MARWYN VALUE INVESTORS LIMITED

(formerly Marwyn Value Investors II Limited)

AUDITED FINANCIAL STATEMENTS

31 December 2008

MARWYN VALUE INVESTORS LIMITED
(formerly Marwyn Value Investors II Limited)

CONTENTS

PERFORMANCE SUMMARY

Marwyn Value Investors Limited (the "Company"), (LSE: MVI), is a Specialist Fund Market listed company which provides access to the investment strategy pursued by the Marwyn Neptune Fund L.P. The key performance statistics for the 12 months ended 31 December 2008 are as follows:

- Net asset value decline of 44.9 per cent. during 2008 compared to a decline in the FTSE Small Cap Index of 45.8 per cent.;
- Marwyn Neptune Fund L.P. has returned net asset value growth of 2.8 per cent. since launch in March 2006 compared with a -48.1 per cent. decline in the FTSE Small Cap Index and decline of -25.3 per cent. in the FTSE All Share Index over the same period;
- Underlying performance of the individual portfolio companies remains solid, demonstrating their defensive qualities; and
- Average leverage across the portfolio companies remains prudent, allowing flexibility for further investment and growth in the future.

REPORT OF THE CHAIRMAN

I am pleased to present to the shareholders the audited Annual Report and Financial Statements of the Company for the twelve months ended 31 December 2008. In implementing our investment objective the Company remained fully invested in Marwyn Neptune Fund L.P. (the "Master Fund").

The investment strategy of the Master Fund remains the same as previous periods. The Fund continues to identify and invest in experienced operational managers with strong demonstrable track records for building and managing small and mid-cap businesses (under £1 billion in market capitalisation) in the UK, Europe and North America. By supporting and working alongside our management teams, we are able to combine private equity disciplines and public market best practice to deliver investment returns.

Investment Performance

The basic net asset value ("NAV") per ordinary share of Marwyn Value Investors fell by 56.2 pence to 68.9 pence in 2008, a fall of 44.9 per cent.; the net asset value of the Master Fund fell by 44.3 per cent. in the same period. A summary of the Master Fund returns against various benchmarks for the year and from inception is set out below:

Performance	*Master Fund*	*FTSE All Share*	*FTSE Small Cap*	*MSCI Europe*
Year to 31/12/2008	-44.30%	-32.80%	-45.80%	-45.50%
Since inception (1/3/2006 to 31/12/2008)	2.80%	-25.30%	-48.10%	-39.70%

Trading Discount to Net Asset Value

Since the beginning of the year the basic net asset value per ordinary share has fallen further to an estimated 65.7 pence as at 28 February 2009. This has not been adjusted for any potential warrant exercise dilution. At 31 December 2008 the discount of the NAV to the share price was 65.2 per cent. Whilst discounts to NAV have widened dramatically across the market, particularly in those funds with more illiquid, mid to longer term strategies, we believe that the Company has further suffered from investee hedge fund redemptions and fund liquidations, creating a substantially greater decline in the company's share price than the relative illiquidity of our strategy might otherwise have suffered in the current market environment.

As a result, the Board will review a number of possible changes to the Funds structure that may assist in narrowing the current discount to NAV and we intend to approach shareholders to discuss these in the near future.

Whilst the broad economic environment is challenging, we remain confident in the investment strategy pursued by the Master Fund and its ability to generate returns over its portfolio company investment lifecycles.

In line with our change of administrator from Fortis Fund Services (Guernsey) Limited to Fund Corporation CI Ltd (Guernsey) Paul Everitt and Michael Price will be joining our board as Non-Executive Directors replacing the current directors David Warr and Ian Clarke. We would like to thank David and Ian for their significant contribution to the board since inception and wish them well for the future.

David Williams
Chairman

3 April 2009

REPORT OF THE INVESTMENT MANAGER

Market Conditions

Obviously 2008 was an extraordinary year in the financial markets with wholesale sell offs across all markets, particularly in the smaller companies arena. However, as Investment Managers we will not hide behind the market in times such as these. It is our responsibility to ensure – both through what we invest in and the way we manage our investments – that our investment capital not only survives the passage of events, but is well placed to take advantage of market distress and to create significant value as the market recovers.

What we invest in

Our Investment Strategy has long been to focus on companies and sectors demonstrating characteristics that we believe give greater certainty and/or predictability to mid term profitability. Such features include regulatory change, industry structure or specific product or services characteristics.

To the extent that a Company operates within an arena that is largely non-discretionary spend (e.g. drug and alcohol testing, asbestos remediation), or has a high degree of entrenched public sector funding (health service and vocational training), then it obviously fits our investment criteria. So too do companies in those sectors that tend to out perform in tougher times (low ticket entertainment, confectionery, low stake gaming). Accordingly, these companies also make up material proportions of our portfolio.

How we invest

If sector strength represents the potential then it is first class management that we rely on to unlock and deliver value to shareholders. We are happy to take a contrarian or completely counter-cyclical view by backing the best management team. We are firm believers that quality of management is by and large the differentiating factor between profit and loss.

We work extremely closely with all of our investee management teams, committing 1-2 investment personnel to each investment throughout its lifetime of two to three years. Our role is to act in support of management teams where appropriate, often providing additional financial and advisory resources not ordinarily available to them. This, we believe provides significant benefits to our portfolio companies and forms an integral part of our risk management process as investment manager and guardian of the Fund’s capital.

We have consistently taken a moderate approach to areas such as leverage within the operating businesses. The current average leverage in the underlying portfolio averages 2.1x trailing EBITDA and 1.3x forecast EBITDA on an investment weighted basis. Whilst we cannot claim to have foresight of the current credit environment, it has long been apparent to business managers and operationally focused investment managers that high leverage brings with it significant quantitative and also qualitative risks. Quantitative risks are obvious in an environment where trading conditions bring risk of covenant breach and subsequent challenges in refinancing. But our view is that the qualitative impact discourages the recruitment of great management who do not want to run over-leveraged businesses. It constrains management’s ability to invest in the longer term future of the company in pursuit of short term covenant targets which in turn dramatically reduces management’s appetite to act dynamically in market environments where even greater opportunities may present themselves.

Investing in this environment

The trading performance of our companies, with one exception, has been strong but we have seen significant damage caused to company share prices through indiscriminate selling of shares at often extraordinary prices, particularly where the underlying investor is suffering financial distress. It remains our policy, where appropriate, to make opportunistic purchases of this nature where we see a substantial disconnect between the sale prices and fundamental value. Furthermore, where the market demonstrates an inability to adequately value specific investments we may also participate alongside financial sponsors in taking companies private where we believe it is in the best interests of the fund and we are confident of our ability to deliver significant investment returns in a reasonable timeframe.

We believe that the primary opportunity in 2009 lies in companies with strong underlying businesses and management but experiencing price distress created by the mix of muted financial performance, inappropriate capital structure or uncertain refinancing. To that end we have already launched Marwyn Materials under the direction of Peter Tom and Simon Vivian (previously Aggregate Industries and Hanson respectively) to focus on the distressed construction market. Praesepe, under the direction of Nick Harding (who previously built and sold Talarius plc) is focusing on the distressed leisure sector. We are fortunate to have such high quality teams to support these initiatives at a time when management expertise is more important than ever in running a business.

In summary, our portfolio companies are funded, have strong management teams and are trading well. We believe the current environment favours Marwyn's hands on, operationally focused strategy and whilst we cannot predict near term NAV performance, we believe we are well positioned to produce strong returns for investors over the medium and longer term.

Based upon the Company's investment in the Master Fund, the Company's total net asset value is broken down across portfolio companies in the following percentages as at 31 December 2008:

Allocation of Marwyn Value Investors
Net Asset Value by Company

Company	*Ticker*	*Sector*	*% of NAV*
Advanced Computer Software	ASW LN	Healthcare Software	8.5%
Concateno	COT LN	Drug & Alcohol Testing	31.7%
Entertainment One	ETO LN	Entertainment Rights	16.9%
Marwyn Materials	MMAT LN	Construction Materials	9.5%
Melorio	MLO LN	Vocational Training	6.7%
Praesepe	PRA LN	Gaming	7.9%
Silverdell	SID LN	Asbestos Services	2.5%
Zetar	ZTR LN	Specialty Confectionery	1.3%

PORTFOLIO COMPANIES

Company: Advanced Computer Software plc ("ASW")

Strategy and Opportunity:

ASW is looking to consolidate the fragmented healthcare software and services market with a focus on Primary Care (the provision of first line patient services such as GPs, Walk-in-Centers, District Nursing and Out-of-Hours services).

Management Biography:

The Board is led by Michael Jackson as Chairman with Vin Murria as CEO. Michael Jackson is the Founder and Chairman of Elderstreet Investments Limited and has 25 years experience in raising finance and investing in the smaller companies sector. His track record includes PartyGaming plc, The Sage Group plc, Computer Software Group plc, Planit Holdings and Netstore plc. Vin Murria has over 20 years' experience of working for venture capital, private equity and publicly listed companies focused on the software sector. She has been CEO of Computer Software Group plc, European COO for Kewill Systems plc and Chairman of Leeds Group plc.

Progress over the year:

During H1 2008, ASW (formerly known as Drury Lane Capital plc) pursued a range of potential acquisition targets and identified an exciting prospect and strong management team in the healthcare software and services sector. Post the period end ASW, in line with its stated strategy, appointed Vin Murria and Michael Jackson to their respective roles and completed the acquisition of Adastra Software Limited, as well as successfully raising £14.6 million (before expenses) by the way of a placing to institutional and other investors at a price of 17p.

Investment Performance:

The share price of the company at 31 December 2008 was 18.0p.

Company: Concateno plc ("Concateno")

Strategy and Opportunity:

Concateno has created a dominant position in the European drug and alcohol testing sector. The strategy has been to focus on the UK and Scandinavian markets which, although less developed than the mature US market, are characterised by higher margins and more robust growth patterns and in which Concateno enjoys strong revenue visibility with long term contracts and high customer retention.

Management Biography:

Keith Tozzi (Chairman) has wide experience at board level in creating and developing successful businesses. He was Group Technical Director of Southern Water plc from 1992 to 1996 and Chief Executive of the British Standards Institution from 1996 to 2000. There he grew annual turnover by over £100 million to £211 million, enjoying extensive experience acquiring businesses in the UK, South America and Eastern Europe to leverage the brand. He was also Non-Executive Chairman of Inspicio plc until its takeover by 3i in February 2008.

Fiona Begley (Chief Executive Officer) has significant experience in the drug and alcohol testing sector, having joined Medscreen in 1996 as Sales and Marketing Manager. She was appointed General Manager in 1998 and Managing Director in 2000 and led the management buy out from PharmChem in 2002. Her previous experiences have included management roles for Syva UK and Behring Diagnostics UK with a focus on business development and marketing in the diagnostics industry. Prior to 1992 Fiona was a product manager and biochemist in the pharmaceuticals and biotechnology sector.

Progress over the year:

Following its 2007 consolidation of the drug and alcohol testing sector in 2007 with six acquisitions (including Cozart plc, during H1 2008), Concateno has implemented a program of restructuring to streamline its operations and reap the benefits of synergies. This process is now largely complete and has been aimed at significantly improving the group operating margin through the closure of laboratories and the migration of acquired operating structures onto the highly efficient Medscreen and Cozart operating platforms. This margin improvement has begun to show in the interim results of 30 June 2008 and is expected to further improve in FY08.

Concateno is currently in an offer period, with UBS appointed in July 2008 to advise the board on the potential sale of the business.

Investment Performance:

During the year Concateno's share price fell from 128.5p to 93.5p.

Company: Entertainment One Limited ("E1")

Strategy and Opportunity:

The E1 strategy is to create a leading international independent film distribution business through the acquisition of top class, local independent distributors, together with organic growth in the form of output deals and content acquisition. The film distribution market is experiencing steady growth. Key non-US markets are characterised by established local independent distributors with no international reach. This provides the scope to build a multi-territory distributor to take advantage of benefits of scale, margin enhancement and increased revenue opportunities whilst offering a genuine alternative to the major studio distribution model.

Management Biography:

Darren Throop (CEO) and Patrice Theroux (President of Filmed Entertainment) have combined experience of over 40 years in the industry. Before joining E1, Patrice was CEO of Motion Picture Distribution, an international film distribution business with operations in Canada, UK and Spain. Giles Willits (CFO) was previously Director of Group Finance of J Sainsbury plc and CFO of EUK, the leading UK distributor of home entertainment product.

Progress over the year:

In January 2008 E1 announced the acquisition of R.C.V. Entertainment B.V., the leading independent distributor in Holland and Belgium. In June 2008, the company announced its results for the year ended 31 March 2008, which were in line with market expectations. During the year E1 also announced distribution deals with Yari Film Group and THINKFilm. On 25 September 2008, it completed the acquisition of Blueprint, Barna-Alper, Oasis, and Maximum Film. On 17 September 2008, E1 announced the successful, US$150m global refinance of the group's banking facilities in a syndicate led by JPMorgan.

