MARWYN VALUE INVESTORS LIMITED

AUDITED FINANCIAL STATEMENTS

31 December 2009

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PERFORMANCE SUMMARY

Marwyn Value Investors Limited (the "Company") (LSE: MVI) provides access to the investment strategy pursued by Marwyn Value Investors L.P. (the "Master Fund"). The Company is listed on the Specialist Fund Market of the London Stock Exchange.

Key performance features for the 12 months ended 31 December 2009 are as follows:

- net asset value appreciation of 31.2 per cent. from £56.6m to £74.3m for the Ordinary shares for the year. In the same period the FTSE All-Share (ex-Investment Trusts) Index was up 24.7 per cent. and the MSCI Europe – Net (€) Index increased by 31.6 per cent.;
- share price increased 152 per cent. from 24 pence as at 31 December 2008 to 60.5 pence as at 31 December 2009 and 65.5 pence as at the date of release of this annual report;
- introduction of an innovative exchange procedure to address the issue of the discount of the Company's share price to its Net Asset Value ("NAV");
- discount to NAV reduced from 65.2 per cent. as at 31 December 2008 to 33.1 per cent. as at 31 December 2009;
- the B Ordinary share class was launched on 30 November 2009 and made a return of 27.9 per cent. to the year end;
- solid underlying financial performance of the individual portfolio companies demonstrating strong defensive qualities;
- average leverage across the portfolio companies remains prudent, allowing flexibility for further investment and future growth.

REPORT OF THE CHAIRMAN

I am pleased to present to the shareholders the Annual Report and audited Financial Statements of the Company. The Company has delivered a strong performance for the twelve months ended 31 December 2009, posting an increase in the net asset value of the Ordinary shares of 31 per cent. from £56.6m to £74.3m and a 152 per cent. increase in the share price over the year.

In recognition of the performance for the year, Marwyn Value Investors L.P. was awarded Best Event Driven Fund, 2010 by two separate industry publications, Hedgeweek and HFM Week.

Given the positioning of the portfolio companies, set out in the Report of the Investment Manager below, the low overall leverage at portfolio company level and the strength of the incumbent management, I remain confident your Company will continue to deliver strong returns. I am particularly encouraged by opportunities emerging for our portfolio companies from the challenging economic environment and I look forward to reporting on our progress in our next report to shareholders.

On 8 July 2009, the Company completed its planned reorganisation and subsequent migration to the Cayman Islands. This was to allow for the introduction of an innovative exchange procedure to address the issue of the discount of the Company's share price to its Net Asset Value ("NAV"). This exchange mechanism enables investors to transfer their interests freely between the Company, the Master Fund and an unlisted feeder fund (Marwyn Value Investors (Pte) Limited).

Ordinary Shares

The reorganisation was accompanied by a change in investment policy and a new incentive arrangement. As a result no further investments (other than follow-on investments in the existing portfolio companies) can be made using available cash. The existing portfolio of investments will be managed to maximise returns by making distributions to investors as investments are realised. Following the introduction of these measures the discount of the share price to NAV has reduced from 65.2 per cent. as at 31 December 2008 to 33.1 per cent. as at 31 December 2009.

In August 2009, the Master Fund sold its first position since the restructuring of the Company, in Concateno Plc, and distributed the excess proceeds of £9,999,000 to the shareholders through the Partial Offer.

B shares

On 30 November 2009, the Company launched the B class of Ordinary shares which increased in net asset value by 27.9 per cent. in December. Through its investment in the Master Fund, the new class is wholly invested in the investment companies Marwyn Capital I Ltd, which will focus on the media, business and support services and industrial sector, and Marwyn Capital II Ltd which will focus on the healthcare, testing and inspection and leisure sectors. Neither have yet undertaken a transaction.

Investment Performance

A summary of the returns against various benchmarks for the period and from inception is set out below:

Ordinary Shares

The NAV per Ordinary share of the Company increased during the period by 21.5 pence to 90.44 pence, a rise of 31.2 per cent.

Performance	*NAV %*	*FTSE All Share (Ex-Inv Tr) %*	*FTSE Small Cap %*	*MSCI Europe – Net (€) %*
Year to date (to 31/12/2009)	31.2	24.7	49.8	31.6
Since inception * (1/3/2006 to 31/12/2009)	16.5	-6.67	-22.2	-13.6

* Illustrative performance taking into account the performance of the respective share classes prior to the amalgamation and the impact of the amalgamation. If issue costs are taken into consideration the equivalent performance would be 10.6 per cent.

B Ordinary Shares

The NAV per B Ordinary share of the Company increased during the period by 25.6 pence to 117.5 pence, a rise of 27.9 per cent.

