MARWYN VALUE INVESTORS LIMITED
FINANCIAL STATEMENTS
31 DECEMBER 2007

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MARWYN VALUE INVESTORS LIMITED
INVESTMENT MANAGER'S REPORT

Our investment strategy is to identify, support, invest in and work alongside experienced operational managers with strong, demonstrable track records for building and managing small and mid-cap UK, European and North American businesses (under £1bn) with the aim of combining private equity and public market best practice and disciplines to deliver investment returns.

We overlay our requirements for minimum levels of operating profitability and cash generation, on top of this central theme of strong management and have a preference for sectors undergoing structural, technical or regulatory change; this includes conventional regulated industries, such as environmental services, water and utilities, financial services and insurance, to those sectors undergoing specific structural and/or technical change including the leisure, gaming and food and beverages.

We believe that an environment of change within an industry creates real opportunities for management with the right aptitude and experience to create significant investment returns as the remainder of the market continues to overlook the opportunities.

The Company was floated on AIM on 23 February 2006 to allow a broad spectrum of investors to gain exposure to the strategy pursued by the Marwyn Neptune Fund LP.

Notable investments during this year include Entertainment One Ltd (ticker: ETO) an international entertainment business; Melorio Plc (ticker: MLO) a UK vocational training business; Silverdell Plc (ticker: SID) a UK asbestos and environmental services business; Concateno Plc (ticker: COT); a drug and alcohol testing business; and Inspicio Plc (ticker: INP) a global testing and inspection business which, among other things, operates oil, minerals, food and soil testing laboratories internationally.

We maintain a positive outlook for the year to come with a strong pipeline of follow on investment opportunities within the existing companies as well as excellent management teams to lead the launch of new strategies.

Investment Manager history
Marwyn was founded in 2002 by David Williams, Mark Watts and James Corsellis and is wholly owned by management. Based in London and Jersey, Marwyn employs 24 professionals from investment, legal, accounting and M&A backgrounds and is supported by a team of industry experienced sector specialists. Marwyn's principals all come from strong operational backgrounds having built businesses across a wide range of sectors including environmental services, financial services and reinsurance, automotive, technology, property, leisure and gaming. Since August 2004, Marwyn has launched eleven sector specific investment vehicles raising over £1 billion in 50 transactions to support the acquisition of companies within their specific strategies.

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;
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, 1994. 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.

Status and activities

The Company is a closed ended investment company registered under the provisions of The Companies (Guernsey) Law, 1994.

The Company was incorporated on 20 January 2006 and its securities began trading on the Alternative Investment Market of the London Stock Exchange on 23 February 2006 with a placing of 15,000,000 ordinary shares of 10p each, 7,500,000 Series One Warrants and 7,500,000 Series Two Warrants. On 26 July 2007 a further placing of 27,749,167 B shares of 50p each and 27,749,167 B Share Warrants was made to the Alternative Investment Market.

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").

Results and dividends

The results attributable to the Shareholders for the period and the transfer to reserves are shown in the Income Statement.
The Directors did not pay a dividend and do not recommend a dividend for the year.

Directors and their interests

The Directors of the Company who served during the period were:-

David Jeffrey Williams
David John Warr
Ian Geoffrey Clarke
Robert Thomas Ernest Ware

At 31 December 2007 the Directors' interests in the Ordinary Shares, Warrants, B Shares and B Share Warrants of the Company were as follows:

	Ordinary Shares	*Series Two Warrants*	*B Shares*	*B Share Warrants*
David Jeffreys Williams	750,000	250,000	-	-
David John Warr	150,000	50,000	-	-
Ian Geoffrey Clarke	-	-	-	-
Robert Thomas Ernest Ware	375,000	125,000	-	-

There have been no changes in the interests of the Directors from 31 December 2007 to 7 March 2008.