Investment Performance:

The share price declined from 103.5p to 26.5p during the year as a result of difficult equity market conditions.

Company: Marwyn Materials Limited ("Marwyn Materials")

Strategy and Opportunity:

Marwyn Materials has identified the opportunity to create value for shareholders through an acquisition led strategy in the international building materials industry focusing on the UK, Eastern Europe and the US. Whilst the UK and international building materials markets are generally well consolidated and dominated by a small number of key players, the smaller end of the market remains fragmented and management believes that shareholder value can be created through market consolidation. Given recent economic uncertainty and the sector wide re-rating of building related stocks, management believe that the current climate represents an opportunity to make acquisitions on significantly lower valuations. In the long term management believes that the prospects for the building materials sector are favourable, with infrastructure spending expected to continue on the back of a Government committed to investing in hospitals, schools and affordable homes, partially offsetting the downturn in private construction.

Management Biography:

Peter Tom CBE (Executive Chairman), has more than 50 years' experience in the aggregates industry, starting at Bardon Hill Quarries Ltd, where he became CEO in 1985. Peter expanded the group, which went on to become Aggregate Industries plc and led the negotiations which resulted in its successful acquisition by Holcim in 2005.

Simon Vivian (Chief Executive Officer) has over 20 years' experience in aggregates and construction. Most recently he was CEO of Mowlem plc and negotiated the takeover of Mowlem by Carillion plc in 2005. Prior to Mowlem, Simon worked in a number of roles at Hanson plc, ultimately as CEO of its European Building Materials business.

Ian Peters (Finance Director) has more than 20 years' experience in the international building materials industry, initially in financial controlling roles within the UK aggregates business of Hanson. Following the demerger of Hanson PLC in 1997, Ian was appointed group financial controller, and was involved in the completion of £2.5 billion of acquisitions. He went on to become finance and development director of Hanson Building Materials Europe between 2000 and 2003. After a year as finance director, for Continental Europe and Asia, in 2004 Ian was appointed general manager, Continental Europe.

Progress over the year:

Marwyn Materials raised £13.6 million of equity and was admitted to trading on AIM in June with the objective of pursuing acquisition opportunities in the international building materials sector.

Investment Performance:

During the year Marwyn Materials' share price rose from 10p (being the subscription price at IPO on 12 June 2008) to 16.5p

Company: Melorio plc ("Melorio")

Strategy and Opportunity:

Melorio is seeking to consolidate leading private providers of vocational training and assessment within certain identified sectors. Addressing the UK skills deficit through vocational training is a key government initiative, with a total budget of £11.6 billion in 2008-09.

Management Biography:

Appointed in February 2009, Hugh Aldous (Non-executive Chairman) has over 25 years' experience as a director of a number of listed and private companies. He is a former Chairman of CILNTEC (the City of London's training and enterprise council) and Deputy Chairman of FOCUS (the Central London TEC now London Central LSC), Inspector into company affairs for the Department for Business, Enterprise and Regulatory Reform (then the Department of Trade and Industry) and member of the Competition Commission. His current directorships include Polar Capital Holdings plc and Elderstreet Venture Capital Trust plc. Hugh is a chartered accountant (FCA) and was formerly a partner of Grant Thornton UK LLP.

Alex Sheffield (CFO) is a former partner at boutique investment bank Livingstone Partners. He has extensive transactional experience in the vocational training sector including the sale of HCTC Limited to VT Group plc and the sale of Sheffield Trainers Limited to Sovereign Capital.

Progress over the year:

Melorio launched Logistics Learning World, an organic extension of the Learning World model into the logistics sector and completed two acquisitions: HB Group, a leading provider of apprenticeship training to the construction sector; and Zenos, whose principal business is the delivery of advanced IT apprenticeships through a network of academies.

Following excellent maiden results for the period to 31 March 2008, the company recently announced that it expects to meet market expectations for the full year to 31 March 2009.

Investment Performance:

Despite a solid trading performance, the completion of two acquisitions and the launch of Logistics Learning World the shares declined from 107.5p to 65p during the year.

Company: Praesepe plc ("Praesepe")

Strategy and Opportunity:

Praesepe has identified the opportunity to consolidate the fragmented low-stake high-volume ("LSHV") gaming market across the UK and Europe to create a unique vehicle of substantial scale. Its pipeline of opportunities are being driven by the current challenging operating environment, e.g. the UK smoking ban, changes to machine regulations and the downturn in consumer spending.

Management Biography:

Nick Harding, Praesepe's CEO is one of the leading UK gaming sector managers with relevant experience at Talarius plc, Rank Group, Ladbrokes and Corals. Nick is currently President of BACTA (the industry trade association), trustee of the Responsibility in Gambling Trust, an advisor to GamCare and was the founding chairman of iGGBA (the UK's first interactive gaming association) and accordingly is well known and respected in the industry. Nick is supported by Matthew Proctor, the former CFO of Gala Coral.

Progress over the year:

Following Nick's appointment as CEO in November 2007, Praesepe completed its first acquisition, being 31 "Shipleys Amusements" Adult Gaming Centres located across the Midlands and Wales for £25 million.

Investment Performance:

During the year the share price declined from 30.0p to 10.5p

Company: Silverdell plc ("Silverdell")

Strategy and Opportunity:

Silverdell is looking to consolidate key businesses within this high growth, fragmented sector. The Company's ultimate objective is to create a nationwide, full service environmental services provider capable of delivering asbestos remediation and consultancy services across diverse end user markets including government, retail, utilities, nuclear, marine and petrochemical. Growth in the asbestos services market is driven by regulatory requirements and the increasing threat of litigation.

Management Biography:

Sean Nutley (CEO) has over 20 years experience within the industry in both operational and managerial roles at Silverdell (UK) Limited.

Progress over the year:

In the first half of its financial year Silverdell experienced delays to certain major contracts and also undertook some lower margin work. In February 2009 the company updated the market that it expects EBITDA (before exceptional and non recurring items) for the financial year to 30 September 2008 to be approximately £2.5 million. The company made no acquisitions in the period.

Investment Performance:

The share price declined from 144.5p to 16.5p during the year, in part due to the revised performance expectations for the year to 30 September 2008.

Company: Zetar plc ("Zetar")

Strategy and Opportunity:

Zetar has pursued a strategy of acquiring businesses operating in the confectionery, snack foods and related sectors. The fragmented nature of the European confectionery market, together with an increased demand for healthier snack products and increasing industry regulation has presented an opportunity for consolidation.

Management Biography:

Ian Blackburn, Chief Executive has been Chief Executive since Zetar was listed in January 2005. He is a Chartered Accountant who previously worked for KPMG. He was Chief Executive and Finance Director of Perkins Foods between 1988 and 2003.

Clive Beecham, Group Managing Director joined the Board in April 2005 and has been Group Managing Director since July 2006. He was a co-founder of Kinnerton in 1978 and has been its Managing Director since its inception. He continues to have board responsibility for the Kinnerton Group as well as leading Zetar's operational initiatives related to product, packaging and customers.

Progress over the year:

For the financial year ending 30 April 2008 the company reported revenue from continuing activities up 12 per cent. to £106.0 million, and operating profit of £8.7 million (an increase of 14 per cent. y-o-y). Adjusted diluted earnings per share were down 13 per cent. to 35.2p, largely driven by the investment in Baked Snacks. On 1 December 2008, the company issued a trading update informing the market around the £900,000 potential impact of Woolworths being placed into administration.

Investment Performance:

The share price declined from 545p to 162.5p during the year, largely due to investors' views around the challenging trading environment.

REPORT OF THE DIRECTORS

The Directors have pleasure in submitting their Annual Report and the Audited Financial Statements for the year ended 31 December 2008.

Status and activities

The Company is a closed ended investment company registered in Guernsey under the provisions of The Companies (Guernsey) Law, 2008.

The Company's Investment objective is to maximise its total return primarily through the capital appreciation of its investment in Marwyn Neptune Fund L.P. ("Master Fund").

The objective of the Master Fund is to offer exposure to early-stage primarily UK and European companies of up to £500,000 Enterprise Value. Preference for investments in companies operating in regulated sectors or those impacted by changing regulation e.g. waste, utilities, leisure and financial services.

The strategy of the Master Fund is to:

- fill the funding gap between private equity and conventional public market investors;
- focus on recruiting and supporting experienced and proven management teams in developing and executing their strategies;
- focus on sectors where regulatory change provides opportunities to leverage new or unrecognised capital value;
- provide companies and management teams with "hands on" execution capability that enables them to deliver on their organic and acquisition-led strategies;
- provide investee companies and management teams with the benefit of Marwyn team's relationships with providers of leverage finance and institutional equity finance, together with our advisory support network.

A review of the performance of, and the outlook for, the Master Fund are provided in their Managers report on pages 3 to 8. An analysis of the Company's exposure to risk and the policies adopted in its efforts to mitigate such risks are disclosed in note 12 to the financial statements.

Significant events

On 11 March 2008, the Directors of Marwyn Value Investors Limited ("Marwyn") and Marwyn Value Investors II Limited ("MVI2") announced that they had reached agreement on the terms of a recommended amalgamation between MVI2 and Marwyn pursuant to which Marwyn would be amalgamated with MVI2. Under the amalgamation;

(i) the Marwyn Ordinary Shares and Marwyn B Shares were converted into MVI2 Shares;

(ii) MVI2 Series One Warrants and MVI2 Series Two Warrants were cancelled in exchange for New Warrants; and

(iii) Marwyn Series Two Warrants and Marwyn B Warrants were cancelled in exchange for New Warrants.

The amalgamation was implemented under the Guernsey Amalgamation of Companies Ordinance, 1997 such that MVI2 as the surviving or Amalgamated Company did, by operation of law, succeed to all property, rights powers and privileges, and did become liable for all debts, liabilities and obligations, of Marwyn existing on the Effective Date, 18 April 2008. On the Effective Date, all Marwyn Shares were converted into MVI2 Shares and Marwyn ceased to exist as a separate entity under Guernsey law and was deleted from the Guernsey Register of Companies. Thereafter, the Company was amalgamated for the purposes of the Ordinance.

Further details regarding the calculation basis of the amalgamation and the issue of shares and warrants in the new amalgamated company are disclosed in the notes to these financial statements.

Following the sanction of a special resolution of the Company, and with the approval of the Royal Court of Guernsey, dated 25 April 2008, the Company changed its name from Marwyn Value Investors II Limited to Marwyn Value Investors Limited.

On 30 October 2008 the Directors agreed that the Company should de-list from AIM and apply for membership to the Specialist Fund Market ("SFM") of the London Stock Exchange. On 3 November 2008 the Company announced to the market that it intended to apply for admission to SFM, subject to approval of the prospectus by the UK Listing Authority, and that the trading of its shares and warrants on AIM would be cancelled simultaneously with admission to trading on SFM.

The Companys' listing on the SFM, and simultaneous de-listing from AIM, was effective from 8 December 2008.

Results and dividends

The results attributable to the Shareholders for the year and the transfer to reserves are shown in the Income Statement. The Directors did not pay, and do not recommend, a dividend for the year (2007: Nil).

Share capital

As at 31 December 2008 the Company had 82,156,473 ordinary shares in issue (31 December 2007: 33,000,000) and 23,259,078 New Warrants in issue (2007: Nil). Details of the changes in the Capital structure of the Company are disclosed in the significant events above. The rights attached to the New Warrants and the Ordinary Shares are disclosed in notes 8 and 9 to the Financial Statements.

Directors and their interests

The Directors of the Company who served during the year were:

David Jeffreys Williams
David John Warr
Ian Geoffrey Clarke
Robert Thomas Ernest Ware
James Corsellis (appointed 10 January 2008)

David Williams *(Chairman)*

David (56) has over 35 years experience in the investment industry and has served as both executive and non-executive Chairman of a number of public and private companies. He has built a reputation for creating significant shareholder value through organic growth and acquisitions, as well as leading turnaround situations. In 1994, David worked with the executive team to float Waste Recycling Group plc, at an initial value of £8 million and, during his seven years as Chairman, its value grew to £550 million. David was also Chairman of RAL on its management buy out from the Rank Group in 1996. David is currently Chairman of Augean plc, Entertainment One plc, Zetar plc, Silverdell plc, Praesepe plc, as well as Marwyn Investments Group Limited and our associated companies.

Robert Ware

Robert (54) 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 London Stock Exchange 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. Over the six year period in which he was employed 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. In 1994, he left to take up the position of managing director of Dunton Group plc, where he stayed until November 1996.