Performance	*NAV %*	*FTSE All Share (Ex-Inv Tr) %*	*FTSE Small Cap %*	*MSCI Europe – Net (€) %*
30/11/2009 to 31/12/2009*	27.9	4.2	2.2	6.2

* The calculation is based on capital raised net of issue costs. If issue costs are taken into consideration the equivalent performance would be 17.5 per cent.

Robert Ware
Chairman

26 April 2010

REPORT OF THE INVESTMENT MANAGER

What we invest in

One of the founding principles of our investment strategy has been to focus on companies and sectors that allow us to predict mid-term profitability with a fair degree of certainty given the resilience of the underlying revenue streams. Favourable characteristics include structural change to an industry, often through amendments to regulation or specific product or service attributes. Businesses that fit our investment criteria may operate within an arena that is largely non-discretionary spend (e.g. drug and alcohol testing or asbestos remediation). Or they may have a high degree of entrenched public sector funding (health service and vocational training). We also favour companies in those sectors that tend to outperform in tougher times (low ticket entertainment, confectionery, low stake gaming). Accordingly, these companies make up material proportions of our portfolio.

How we invest

If our investment criteria identifies the potential then it is our first class management that deliver that value to shareholders. We firmly believe that high quality management is a key factor in driving returns. We have the conviction to take a contrarian view and back an experienced management team that has demonstrated a thorough understanding of a sectors' dynamics.

We work extremely closely with the management teams of our portfolio companies, committing at least two investment professionals to each investment throughout its lifetime of two to three years. Our role is to act in support of management teams where appropriate, providing additional financial and advisory resources not ordinarily available to them. We believe this 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 leverage within the portfolio companies. The current leverage in the underlying portfolio averages 2.1 times trailing earnings before interest, taxes, depreciation and amortization ("EBITDA") and 1.3 times forecast EBITDA on an investment weighted basis. Whilst we cannot claim to have had foresight of the extent of the distress in the current credit environment, it has long been apparent to business managers and operationally-focused investment managers that high leverage brings with it significant risks. Quantitative risks are obvious in a trading environment that threatens covenant breach and subsequent challenges in refinancing. But our view is that leverage also discourages the recruitment of first class management teams who, understandably, do not want to run over-leveraged companies because of the constraints leverage places on the growth prospects of the business. High leverage shackles management to short term covenant targets as the expense of investing in the longer term future of the company. It can dramatically reduce management's appetite to act dynamically in market environments where even greater opportunities may present themselves.

Investing in this environment

The Fund performed well in 2009, with investment returns driven by a combination of strong underlying performance in portfolio companies and opportunistic follow-on investments. The latter were made where we felt there was an opportunity to increase our holdings because the market price substantially misrepresented the intrinsic value of the companies in question.

We believe that the primary opportunity in 2010 lies in companies with strong management and underlying businesses models, but a distressed share price created by a combination of muted financial performance, inappropriate capital structure or uncertain refinancing. The current environment favours Marwyn's hands-on, operationally-focused strategy, and whilst we cannot predict near term NAV performance, we believe that we are well positioned to continue to produce strong returns for investors over the medium and longer term.

Allocation of Marwyn Value Investors Limited NAV by company

Ordinary Shares:

Based upon the Company's investments in the Master Fund, the Company's total NAV is broken down across the following companies in the following percentages as at 31 December 2009:

Company	*Ticker*	*Sector*	*% of NAV*
Advanced Computer Software	ASW LN	Healthcare Software	13.3
Entertainment One	ETO LN	Entertainment Rights	36.2
Inverness Medical Innovations Inc	IMA US	Medical Diagnostic Products	6.2
Marwyn Materials	MMAT LN	Construction Materials	6.6
Marwyn Value Investors	MVI LN	Investment Company	8.6
Melorio	MLO LN	Vocational Training	10.1
Praesepe	PRA LN	Gaming	12.4
Silverdell	SID LN	Asbestos Services	3.5
Zetar	ZTR LN	Specialty Confectionery	1.7

B Ordinary Shares:

Company	*Ticker*	*Sector*	*% of NAV*
Marwyn Capital I	MCIL LN	Investment Company	49.2
Marwyn Capital II	MCII LN	Investment Company	40.7

INVESTMENTS – ORDINARY SHARES

Company: Advanced Computer Software plc ("ACS")

Sector: Software and IT services

Ticker: ASW LN

Strategy and Opportunity:

ACS has identified the opportunity to become a leading provider of software and services to the UK primary care market (the provision of first line patient services such as GPs, walk-in-centres, district nursing, and Out of Hours services). The Company's strategy is to consolidate the fragmented healthcare software market, through selective acquisitions, with a focus on primary care.