MARWYN VALUE INVESTORS LIMITED
REPORT OF THE DIRECTORS

Directors' remuneration

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

David Jeffreys Williams	£15,000
David John Warr	£15,000
Ian Geoffrey Clarke	£15,000
Robert Thomas Ernest Ware	£15,000

The above fees do not include reimbursed expenditure.

Substantial shareholdings

At 31 December 2007 the following interests in 3% or more of the issued Ordinary Shares and issued B Shares had been notified to the Company.

	Number of Ordinary Shares	*Percentage of share capital*
The Bank of New York	5,147,605	22.88%
The Bank of New York	3,250,000	14.44%
OMX Securities Nominees	1,559,830	6.93%
Morstan Nominees	1,516,000	6.74%
Nortrust Nominees	1,250,000	5.56%
BBHISL Nominees	1,142,500	5.08%
Rulegale Nominees	1,018,000	4.52%
Deutsche Bank	1,000,000	4.44%
Chase Nominees	1,000,000	4.44%
LBPB Nominees	871,612	3.87%

	Number of B Shares	*Percentage of B share capital*
Vidacos Nominees	8,500,000	30.63%
LBPB Nominees	5,586,605	20.13%
Goldman Sachs Securities (Nominees)	4,378,379	15.78%
JP Morgan Trust	2,525,253	9.10%
Goldman Sachs International	2,525,253	9.10%
Morstan Nominees	1,221,477	4.40%
Pershing Keen Nominees	1,042,200	3.76%
BBHISL Nominees	963,000	3.47%

Auditors

Following the transfer of their business to Grant Thornton Limited with effect from 1st November 2007, RSM Robson Rhodes (Guernsey) Limited have confirmed their intention to resign as auditors at the next annual general meeting, at which time a resolution to appoint their successors, Grant Thornton Limited as auditors will be proposed.

APPROVED BY THE BOARD OF DIRECTORS

7/3/08

7/3/08.

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 2007 from pages 6 to 20. 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 64 of The Companies (Guernsey) Law, 1994. 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 auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's 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 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, 1994.

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 Chairman's Statement, Investment Manager's Report and the Directors' Report. 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 conducted 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 considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with International Financial Reporting Standards, of the state of the company's affairs as at 31 December 2007 and of its income and cash flows for the year then ended; and
- the financial statements have been properly prepared in accordance with The Companies (Guernsey) Law, 1994.

Grant Thornton Limited

Grant Thornton Limited
Chartered Accountants
Guernsey, CI

Date: 7 March 2008

MARWYN VALUE INVESTORS LIMITED
INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2007

	Note	For the year ended 31 December 2007			For the year ended 31 December 2006		
		Revenue	**Capital**	**Total**	**Revenue**	**Capital**	**Total**
		£	**£**	**£**	**£**	**£**	**£**
INCOME	1						
Bank interest		38,319	-	38,319	10,313	-	10,313
Gains on investments held at fair value through profit or loss		-	5,077,179	5,077,179	-	7,418,764	7,418,764
		38,319	5,077,179	5,115,498	10,313	7,418,764	7,429,077
EXPENSES	1						
Directors' fees		60,000	-	60,000	51,630	-	51,630
Administration fees		25,641	-	25,641	17,957	-	17,957
Legal and professional fees		46,679	-	46,679	9,575	-	9,575
Regulatory expenses		7,045	-	7,045	9,404	-	9,404
Audit fees		20,500	-	20,500	-	-	-
Nominated advisors fees		35,000	-	35,000	30,062	-	30,062
Registrars fees		2,907	-	2,907	11,184	-	11,184
Exempt fee	2	600	-	600	600	-	600
Other expenses		46,642	-	46,642	23,975	-	23,975
		245,014	-	245,014	154,387	-	154,387
PROFIT FOR THE PERIOD		(206,695)	5,077,179	4,870,484	(144,074)	7,418,764	7,274,690
Attributable to holders of Ordinary Shares		(155,763)	4,419,126	4,263,364	(144,074)	7,418,764	7,274,690
Attributable to holders of B Shares		(50,932)	658,053	607,120	-	-	-
Return per Ordinary Share -							
basic (pence per share)	3	(0.77)	21.90	21.13	(0.96)	49.46	48.50
diluted (pence per share)	3	(0.56)	15.88	15.32	(0.96)	49.46	48.50
Return per B Share - basic and diluted (pence per share)	3	(0.18)	2.37	2.19	-	-	-

The total column of this statement represents the Income Statement of the Company, prepared in accordance with IFRS. The supplementary revenue and capital columns are prepared under guidance published by the Association of Investment Companies. All items in the above statement derive from continuing operations.