Robert is currently Chief Executive of the Conygar Investment Company PLC, an AIM quoted property investment and development company formed by Robert and members of the ex-MEPC team. He is senior non-executive director at Tarsus Group plc, a non-executive director at Raven Mount plc, NR Nordic & Russia Properties Limited and Gartmore Growth Opportunities plc and Chairman of the Terra Catalyst Fund. Robert is a fellow of the Institute of Chartered Accountants in England and Wales.

David Warr *(Non-Executive)*

David (55) has worked for the Fortis Guernsey Group since 1972. He qualified as a Chartered Accountant in 1976 and became an audit partner in 1981. Subsequently, the Fortis Guernsey Group developed into a more broadly based financial services business and as a consequence David specialised in offshore fiduciary services. David is an Executive Director of Fortis Reads International Management Limited and is currently the engagement director for a number of substantial trust clients.

Ian Clarke *(Non-Executive)*

Ian (43) moved to Guernsey, where he is now resident, in 1987 and has specialised in providing offshore fiduciary services since then. Ian is a Director of Fortis Fund Services (Guernsey) Limited, part of the Fortis Guernsey Group and is responsible for the administration of a number of closed ended property funds and AIM listed investment vehicles. In addition, Ian has experience in managing complex trust and corporate structures.

James Corsellis

James (38) founded one of the earliest strategic technology consultancies in 1994 and was Chief Executive Officer of icollector plc, a leading provider of live auction trading platforms. He later negotiated the joint venture with eBay, which saw icollector become the exclusive partner worldwide for traditional auction houses. At Marwyn, James Corsellis has, together with Mark Watts, undertaken 50 transactions raising an aggregate equity of close to £1 billion in acquisition funding for Marwyn backed management teams and special purpose acquisition vehicles from 2002 to date. He is a Managing Partner in Marwyn Capital LLP and Marwyn Investment Management LLP. James is currently a Director of portfolio companies Concateno plc, Entertainment One Ltd and Marwyn Materials Ltd.

The Directors, together with their beneficial interests and those of their families, held the following interests in the Ordinary Shares or Warrants of the Company at 31 December 2008, and there have been no changes in their interests from 31 December 2008 to the date of approval of these financial statements.

	Ordinary Shares	*New Warrants*
David Jeffreys Williams	917,430	157,950
David John Warr	183,486	31,599
Ian Geoffrey Clarke	Nil	Nil
Robert Thomas Ernest Ware	458,715	78,975
James Corsellis	Nil	Nil

Directors' remuneration

The emoluments of the individual Directors for the period were as follows:

	2008 £	*2007* £
David Jeffreys Williams	–	–
David John Warr	20,600	19,850
Ian Geoffrey Clarke	20,600	19,849
Robert Thomas Ernest Ware	15,386	–
James Corsellis	–	–
	56,586	39,699

The above fees do not include reimbursed expenditure.

Substantial shareholdings

At 9 March 2009 the following interests in 3 per cent. or more of the issued Ordinary Shares had been notified to the Company.

	Number of Ordinary Shares	*Percentage of share capital*
Lehman Brothers Nominees Limited Custody Acct	10,191,967	12.41%
Vidacos Nominees Limited CSFB1 Act	8,200,000	9.98%
Goldman Sachs Securities Nominees Limited ILSEG Acct	6,801,913	8.28%
Tortin Limited	5,000,000	6.09%
Nortrust Nominees AUK01 Acct	5,000,000	6.09%
Vidacos Nominees Limited DMG7 Act	4,497,208	5.47%
LBPB Nominees Limited (In administration) Prime Acct	3,600,139	4.38%
BBHISL Nominees 121624 Acct	3,499,719	4.26%
JP Morgan Clearing Corp Propclear Acct	2,868,000	3.49%
OMX Securities Nominees Limited KKCLT Acct	2,808,769	3.42%
Vidacos Nominees Limited 1854 Acct	2,518,932	3.07%

Auditors

A resolution for the re-appointment of Grant Thornton Limited will be proposed at the forthcoming Annual General Meeting.

Annual General Meeting

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

Approved by the Board of Directors

David Williams

Date 3 April 2009

Robert Ware

Date 3 April 2009

CORPORATE GOVERNANCE STATEMENT

There is no standard code of corporate governance in Guernsey. The Company is however a member of the Association of Investment Companies ("AIC"). The Board of Directors believes that the principles of the revised AIC Code of Corporate Governance ("the AIC Code") issued by the AIC in May 2007, are appropriate to its circumstances and the following statement details how this has been applied to the affairs of the Company. In February 2006, the Financial Reporting Council ("the FRC") confirmed that investment companies who report in accordance with the revised AIC Code will be deemed to have met their obligations under the Combined Code on Corporate Governance. Details of the AIC code are publicly available and can be found on their website at www.theaic.co.uk.

The principles laid down by the two Codes are similar but there are some areas where the AIC Code is more specifically applicable to investment companies. The Directors attach importance to the matters set out in the AIC Code, and the Directors believe that the Company was fully compliant with all of the principles of the Code in 2008.

The Board

The Company is led and controlled by a Board comprising two non-executive Directors, both of whom have wide experience and are considered to be independent and three executive directors, two of whom are principals of Marwyn Investments Management LLP, the investment manager of the Company and the Master Fund. The Company does not have any employees. The Board believes that it is in the shareholders' best interests for the Chairman to be the point of contact for all matters relating to the governance of the Company and as such has not appointed a senior independent non-executive Director. The Board has established a Nominations and Remunerations Committee under the chairmanship of David Warr which reviews directors' nominations, remuneration and the manager's contract. It is intended that one-third, or the number nearest to but not exceeding one third, of the Directors shall retire and offer themselves for re-appointment at each annual general meeting in accordance with the Articles of Association.

Given that the Company has been operating for a relatively short period of time Directors' tenure and length of service are issues which have not been formally reviewed during the year. At the current stage of development of the Company the Board consider that the present Directors provide an appropriate balance of independence and experience, while acknowledging that a formal consideration of Directors length of service and tenure policy will be required in future years.

Although no formal training in Corporate Governance is given to Directors, the Directors are kept up-to date on Corporate Governance issues through bulletins and training materials provided from time to time by the Company Secretary and the AIC.

The Board meets at least quarterly to review the overall business of the Company and to consider matters specifically reserved for its review. At these meetings the Board monitors the investment performance of the Master Fund, reviews the Company's exposure to risk on its financial instruments and discusses the policies it feels are appropriate to adopt in order to address, and mitigate, such risks. The risks identified, and the policies adopted, are disclosed in note 12 to the financial statements.

Additional ad hoc reports are received as required and Directors have access at all times to the advice and services of the Company Secretary, who assists the Board in ensuring that Board procedures are followed and that applicable rules and regulations are complied with.

The Board met during the year to review its performance and composition and was satisfied on both subjects. In addition, following the informal evaluation of performance of the Board, its committees and individual Directors, it is considered that the performance of all Directors continues to be effective and they have demonstrated commitment to their roles. Under the Articles of Association David Williams retires by rotation and being eligible offer himself for re-election at the forthcoming Annual General Meeting.

The Board has an Audit Committee, chaired by David Warr, which monitors the integrity of the financial statements of the Company and in doing so meets at least twice a year to review the interim and final financial statements. The Company's external auditors are invited to attend these meetings, the results of which are formally reported to the Board. In addition the Audit Committee reviews the independence and objectivity of the auditors and will oversee the approval of their engagement and consider their remuneration.

The Company maintains Directors' and Officers' liability insurance which provides insurance cover for Directors against certain personal liabilities which they may incur by reason of their duties as Directors.

The Company has a procedure whereby the Board is entitled to obtain independent advice where relevant at the expense of the Company.

The table below sets out the number of Board meetings held during the year and the number of meetings attended by each Director.

	Quarterly Meetings	*Audit Committee*	*Management Nomination Committee*	*Remuneration Committee*
Number of meetings	4	2	1	1
Meetings attended				
David Williams	4	N/A	N/A	N/A
David Warr	4	2	1	1
Ian Clarke	4	2	1	1
Robert Ware	4	N/A	1	N/A
James Corsellis	2	N/A	N/A	N/A

Investment Manager

The Directors are responsible for the determination of the Company's investment policy and have overall responsibility for the Company's activities. The Directors have contractually delegated the overall responsibility for the management of the Company's investment portfolio to Marwyn Investment Management LLP, subject to the overriding supervision of the Directors.

The Directors are of the opinion that the continuing appointment of the Investment Manager, pursuant to the terms of the Investment Management Agreement, is beneficial to the interests of shareholders as a whole.

Relations with Shareholders

In conjunction with the Company Secretary, the Board keeps under review the register of members of the Company.

The Board has not established a formal process for ensuring that each Director develops an understanding of the views of major shareholders. However, the Board received quarterly reports on the shareholder profile of the Company and regular contact with major shareholders is undertaken by executives of the Investment Manager. Any issues raised by major shareholders are reported to the Board on a regular basis.

All shareholders are encouraged to participate in the Company's annual general meeting. The Directors will attend the annual general meeting, at which shareholders have the opportunity to ask questions and discuss matters with the Directors and the Investment Manager.

Accountability and audit

(a) Statement of going concern

After making enquiries, the Directors consider that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt a going concern basis in preparing the financial statements.

(b) Internal control

The Board is responsible for establishing and maintaining the Company's system of internal control and reviewing its effectiveness. The Administrator is responsible for all the operational aspects of the Company's business and therefore the Board is reliant on the Administrators' internal control systems including the financial, operations and compliance controls and risk management. The audit committee has received assurance from the Administrator that it has in place robust financial controls in respect of the Company and that these controls are subject to audit by the Administrator's compliance and internal audit functions and, in addition, that these controls are subject to external audit. The Board has received assurance, through reports provided by the Administrator at each quarterly Board Meeting, that no weaknesses or breaches in those controls have been identified which might have affected the Company during the year. The Administrators procedures are designed to manage rather than eliminate risk and by their nature can only provide reasonable but not absolute assurance against material misstatement of loss.

The Board has reviewed the need for an internal audit function. Being an externally managed investment company the Board considers the Administrators internal control systems, which are themselves subject to internal and external audit, provide sufficient comfort for the safeguarding of the Company's assets and the management of financial risk. As a result the Board do not consider the need for an internal audit function is necessary.

DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing financial statements for each financial year 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 are in accordance with International Financial Reporting Standards and with applicable laws. In preparing those financial statements the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that 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 which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements have been properly prepared in accordance with the Companies (Guernsey) Law, 2008. 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.

Directors' responsibility statement

We confirm that to the best of our knowledge:

1. the financial statements, prepared in accordance with International Financial Reporting Standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company;
2. the Chairman's Statement, Investment Manager's report and Directors report include a fair review of the development, performance and position of the Company, together with a description of the principal risks and uncertainties faced by the Company; and
3. in accordance with the Companies (Guernsey) Law, 2008 each director confirms that so far as they are aware, there is no relevant audit information of which the Company's auditor is unaware. Each director also confirms that they have taken all steps they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

The directors are responsible for the maintenance and integrity of the Company web site, www.marwynvalue.com.

Approved by the Board of Directors

David Williams

Date 3 April 2009

REPORT OF THE INDEPENDENT AUDITORS TO THE SHAREHOLDERS OF MARWYN VALUE INVESTORS LIMITED

We have audited the financial statements of Marwyn Value Investors Limited for the year ended 31 December 2008 from pages 19 to 34. These financial statements have been prepared under the historical cost convention as modified by the revaluation of investments and the accounting policies set out therein.

This report is made solely to the Company's shareholders, in accordance with section 262 of the Companies (Guernsey) Law, 2008. Our audit work has been undertaken so that we might state to the Company's shareholders those matters we are required to state to them in an auditors report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable Guernsey Law and International Financial Reporting Standards as set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with the relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Companies (Guernsey) Law, 2008.

In addition we report to you if, in our opinion, the Directors' Report is inconsistent with the financial statements, if the company has not kept proper accounting records, or if we failed to obtain all access, information and explanations we require for our audit.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises the Report of the Chairman, Report of the Investment Manager and the Report of the Directors. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

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

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

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with International Financial Reporting Standards, of the state of the company's affairs as at 31 December 2008 and of its loss and cash flows for the year then ended; and
- the financial statements have been properly prepared in accordance with the Companies (Guernsey) Law, 2008.