Management Biography:

Vin Murria (Chief Executive Officer) has over 20 years' experience of working for private equity backed and publicly listed companies focused on the software sector. During this time, Vin has held a number of senior positions, including Chief Executive Officer of Computer Software Group plc, which she took private in May 2007. The company merged with IRIS in July 2007 and was subsequently sold to Hellman Friedman for $1 billion. Vin is a Partner at Elderstreet Capital, and prior to this was European Chief Operating Officer for Kewill Systems Plc and Chairman of Leeds Group Plc.

Progress over the Period:

ACS completed its platform acquisition, of Adastra Software Limited, for £12 million in July 2008. Adastra provides a specialist medical event management, data distribution and clinical support software application to healthcare provider services. Following the acquisition, the company announced a restructuring process to deliver a number of cost cutting opportunities. Financial results to 28 February 2009 were positive, with revenue for the Adastra business showing 29 per cent. year on year growth and EBITDA margin improvement in the period from 19 per cent. to 36 per cent. Following a placing to institutional investors of £44 million in May 2009, ACS completed the acquisition of Business Systems Group Holdings Plc, a business specializing in outsourced managed services for technical infrastructure and systems operations, for approximately £7 million (net of cash acquired). Between July and November, ACS completed a series of further small acquisitions of products and services to complement the Adastra business, in particular; StaffPlan, the homecare software provider for approximately £1 million, Oak Labs India Ltd, a software development company for an undisclosed sum, and Healthy Software Ltd, a provider of clinical software used in the care of patients nearing the end of their lives, for £0.9 million. In October, ACS's subsidiary, BSG won a multi million pound five-year technology outsourcing contract with Cazenove Capital Management Limited.

Investment Performance:

During the 12 month period to 31 December 2009 ACS's share price rose from 18.0p to 35.5p.

Company: Concateno plc ("Concateno")

Sector: Drug and Alcohol testing

Ticker: COT LN

Strategy and Opportunity:

Concateno identified an opportunity to create a market leader in the European drugs of abuse testing sector. The strategy focused on the acquisition of niche businesses operating in complementary parts of the UK and Scandinavian markets which, although less developed than the mature US market, are characterised by higher margins and more robust growth patterns. 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. Keith was Group Technical Director of Southern Water plc from 1992 to 1996 and Chief Executive of the British Standards Institution from 1996 where he grew annual turnover by over £100 million to £211 million in 2000. He enjoyed extensive experience acquiring businesses in the UK, South America and Eastern Europe to leverage the brand. He was also Non-Executive Chairman of Marwyn's previous portfolio company, Inspicio plc until its takeover by 3i in February 2008 having delivered a share price increase of 125 per cent. from inception.

Fiona Begley (Chief Executive Officer) has significant experience in the drug and alcohol testing sector, having joined Medscreen (the first business acquired by Concateno) in 1996 as Sales and Marketing Manager. She was appointed General Manager in 1998 and Managing Director in 2000 and led the management buyout 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 Period:

In July 2008 Concateno announced that it was in an offer period, having received a number of approaches for the business. On 5 June 2009 Concateno announced that it had agreed a recommended offer for the business with Inverness Medical Innovations, Inc. ("IMI"), a US medical diagnostics business at 79p of cash and 0.02 IMI shares per Concateno share. On 11 August 2009, Concateno and Inverness announced that the offer had become effective by way of a scheme of arrangement. The final offer price represented a price per Concateno share of 120.6p, representing a premium of 42 per cent. to the placing price at the time of the first acquisition and a premium of 35 per cent. to the six month average price.

Investment Performance:

Between 1 January 2009 and 11 August 2009, being the date of delisting, Concateno's share price rose from 93.5p to 120.6p. At the year end, taking into account the Inverness share price and the exchange rate, the share price was an equivalent 131.2p.

Company: Entertainment One Limited ("E1")

Sector: Entertainment Rights Distribution

Ticker: ETO LN

Strategy and Opportunity:

E1 is a leading independent film distribution and television production business. The company currently operates in Canada, the U.S., the UK, Holland and Belgium, and controls a content library that includes more than 4,000 feature films, 2,800 hours of original television programming and 15,000 music tracks.

E1's strategy is to expand its international independent film distribution business through the acquisition of leading local independent distributors alongside organic growth in the form of increased investment in content acquisition and television production.

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.

Progress over the Period:

In June 2009 the company announced its results for the year ended 31 March 2009, which were slightly ahead of market expectations with revenue of £342.6 million and EBITDA of £25.3 million.

In November 2009 the company announced its interim results for the six months ended 30 September 2009. Revenue was up 25 per cent. to £163.6 million, generating an EBITDA of £9.3 million (a 38 per cent. increase versus the same period for the prior year).