MARWYN VALUE INVESTORS LIMITED
BALANCE SHEET
31 DECEMBER 2007

	Note	31 December 2007	31 December 2006
NON CURRENT ASSETS		£	£
Unquoted investments held at fair value through profit or loss	4	61,395,943	21,418,764
CURRENT ASSETS			
Prepayments		3,875	718
Cash and cash equivalents		271,409	217,926
		275,284	218,644
TOTAL ASSETS		61,671,227	21,637,408
CURRENT LIABILITIES			
Accruals		(46,400)	(32,687)
NET ASSETS		61,624,827	21,604,721
EQUITY			
Called up share capital	8	16,124,584	1,500,000
Share premium	9	8,253,915	-
Special distributable reserve		23,993,582	12,209,982
Series One Warrant reserve		-	378,918
Series Two Warrant reserve		241,131	241,131
B Warrant reserve		866,441	
Capital reserve - Unrealised		12,495,943	7,418,764
Revenue reserve		(350,769)	(144,074)
TOTAL EQUITY		61,624,827	21,604,721
Attributable to			
Ordinary Share holders		34,628,041	21,604,721
B Share holders		26,996,786	-
Net asset value per Ordinary share - basic (pence per share)	5	153.90	144.03
Net asset value per Ordinary share - diluted (pence per share)	5	147.93	134.35
Net asset value per B Share - basic and diluted (pence per share)	5	97.29	-

APPROVED BY THE BOARD OF DIRECTORS

Director
Date: 7/3/08

Director
Date: 7/3/08.

MARWYN VALUE INVESTORS LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2007

	Called up share capital	Share premium	Special distributable reserve	Series One Warrant reserve	Series Two Warrant reserve	B Warrant reserve	Capital reserve	Revenue reserve	Total
	£	£	£	£	£	£	£	£	£
As at 1 January 2007	1,500,000	-	12,209,982	378,918	241,131	-	7,418,764	(144,074)	21,604,721
Issue of Ordinary shares and exercise of warrants	750,000	8,253,918	-	(378,918)	-	-	-	-	8,625,000
Issue of B Shares	13,874,584	12,924,269	-	-	-	950,314	-	-	27,749,167
B Share and warrant issue costs		(1,140,672)	-	-	-	(83,873)	-	-	(1,224,545)
Profit for the period	-	-	-	-	-	-	5,077,179	(206,695)	4,870,484
Conversion of Share Premium Account	-	(11,783,600)	11,783,600	-					-
	16,124,584	8,253,915	23,993,582	-	241,131	866,441	12,495,943	(350,769)	61,624,827

For the period from 20 January 2006 to 31 December 2006

	Called up share capital	Share premium	Special distributable reserve	Series One Warrant reserve	Series Two Warrant reserve	B Warrant reserve	Capital reserve	Revenue reserve	Total
	£	£	£	£	£	£	£	£	£
Issue of ordinary shares and warrants	1,500,000	12,850,962	-	396,634	252,404	-	-	-	15,000,000
Profit for the period	-	-	-	-	-	-	7,418,764	(144,074)	7,274,690
Share and warrant issue costs	-	(640,980)	-	(17,716)	(11,273)	-	-	-	(669,969)
Conversion of Share Premium Account	-	(12,209,982)	12,209,982	-	-	-	-	-	-
	1,500,000	-	12,209,982	378,918	241,131	-	7,418,764	(144,074)	21,604,721