Grant Thornton Limited

Chartered Accountants

Guernsey, CI

Date: 3 April 2009

INCOME STATEMENT

For the year ended 31 December 2008

					Marwyn Value Investors II Limited For the period 5 September 2006 to 31 December 2007		
	Notes	*Revenue*	*Capital*	*Total*	*Revenue*	*Capital*	*Total*
		£	£	£	£	£	£
INCOME	1						
Bank interest		10,654	–	10,654	30,383	–	30,383
Excess on amalgamation of assets acquired above cost	2	–	8,418,391	8,418,391	–	–	–
Realised gain on disposal of investments held at fair value through profit or loss		–	57,452	57,452	–	–	–
Unrealised (loss)/gain on investments designated as at fair value through profit or loss	4	–	(43,999,968)	(43,999,968)	–	9,909,330	9,909,330
		10,654	(35,524,125)	(35,513,471)	30,383	9,909,330	9,939,713
EXPENSES	1						
Directors' fees	13	56,804	–	56,804	39,699	–	39,699
Administration fees	13,14	71,242	–	71,242	27,257	–	27,257
Legal and professional fees		129,936	–	129,936	12,566	–	12,566
Regulatory expenses		8,360	–	8,360	7,445	–	7,445
Audit fees		12,213	–	12,213	8,500	–	8,500
Nominated advisors fees		–	–	–	–	–	–
Registrars fees		28,085	–	28,085	8,859	–	8,859
Exempt fee	3	600	–	600	1,200	–	1,200
Listing fees		28,048	–	28,048	7,445	–	7,445
Insurance		27,584	–	27,584	20,179	–	20,179
Other expenses		1,793	–	1,793	16,724	–	16,724
		364,665	–	364,665	149,874	–	149,874
(LOSS)/PROFIT FOR THE YEAR		(354,011)	(35,524,125)	(35,878,136)	(119,491)	9,909,330	9,789,839
Earnings per Ordinary Share – basic and dilluted (pence per share)	5	(0.52)	(52.51)	(53.03)	(0.36)	30.03	29.67

The total column of this statement represents the Income Statement of the Company, prepared in accordance with IFRS.

The revenue and capital columns represent supplementary information prepared under guidance published by the Association of Investment Companies.

All items in the above statement derive from continuing operations.

The notes 1 to 16 form an intergral part of these financial statements.

BALANCE SHEET

31 December 2008

	Notes	31 December 2008 £	*Marwyn Value Investors II Ltd* 31 December 2007 £
NON CURRENT ASSETS			
Unquoted investments designated as at fair value through profit or loss	4	56,659,663	41,069,330
CURRENT ASSETS			
Prepayments		2,283	–
Cash and cash equivalents		80,131	273,834
TOTAL ASSETS		56,742,077	41,343,164
CURRENT LIABILITIES			
Accruals		(94,608)	(38,463)
NET ASSETS		56,647,469	41,304,701
EQUITY			
Called up share capital	9	8,215,647	3,300,000
Share Premium	9	43,780,480	–
Special distributable reserve	10	26,346,979	26,346,979
Series One Warrant reserve	8	–	1,015,866
Series Two Warrant reserve	8	–	852,017
Warrant reserve	11	4,392,660	–
Capital reserve – Unrealised		(25,614,795)	9,909,330
Revenue reserve		(473,502)	(119,491)
TOTAL EQUITY		56,647,469	41,304,701
Net asset value per Ordinary share – basic and dilluted (pence per share)	6	68.95	125.17

Approved by the Board of Directors on 3 April 2009

David Williams
Director

Robert Ware
Director

The notes 1 to 16 form an intergral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

For the year to 31 December 2008

	Called up share capital £	*Share premium* £	*Special distributable reserve* £	*Warrant reserve* £	*Series One Warrant reserve* £	*Series Two Warrant reserve* £	*Capital reserve* £	*Capital reserve* £	*Total* £
Opening balance	3,300,000	–	26,346,979	–	1,015,866	852,017	9,909,330	(119,491)	41,304,701
Issue of Ordinary shares and warrants	4,915,647	44,486,609	–	4,431,235	(1,015,866)	(852,017)	–	–	51,965,608
Loss for the period	–	–	–	–	–	–	(35,524,125)	(354,011)	(35,878,136)
Amalgamation expenses (note 1)	–	(706,129)	–	(38,575)	–	–	–	–	(744,704)
Closing balance	8,215,647	43,780,480	26,346,979	4,392,660	–	–	(25,614,795)	(473,502)	56,647,469

For the period ended 31 December 2007

	Called up share capital £	*Share premium* £	*Special distributable reserve* £	*Warrant reserve* £	*Series One Warrant reserve* £	*Series Two Warrant reserve* £	*Capital reserve* £	*Capital reserve* £	*Total* £
Opening Balance	–	–	–	–	–	–	–	–	–
Issue of Ordinary shares and warrants	3,300,000	27,733,798	–	–	1,069,338	896,864	–	–	33,000,000
Profit for the period	–	–	–	–	–	–	9,909,330	(119,491)	9,789,839
Share and warrant issue costs	–	(1,386,819)	–	–	(53,472)	(44,847)	–	–	(1,485,138)
Transfer to Special Distributable Reserve	–	(26,346,979)	26,346,979	–	–	–	–	–	–
Closing balance	3,300,000	–	26,346,979	–	1,015,866	852,017	9,909,330	(119,491)	41,304,701

The notes 1 to 16 form an intergral part of these financial statements.

CASH FLOW STATEMENT

For the year ended 31 December 2008

	Note	31 December 2008 £	Marwyn Value Investors II Ltd For the period 5 September 2006 to 31 December 2007 £
Cash flows from operating activities			
Interest received		10,654	30,383
Operating expenses paid		(310,803)	(111,411)
Net cash outflow from operating activities	7	(300,149)	(81,028)
Cash flows from investing activities			
Acquisition of investments		–	(31,160,000)
Disposal of investments		720,000	–
Cash flows from financing activities			
Issue of own shares and warrants during amalgamation		131,150	33,000,000
Payment of share and warrant issue costs		(744,704)	(1,485,138)
Net (decrease)/increase in cash and cash equivalents		(193,703)	273,834
Cash and cash equivalents at beginning of period		273,834	–
Cash and cash equivalents at end of period		80,131	273,834

The notes 1 to 16 form an intergral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2008

1. Accounting Policies

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), which comprise standards and interpretations approved by the International Accounting Standards Board, and Standing Interpretations approved by the International Accounting Standards Committee that remain in effect, together with the applicable legal and regulatory requirements of the Companies (Guernsey) Law, 2008 and the Specialist Fund Market ("SFM") rules published by the London Stock Exchange.

IAS 8 requires disclosure of any impending change in accounting policy when an entity has yet to implement a new Standard or Interpretation that has been issued but not yet come into effect. It also requires disclosure of known or reasonably estimatable information relevant to assessing the possible impact that application of the new Standard or Interpretation will have on an entity's financial statements in the period of initial application.

At the date of authorisation of these financial statements, the following Standards and Interpretations were in issue, and would be applicable to the Company, but are not yet effective:

Amendments to IAS 1: Presentation of financial statements – A revised presentation (effective for annual periods beginning on or after 1 January 2009).

IAS 23 Borrowing Costs (revised 2007 and May 2008) – effective for annual periods beginning on or after 1 January 2009.

IAS 32 Financial Instruments: Presentation (revised 2008) – effective for annual periods beginning on or after 1 January 2009.

IAS 39 Financial Instruments: Recognition and Measurement (revised May 2008) – effective for annual periods beginning on or after 1 January 2009.

The Directors have chosen not to early adopt the above standards and interpretations as it is anticipated that their adoption in future periods will have no material financial impact other than revised presentation of the financial statements of the Company.

The principal accounting policies are set out below.

(a) *Convention*

The financial statements have been prepared under the historical cost convention, except for the measurement at fair value of financial assets designated as at fair value through profit or loss.

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of revision and future periods if the revision affects both current and future periods.

In the process of applying the Company's accounting policies, management has made the following judgement, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements.

1. Accounting Policies (continued)

Fair value of investments

The unquoted investment has been valued based on information supplied by the administrator of the Marwyn Neptune Fund L.P. ("Master Fund"), the sole investment the Company has made.

(b) *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 primary economic environment of the Company and in doing so have considered the currency in which the original capital was raised, any distributions are to be made and ultimately the currency the capital would be returned 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 Sterling best represents the functional currency.

The financial statements are presented in Sterling, which is the Company's presentation currency.

(c) *Presentation of information*

In order to better reflect the activities of an investment company in accordance with the guidance issued by the Association of Investment Companies ("AIC"), supplementary information which analyses the Income Statement between items of a revenue and capital nature has been presented alongside the Income Statement.

On the basis that the financial statements have been prepared in accordance with IFRS, the directors have not sought to prepare the financial statements on a basis compliant with the recommendations of the Statement of Recommended Practice ("SORP") for investment trusts issued by the Association of Investment Companies ("AIC"), except for the Income Statement presentation discussed above.

(d) *Income*

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

(e) *Expenditure*

All expenses, with the exception of those directly attributable to the issue of equity, are accounted for on an accruals basis and are charged through the Income Statement.

The Manager will not receive a management or performance fee from the Company in respect of funds invested by the Company in the Master Fund. The Manager will be entitled to fees and expenses from the Master Fund.

The Company will pay brokers' commissions (if any) and any issue or transfer taxes chargeable in connection with its investment transactions. Transaction costs incurred on the acquisition or disposal of an investment are charged to capital through the Income Statement in the period in which they are incurred.

(f) *Unquoted investments held at fair value through profit or loss*

The Fund classifies its investment into the Master Fund as a financial asset at fair value through profit or loss. This financial asset is designated by the Board of Directors at fair value through Profit or Loss at inception. The designation results in more relevant information as the investment is evaluated on a fair value basis in accordance with its investment strategy.

Financial assets designated at fair value through profit or losses at inception are those that are managed and their performance evaluated on a fair basis in accordance with the Company's documented investment strategy.

Unquoted investments are stated at fair value as determined by the Directors using appropriate valuation techniques. Changes in the fair value of investments held at fair value through the profit or loss are recognised in the Capital column of the Income Statement. On disposal realised gains and losses are also recognised in the Capital column of the Income Statement. Unrealised gains and losses on the disposal of investments are taken to the capital reserve – unrealised.

1. Accounting Policies (continued)

The Company recognises unquoted investments held at fair value through profit or loss on the date it commits to purchase the instruments.

Derecognition of investments occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred.

The Company's interest in the Master Fund is valued by the Directors on the basis of the NAV of the Master Fund as provided by the Master Fund Administrator at the period end. The NAV of the Master Fund will be determined by the Master Fund Administrator by deducting the fair value of the liabilities of the Master Fund from the fair value of the Master Fund's assets.

The Master Fund is unquoted and accordingly the fair value of the investment is determined based on the information provided by the administrator of the Master Fund on a monthly basis.

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.

(g) *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.

(h) *Liabilities*

Financial liabilities are recognised when the Company becomes a party to the contractual agreements of the instrument.

Financial liabilities are derecognised from the balance sheet only when the obligations are extinguished either through discharge, cancellation or expiration.

(i) *Equity*

Called up share capital is determined using the nominal value of shares that have been issued.

Share premium consists of the premium received, over and above the nominal value, for shares and warrants issued by the Company.

Special distributable reserve is a reserve to allow, amongst other things, the buy-back and cancellation of up to 14.99 per cent. of ordinary shares.

Capital reserve comprises gains and losses due to the revaluation of unquoted investments held at fair value through profit or loss and realised gains on disposals of such investments.

Revenue reserve includes all current and prior period results of operations as disclosed in the income statement excluding any gains and losses due to revaluation of investments held at fair value.

Warrant Reserves pertains to proceeds allocated to the warrants. Any transaction costs associated with the issuance of warrants are deducted from Warrant Reserves.

(j) *Costs directly attributable to the issue of equity*

Share and warrant issue costs are placing expenses directly relating to the issue of the Company's shares. These expenses include fees payable under the Placing Agreement, printing, advertising and distribution costs and legal fees and any other applicable expenses. Amalgamation expenses are the expenses directly attributable to the Company's acquisition of Marwyn Value Investors Limited ("Marwyn") and consist of the costs directly attributable to the issue of shares and warrants. All such costs are charged to equity and deducted from the proceeds received within the appropriate reserve.

1. Accounting Policies (continued)

(k) *Segment reporting*

The Directors are of the opinion that the Company is engaged in a single geographic and economic business segment. The Company holds one investment in a Cayman Island Limited Partnership.

2. Excess on Amalgamation of Assets Acquired Above Cost

As disclosed in the Directors report the Company acquired Marwyn during the year. As a result of the accounting treatment of the acquisition, in accordance with IFRS 3 – Business Combinations, the Company acquired assets of a value greater than the cost it incurred to acquire them and as such this amount has been taken directly to the Income Statement.

This arose as a result of using the market value of the shares of the Company at the date of the acquisition, rather than the NAV, in arriving at the cost of the acquisition to the Company, whereas to arrive at the number of shares to be issued the calculation basis stipulated that the NAV's of the two companies be used. As the Company shares were trading at a discount to NAV at this date it effectively meant that the cost of issuing shares in the Company was less than the fair value of the assets it acquired.

