u>	<u>167,464,632</u>

## MARWYN VALUE INVESTORS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

The Board, with the assistance of the Manager, monitors and reviews the structure of the Company's capital on an ongoing basis.

#### 16. Ordinary shares - by series

The Company has the ability to issue different series of ordinary shares (including realisation shares), the proceeds of which can be invested in separate classes of the Master Fund. Distributions on each series of ordinary shares may only be paid from proceeds received from the corresponding class of interests in the Master Fund. The surplus capital and assets of the Company will on a winding-up or on a return of capital (otherwise than on a purchase by the Company of any of its shares) be paid to the holders of each series of the ordinary shares pro rata to their holding of such ordinary shares out of the proceeds of the corresponding class of interests in the Master Fund. As at 31 December 2018, ordinary shares and realisation shares remained outstanding as per Note 11. The information on pages 43 to 47 sets out the risks applicable to these shares in issue.

#### 17. Commitments and contingent liabilities

There were no commitments or contingent liabilities of the Company outstanding at 31 December 2018 or 31 December 2017 that require disclosure or adjustment in these financial statements.

#### 18. Subsequent events

In January 2019, the Master Fund made a partial offer to institutional shareholders for ordinary shares in the capital of the Company. Under this offer, a total of 4,030,625 of the Company's ordinary shares were purchased at a price of 130p for a total consideration of £5.2 million.

In March 2019, the loan facility available to MVI II LP and MVI II Co-invest LP as detailed in Note 13 was reduced to a combined £30 million.

# MARWYN VALUE INVESTORS LIMITED

## RISK

### Risks applicable to investing in the Company

#### Past performance

The past performance of the Company, the Master Fund and MVI II LP, the Manager, the Investment Adviser and the principals of the Investment Adviser may not be indicative of future performance.

#### Dependence on key individuals

The success of the Company and the Master Fund and MVI II LP depends upon the ability of the Manager and Investment Adviser to develop and implement investment strategies that achieve the Master Fund and MVI II LP's investment objectives. If the Manager were to become unable to participate in the investment management of the Fund, or if the Investment Adviser were to become unable to provide investment advice to the Manager, the consequence for the Company and the Fund would be material and adverse and could lead to the premature winding-up of the Company and/or Fund.

#### Economic risk

On 23 June 2016, a referendum was held in the United Kingdom regarding its continued membership of the European Union. Following the result of the referendum, the government of the United Kingdom announced its intention to implement the withdrawal of the United Kingdom's membership of the European Union ("Brexit") via the triggering of Article 50. The long term consequences of Brexit are as yet unclear and will not become clear for some considerable time, but there is a significant possibility that (i) financial markets in the United Kingdom will experience greater volatility than would otherwise be expected; and (ii) securities listed on financial markets across Europe in general will suffer a decline in value in the period within which the outcome of Brexit and its timing is uncertain.

#### Restriction on auditors' liability

Cayman Islands law does not restrict the ability of auditors to limit their liability. Consequently the engagement letters in relation to the Company and the Master Fund entered into with the auditor of the Company and the Master Fund contain such a provision as well as contain provisions indemnifying the auditor in certain circumstances.

#### Handling of mail

Mail addressed to the Company and/or the Master Fund and received at their respective registered offices is scanned and emailed to the Administrator or Master Fund Administrator as the case may be to be dealt with. None of the Company, the Master Fund, the General Partner or any of its or their directors, officers or providers bear any responsibility for any delay howsoever caused in mail reaching the Administrator or Master Fund Administrator as the case may be.

#### Net asset value considerations

The NAV per ordinary share including realisation shares of the Company and the NAV of the Master Fund is expected to fluctuate over time with the performance of the Company's, the Master Fund's and/or MVI II LP's investments.

Where in relation to the calculation of the NAV of the Company there is any conflict between IFRS and the valuation principles set out in the prospectus in relation to the Company, the latter principles shall take precedence.

Where in relation to the calculation of the NAV of the Master Fund there is any conflict between US GAAP and the valuation principles set out in the limited partnership agreement of the Master Fund or its offering memorandum, the latter principles shall take precedence.

Where in relation to the calculation of the NAV of MVI II LP there is any conflict between IFRS and the valuations principles set out in the limited partnership agreement of MVI II LP or its private placement memorandum, the latter principles shall take precedence.