Over the twelve months ended December 31 2009, E1 has released approximately 90 film titles. In November 2009, the company released the second title under the Twilight Saga, with New Moon, the widely anticipated sequel to the 2008 box office hit Twilight, generating one of the largest opening nights in Canadian, and second largest opening night in British box office history. The third installment in the Twilight series, Eclipse, is anticipated on 30 June 2010.

Within its television business, E1 experienced success winning two BAFTA awards for its children's titles Lost and Found, and also Ben and Holly's Little Kingdom. The company has also secured a number of commissions from major US broadcasting networks for shows including Hung (HBO), The Bridge (CBS), and Copper (ABC).

In March 2009, Marwyn announced a tender offer for up to 27 million shares of E1 at 12.5p. The tender offer was fully subscribed. After allowing for management to acquire shares through the tender offer, Marwyn acquired a total of 21.6 million shares.

Investment Performance:

The share price closed the period 25.5p higher at 52.0p (a rise of 104 per cent.).

Company: Marwyn Materials Limited ("Marwyn Materials")

Sector: Building Materials

Ticker: MMAT LN

Strategy and Opportunity:

Marwyn Materials has identified the opportunity to create value for shareholders through a properly executed, 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 further, targeted market consolidation. Given the recent economic environment and the sector-wide rerating of building related stocks, the current climate represents an opportunity to make acquisitions at attractive valuations. In the long term management believe that the prospects for the building materials sector are favourable, with infrastructure spending expected to continue to grow and private construction expected to begin recovery within the next 2 years.

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 controller 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 Period:

Marwyn Materials is continuing to pursue its acquisition strategy and is actively reviewing several opportunities within the UK and Eastern European building materials sector.

Investment Performance:

Marwyn Materials' share price fell from 16.5p to 14.5p during the 12 month period to 31 December 2009.

Company: Melorio plc ("Melorio")

Sector: Support Services

Ticker: MLO LN

Strategy and opportunity:

Melorio intends to consolidate leading, private providers of training and assessment to specific industry sectors. The company will also launch businesses to target those industry sectors where it sees significant demand from learners and employers but no acquisition opportunities.

Addressing the UK skills deficit through vocational training is a key government initiative; the total 2009-2010 government funding budget is to £12.2bn, up 5.2 per cent. on the prior year.

Management biographies:

Hugh Aldous (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 TEC) and an Inspector into company affairs for the Department for Business, Enterprise and Regulatory Reform (then the Department of Trade and Industry).

Alex Sheffield (Group Finance Director) 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 period:

The company reported excellent underlying performance in its first full financial year to 31 March 2009, growing basic adjusted Earnings Per Share from 6.8p to 18.5p, driven by organic growth supplemented by two acquisitions. Revenue for the year grew significantly to £31.4m (2008: £7.8m (which reflected six months' trading) and £14.2m on a pro forma basis (reflecting a full year of trading at Learning World)); acquisitions during the year contributed £11.1m to revenue. EBITA (excluding share-based payment charges) increased to £9.8m (2008: £2.7m and £4.9m on a pro forma basis (reflecting a full year of trading at Learning World twelve months of plc related costs)); acquisitions contributed £3.5m.

Melorio continued its excellent trading performance in the six months ended 30 September 2009. Revenue was £26.2m, up 182 per cent. on the same period in the prior financial year (H1 2009: £9.3m) and EBITA was up 85 per cent. to £6.3m (H1 2009: £3.4m). The company reported strong like-for-like growth (backed by high demand) despite the tighter funding environment for adult training and continues to maintain quality of delivery and high achievement rates.

Investment performance:

The share price rose from 65p to 120p during the year to 31 December 2009.

Company: Praesepe plc ("Praesepe")

Sector: Gaming

Ticker: PRA LN

Strategy and Opportunity:

Praesepe's strategy is to consolidate the fragmented low-stake, high-volume ("LSHV") gaming market in the UK and Europe and to build a diversified gaming group including gaming machines, bingo and sports book/pool betting operations. Praesepe's pipeline of acquisition opportunities ranges from smaller transactions through to larger medium-to-long term transformational opportunities; the strength of the pipeline is driven by the fragmented nature of LSHV gaming market in the UK and Europe, management's relationships within the industry and the announced and expected regulatory improvements for operators in the LSHV gaming market.

Management Biography:

Nick Harding, Praesepe's CEO is a leading manager in the UK gaming sector with relevant experience at Talarius plc, Rank Group, Ladbrokes and Corals. Nick is a past President of BACTA (the AGC industry trade association), a 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.