	Shares	£
Number of shares issued by the Company to Marwyn shareholders	49,156,473	
Market value of Company shares as at 11 April 2008		1.005
Fair value of shares issued		49,402,255
Number of warrants issued by the Company to Marwyn warrant holders	14,647,727	
Market value of Company warrants as at 11 April 2008		0.175
Fair value of warrants issued		2,563,353
Total cost of shares and warrants issued		51,965,608
Fair value of net assets acquired from Marwyn		60,383,999
Excess of assets acquired above cost		8,418,391

As at the close of business immediately prior to the acquisition, 11 April 2008, the Company's, and Marwyn's, financial positions were as follows:

	Marwyn £	*MVI2 (The Company)* £
Financial assets	60,404,278	40,530,238
Financial liabilities	20,280	107,800

Had the acquisition of Marwyn occurred at the beginning of this financial period the loss for the year ended 31 December 2008 would have been £36,143,664, with income being (£35,676,991) and expenses being £466,673.

From the date of acquisition to the year end there were no profits attributable to Marwyn, the acquired company.

3. Taxation

The Company has been granted exempt status under the Income Tax (Exempt Bodies) (Guernsey) Ordinance 1989, and is therefore subject to the payment of an annual fee which is currently £600.

4. Unquoted Investments

	31 December 2008 £	*31 December 2007* £
At cost		
Marwyn Neptune Fund L.P. Class A GBP		
Opening balance	31,160,000	–
Additions	60,252,849	31,160,000
Disposals	(662,548)	–
Closing balance	90,750,301	31,160,000
Unrealised (loss)/gain	(34,090,638)	9,909,330
Movement in unrealised (loss)/gain	(43,999,968)	9,909,330
At fair value	56,659,663	41,069,330

The Company invests only in the Master Fund, a Caymans-based hedge fund, and holds £90,750,301 in class A GBP shares of the Master Fund. The Master Fund is managed by Marwyn Investment Managers LLP, the active hedge fund investor specialising in establishing and investing in experienced management teams with buyout and consolidation strategies through public and private special purpose acquisition platforms. The Company's investment in Class A of the Master Fund represents 99 per cent. of the Class A net assets and 65 per cent. of the Master Fund. As the Company has no control over the Master Fund's activities and has no voting power in its affairs, it is not considered to be a subsidiary. Details of the investment activities of the Master Fund are disclosed in the Investment Managers Report.

5. Earnings per Share

The calculation of basic and diluted earnings per share is based on the net revenue deficit of £354,011 (2007: Deficit £119,491), and net capital loss of £35,524,125 (2007: Gain £9,909,330), on ordinary activities for the year and on 67,651,284 being the weighted average Ordinary Shares in issue during the year (2007: 33,000,000).

As at 31 December 2008 the price of the Ordinary Shares was 24p and at no point during the year did the share price reach the exercise price of the Warrants (132.5p), or the Series One Warrants (115p) and Series Two Warrants (130p) which were cancelled during the year. As the average price of the Ordinary Shares during the year was less than the exercise price of any of the warrants in issue during the year there was no dilution in the Earnings per Ordinary Share.

6. Net Asset Value

The calculation of net asset value is based on the net assets of £56,647,469 (2007: £41,304,701) and on the ordinary shares in issue of 82,156,473 at the balance sheet date (2007: 33,000,000).

As the price of the Ordinary Shares (24p) was below the exercise price of the Warrants (132.5p) there was no dilution in the net asset value per ordinary share.

7. Reconciliation of Net (Loss)/Profit for the Period to Net Cash Outflow from Operating Activities

	31 December 2008 £	*31 December 2007* £
Net (loss)/profit for the period	(35,878,136)	9,789,839
Loss/(gains) on investments held at fair value through profit and loss	35,524,125	(9,909,330)
(Increase) in debtors	(2,283)	–
Increase in creditors	56,145	38,463
Net cash outflow from operating activities	(300,149)	(81,028)

8. Warrants

As at 31 December 2007 the warrants in issue were as follows:

	Exercise price pence	*End of subscription period*	*Allotted*
Series One Warrants	115	5 October 2008	16,500,000
Series Two Warrants	130	5 October 2009	16,500,000

As disclosed in the Directors Report the Company was involved in an amalgamation during the year whereby the Series One and Series Two Warrants were cancelled and New Warrants were issued.

Under the Marwyn Warrant Proposals agreed at meetings of the Marwyn Warrant holders and Existing MVI2 Warrant holders all Marwyn Warrants were cancelled from the Effective Date, 18 April 2008. In consideration for agreeing to such cancellation Marwyn Warrant holders received New Warrants on the following basis:

(i) for every Marwyn Series Two Warrant cancelled 0.6318 New Warrants; and

(ii) for every Marwyn B Warrant cancelled 0.3571 New Warrants.

In consideration for agreeing to the cancellation of the MVI2 Warrants, MVI2 Warrant holders received New Warrants on the following basis:

(i) for every MVI2 Series One Warrant cancelled 0.3571 New Warrants; and

(ii) for every MVI2 Series Two Warrant cancelled 0.1648 New Warrants.

Fractional entitlements to New Warrants arising after calculation of each Warrant holders entitlement under the terms of the Warrant Proposals were disregarded and not issued.

On the basis described above, the Amalgamation resulted in the issue of 23,259,078 New Warrants.

Accelerated call feature

If the mid-market closing price on SFM, or any other securities exchange or quotation system on which the New Shares are then primarily traded or quoted as shown by Bloomberg shall be 132.5p or more in the case of the New Warrants for any twenty or more Trading Days out of a period of thirty consecutive Trading Days, the Company shall become entitled at the close of trading on SFM, or any other securities exchange or quotation system on which the New Shares are then primarily traded or quoted on the thirtieth consecutive Trading Day to give notice to the holders of the New Warrants.

The notice referred to in paragraph above must be sent in writing by the Company to the holders within two Trading Days of the thirtieth consecutive Trading Day, stating that the Company will treat the New Warrants as exercised at the relevant Subscription Price on the date falling 21 days from the date of the notice.

8. Warrants (continued)

On exercise of the New Warrants, the Company will sell any New Shares that would have been issued on exercise and (after deducting the costs of exercise), remit the proceeds to the holder and after this time all rights under those New Warrants will cease.

In exceptional circumstances, the Company is entitled, at its sole discretion, to give notice that it is not to exercise the call on the date falling 21 days from the date of the notice in which case it may then exercise the call feature at any subsequent date without further notice.

For full details of the rights of the Warrants, please see the Admission Document or contact the Administrator.

9. Called-Up Share Capital

	2008 £	*2007* £
Authorised		
200,000,000 ordinary shares of £0.10 each	20,000,000	20,000,000
Allotted and fully paid		
Opening Balance	3,300,000	–
Issued during the year	4,915,647	3,300,000
Closing balance	8,215,647	3,300,000
Share Premium		
Premium on new share issues	44,486,609	27,733,798
Share issue costs	(706,129)	(1,386,819)
Transfer to special distributable reserve	–	(26,346,979)
Closing Balance	43,780,480	–

Each member of the Company, on a poll, shall have one vote for each share of which he is the holder. On a show of hands, every member present at General Meeting shall have one vote.

On a winding-up or return of capital, prior to conversion in each case, shall be applied as follows:

(a) the Ordinary Share Surplus shall be divided amongst the Ordinary Shareholders pro rata according to their holdings of Ordinary Shares;

(b) the balance of the capital and assets of the Company, (if any) shall be divided amongst the Ordinary Shareholders pro rata according to their holdings of Ordinary Shares.

As disclosed in the Directors Report the Company was involved in an amalgamation during the year.

The number of shares to which Marwyn Shareholders became entitled under the Amalgamation was determined on the calculation date, 11 April 2008, when the Fair Asset Values were calculated in accordance with the formulae set out in the Part XI of the AIM re admission document.

A Marwyn Ordinary Shareholder was entitled to 1.2232408 New Shares for every Marwyn Ordinary Share held; and

A Marwyn B Shareholder was entitled to 0.7796110 New Shares for Every Marwyn B Share held.

Fractional entitlements to Shares arising after calculation of each Marwyn Shareholder's entitlement under the terms of the Amalgamation were disregarded and were not issued.

On that basis the Amalgamation resulted in the issue of 49,156,473 New Shares representing 59.83 per cent. of the enlarged share capital of MVI2. The fair value of the shares issued based on the NAV of the Company as at the calculation date was £60,212,747 or 122.492 pence per share. However, as disclosed in note 2, for accounting purposes the cost of the shares issued by the Company are based

9. Called Up Share Capital (continued)

on the market value of the Company shares at the calculation date, which were 100.5 pence per share. This resulted in shares being issued to the value of £49,402,255.

No warrants were exercised at the Amalgamation.

10. Special Distributable Reserve

A special distributable reserve was created when, as stated in the Admission Document, the company cancelled all of its share premium account in existence as at 26 January 2007, as approved in the Royal Court of Guernsey on this date, transferring it to a distributable reserve to allow, amongst other things, the buy-back and cancellation of up to 14.99 per cent. of the Ordinary Shares.

11. Warrant Reserves

The proceeds from the issue of the original placing were split between the Ordinary Shares (share capital and share premium account), the Series One Warrant reserve and the Series Two Warrant reserve based on the weighted average value of the Ordinary Shares and Warrants in issue at the close of business on the first day of trading.

As part of the amalgamation process described in note 8 the Series One and Two warrants were cancelled and new Warrants issued in their place. New warrants were also issued to the Marwyn warrant holders. The addition to the warrant reserve is based on the market value of the warrants issued to the Marwyn warrant holders on the amalgamation date, the calculation of which is disclosed in note 2.

The costs directly attributable to the issue of the New Warrants are deducted from the proceeds received in arriving at the total Warrants reserve.

12. Risk Profile of Financial Assets and Liabilities

The main risks arising from the Company's financial instruments are Market Risk and Liquidity Risk.

Market Risk

The Company's exposure to market risk consists of Interest Rate Risk and Other Price Risk. The Company is not directly exposed to Currency risk, although this may be a factor in Other Price Risk as a result of the investments made by the Master Fund.

Interest Rate Risk

The Company finances its operations through a mixture of shareholders' capital and retained returns. With the exception of cash at bank, which receives interest at a floating rate, all assets and liabilities of the Company are non-interest bearing. No further interest rate risk disclosure has been provided as all material amounts, with the exception of cash at bank, are non-interest bearing.

12. Risk Profile of Financial Assets and Liabilities (continued)

The following table details the Company's exposure to Interest Rate Risk:

	Interest rate revalues in less than 1 month 2008 £	*Non-interest bearing 2008* £	*Interest rate revalues in less than 1 month 2007* £	*Non-interest bearing 2007* £
Assets				
Unquoted investments at fair value through profit or loss	–	56,659,663	–	41,069,330
Receivables	–	2,283		
Cash and cash equivalents	80,131	–	273,834	–
Total assets	80,131	56,661,946	273,834	41,069,330
Liabilities				
Payables and accruals	–	94,608	–	38,463
Total liabilities	–	94,608	–	38,463
Total interest sensitivity gap	80,131		273,834	

An increase/decrease of 100 basis points in interest rates at the reporting date would have increased/decreased the net assets attributable to ordinary shareholders by £1,321 (2007: £1,550).

Other Price Risk

The main price risks arising from the Company's financial instruments are movements in the value of the investment in the Master Fund. The Company's investment portfolio complies with the investment parameters as disclosed in its SFM Admission document. The board manages the market price risks inherent in the investment portfolio by ensuring full and timely access to relevant information from the Investment Manager. The board receives monthly reports from the Administrator of the Master Fund. The board meets regularly and at each meeting reviews investment performance.

A 10 per cent. increase/decrease in the market price of the Master Fund would result in a 10.00 per cent. increase/decrease in the basic net asset value per Ordinary Share as at the balance sheet date (2007: 9.9 per cent.).

The company's exposure to other changes in market prices at 31 December 2008 on its unquoted equity investments were as follows:

	2008 £	2007 £
Unquoted investments at fair value through profit or loss	56,659,663	41,069,330

The impact on net income and equity of price volatility on the investment in the Master Fund as of 31 December 2008 is as follows:

Observed Volatility Rates (monthly)		*Impact of Increase*		*Impact of Decrease*	
Increase (%)	*Decrease (%)*	*Net Income* £	*Equity* £	*Net Income* £	*Equity* £
2.60	(6.11)	1,475,658	1,475,658	(3,463,408)	(3,463,408)

This level of change is considered to be reasonably possible based on observation of current market conditions.