There is no reliable liquid market for the Company's interest in the Master Fund and the valuation of the Portfolio Companies may involve the General Partner and/or the general partner of MVI II LP exercising judgement. There can be no guarantee that the basis of calculation of the value of Portfolio Companies used in the valuation process will reflect the actual value on realisation of those investments.

#### Liquidity risk

The investment objectives of the Company, the Master Fund and MVI II LP allow them to invest in instruments which may be both illiquid and scarce. Market conditions may increase illiquidity and scarcity and have a generally negative impact on the Manager's ability to identify and execute suitable investments that might generate acceptable returns. Market conditions may also restrict the supply of investment assets that may generate acceptable returns and thereby cause "cash drag" on the Company's performance. Adverse market conditions and their consequences may have a material adverse effect on the Company's investment portfolio. To the extent that there is a delay in making investments, the Company's returns will be reduced.

#### Market price

There is no guarantee that the market price of the ordinary and realisation shares will fully reflect the underlying value of the assets held by the Company and which are attributable to the ordinary or realisation shares. The underlying investments of the Company may be subject to market fluctuations and the risks inherent in all investments and there can be no assurance that an investment will retain its value or that appreciation will occur.

## MARWYN VALUE INVESTORS LIMITED RISK

As well as being affected by the underlying value of the assets held, the market value of the ordinary or realisation shares will also be influenced by the supply and demand for the ordinary or realisation shares in the market. As such, the market value of the ordinary shares may vary considerably from the underlying value of the Company's assets attributable to the ordinary or realisation shares.

### Considerations

The European Commission has made a proposal for the implementation of a financial transactions tax, which if implemented may have an adverse effect on investment returns.

### Risks Applicable to Investments in the Company

#### Each series of ordinary shares is not a separate legal entity

The Company may raise additional finance to invest in the Master Fund by selling further series of ordinary shares to investors. The net proceeds of issue of each series of ordinary shares will be invested by the Company in a corresponding class of interests in the Master Fund. In certain circumstances, if the Company incurs a liability in respect of assets attributable to another series of ordinary shares, the ability of the Company to distribute profits or repurchase ordinary shares, not only in relation to that series, but also in relation to any other series may be affected because under the Companies Law, the ability to distribute profits or repurchase ordinary shares has to be determined by reference to the solvency of the Company as a whole, rather than on a series by series basis. Liabilities relating to one ordinary share series cannot be ring-fenced.

Additionally, the investment assets of the Company (i.e. namely, its interests in the ordinary interests and realisation share interests of the Master Fund), are not legally segregated and so assets held by the Company and attributed to realisation shareholders may be required to be liquidated to meet liabilities attributable to ordinary shareholders (or vice versa).

#### Risk of not obtaining distributing or reporting status

There is no guarantee that the Company will continue to obtain distributing or reporting status for UK taxation purposes in relation to the ordinary shares. There is therefore a risk that any gain realised on any disposal of ordinary shares will be taxed as income in the UK, rather than capital gain.

#### Sole purpose

The Company has been established with the sole purpose of investing in the Master Fund. The success of the Company therefore depends on the success of the Master Fund and its ability to successfully implement its investment strategy. Identification and exploitation of the investment strategies to be pursued by the Fund involve a high degree of uncertainty.

#### Limited redemption rights

The Company has no right of redemption in relation to the Class F interests, Class R(F)1 interest, Class G interests or Class R(G)1 interest in the

Master Fund. The right of shareholders to elect to move into realisation shares does not result in the resulting realisation share interests in the Master Fund (which will be held on behalf of realisation shareholders) being redeemable. They will only be redeemed when the underlying investments are sold.