Matthew Proctor, Praesepe's CFO joined Praesepe in February 2009 from Gala Coral Group Ltd, a market leader in the UK gaming industry, where he was Group Finance Director and a member of the group executive committee. Matthew worked at Gala Coral for seven years.

Progress over the period:

In March 2009, Praesepe successfully raised £5.1m through the placing of 51 million shares at 10p each to part-fund acquisitions, explore other potential investment opportunities and strengthen the company's balance sheet. The company will also invest in new Category C machines on which maximum stakes and prizes were increased from 50p and £35 to £1 and £70, respectively in June 2009. This change represented the single largest to impact Category C machines for thirty years.

Following the fundraising in March 2009, Praesepe completed three acquisitions within the UK LSHV sector during 2009: (i) five Adult Gaming Centres ("AGCs") (plus one non-trading AGC) in North England (ii) the iconic Crystal Rooms AGC, a flagship gaming centre located in Leicester Square, and (iii) 13 gaming centres (including 4 Family Entertainment Centres ("FEC")) in South West England and South Wales financed by the issue of £6.5m unsecured subordinated loan notes to Marwyn Value Investors L.P. These acquisitions bring the Praesepe estate to the current total of 54 AGCs and FECs across the UK operating over 2,000 gaming machines. Praesepe is today the fourth largest AGC operator in the UK.

During the year, Praesepe announced its interim results for the 28 week period ended 12 July 2009, reporting revenues of £5.7m (down 1 per cent. year-on-year on a like-for-like basis, reflecting the resilience of trading to the adverse economic environment), underlying EBITDA for the operating businesses of £0.5m (H1 2008: loss of £1.0m) and a pre-tax loss of £0.5m (H1 2008: loss of £2.5m).

Investment Performance:

During the year to 31 December 2009, Praesepe share price fell from 10.5p to 8.0p and the average share price was 10.7p.

Company: Silverdell plc ("Silverdell")

Sector: Support Services

Ticker: SID LN

Strategy and opportunity:

Silverdell identified the opportunity to consolidate key businesses within the high growth, fragmented asbestos services sector. The company completed 4 acquisitions to create a nationwide, full service provider capable of delivering remediation, consultancy and environmental services across diverse end user markets including public sector, retail, utilities, nuclear, marine and petrochemical. Key growth drivers within the asbestos services market are regulatory requirements and the threat of litigation.

Management biographies:

Stuart Doughty (Executive Chairman) has over 40 years' experience in the construction industry. From 2001 to 2005 he served as Chief Executive Officer of Costain Group Plc and was previously a Director of Alfred McAlpine Construction Limited, Tarmac Construction Limited and John Laing Construction Limited.

Sean Nutley (Chief Executive Officer) has over 20 years in both operational and managerial roles in the industry with Silverdell (UK) Limited.

Ian Johnson (Chief Financial Officer) has held several senior finance roles within the support services sector including Regus plc and Exel plc. He was previously Group Finance Director of McBride plc and has also held senior finance roles with Taylor Wimpey plc.

Progress over the period:

Management carried out substantial restructuring of the business during the period and successfully raised £5.5m through an equity placing, assisting the company to reduce net debt from £14.4m to £4.7m as at 30 September 2009, the financial year end.

Year on year, group revenue fell 3 per cent. to 30 September 2009, however gross profit was maintained and gross margin increased to 24.6 per cent. Adjusted EBITDA declined from £2.5m to £2.3m although management expects savings from the aforementioned restructuring to be realised fully in the current financial year.

Silverdell's order book at the end of October was £45m and management are confident that, as compared to its competitors, the company's strong balance sheet, clear strategy and excellent customer relationships places it in a good position to continue to secure new, long term contracts and grow market share.

Investment performance:

The share price declined from 16.5p to 10.5p during the 12 month period to 31 December 2009.

Company: Zetar plc ("Zetar")

Sector: Speciality Confectionery

Ticker: ZTR LN

Strategy and Opportunity:

Zetar has identified the opportunity to acquire businesses operating in the confectionery, snack foods and related sectors. The fragmented nature of the European confectionery market, an increased demand for healthier snack products, and increasing industry regulation have presented an opportunity for consolidation. Zetar is now the UK market leader in advent calendars and the UK's fourth largest Easter egg manufacturer.

Management Biography:

Ian Blackburn has been CEO since Zetar was listed in January 2005. Between 1998 and 2003 Ian was Chief Executive and, before that, Finance Director of Perkins Foods.