12. Risk Profile of Financial Assets and Liabilities (continued)

The impact on net income and equity of price volatility on the investment in the Master Fund as of 31 December 2007 is as follows

Observed Volatility Rates (monthly)		*Impact of Increase*		*Impact of Decrease*	
Increase	*Decrease*	*Net Income*	*Equity*	*Net Income*	*Equity*
(%)	*(%)*	£	£	£	£
2.70	(3.25)	1,107,640	1,107,640	(1,332,700)	(1,332,700)

Liquidity Risk

The Company's investment in the Master Fund is relatively illiquid as the Master Fund invests a significant part of its assets in illiquid investments. 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 disposing of such investments for a specified period of time.

The board manages the liquidity risks inherent in the investment portfolio by ensuring full and timely access to relevant information from the Investment Manager and Administrator to the Company. The board meets regularly and at each meeting reviews the company's short term cash requirements and contractual financial liabilities.

The Company's investment is realisable only on the monthly trading date. As stated in the Admission Document, the Board has permitted the Company to invest in a single holding, being the Master Fund, a Caymans-based hedge fund.

The policy is that the Company should remain fully invested in normal market conditions and that the investment should be partially redeemed in order to manage short-term cash requirements.

The following table shows the contractual, undiscounted cash flows of the Company's financial liabilities:

	Less than 1 month 2008	*1-3 months 2008*	*Less than 1 month 2007*	*1-3 months 2007*
	£	£	£	£
Payables and accruals	82,575	12,033	29,963	8,500

In order to assist with the short term liquidity of the Company a partial redemption request was made to the Master Fund shortly after the year end. The proceeds of this were received on 20 January 2009. As such the Company has sufficient resources to meet all known liabilities at the year end. Currently there are no indications of any liquidity issues in the Master Fund which would impact the access to cash resources for the Company and the Directors conclude that it is reasonable to assume that sufficient cash resources will be available to the Company over the next twelve months.

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.

In addition there is the risk that the Master Fund is unable to satisfy valid redemption instructions delivered by the Company. The Directors consider that the Investment Manager manages the Company's exposure to this credit risk by way of its investment process, as described above.

The company manages its exposure to credit risk associated with its cash deposits by selecting counterparties with a high credit rating with which to carry out these transactions. The counterparty for these transactions are HSBC Bank plc, who hold a credit rating of A1, as issued by Moody's.

12. Risk Profile of Financial Assets and Liabilities (continued)

The Company's maximum exposure to credit risk is the carrying value of the cash on the balance sheet.

Fair value disclosure

In the opinion of the Directors there is no material difference between the book values and the fair values of the financial assets and liabilities.

13. Material Contracts

Manager

Under the Management Agreement dated 20 February 2006 if, and to the extent that the Fund invests its assets only in the Master Fund, the Manager shall not receive any fees. In respect of any assets of the Fund not invested in the Master Fund, the Manager shall receive 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 (2007: Nil).

Under the Master Fund Management Agreement, the Manager will receive monthly management fees from the Master Fund not exceeding 2 per cent. per annum of the net asset value of each class of share in the Master Fund, payable monthly in arrears. In addition, the Master Fund also pays the Manager performance and incentive fees equal to 20 per cent. of the increase in the net asset value of each class of share in the Master Fund over and above a reference net asset value, with performance and incentive fees only therefore paid where the net asset value Is above a "high watermark" for the relevant class of share. The Manager does not receive a performance fee in relation to its investments which are categorised as Special Situation Investments.

Investment Manager

Under the Investment Management Agreement dated 20 February 2006 if, and to the extent that the Fund invests its assets only in the Master Fund, the Manager shall not receive any fees. In respect of the assets of the Fund which are not invested in the Master Fund, the Manager shall pay the Investment Manager 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.

Collins Stewart Europe Limited ("Collins Stewart")

Under an engagement letter dated 13 September 2006 from Collins Stewart to the Company, Collins Stewart has agreed to act as nominated adviser and broker to the Company for the purposes of the AIM Rules, and now the SFM rules. For these services Collins Stewart receive an annual retainer fee of £35,000. The appointment may be terminated at any time by either party immediately on written notice being received and the letter contains certain indemnities given by the Company in favour of Collins Stewart.

Directors

David Williams and James Corsellis will not receive a directors fee. David Warr, Ian Clarke and Robert Ware will receive a fee of £20,000 per annum for their role as director, with effect from 18 April 2008. Prior to this date the fee was £15,000 per annum and had been waived by Robert Ware. 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.

Administrator

The Administrator performs the necessary secretarial and administrative services for the Company under the Administration Agreement. The Administrator is paid an annual fee of £40,000 with effect from 18 April 2008, prior to this date the fee was set at £20,000 per annum. The Administrator is also entitled to reimbursement of certain expenses incurred by it in connection with its duties.

14. Related Parties

During the year fees of £71,242 (2007: £27,257) were payable to the Administrator, Fortis Fund Services (Guernsey) Limited. This includes a one off fees of £25,000 regarding the amalgamation of the Company with Marwyn and £10,000 regarding administration services in relation to the delisting from AIM and listing on SFM . As at the period end £20,082 (2007: £10,000) is outstanding. Ian Clarke is a Director of both the Company and the Administrator.

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 the income and capital return to its equity shareholders.

The Company's capital at 31 December comprises:

	2008 £	*2007* £
Called-up share capital	8,215,647	3,300,000
Share premium	43,780,480	–
Special distributable reserve	26,346,979	26,346,979
Series One Warrant reserve	–	1,015,866
Series Two Warrant reserve	–	852,017
Warrant reserve	4,392,660	–
Capital reserve – Unrealised	(25,614,795)	9,909,330
Revenue reserve	(473,502)	(119,491)
Total Capital	56,647,469	41,304,701

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

The Company is subject to the following externally imposed capital requirement:

In order to be able to pay dividends out of profits available for distribution by way of dividends, the Company has to be able to meet a solvency test. Prior to any announcement of a distribution the Directors must confirm that in their opinion the Company can meet a solvency test whereby the Company will not be insolvent immediately after, or in the foreseeable near future, as a result of paying a proposed distribution.

There has been no dividend paid or proposed during the year and as such the Company has complied with any external capital requirements.

16. Post Balance Sheet Events

With effect from 1 May 2009 the Company's administrator, Fortis Fund Services (Guernsey) Limited, will be replaced by Fund Corporation of the Channel Islands Limited.

In line with the change in the Company's administrators, David Warr and Ian Clarke have offered their resignation from the Board with effect from 3 April 2009 and it is anticipated that they will be replaced by Paul Everitt and Michael Price.

RISK WARNING

Risks applicable to investing in the Company and the Master Fund

Historical performance

The past performance of the Investment Manager may not be indicative of the future performance of the Master Fund.

Dependence on key advisers

The success of the Master Fund and the Company depends upon the ability of the Investment Manager and Manager to develop and implement investment strategies that achieve the Company's and the Master Fund's investment objective. If the Investment Manager and Manager were to become unable to participate in the management of the Company and/or Master Fund, the consequence to the Company and/or Master Fund could be material and adverse and could lead to the premature termination of the Company and/or Master Fund.

Availability of investment strategies

The success of the Master Fund's and/or Company's investment activities will depend on the Investment Manager's ability to identify investment opportunities as well as to assess the importance of news and events that may affect the financial markets. Identification and exploitation of investment strategies to be pursued by the Company and/or the Master Fund involves a high degree of uncertainty. No assurance can be given that the Investment Manager will be able to locate suitable investment opportunities in which to deploy all of the Company's and/or the Master Fund's assets or to exploit discrepancies in the securities and derivatives markets.

Illiquid portfolio instruments

The Master Fund and/or Company may invest a significant part of its assets in illiquid investments. 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 disposing of such investments for a specified period of time. An investment in the Master Fund and/or Company is suitable only for certain sophisticated investors who do not require immediate liquidity for their investments.

Where appropriate, positions in the Master Fund's and/or Company's investment portfolio that are illiquid and do not actively trade will be marked to market, taking into account actual market prices, market prices of comparable investments and/or such other factors (e.g. the tenor of the respective instrument) as may be appropriate. To the extent that marking an illiquid investment to market is not practicable, an investment will be carried at fair value, as reasonably determined by the Directors or their delegate. There is no guarantee that fair value will represent the value that will be realised by the Master Fund and/or Company on the eventual disposition of the investment or that would, in fact, be realised upon an immediate disposition of the investment. As a result, an investor withdrawing from the Master Fund and/or Company prior to realisation of such an investment may not participate in gains or losses from that investment.

Investments in undervalued securities

The Master Fund and/or Company will seek to invest in undervalued securities. The identification of investment opportunities in undervalued securities is a difficult task, and there are no assurances that such opportunities will be successfully recognised or acquired. While investments in undervalued securities offer the opportunity for above-average capital appreciation, these investments involve a high degree of financial risk and can result in substantial losses. Returns generated from the Master Fund's or Company's investments may not adequately compensate for the business and financial risks assumed. In addition, the Master Fund and/or Company may be required to hold such securities for a substantial period of time before realising their anticipated value. During this period, a portion of the Master Fund's and/or Company's capital would be committed to the securities purchased, thus possibly preventing the Master Fund and/or Company from investing in other opportunities. In addition, the Master Fund may finance such purchases with borrowed funds and thus will have to pay interest on those funds during this waiting period.

Regulatory risk

The investment strategy seeks to capitalise on opportunities presented by regulatory change. The direction and impact of regulation can be unpredictable and there is a risk that regulation will not bring around positive changes and opportunities as envisaged.

Small company risk

The investment strategy seeks to focus on smaller capitalisation companies which will often be at an earlier stage in their development, have limited financial and management resources, and may be less established or diversified in their commercial proposition and therefore subject to higher degrees of volatility than may be found in larger companies.

Management influence and fiduciary responsibility

The Investment Manager may take a position of significant management influence or control and therefore there is a risk that executive decisions taken or advice provided by the Investment Manager or associated companies may not produce positive benefits for investee companies. Furthermore, on taking a position as a director of an investee company, the Investment Manager or associated companies and personnel, will have a fiduciary responsibility to act in the interests of all shareholders and not simply the interests of the Company and/or Master Fund alone.

Unsuccessful transaction costs

There is a risk that the Company and/or Master Fund may incur substantial legal, financial and advisory expenses arising from unsuccessful transactions which may include public offer and transaction documentation, legal, accounting and environmental due diligence.

Fixed income securities

The Master Fund and/or Company may invest in bonds or other fixed income securities, including, without limitation, commercial paper and "higher yielding" (including non-investment grade) (and, therefore, higher risk) debt securities. The Master Fund and/or Company will therefore be subject to credit, liquidity and interest rate risks. Higher-yielding debt securities are generally unsecured and may be subordinated to certain other outstanding securities and obligations of the issuer, which may be secured on substantially all of the issuer's assets. The lower rating of debt obligations in the higher-yielding sector reflects a greater probability that adverse changes in the financial condition of the issuer or in general economic conditions or both may impair the ability of the issuer to make payments of principal and interest. Non-investment grade debt securities may not be protected by financial covenants or limitations on additional indebtedness. In addition, evaluating credit risk for debt securities involves uncertainty because credit rating agencies throughout the world have different standards, making comparison across countries difficult.

Also, the market for credit spreads is often inefficient and illiquid, making it difficult to accurately calculate discounting spreads for valuing financial instruments. It is likely that a major economic recession could disrupt severely the market for these securities and may have an adverse impact on the value of such securities. In addition, it is likely that any similar economic downturn could adversely affect the ability of the issuers of those securities to repay principal and pay interest thereon and increase the incidence of default for those securities. Although it will be the policy of the Master Fund and may be the policy of the Company to diversify their investment portfolios, the Master Fund and the Company will hold relatively few investments. The Master Fund and the Company could be subject to significant losses if it holds a large position in a particular investment that declines in value or is otherwise adversely affected, including default of the issuer.

Certain derivative investments

The Master Fund and/or the Company may buy or sell (write) both call options and put options, and when it writes options, it may do so on a "covered" or an "uncovered" basis. A call option is "covered" when the writer owns securities of the same class and amount as those to which the call option applies. A put option is covered when the writer has an open short position in securities of the relevant class and amount. The Master Fund's and/or Company's option transactions may be part of a hedging strategy (i.e., offsetting the risk involved in another securities position) or a form of leverage, in which the Master Fund and/or Company has the right to benefit from price movements in a large number of securities with a small commitment of capital. These activities involve risks that can be substantial, depending on the circumstances.

In general, the principal risks involved in options trading can be described as follows, without taking into account other positions or transactions the Master Fund may enter into. When the Master Fund and/or Company buys an option, a decrease (or inadequate increase) in the price of the underlying security in the case of a call, or an increase (or inadequate decrease) in the price of the underlying security in the case of a put, could result in a total loss of the Master Fund's and/or Company's investment in the option (including commissions). The Master Fund and/or Company could mitigate those losses by selling short, or buying puts on the securities in which it holds call options, or by taking a long position (e.g., by buying the securities or buying calls on them) in securities underlying put options.