#### Cayman Islands registration

The Company is registered in the Cayman Islands. As a result, the rights of the shareholders are governed by the laws of the Cayman Islands and the Articles. The rights of shareholders under Cayman Islands law may differ from the rights of shareholders of companies incorporated in other jurisdictions and the enforcement of such rights may involve different considerations and may be more difficult than would be the case if the Company had been incorporated in England and Wales or the jurisdiction of a shareholder's residence. The following are examples: (i) subject only to the Company's articles of association, the allotment and issue of securities is under the exclusive control of the directors and there are no pre-emption rights under the Companies Law; (ii) there is no express restriction on the Company making loans to directors nor the equivalent of substantial property rules for transactions involving directors under the Companies Law; and (iii) assets of the Company are under the exclusive control of the directors and the Companies Law does not expressly restrict the powers of the directors to dispose of assets. Examples (i) to (iii) above are intended for the purposes of illustration only and are not an exhaustive list. Investors should take appropriate independent legal advice to determine if they are afforded protections they consider are necessary for their specific circumstances.

The Cayman Islands courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (i) an act which is ultra vires the company or illegal, (ii) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (iii) an irregularity in the passing of a resolution which requires a qualified (or special) majority. In the case of a company (not being a bank) having a share capital divided into shares, the courts may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine the affairs of the company and to report thereon in such manner as the courts will direct. Any shareholder of a company may petition the courts which may make a winding-up order if the courts are of the opinion that it is just and equitable that the company should be wound up. Generally, claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

## MARWYN VALUE INVESTORS LIMITED RISK

### Control over the Master Fund and MVI II LP

The Company, in its capacity as an investor, has no opportunity to control the day-to-day operation, including investment and disposition decisions made by the Manager, the resolution of potential or actual conflicts of interest that may arise, distributions by the Master Fund or MVI II LP or the appointment or removal of service providers to the Master Fund or MVI II LP. The Company does not have the opportunity to evaluate the relevant economic, financial and other information that is utilised by the Manager in its selection of investments or the Investment Adviser in its evaluation of investments, does not receive the detailed financial information regarding investments that is available to the Manager or the Investment Adviser and has no right to be informed about actual or potential conflicts of interest.

The Master Fund has adopted the amended distribution policy in relation to Class F, Class G, Class R(F)1 and Class R(G)1 interests in the Master Fund. However, the Company has no control over the amount or timing of any redemptions by the Master Fund or MVI II LP or other distributions which may be used to fund extraordinary distributions.

The Master Fund, as a limited partner in MVI II LP, has no control over the investment or disposal decisions of MVI II LP or timing of any redemptions or other distributions by MVI II LP.

### Conflicts of interest

The Master Fund and MVI II LP (together the "Master Funds") are subject to a number of actual and potential conflicts of interest with the Company and with each other. The Company (or, as appropriate, other relevant parties) aims to manage such conflicts to prevent a material risk of damaging any investor's interest. Where this is not possible the conflicts are disclosed.

Certain inherent conflicts arise from the fact that the Manager and its affiliates (including the Investment Adviser) provide investment management and investment advisory services to both Master Funds and the Company.

In order to ensure an equitable management of the potential conflicts of interest that could arise in managing the interests of ordinary shareholders and realisation shareholders, the Master Funds have agreed the following policies:

- interests in Portfolio Companies held by the Master Fund (with the exception of interests in Le Chateau Group plc) attributable to realisation share interests will only be sold when MVI II LP's interests in the same Portfolio Companies are disposed of on a simultaneous basis. All disposals will be pro rata between MVI II LP and the Master Fund;
- interests in Le Chateau Group plc held by the Master Fund attributable to realisation share interests will only be sold when the Master Fund disposes of interests in Le Chateau

Group plc attributable to ordinary share interests on a simultaneous basis. All disposals will be pro rata between the holdings attributable to the realisation share interests and the ordinary share interests; and

- the Master Fund and MVI II LP will make follow-on investments in Zegona, BCA and Safe Harbour pro rata to the holdings of the Master Fund and MVI II LP in such shares on the date of such follow-on investment, provided that the Master Fund shall not be required to make a follow-on investment to the extent it does not have cash available to fund such investment having regard to its working capital requirements as agreed with the general partner of the Master Fund (with the prior written agreement of the Board).

The Company's Administrator is ultimately owned by the principals of the Investment Adviser and certain directors of the Administrator also provide director services to the Manager, the Company, the general partner of the Master Fund and the general partner of MVI II LP. The Administrator also provides certain corporate administration services to certain of the Portfolio Companies, the Master Fund as well as other Marwyn entities. The Administrator also provides nominee related services to the general partner of MVI II LP in respect of MVI II LP.