Clive Beecham, 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 that time. 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 Period:

In January 2010, Zetar announced its Interim Results for the six months ended 31 October 2009. The Group delivered strong organic growth in the first half of the year with revenues up 7 per cent. to £57.1m (2008: £53.6m) and adjusted operating profits up 29 per cent. to £2.7m (2008: £2.1m), despite some Christmas deliveries being deferred into the second half of the year. Actions taken last year have strengthened the Group's financial position and provided an ability to exploit identified market opportunities. In February 2009 the Company raised £2.0 million from shareholders at 120 pence per share which allowed them to target additional turnover in the current year, and are on track to exceed the £3 million of additional turnover they originally identified. The Group's continued focus on product innovation and its flexible manufacturing processes have combined to deliver positive results in a challenging marketplace characterised by high promotional activity and commodity price instability.

In May 2009, the Company announced that it had sold its loss-making Baked Snacks for an initial consideration of £0.6m, with potential deferred consideration of up to a further £2.1m over three years.

The audited results for the year ended 30 April 2009 showed revenue from continuing activities up 8.6 per cent. to £118.6m (2008: £109.2m), and reported adjusted operating profit of £6.1m (2008: £8.7m) and EBITDA from continuing activities of £8.4m (2008: £10.7m).

Investment Performance:

The share price appreciated from 162.5p to 180.5p during the period.

INVESTMENTS – B ORDINARY SHARES

Company: Marwyn Capital I Ltd

Sector: Investment Company

Ticker: MCIL

Strategy and Opportunity:

The Company is a newly incorporated company established to acquire one or more quoted or unquoted businesses or companies (in whole or in part) initially by way of a reverse takeover. The Company will conduct its activities wholly or mainly in the UK with particular focus on the following sectors: media, business and support services and industrials.

Management Biography:

A management team is yet to be appointed.

Progress over the period:

Marwyn Capital I (MCIL) was admitted to AIM on 24 December 2009 with 62,640,000 shares at 10 pence per share, and closed up 45 per cent. at 14.5 pence per share on 31 December 2009.

Company: Marwyn Capital II Ltd

Sector: Investment Company

Ticker: MCII

Strategy and Opportunity:

The Company is a newly incorporated company established to acquire one or more quoted or unquoted businesses or companies (in whole or in part) initially by way of a reverse takeover. The Company will conduct its activities wholly or mainly in the UK with particular focus on the following sectors: healthcare, testing and inspection and leisure.

Management Biography:

A management team is yet to be appointed.

Progress over the period:

Marwyn Capital I (MCIL) was admitted to AIM on 24 December 2009 with 49,000,000 shares at 10 pence per share, and closed up 20 per cent. at 12 pence per share on 31 December 2009.

REPORT OF THE DIRECTORS

The Directors have pleasure in submitting their Annual Report and the Audited Financial Statements for the year ended 31 December 2009.

Status and activities

The Company is a closed-ended investment company registered by way of continuation in the Cayman Islands (registered number MC-228005). The rights of shareholders are governed by Cayman Law and may differ from the rights and duties owed to shareholders in a UK incorporated company.

The Company's Investment objective is to maximise its total return primarily through the capital appreciation of its investments in Marwyn Value Investors 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 with a 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 is provided in the Report of the Investment Manager on pages 4 to 12. An analysis of the Company's exposure to risk and the policies adopted in its efforts to mitigate such risks are disclosed in note 14 to the financial statements.

Significant events

During the year the Company migrated to the Cayman Islands in order to establish the "Exchange Procedure". The Exchange Procedure has been designed to enable investors to move from an investment in the Company, a closed-ended listed investment company, to a direct investment in the Master Fund or an unlisted company (which has a direct investment in the Master Fund) and back so that they may choose how their investment is held.

Following the reorganisation of the Company on 8 July 2009, a new incentive allocation was put in place in the Master Fund to maximise the returns to investors and to align the interests of the Manager with shareholders. Any incentive allocation will be borne by the corresponding class of the Master Fund and will only be payable on returns being made above a reference amount and a preferred return. Further details are outlined in the Company's registration document.

In November the Company issued B Ordinary shares and invested the proceeds in Class B1 interests of the Master Fund.

Results and dividends

The results attributable to the shareholders for the year are shown in the Statement of Comprehensive Income. The Directors did not pay, and do not recommend, a dividend for the year (2008: Nil).

Share capital

As at 31 December 2009 the Company had 82,156,473 Ordinary shares in issue (31 December 2008: 82,156,473) and 23,259,078 Warrants in issue (2008: 23,259,078). On 30 November 2009 the Company issued 5,008,870 B Ordinary shares which were in issue at 31 December 2009 (31 December 2008: Nil).