MARWYN VALUE INVESTORS LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2007

	Notes	Year to 31 December 2007	Year to 31 December 2006
Cash flows from operating activities		£	£
Interest received		38,319	10,313
Operating expenses paid		(234,458)	(122,418)
Net cash outflow from operating activities	6	(196,139)	(112,105)
Cash flows from operating activities			
Acquisition of investments		(34,900,000)	(14,000,000)
Cash flows from financing activities			
Issue of own shares - Ord shares on exercise of series one warrants		8,625,000	14,330,031
Issue of own shares - B shares		27,749,167	-
Payment of share and warrant issue costs		(1,224,545)	-
Net increase in cash and cash equivalents		53,483	217,926
Cash and cash equivalents at beginning of year		217,926	-
Cash and cash equivalents at end of year		271,409	217,926

1. ACCOUNTING POLICIES

The financial statements have been prepared in accordance with IFRS, which comprise standards and interpretations approved by the IASB, and Standing Interpretations approved by the IASC that remain in effect, together with the applicable legal and regulatory requirements of The Companies (Guernsey) Law, 1994 and the AIM rules published by the London Stock Exchange.

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 held 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.

(b) Income

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

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

The Fund classifies its investment into the Marwyn Neptune Fund L.P. 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 loss 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 Income Statement. On disposal realised gains and losses are also recognised in the Income Statement. Unrealised gains and losses on the disposal of investments are taken to the capital reserve - unrealised.

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 will be 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, Marwyn Neptune Fund LP, 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.

1. ACCOUNTING POLICIES (continued)

The Neptune Fund is unquoted and accordingly the fair value of the investment is determined using a valuation technique based on assumptions that are not supported by prices from observable current market transactions in the same instrument (i.e. without modification or repackaging) and not based on available market data.

(d) Expenditure

All expenses 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.

(e) Cash and cash equivalents

Cash and cash equivalents comprise bank balances and cash 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.

(f) Share and warrant issue costs

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. The expenses directly relating to the issue of the B shares were borne exclusively by the B shareholders and therefore charged against B share equity as opposed to being reflected as expenses.

(g) 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). The financial statements are presented in pounds sterling, which is the Company's functional and presentation currency.

(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.

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

1. ACCOUNTING POLICIES (continued)

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

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.

Share Premium reserve is composed of premiums received on the issuance of share capital. Any transaction costs associated with the issuance of shares are deducted from Share Premium reserve.

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

(j) 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.

(k) 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.

2. 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.

3. EARNINGS PER SHARE

The calculation of basic earnings per Ordinary Share is based on the net revenue deficit of £90,433, and net capital gain of £3,575,060, on ordinary activities from 1 January 2007 to 30 June 2007 with the net revenue deficit of £116,262 and net capital gain of £1,502,119 for the period from 1 July 2007 to the year end being proportionately split between the Ordinary Shares and the B Shares, based on respective NAV, for that period and on the weighted average of 20,178,082 Ordinary Shares in issue throughout the period.

The calculation of diluted earnings per Ordinary Share is based on the net revenue deficit, and net capital gain, on ordinary activities from 1 January 2007 to 30 June 2007, as noted above with the net revenue deficit and net capital gain for the period from 1 July 2007 to the year end being proportionately split between the Ordinary Shares and the B shares, based on respective NAV, for that period and the weighted average of 27,828,082 Ordinary Shares in issue.

The calculation of basic earnings per B Share is based on the net revenue deficit of £50,932, and net capital gain of £658,053, on ordinary activities from 1 July 2007 to the year end being proportionately split between the Ordinary Shares and the B Shares, based on respective NAV, for that period and on the 27,749,167 B Shares in issue throughout the period.

As at 31 December 2007 the price of the ordinary shares was 113 pence, the share price did reach the exercise price of the Series Two Warrants (130 pence) during the year. However, the average price of the ordinary shares during the period less than the exercise price of Series Two Warrants there was no dilution in the earnings per ordinary share in respect of the Series Two Warrants.