The use of a structure which includes the Master Funds may also create a conflict of interest in that different tax considerations for investors in the Company, the Master Fund and/or MVI II LP may cause the Master Fund and/or MVI II LP to structure or dispose of an investment in a manner that is more advantageous to one group than the other.

### Class consents

Certain actions by the General Partner in respect of the Master Fund require the written consent of investors in that Class. Where the directors allow holders of ordinary shares or realisation shares to vote on a matter for which the General Partner is seeking investor consent and, if the resolution is passed by a simple majority of those voting in person or by proxy at a meeting of the holders of the relevant shares, the directors will give consent to the General Partner in respect of all of the Company's interests in the relevant Class. The Company will not split its consent in accordance with the votes of the holders of the relevant series of shares.

### Value and liquidity of the shares

The shares of publicly traded companies can have limited liquidity and their share prices can be highly volatile. The price at which the shares will be traded and the price at which investors may realise their investment will be influenced by a large number of factors, some specific to the Company and its operations, and others which may affect companies operating within a particular sector or quoted companies generally.

## MARWYN VALUE INVESTORS LIMITED RISK

Prospective investors should be aware that the value of the shares could go down as well as up, and investors may therefore not recover their original investment. Furthermore, the market price of the shares may not reflect the underlying value of the Company's net assets.

There is no reliable liquid market for the Company's interest in the Master Fund and the valuation of Portfolio Companies may involve the general partners of the Master Fund and MVI II LP exercising judgement. This is particularly the case in the context of the Master Fund's investment in Le Chateau Group plc which is comprised of unlisted securities and debt investment for which there is no liquid market. There can be no guarantee that the basis of calculation of the value of Portfolio Companies used in the valuation process will reflect the actual value on realisation of those investments.

### Additional financing and dilution

If the Company issues further series of ordinary shares, whilst these will not dilute the economic interests of the existing classes in the Master Fund, the additional ordinary shares will carry rights to vote at general meetings of the Company and will therefore dilute shareholders' voting rights accordingly. The directors may seek debt finance to fund the expansion of the Company. There can be no assurance that the Company will be able to raise such debt funds, whether on acceptable terms, or at all. If debt financing is obtained, the Company's ability to raise further finance, and its ability to operate its business, may be subject to restrictions.

### Registration under the US Investment Company Act and the US Advisers Act

The Company has not been and it is unlikely it will ever be registered under the US Investment Company Act. In addition, the Manager and the Investment Adviser have not been and it is unlikely that they will ever be registered as "Investment Advisers" under the US Investment Advisers Act.

### Depository Interests

Securities issued by non-UK registered companies, such as the Company, cannot be held or transferred in the CREST system. However, to enable shareholders to settle such securities through the CREST system, a depository or custodian can hold the relevant securities and issue dematerialised depository interests representing the underlying shares which are held on trust for the holders of these depository interests.

### Voting rights

Under the Articles, only those persons who are shareholders of record are entitled to exercise voting rights. Persons who hold ordinary shares or realisation shares in the form of depository interests will not be considered to be record holders of such shares that are on deposit with the depository and, accordingly, will not be able to exercise voting rights. However, the deed poll which created the depository interests (the "Deed Poll") provides that the depository shall pass on, as far as it is reasonably able, rights and entitlements to vote. In

order to direct the delivery of votes, holders of depository interests must deliver instructions to the depository by the specified date.

Neither the Company nor the depository can guarantee that holders of depository interests will receive the notice in time to instruct the depository as to the delivery of votes in respect of shares represented by depository interests and it is possible that they will not have the opportunity to direct the delivery of votes in respect of such shares. In addition, persons who beneficially own shares that are registered in the name of a nominee must instruct their nominee to deliver votes on their behalf.

Neither the Company nor any nominee can guarantee that holders of depository interests will receive any notice of a solicitation of votes in time to instruct nominees to deliver votes on behalf of such holders and it is possible that holders of depository interests and other persons who hold ordinary shares or realisation shares through brokers, dealers or other third parties will not have the opportunity to exercise any voting rights.