Directors and their interests

The Directors of the Company who served during the year and subsequent to the date of this report, unless otherwise stated were:

Robert Thomas Ernest Ware (appointed 20 January 2006)
James Henry Merrick Corsellis (appointed 10 January 2008)
Paul Michael Everitt (appointed 3 April 2009)
Michael Paul Price (appointed 3 April 2009)
Paul Cookson (appointed 18 March 2010)
David Jeffreys Williams (resigned 18 March 2010)
Ian Geoffrey Clarke (resigned 3 April 2009)
David John Warr (resigned 3 April 2009)

Robert Ware *(Independent Non-Executive Chairman)*
Length of service: 4 years, appointed 20 January 2006
Last re-elected to the Board: 19 August 2009 at Annual General Meeting
Committee membership: Nomination Committee

Robert Ware (55) served as a Director of Development Securities plc between 1988 and 1994, filling the roles of joint Managing Director and Finance Director in the latter stage of his tenure. In 1994 he left to take up the position of Managing Director of Dunton Group plc where he stayed until November 1996. He joined MEPC plc in June 1997 serving first as Corporate Development Director and then as Deputy Chief Executive between June 1997 and June 2003.

Robert is Chief Executive of The Conygar Investment Company PLC, Chairman of Terra Catalyst Fund and a Non-Executive Director of Gartmore Growth Opportunities Plc, Tarsus Group Plc. He is also a Non-Executive Director of Marwyn Alternative Capital Limited and Marwyn Alternative Capital (pte) Limited which are managed by the Investment Manager. He is a Fellow of the Institute of Chartered Accountants in England and Wales.

James Corsellis *(Non-Executive Director)*
Length of service: 2 years, appointed 10 January 2008
Last elected to the Board: 10 January 2008
Committee membership: None

James Corsellis (39) 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, alongside fellow managing partner Mark Watts, undertaken 72 transactions raising close to £1.3 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 the Non-Executive Chairman of Entertainment One Ltd and a Non-Executive Director of E-One UK Limited, Marwyn Materials Limited and Marwyn Capital I Limited. He is also a Non-Executive Director of Marwyn Value Investors (Unlisted Feeder) Limited which is managed by the Investment Manager.

Paul Everitt *(Non-Executive Director)*
Length of service: 1 year, appointed 3 April 2009
Last re-elected to the Board: 19 August 2009 at Annual General Meeting
Committee membership: Chairman of the Audit Committee, Nomination Committee and Remuneration Committee.

Paul Everitt (41) is Managing Director of Fund Corporation of the Channel Islands Limited, a provider of outsourced investment administration services, principally in the alternative asset classes. The company was established in 2007 and administers collective investment schemes, as well as family office and investment club structures. Paul moved to Guernsey in 1998 and has specialised in fund administration since. He has worked on a wide range of fund structures: private equity, property, debt, hedge, funds of funds, as well as direct equity, in both closed-ended and open-ended vehicles. He has acted on numerous fund boards, including for Permira, EQT and Rutley Capital Partners. Originally Paul qualified as a chartered accountant with BDO Stoy Hayward in London and then spent two years in corporate finance for PricewaterhouseCoopers. He is a Non-Executive Director of Marwyn Capital I Limited and Marwyn Capital II Limited and of Marwyn Value Investors (pte) Limited and Marwyn Value Investors (Unlisted Feeder) Limited, managed by the Investment Manager.

Michael Price *(Non-Executive Director)*
Length of service: 1 year, appointed 3 April 2009
Last re-elected to the Board: 19 August 2009 at Annual General Meeting
Committee membership: Audit Committee, Nomination Committee and Remuneration Committee.

Michael Price (63) is resident in Jersey where he has spent more than 27 years as a senior executive in the fiduciary services industry. He is currently an Executive Director of Vivat Trust and Corporate Services Limited and is a member of the Society of Trust and Estate Practitioners. Prior to joining Vivat, Michael was Group Head of Trust Services for Close Wealth Management (part of Close Brothers Group) with responsibilities in Jersey, Guernsey and the Isle of Man. He retired from that position, but maintained his relationship with the business as Non-Executive Chairman of the Jersey trust company until March 2008. Michael was Group Managing Director of Trust Services at SG Hambros and a Director of SG Hambros Private Bank in Jersey before joining Close. He has written a number of articles on fiduciary services and has lectured extensively in the U.K., North America and continental Europe. He is also a Non-Executive Director of Marwyn General Partner Limited and Marwyn Value Investors (Unlisted Feeder) Limited, managed by the Investment Manager.