3. EARNINGS PER SHARE (continued)

As at 31 December 2007 the price of B Shares was 101 pence and at no point did the share price reach the exercise price of the B Warrants (125 pence). As the average price of the B Shares during the period was less than the exercise price of the B Warrants there was no dilution in the earnings per B Share in respect of the B Warrants.

4. UNQUOTED INVESTMENTS

	31 December 2007	31 December 2006
At cost		
Marwyn Neptune Fund L.P.		
Class A GBP	£ 48,900,000	£ 14,000,000
Unrealised gain	£ 12,495,943	£ 7,418,764
At fair value	£ 61,395,943	£ 21,418,764

The Company invests only in the Marwyn Neptune Fund, a Caymans-based hedge fund. For example the Company's only investment is £48,900,000 class A GBP shares of the Marwyn Neptune Fund LP. The Neptune 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 Marwyn Neptune Fund L.P. ("Master Fund") represents 59.32% of the Class A net assets and 43.16% of the Master Fund.

Objective of Marwyn Neptune Fund
Offering exposure to early-stage primarily UK and European companies of up to £500,000 Enterprise Value with preference for investments in companies operating in regulated sectors or those impacted by changing regulation e.g. waste, utilities, leisure and financial services.

Strategy of Marwyn Neptune Fund
- To fill the funding gap between private equity and conventional public market investors;
- To focus on recruiting and supporting experienced and proven management teams in developing and executing their strategies;
- To focus on sectors where regulatory change provides opportunities to leverage new or unrecognised capital value;
- To provide companies and management teams with "hands on" execution capability that enables them to deliver on their organic and acquisition-led strategies;
- To 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.

5. NET ASSET VALUE

The calculation of net asset value per ordinary share is based on the net assets attributable to Ordinary Shareholders of £34,628,041 and on the ordinary shares in issue of 22,500,000 and on net assets attributable to B Shareholders of £26,996,786 and on the B Shares in issue of 27,749,167 at the balance sheet date.

As the Net Asset Value per ordinary share (153.91 pence) was above the exercise price of the Series Two Warrants (130.0 pence) there was a dilution in the NAV per ordinary share in respect to the Series Two Warrants. The Diluted NAV is based on net assets of £44,378,041 and on ordinary shares in issue of 30,000,000.

As the Net Asset Value per B Share (97.29 pence) was below the exercise price of the B Warrants there was no dilution in the NAV per B Share.

6. RECONCILIATION OF NET PROFIT FOR THE PERIOD TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

		2007	2006
Net profit for the year/period		4,870,484	7,274,690
Gains on investments held at fair value through profit or loss		(5,077,179)	(7,418,764)
Decrease/(increase) in Debtors		(3,157)	(718)
Increase/(decrease) in creditors		13,713	32,687
Net cash outflow from operating activities	£	(196,139)	(112,105)

7. WARRANTS

Series Two Warrants

At the placing on 23 February 2006, for each Ordinary Share the subscriber also received one half Series One Warrant and one half Series Two Warrant. The Series One Warrants were called at the option of the Company on 22 March 2007.

	Exercise price pence	*Allotted*
Series Two Warrants	130	7,500,000

Accelerated Call Feature

If the mid-market closing price on AIM as shown by Bloomberg shall be 150p or more in the case of the Series Two 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 AIM on the thirtieth consecutive trading day to give notice to the relevant holders of Series Two Warrants.

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

On exercise of the Warrants, the Company will sell any Ordinary 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 Warrants will cease.

B Warrants

At the placing on 23 July 2007, for each B Share the subscriber also received one B Warrant.

	Exercise price pence	*Allotted*
B Warrants	125	27,749,167

Accelerated Call Feature

If the mid-market closing price on AIM as shown by Bloomberg shall be 140p or more in the case of the B 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 AIM on the thirtieth consecutive trading day to give notice to the relevant holders of B Warrants.