When the Master Fund and/or Company sells (writes) an option, the risk can be substantially greater than when it buys an option. The seller of an uncovered call option bears the risk of an increase in the market price of the underlying security above the exercise price. The risk is theoretically unlimited unless the option is "covered." For example, if it is a covered call option, the Master Fund and/or Company would forego the opportunity for profit on the underlying security should the market price of the security rise above the exercise price. If the price of the underlying security were to drop below the exercise price, the premium received on the option (after transaction costs) would provide profit that would reduce or offset any loss the Master Fund and/or Company might suffer as a result of owning the security.

Swap agreements

The Master Fund and/or Company may enter into swap agreements. Swap agreements can be individually negotiated and structured to include exposure to a variety of different types of investments or market factors. Depending on their structure, swap agreements may increase or decrease the Master Fund's and/or Company's exposure to long-term or short-term interest rates, currency values, corporate borrowing rates, or other factors such as security prices, baskets of equity securities or inflation rates. Swap agreements can take many different forms and are known by a variety of names. The Master Fund and/or Company is not limited to any particular form of swap agreement if consistent with the Master Fund's and/or Company's investment objective and approach.

Swap agreements tend to shift the Master Fund's and/or Company's investment exposure from one type of investment to another. For example, if the Master Fund and/or the Company agrees to exchange payments in Sterling for payments in US Dollars, the swap agreement would tend to decrease the Master Fund's and/or Company's exposure to Sterling interest rates and increase its exposure to non-Sterling currency and interest rates. Depending on how they are used, swap agreements may increase or decrease the overall volatility of the Master Fund's and/or the Company's portfolio.

The most significant factor in the performance of swap agreements is the change in the specific interest rate, currency, individual equity values or other factors that determine the amounts of payments due to and from the Master Fund and/or the Company. If a swap agreement calls for payments by the Master Fund and/or the Company, the Master Fund and/or the Company must be prepared to make such payments when due. In addition, if a counterparty's creditworthiness declines, the value of swap agreements with such counterparty can be expected to decline, potentially resulting in losses by the Master Fund and/or the Company.

Forward trading

Forward contracts and options thereon, unlike futures contracts, are not traded on exchanges and are not standardised; rather, banks and dealers act as principals in these markets, negotiating each transaction on an individual basis. Forward and "cash" trading is substantially unregulated; there is no limitation on daily price movements and speculative position limits are not applicable. The principals who deal in the forward markets are not required to continue to make markets in the currencies or commodities they trade and these markets can experience periods of illiquidity, sometimes of significant duration. There have been periods during which certain participants in these markets have refused to quote prices for certain currencies or commodities or have quoted prices with an unusually wide spread between the price at which they were prepared to buy and that at which they were prepared to sell.

Disruptions can occur in any market traded by the Master Fund and/or the Company due to unusually high trading volume, political intervention or other factors. The imposition of controls by governmental authorities might also limit such forward trading to less than that which the Investment Manager would otherwise recommend, to the possible detriment of the Master Fund and/or the Company. Market illiquidity or disruption could result in major losses to the Master Fund and/or the Company.

The prices of financial instruments in which the Master Fund and/or the Company may invest can be highly volatile. Price movements of forward and other derivative contracts in which the Master Fund's and/or the Company's assets may be invested are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies. The Master Fund and/or the Company is subject to the risk of failure of any of the exchanges on which its positions trade or of its clearing houses.

Counterparty risk

Some of the markets in which the Master Fund and/or the Company may effect transactions are "over-the-counter" or "interdealer" markets. The participants in such markets are typically not subject to credit evaluation and regulatory oversight as are members of "exchange-based" markets. This exposes the Master Fund and/or the Company to the risk that a counterparty will not settle a transaction in accordance with its terms and conditions because of a dispute over the terms of the contract (whether or not *bona fide*) or because of a credit or liquidity problem, thus causing the Master Fund and/or the Company to suffer a loss. Such "counterparty risk" is accentuated for contracts with longer maturities where events may intervene to prevent settlement, or where the Master Fund and/or the Company has concentrated its transactions with a single or small group of counterparties.

Subject to the investment restrictions contained in this Admission Document or the Offering Memorandum for the Master Fund, the Company and the Master Fund are not restricted from dealing with any particular counterparty or from concentrating any or all of its transactions with one counterparty. Moreover, neither the Master Fund nor the Company has an internal credit function which evaluates the creditworthiness of its counterparties. The ability of the Master Fund to transact business with any one or number of counterparties, the lack of any meaningful and independent evaluation of such counterparties' financial capabilities and the absence of a regulated market to facilitate settlement may increase the potential for losses by the Master Fund and the Company.

The Company and/or Master Fund may invest in currencies and securities traded in various markets throughout the world, including in emerging or developing markets, some of which are highly controlled by governmental authorities. Such investments require consideration of certain risks typically not associated with investing in currencies or securities of developed markets. Such risks include, among other things, trade balances and imbalances and related economic policies, unfavourable currency exchange rate fluctuations, imposition of exchange control regulation by governments, withholding taxes, limitations on the removal of funds or other assets, policies of governments with respect to possible nationalization of their industries, political difficulties, including expropriation of assets, confiscatory taxation and social, economic or political instability in foreign nations. These factors may affect the level and volatility of securities prices and the liquidity of the Company's and/or the Master Fund's investments. Unexpected volatility or illiquidity could impair the Company's and/or the Master Fund's profitability or result in losses.

The economies of countries differ in such respects as growth of gross domestic product, rate of inflation, currency depreciation, asset reinvestment, resource self-sufficiency and balance of payments position. Further, certain economies are heavily dependent upon international trade and, accordingly, have been and may continue to be adversely affected by trade barriers, exchange controls, managed adjustments in relative currency values and other protectionist measures imposed or negotiated by the countries with which they trade. The economies of certain countries may be based, predominantly, on only a few industries and may be vulnerable to changes in trade conditions and may have higher levels of debt or inflation.

Certain securities markets

Stock markets in certain countries may have a relatively low volume of trading. Securities of companies in such markets may also be less liquid and more volatile than securities of comparable companies elsewhere. There may be low levels of government regulation of stock exchanges, brokers and listed companies in certain countries. In addition, settlement of trades in some markets is slow and subject to failure.

Some commodity exchanges are "principals' markets" in which performance is the responsibility only of the individual member with whom the trader has entered into a commodity contract and not of an exchange or clearing corporation. In such a case, the Master Fund and/or the Company is subject to the risk of the inability of, or refusal by, the counterparty to perform with respect to such contracts. In addition, the trading of futures and forward contracts on certain commodity exchanges may be subject to price fluctuation limits.

Interpositioning

From time to time, the Master Fund and/or the Company may execute over-the-counter trades on an agency basis rather than on a principal basis. In these situations, the broker used by the Master Fund and/or the Company may acquire or dispose of a security through a market-maker (a practice known as "interpositioning"). The transaction may thus be subject to both a commission and a markup or markdown. The use of a broker can provide anonymity in connection with a transaction. In addition, a broker may, in certain cases, have greater expertise or greater capability in connection with both accessing the market and executing a transaction.

Exchange rate fluctuations; currency considerations

Whilst the Master Fund and the Company will operate in Sterling, the Master Fund's and/or Company's assets may be invested in securities denominated in other currencies and any income or capital received by the Master Fund and/or Company will be denominated in the local currency of investment. Accordingly, changes in currency exchange rates (to the extent unhedged) will affect the value of the Master Fund's and/or Company's portfolio and the unrealised appreciation or depreciation of investments.

Furthermore, the Master Fund and/or Company may incur costs in connection with conversions between various currencies. Currency exchange dealers realise a profit based on the difference between the prices at which they are buying and selling various currencies. Thus, a dealer normally will offer to sell currency to the Master Fund and/or Company at one rate, while offering a lesser rate of exchange should the Master Fund and/or Company desire immediately to resell that currency to the dealer. The Master Fund and/or Company will conduct its currency exchange transactions either on a spot (i.e., cash) basis at the spot rate prevailing in the currency exchange market, or through entering into forward or options contracts to purchase or sell non-Sterling currencies. It is anticipated that most of the Master Fund's and/or Company's currency exchange transactions will occur at the time securities are purchased and will be executed through the local broker or custodian acting for the Master Fund and/or Company.

Net asset value considerations

The net asset value per share of both the Company and the Master Fund is expected to fluctuate over time with the performance of the Master Fund's and/or Company's investments. A shareholder may not fully recover his initial investment when he chooses to redeem his shares or upon compulsory redemption if the net asset value per share of the relevant class of shares at the time of such redemption is less than the subscription price paid by that shareholder. In addition, where in relation to the calculation of the net asset value there is any conflict between UK GAAP and the valuation principles set out in the Articles and this document in relation to the Company or US GAAP, and the valuation principles set out in the Articles of Association of the Master Fund or its offering memorandum in the case of the Master Fund, the latter principles shall take precedence.

Legal risk

Many of the laws that govern private and foreign investment, equity securities transactions and other contractual relationships in certain countries, particularly in developing countries, are new and largely untested. As a result, the Master Fund and/or the Company may be subject to a number of unusual risks, including inadequate investor protection, contradictory legislation, incomplete, unclear and changing laws, ignorance or breaches of regulations on the part of other market participants, lack of established or effective avenues for legal redress, lack of standard practices and confidentiality customs characteristic of developed markets and lack of enforcement of existing regulations. Furthermore, it may be difficult to obtain and enforce a judgment in certain countries in which assets of the Master Fund and/or the Company are invested.

There can be no assurance that this difficulty in protecting and enforcing rights will not have a material adverse effect on the Master Fund and/or the Company and its operations. In addition, the income and gains of the Master Fund and/or the Company may be subject to withholding taxes imposed by foreign governments for which shareholders may not receive a full foreign tax credit. Furthermore, it may be difficult to obtain and enforce a judgment in a court outside of the Cayman Islands and/or Guernsey.

Regulatory controls and corporate governance of companies in some developing countries may confer little protection on minority shareholders. Anti-fraud and anti-insider trading legislation is often rudimentary. The concept of fiduciary duty to shareholders by officers and directors is also limited when compared to such concepts in Western markets. In certain instances, management may take significant actions without the consent of shareholders and anti-dilution protection may also be limited.

Other Clients of the Investment Manager and its Affiliates

The Investment Manager, its affiliates and their principals manage other accounts and other collective investment vehicles. These accounts may employ different or similar trading strategies, and could increase the level of competition for the same trades or positions that the funds might otherwise make, including the priorities of order entry. This could make it difficult or impossible to take or liquidate a position of a particular security at a satisfactory price. Moreover, in such situations, the Company and Master Fund may not be able to engage in as large a portion of a transaction as they otherwise would.

The Investment Manager and its affiliates may employ investment methods, policies and strategies for their clients that differ from those under which the Company and Master Fund operate. Therefore, the results of Company and Master Funds' trading may differ from those of other accounts traded by the Investment Manager and its affiliates. Moreover, certain of the Investment Manager's principals also may also invest for their own accounts.

Litigation

The Company's and Master Fund's investment activities are subject to the normal risks of becoming involved in litigation by third parties. The risk is somewhat greater because the Company and/or Master Fund will often hold substantial stakes in listed companies which could be considered to give rise to exercise of control or significant influence over a company's direction. Furthermore, many of the exchanges on which the Company and/or Master Fund may invest impose reporting and other obligations which, if not met, could lead to fines and other sanctions against the Company and/or Master Fund, the Manager or the Investment Manager.

The expense of defending against claims by third parties and paying any amounts pursuant to settlements or judgments may have to be borne by the Funds. The Manager, Investment Manager and others will be indemnified by the Master Fund in connection with any such litigation which relates to the activities of the Master Fund, subject to certain conditions. In addition, certain of the Company's and/or Master Fund's strategies may be subject to claims for the return of profits or the recovery of losses on the basis of certain statutory, regulatory or administrative entitlements or prohibitions.

Profit Sharing

In addition to receiving an Investment Management Fee, the Investment Manager may also receive a Performance Fee based on the appreciation in the net asset value of the Master Fund and accordingly the Performance Fee will increase with regard to unrealised appreciation, as well as realised gains. The Performance Fee may create an incentive for the Investment Manager to make investments for the Company and the Master Fund which are riskier than would be the case in the absence of a fee based on the management of the Company and the Master Fund.