### Limitation of liability

The Deed Poll contains provisions excluding and limiting the depository's liability to holders of depository interests. For example, the depository will not be liable to any holder of depository interests or any other person for liabilities in connection with the performance or non-performance of obligations under the Deed Poll or otherwise except as may result from its negligence or wilful default or the fraud of any custodian or agent which is not a member of its group unless it has failed to exercise reasonable care in the appointment and continued use and supervision of such custodian or agent. Furthermore, except in the case of personal injury or death, the depository's liability to a holder of depository interests will be limited to the lesser of: (i) the value of shares and other deposited property properly attributable to the depository interests to which the liability relates; and (ii) that proportion of £10 million which corresponds to the portion which the amount the depository would otherwise be liable to pay to the holder of the depository interests bears to the aggregate of the amounts the depository would otherwise be liable to pay all such holders in respect of the same act, omission or event which gave rise to such liability or, if there are no such amounts, £10 million.

The depository is entitled to charge fees and expenses for the provision of its services under the Deed Poll without passing any profit from such fees to holders of depository interests.

## MARWYN VALUE INVESTORS LIMITED RISK

### Indemnification

Each holder of depository interests is liable to indemnify the depository and any custodian (and their agents, officers and employees) against all costs and liabilities arising from or incurred in connection with, or arising from any act related to, the Deed Poll so far as they relate to the property held for the account of depository interests held by that holder, other than those resulting from the wilful default, negligence or fraud of the depository, or the custodian or any agent, if such custodian or agent is a member of the depository's group, or, if not being a member of the same group, the depository has failed to exercise reasonable care in the appointment and continued use and supervision of such custodian or agent.

### United States ownership and transfer restrictions

There are restrictions on the purchase of ordinary shares by or transfers to investors who are located in the United States or who are US persons (as defined in the United States Securities Act of 1933, as amended) or who acquire ordinary shares or realisation for the account or benefit of US persons. For a complete description of these ownership and transfer restrictions please refer to section 4 of Part VIII of the prospectus published by the Company on 19 October 2016.

In the event that ordinary shares are acquired by persons who are not qualified to hold the ordinary shares or realisation shares, such ordinary shares are subject to provisions requiring forfeiture and/or compulsory transfer as described in section 3 of Part VIII of that prospectus.

### United Kingdom tax considerations

Although the directors intend that, insofar as it is within their control, the affairs of the Company are conducted so that the Company does not become subject to United Kingdom tax on its profits or gains, there can be no guarantee that all of the requirements to ensure this will, at all times, be satisfied.

# MARWYN VALUE INVESTORS LIMITED

## INVESTMENT POLICY AND FUND STRUCTURE

### Fund Structure

The Company is a feeder fund which has invested all of its available capital into limited partnership interests in Master Fund.

The Master Fund has invested in a second master fund, MVI II LP, a private equity fund structure through which the majority of the Master Fund's investments attributable to ordinary shareholders are made. Assets attributable to the realisation shareholders (the "realisation pool") are held directly by the Master Fund. A look-through breakdown of the NAV attributable to the ordinary and realisation shareholders along with ownership of the assets is detailed in the Report of the Manager on page 8.

The Company is traded on the Specialist Fund Segment of the Main Market of the London Stock Exchange (the "SFS").

### Investment objective

The investment objective of the Company is to maximise total returns primarily through the capital appreciation of its investments.

### Investment strategy

#### Overview

Marwyn's strategy is to identify, support, invest in and work alongside experienced operational management teams in businesses headquartered in the UK, Europe or the Americas, often with global operations (target enterprise value of at least £500 million).

Marwyn's approach brings private equity-style investment principles to bear in primarily public equity environments. Marwyn acquires equity stakes typically as a cornerstone investor and draws upon capital from a high calibre universe of co-investors which augments purchasing power when pursuing acquisitions and provides an independent validation of Marwyn's investment thesis.

### Management

Marwyn seeks experienced corporate managers with strong track records of creating shareholder value and frequently works closely with them on-site for up to 24 months prior to an initial acquisition. The managers leverage their extensive industry networks and expertise in the identification of proprietary acquisition opportunities and in assembling a preeminent management team around them. Working together with management, Marwyn refines the strategy, identifies targets and conducts due diligence.

Marwyn's relatively long term investment horizon and day-to-day collaborative involvement with management both before and after the initial acquisition significantly enhances strategic alignment.