7. WARRANTS (continued)

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

On exercise of the Warrants, the Company will sell any B 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 B Warrants will cease.

For full details of the rights of the Warrants, please see the Admission document or contact the administrator.

8. CALLED UP SHARE CAPITAL

Authorised	
200,000,000 ordinary shares of £0.10 each	20,000,000
200,000,000 B shares of £0.50 each	100,000,000
Allotted and fully paid	
22,500,000 ordinary shares of £0.10 each	2,250,000
27,749,167 B shares of £0.50 each	13,874,584
	16,124,584

Under an agreement dated 20 February 2006 between the Company and Collins Stewart Limited, Collins Stewart Limited have been granted options over 150,000 Ordinary Shares at an exercise price of 100 pence per share. The option period commenced on Admission on 6 October 2006 and ends on the fifth anniversary of that date.

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 B Share Surplus shall be divided amongst the B Shareholders pro rata according to their holdings of B Shares; and

(c) the balance of the capital and assets of the Company, (if any) shall be distributed amongst the holders of Ordinary Shares and B Shares pari passu as if they constituted one and the same class of shares.

9. SHARE PREMIUM ACCOUNT

Balance as at 1 January 2007	-
Premium on new shares following exercise of Series One Warrants	8,253,918
Premium on new B share issues	12,924,269
Share issue costs	(1,140,672)
Transfer to special distributable reserve	(11,783,600)
Balance as at 31 December 2007	8,253,915

Following the call of the Series One Warrants on 22 March 2007 the Warrants were considered exercised on 12 April 2007.

The Company cancelled its share premium in relation to the B Shares, transferring it to a distributable reserve.

10. SPECIAL DISTRIBUTABLE RESERVE

A special distributable reserve was created when, as stated in the Admission Document, the company cancelled its share premium account in relation to the premium on the Ordinary Shares (as approved in the Royal Court of Guernsey on 31 March 2006), transferring it to a distributable reserve to allow, amongst other things, the buy-back and cancellation of up to 14.99% of the Ordinary Shares.

On the cancellation of the B Share premium, this premium was transferred to the special distributable reserve.

11. WARRANT RESERVES

The proceeds from the issue of the 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. The weighted average value was calculated using the mid prices of the Ordinary Shares and Warrants as quoted on AIM.

The proceeds from the issue of the placing of B Shares were split between the B Shares (share capital and share premium account), and the B Warrant reserve based on the weighted average value of the B Shares and Warrants in issue at the close of business on the first day of trading. The weighted average value was calculated using the mid prices of the Ordinary Shares and Warrants as quoted on AIM.

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.

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.

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

31-Dec-07	*Less than 1 month*	*Non-interest bearing*	*Total*
	£	£	£
Assets			
Unquoted investments at fair value through profit or loss	-	61,395,943	61,395,943
Prepayments	-	3,875	3,875
Cash and cash equivalents	271,409	-	271,409
Total assets	271,409	61,399,818	61,671,227
Liabilities			
Payables and accruals	-	46,400	46,400
Total liabilities	-	46,400	46,400
Total interest sensitivity gap	271,409		

12. RISK PROFILE OF FINANCIAL ASSETS AND LIABILITIES (continued)

31-Dec-06	*Less than 1 month* £	*Non-interest bearing* £	*Total* £
Assets			
Unquoted investments at fair value through profit or loss	-	21,418,764	21,418,764
Prepayments	-	718	718
Cash and cash equivalents	217,926	-	217,926
Total assets	217,926	21,419,482	21,637,408
Liabilities			
Payables and accruals	-	32,687	32,687
Total liabilities	-	32,687	32,687
Total interest sensitivity gap	217,926		

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 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 review investment performance.

A 10% increase/decrease in the market price of the Master Fund would result in a 9.9 % increase/decrease in the basic net asset value per Ordinary Share and per B share as at the balance sheet date.