Tax Considerations

Where the Master Fund and/or Company invests in securities that are not subject to withholding tax at the time of the acquisition, there can be no assurance that tax may not be withheld in the future as a result of any change in applicable laws, treaties, rules or regulations or the interpretation thereof. The Master Fund and/or Company will not be able to recover such withheld tax and so any change would have an adverse effect on the net asset value. Where the Master Fund and/or Company sells securities short that are subject to withholding tax at the time of sale, the price obtained will reflect the withholding tax liability of the purchaser. In the event that in future such securities cease to be subject to withholding tax, the benefit thereof will accrue to the purchaser and not the Master Fund or Company.

The Company and the Master Fund both may invest in securities that are subject to withholding tax on income and/or gains. Although the Company intends to minimise such withholding tax there can be no assurance that the Company will be able to achieve this.

Highly Volatile Instruments

The prices of derivative instruments, including options, are highly volatile. Price movements of forward contracts and other derivative contracts in which the Master Fund's and/or Company's assets may be invested are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies. In addition, governments from time to time intervene, directly and by regulation, in certain markets, particularly those in currencies and financial instrument options. Such intervention often is intended directly to influence prices and may, together with other factors, cause all of such markets to move rapidly in the same direction because of, among other things, interest rate fluctuations. The Master Fund and/or Company also is subject to the risk of the failure of any of the exchanges on which its positions trade or of their clearing houses.

Investments in Unlisted Securities

The Master Fund and/or Company may invest in unlisted securities. Because of the absence of any trading market for these investments, it may take longer to liquidate, or it may not be possible to liquidate, these positions than would be the case for publicly traded securities. Although these securities may be resold in privately negotiated transactions, the prices realised on these sales could be less than those originally paid by the Master Fund and/or Company. Further, companies whose securities are not publicly traded will generally not be subject to public disclosure and other investor protection requirements applicable to publicly traded securities.

Business and Regulatory Risks of Hedge Funds

Legal, tax and regulatory changes could occur during the term of the Master Fund and/or Company that may adversely affect the Master Fund and/or Company. The regulatory environment for hedge funds is evolving, and changes in the regulation of hedge funds may adversely affect the value of investments held by the Master Fund and/or Company and the ability of the Master Fund to obtain the leverage it might otherwise obtain or to pursue its trading strategies. In addition, the securities and futures markets are subject to comprehensive statutes, regulations and margin requirements. Regulators and self-regulatory organisations and exchanges are authorised to take extraordinary actions in the event of market emergencies. The regulation of derivatives transactions and funds that engage in such transactions is an evolving area of law and is subject to modification by government and judicial action. The effect of any future regulatory change on the Master Fund and/or the Company could be substantial and adverse.

Terrorist Action

There is a risk of terrorist attacks on the United States, the United Kingdom and elsewhere causing significant loss of life and property damage and disruptions in global markets. Economic and diplomatic sanctions may be in place or imposed on certain states and military action may be commenced. The impact of such events is unclear, but could have a material effect on general economic conditions and market liquidity.

UK Taxation

The Directors intend that the Company will be managed and controlled in such a way that it should not be resident in the United Kingdom for United Kingdom tax purposes. Also the Directors and the Investment Manager each intend that, so far as this is within their respective control, the affairs of the Company, the Master Fund and the Investment Manager are conducted so that the requirements as set out in Schedule 26 Finance Act 2003 are met.

Need for Additional Financing and Dilution

The Placing is not underwritten and may not be taken up in full. The Company may in the future need to seek additional sources of financing to implement its strategy. There can be no assurance that the Company will be able to raise such funds, whether on acceptable terms, or at all. If further financing is obtained by issuing equity securities or convertible debt securities, the existing shareholders may be diluted and the new securities may carry rights, privileges and preferences superior to the Shares. The Directors may seek debt finance to fund the implementation of the Company's strategy. 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.

Directors and Employees

The Company will be highly dependent on the expertise and continued service of the Directors. These individuals could terminate their agreements for service or service contracts at any time, and their loss may have an adverse effect on the Company's business. Furthermore, the ability to attract and retain individuals may be critical to the Company's ongoing business. The failure to attract and retain such individuals may adversely affect the Company's operations.

Value and Liquidity of the Shares

An investment in shares traded on AIM is perceived to involve a higher degree of risk and be less liquid than an investment in companies whose shares are listed on the Official List of the London Stock Exchange. It may be difficult for an investor to realise his or her investment. The shares of publicly traded emerging companies 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. 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.

Limited Redemption Rights

An investment in the Master Fund is suitable only for certain sophisticated investors who have no need for immediate liquidity in their investment. Shares in the Master Fund may only be redeemed on stated redemption days with due notice after the expiry of the relevant commitment period. Shares in the Master Fund may not be redeemed when the calculation of the net asset value of the Master Fund is suspended.

No partial redemptions in the Master Fund will be permitted if, immediately thereafter, the value of a redeeming shareholder's holding would be less than £100,000, unless approved by the board of directors of the Master Fund in its sole and absolute discretion. Shares in the Master Fund may not be redeemed when the calculation of the net asset value of the Master Fund is suspended.

The Company may not always be able to redeem its shares in the Master Fund.

In Specie Distributions

The Master Fund expects to distribute cash to a redeeming shareholder; however, a redeeming shareholder may, at the sole and absolute discretion of the Directors of the Master Fund, receive securities owned by the Master Fund in lieu of cash. In addition, there can be no assurance that the Master Fund will have sufficient cash to satisfy withdrawal requests, or that it will be able to liquidate investments at the time of such withdrawal requests at favourable prices. Under the foregoing circumstances, and under other circumstances deemed appropriate by the Directors of the Master Fund, a redeeming shareholder may receive in specie distributions from the Master Fund's portfolio. Such investments so distributed may not be readily marketable or saleable and may have to be held by such shareholder for an indefinite period of time. The risk of loss and delay in liquidating these securities will be borne by the shareholder, with the result that such shareholder may receive less cash than it would have received on the date of withdrawal. As a result, an investment in the Master Fund is suitable only for sophisticated investors.

Performance Fee

The Manager will receive a Performance Fee from the Master Fund, based upon the appreciation, if any, in the net assets of the Master Fund. The Manager will share this fee with the Investment Manager. The Performance Fee theoretically may create an incentive to make investments that are riskier or more speculative than would be the case if such arrangement were not in effect. In addition, because the Performance Fee is calculated on a basis which includes unrealised appreciation, it may be greater than if this compensation were based solely on realised gains.

Currency of Denomination of Share Classes

The Master Fund is offering shares denominated in Sterling and US Dollars and may offer shares denominated in other currencies in the future. The initial offering price of each class is determined by the Directors and, due amongst other things to differences in exchange rate, the initial offering price of one class will not necessarily be economically equivalent to the initial offering price of another class. Accordingly, investors investing the same economic amounts in different currency classes, may receive different numbers of shares and thus, on a poll, their voting rights will not necessarily reflect their economic interest in the Master Fund.

Class of Shares is not a Separate Legal Entity

As among the shareholders, although the Master Fund maintains only one portfolio of assets, the appreciation and depreciation attributable to a class of shares in the Master Fund will be allocated only to such class of shares in the Master Fund. In particular, gains or losses arising from "new issues" investments will be allocated solely to eligible classes of shares in the Master Fund. Similarly, expenses attributable solely to a particular class of shares in the Master Fund will be allocated solely to that class of shares in the Master Fund. However, a creditor of the Master Fund will generally not be bound to satisfy its claims from a particular class of shares in the Master Fund. Rather, such creditor generally may seek to satisfy its claims from the assets of the Master Fund as a whole. Further, if the losses attributable to a class of shares exceed its value, then such losses could negatively impact the value of other classes of shares.

Hedging Transactions

The Master Fund may utilise financial instruments, both for investment purposes and for risk management purposes in order to (i) protect against possible changes in the market value of the Master Fund's investment portfolio resulting from fluctuations in the securities markets and changes in interest rates; (ii) protect the Master Fund's unrealised gains in the value of the Master Fund's investment portfolio; (iii) facilitate the sale of any such investments; (iv) enhance or preserve returns, spreads or gains on any investment in the Master Fund's portfolio; (v) hedge the interest rate or currency exchange rate on any of the Master Fund's liabilities or assets; (vi) protect against any increase in the price of any securities the Master Fund anticipates purchasing at a later date; or (vii) for any other reason that the Investment Manager deems appropriate.

The success of the Master Fund's hedging strategy will depend, in part, upon the Investment Manager's ability correctly to assess the degree of correlation between the performance of the instruments used in the hedging strategy and the performance of the portfolio investments being hedged. Since the characteristics of many securities change as markets change or time passes, the success of the Master Fund's hedging strategy will also be subject to the Investment Manager's ability to continually recalculate, readjust and execute hedges in an efficient and timely manner.

While the Master Fund may enter into hedging transactions to seek to reduce risk, such transactions may result in a poorer overall performance for the Master Fund than if it had not engaged in such hedging transactions. For a variety of reasons, the Investment Manager may not seek to establish a perfect correlation between the hedging instruments utilised and the portfolio holdings being hedged. Such an imperfect correlation may prevent the Master Fund from achieving the intended hedge or expose the Master Fund to risk of loss.

The Investment Manager may not hedge against a particular risk because it does not regard the probability of the risk occurring to be sufficiently high as to justify the cost of the hedge, or because it does not foresee the occurrence of the risk. The successful utilisation of hedging and risk management transactions requires skills complementary to those needed in the selection of the Master Fund's portfolio holdings.

Loans of Portfolio Securities

The Master Fund may lend its portfolio securities. By doing so, the Master Fund attempts to increase income through the receipt of interest on the loan. In the event of the bankruptcy of the other party to a securities loan, the Master Fund could experience delays in recovering the loaned securities. To the extent that the value of the securities the Master Fund lent has increased, the Master Fund could experience a loss if such securities are not recovered.

Restriction on Auditors' Liability

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

Amortisation of Organisational Costs

The Master Fund's organisational and offering expenses, to the extent the Directors deem appropriate, may be, for accounting purposes, amortised by the Master Fund for up to a 60-month period. Amortisation of such expenses over a period that is up to 60 months is a divergence from US Generally Accepted Accounting Principles ("GAAP"), which may, in certain circumstances, result in a qualification of the Master Fund's annual audited financial statements.

In such instances, the Master Fund may decide to (i) avoid the qualification by recognizing the unamortized expenses or (ii) make GAAP conforming changes for financial reporting purposes, but amortise expenses for purposes of calculating the Master Fund's NAV. There will be a divergence in the Master Fund's fiscal year-end NAV and in the NAV reported in the Master Fund's financial statements in any year where, pursuant to clause (ii), GAAP conforming changes are made only to the Master Fund's financial statements for financial reporting purposes. If the Master Fund is terminated within 60 months of its commencement, any unamortized expenses will be recognised. If a shareholder redeems shares prior to the end of the 60-month period during which the Master Fund is amortising expenses, the Master Fund may, but is not required to, accelerate a proportionate share of the unamortized expenses based upon the number of shares being redeemed and reduce redemption proceeds by the amount of such accelerated expenses.

Valuation Policies and GAAP

The Master Fund's valuation policies may not be in compliance with GAAP and such divergence may, in certain circumstances, result in a qualification of the Master Fund's annual audited financial statements. In such instances, the Master Fund may decide to make GAAP conforming changes for financial reporting purposes, but use the valuation policies detailed herein for the purposes of calculating the Master Fund's NAV. There will be a divergence in the Master Fund's fiscal yearend NAV and in the NAV reported in the Master Fund's financial statements in any year where, GAAP conforming changes are made only to the Master Fund's financial statements for financial reporting purposes.

ADVISERS

Registered office
PO Box 119
Martello Court
Admiral Park
St. Peter Port
Guernsey GY1 3HB

Nominated Adviser and Broker
Collins Stewart Europe Limited
9th Floor
88 Wood Street
London EC2V 7QR

Administrator to the Company
Fortis Fund Services (Guernsey) Limited
PO Box 119
Martello Court
Admiral Park
St Peter Port
Guernsey GY1 3HB

Manager to the Master Fund and the Company
Marwyn Capital Management Limited
PO Box 309GT, Ugland House
South Church Street, George Town
Grand Cayman, Cayman Islands

Auditors
Grant Thornton Limited
PO Box 313
Island House
Grande Rue
St Martin
Guernsey GY1 3TF

Legal Advisers to Nominated Adviser and Broker and to the Company as to English Law
Norton Rose
3 More London Riverside
London SE1 2AQ

Investment Manager to the Master Fund and the Company
Marwyn Investment Management LLP
11 Buckingham Street
London WC2N 6DF

Legal Advisers to the Company as to Guernsey Law
Carey Olsen
7 New Street
St Peter Port
Guernsey GY1 4BZ

Registrar
Capita IRG (CI) Limited
2nd Floor
1 Le Truchot
St Peter Port
Guernsey GY1 4AE

Perivan Financial Print 214678