Marwyn has an established track record in being able to source and incentivise market leading, proven management teams. Building strong relationships with leading management teams increases the likelihood of high quality deal flow and a successful "buy-and-build" strategy within the sector in which the relevant management team is operating. In order to develop relationships with management teams, Marwyn provides them with a support base within Marwyn's offices, access to

Marwyn's infrastructure, investor, advisory and commercial relationships and Marwyn's capital markets expertise. In Marwyn's experience, management teams are frequently attracted to working in the public markets with support from experienced investors.

### Sector focus

Marwyn has a sector-agnostic approach to investing, typically targeting sectors where structural and/or regulatory change are driving a shift in value that may be exploited. Frequently, returns and speed of execution are amplified through deploying acquisitive "buy-and-build" growth strategies in fragmented markets, where potential exists for revenue and/or cost synergy.

### Public markets

Marwyn believes that one of the key advantages of operating in the public markets is access to a quick and efficient source of capital at all stages of an investment's life cycle. The enhanced liquidity also facilitates both smooth changes in ownership and Marwyn's "buy-and-build" strategy as asset vendors are able to participate in future upside through rolling their stake into tradable securities.

Additionally, Marwyn believes listed platforms hold greater appeal for distinguished portfolio executives than traditional private equity structures. This is because public structures provide access to blue-chip institutional relationships and access to pools of equity and debt capital without investment horizon constraints.

### Investment policy

There are no investment restrictions applicable to the Company or the Master Fund.

MVI II LP has the following investment restrictions:

- no investment can exceed 30% of the partners' aggregate commitments at the time of investment;
- it cannot engage in derivative trading except to hedge or enhance an investment in an existing or prospective Portfolio Company;
- it cannot invest in any blind-pool investment fund; and
- it may recycle distributed capital, up to an amount equal to 100% of the partners' aggregate commitments, which may only be used to acquire assets, and not pay fees.

The Master Fund and MVI II LP invest either directly or indirectly into the Portfolio Companies. The Master Fund (with the exception of the classes attributable to realisation shareholders) and MVI II LP (during its 'Investment Period', being five years from final close) are permitted to make follow-on investments into the Portfolio Companies and invest in new Portfolio Companies. In the case of capital relating to the Company's realisation shares, the Master Fund is only permitted to invest cash in follow-on investments in the Portfolio Companies within three years of creation of the realisation class.

## MARWYN VALUE INVESTORS LIMITED INVESTMENT POLICY AND FUND STRUCTURE

The Master Fund also has an express power to use cash to acquire the Company's shares at a discount to their NAV for cancellation. Any such acquisitions and cancellations will be NAV enhancing for the continuing holders of ordinary shares. The use of such power is reviewed by the Manager and the Board.

The assets attributable to the realisation pool are managed with a view to maximising investment returns, realising investments and making distributions to the holders of realisation shares as realisations are made. The realisation pool is permitted to invest cash allocated to it upon its creation in follow-on investments into existing Portfolio Companies made within three years of the creation of the realisation pool. Unlike the investment policy in respect of the assets relating to ordinary shareholders, cash generated on the sale of an investment in the realisation pool may not be re-invested and are, subject to amounts held back for reasonable working capital requirements, distributed to realisation shareholders.

### The Manager

Marwyn Asset Management Limited is the manager of the Company, the Master Fund, MVI II LP, its stapled co-investment vehicle, MVI II Co-Invest LP and MVI II DCI I LP, a discretionary co-investment vehicle. The Manager is advised by Marwyn Investment Management.

The Management Agreement governing the Company's investments allows for the investment strategies that the Manager may employ to be in any securities, instruments, obligations, guarantees, derivative instrument or property of any nature in which the relevant vehicle is empowered to invest and as contemplated by its investment policy.

The Company does not pay a management fee or incentive allocation to the Manager in respect of the Company's investment in the Master Fund. The valuation of the Company's investment in the Master Fund takes into account the management fee payable by, and incentive allocation due from, the Master Fund that is applicable to the classes of partnership interests in which the Company invests. Furthermore, the Company does not pay any management fee or make any incentive allocation in relation to the Master Fund's investment into MVI II LP.

# MARWYN VALUE INVESTORS LIMITED ADVISERS

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