The company's exposure to other changes in market prices at 31 December 2007 on its unquoted equity investments were as follows;

	2007 £	2006 £
Unquoted investments at fair value through profit or loss	61,395,943	21,418,764

The impact on net income and equity of price volatility 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 £
Investment in Master Fund	2.70	(3.24)	1,657,690	1,657,690	(1,989,229)	(1,989,229)

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 as of 31 December 2006 is as follows

	Observed Volatility Rates (monthly)		Impact of Increase		Impact of Decrease	
	Increase (%)	Decrease (%)	Net Income £	Equity £	Net Income £	Equity £
Investment in Master Fund	4.43	-	947,780	947,780	-	-

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

Liquidity risk

The Company's investment in the Master Fund is relatively illiquid as it 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 shares in the investment should be sold to manage short-term cash requirements.

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

31-Dec-07	*Less than 1 month*	*1-3 months*	*Total*
	£	£	£
Payables and accruals	34,400	12,000	46,400

31-Dec-06	*Less than 1 month*	*Total*
	£	£
Payables and accruals	32,687	32,687

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.

13. MATERIAL CONTRACTS (continued)

Under the master Fund Management Agreement, the Manager will receive monthly management fees from the Master Fund not exceeding 2% 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% 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 12 January 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 for an annual 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 indemnities given by the Company in favour of Collins Stewart.

Directors

Each Director will be paid a fee of £15,000 per annum.

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 £20,000. The Administrator is also entitled to reimbursement of certain expenses incurred by it in connection with its duties.

14. RELATED PARTIES

During the period fees of £25,641 were payable to the Administrator, Fortis Fund Services (Guernsey) Limited, with £10,000 outstanding at the period end. Ian Clarke is a Director of both the Company and the Administrator.

All Directors are entitled to receive an annual fee of £15,000 and to be reimbursed for all travel and other costs incurred as a direct result of carrying out their duties as Directors. The outstanding balance due to the Directors at the year end was £17,500, being £1,250 each to Mr Williams and Mr Ware, and £7,500 each to Mr Warr and Mr Clarke.

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

15. CAPITAL MANAGEMENT POLICIES AND PROCEDURES (continued)

The Company's capital at 31 December comprises:

	£	£
Called up share capital	16,124,584	1,500,000
Share premium	8,253,915	-
Special distributable reserve	23,993,582	12,209,982
Series One Warrant reserve	-	378,918
Series Two Warrant reserve	241,131	241,131
B Warrant reserve	866,441	-
Capital reserve - Unrealised	12,495,943	7,418,764
Revenue reserve	(350,769)	(144,074)
Total capital	61,624,827	21,604,721

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's objectives, policies and processes for managing capital are unchanged from the preceding accounting period.

The Company is subject to externally imposed capital requirements which are as follows;
- As an AIM listed company, the Company has to have a minimum share capital of £50,000.
- 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 one of the two capital restriction tests imposed on investment companies by company law.

These requirements are unchanged since last year, and the Company has complied with them.

Risks applicable to investing in the Company and the Master Fund

Lack of Operating History

Neither the Company nor the Master Fund has an operating history upon which prospective investors may base an evaluation of the likely performance of the Master Fund. The past performance of the Investment Manager and 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 import of news and events that may affect the financial markets. Identification and exploitation of the 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 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 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 capitalize 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 capitalization 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.

Fixed Income Securities (continued)

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.

Concentration of Investments

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 (continued)

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.

Highly Volatile Markets

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 "inter-dealer" 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.

Global Economic and Market Conditions

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 mark-up 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 ("NAV") Considerations

The NAV 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 NAV 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.

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 NAV 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 NAV. 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.

Risks applicable to investments in the Company

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.

Risks applicable to investments in the Master Fund

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.

Special Situation Shares may not generally be redeemed at the option of the holder.

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.

MARWYN VALUE INVESTORS LIMITED
ADVISERS

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

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

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

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

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

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

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

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

Auditors
Grant Thornton Limited
PO Box 313
Anson Court
Le Route des Camp
St Martin
Guernsey GY1 3TF