Paul Cookson *(Non-Executive Director)*
Length of service: 1 month, appointed 18 March 2010
Committee membership: None

Paul Cookson (38) is currently employed with Axio Capital Solutions Limited, a provider of fund administration services to the Company in Jersey. Paul has spent a total of 13 years in the finance industry having qualified as a chartered accountant with Arthur Andersen. He continued to work for Deloitte after the integration of Andersen's business where he specialised in securitisation and structured finance. Paul has wide financial markets experience gained from major international banking clients throughout the UK and continental Europe. He is a Non-Executive director of Marwyn General Partner Limited, Marwyn Capital I Limited and Marwyn Capital II Limited and also a Non-Executive Director of Marwyn Value Investors (Unlisted Feeder) Limited and Marwyn Value Investors (pte) Limited, managed by the Investment Manager.

The Directors, together with their beneficial interests and those of their families, held the following interests in the Shares or Warrants of the Company at 31 December 2009, and there have been no changes in their interests from 31 December 2009 to the date of approval of these financial statements.

	Ordinary Shares	Warrants
David Williams	917,430	157,950
Robert Ware	458,715	78,975
James Corsellis	Nil	Nil
Paul Everitt	Nil	Nil
Michael Price	Nil	Nil

Directors' remuneration

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

	2009 £	2008 £
David Williams	–	–
Robert Ware	20,000	15,386
James Corsellis	–	–
Paul Everitt	11,167	–
Michael Price	14,889	–
Ian Clarke	5,000	20,600
David Warr	5,000	20,600
	56,056	56,586

Since the introduction of the Exchange Procedure (see page 13), Directors' fees are paid directly from the Master Fund. The above fees do not include reimbursed expenditure.

Substantial shareholdings

At 12 March 2010 the following interests in 3 per cent. or more of the issued Ordinary Shares and B Ordinary Shares had been notified to the Company.

	Number of Ordinary Shares	Percentage of share capital
The Bank of New York (Nominees) Limited	23,400,820	34.92
Tortin Limited	5,000,000	7.46
Nortrust Nominees Limited AUK01 Account	4,250,000	6.34
BBHISL Nominees 121624 Account	3,794,019	5.66
Credit Suisse Securities (Europe) Limited Principal Account	3,030,000	4.52
JP Morgan Clearing Corp Propcler Account	2,868,000	4.28
Corporate Services (TD Waterhouse) Nominees Limited KKCLT Acct	2,379,418	3.55

	Number of B Ordinary Shares	Percentage of share capital
HSBC Global Custody Nominee (UK) Limited 667656 Acct	750,000	17.22
HSBC Global Custody Nominee (UK) Limited 978777 Acct	750,000	17.22
BBHISL Nominees Limited 121624 Acct	500,000	11.48
Fitel Nominees Limited	500,000	11.48
Rene Nominees (IOM) Limited 3639 Acct	500,000	11.48
Cenkos Channel Islands Nominee Company Limited KGCLT AcctKGCLT Acct	300,000	6.89
Chase Nominees Limited	300,000	6.89
Vidacos Nominees Limited	250,000	4.59
Corporate Services (TD Waterhouse) Nominees Ltd KKCLT Acct	150,000	3.44

Auditors

Grant Thornton tendered their resignation as auditors of the Company on 31 July 2009. Ernst and Young LLP were appointed in their place at the Annual General Meeting held on 19 August 2009. A resolution for the re-appointment of Ernst and Young LLP 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

Robert Ware	Paul Everitt
26 April 2010	26 April 2010

CORPORATE GOVERNANCE STATEMENT

As a Cayman company and under the SFM rules for companies, the Company is not required to comply with the Combined Code published by the Financial Reporting Council. The Directors however recognise the importance of maintaining sound corporate governance in the UK and the Cayman Islands and so seek to ensure that the Company adopts policies and procedures which reflect those principles of good corporate governance as are appropriate to the Company's size.

The Board is accountable to the Company's shareholders for good governance and this statement describes how the Company applies the principles identified in the Combined Code on Corporate Governance ("the Combined Code") issued in June 2008 (as appended to the UK Listing Authority Listing Rules). Additionally, the Association of Investment Companies ("AIC") published a Code on Corporate Governance in July 2003, (as supplemented by the Guide and as amended in February 2006, May 2007 and March 2009) (the "AIC Code") which complements the Combined Code and represents a framework of best practice for investment companies. The Company has complied with the Combined Code and the AIC Code, except as set out below.

The Combined Code includes provisions and the AIC Code includes principles relating to:

- The role of the chief executive
- Executive Directors' remuneration
- The need for an internal audit function
- The need for a senior independent Director
- The need for an independent Chairman
- The need for a majority of the Board to be independent

In addition, the AIC Code includes the following principle:

- The need for a Management Engagement Committee

For the reasons set out below and in the AIC Code, and in the preamble to the Combined Code, the Board considers that the first four provisions are not relevant to the position of the Company, being an externally managed investment company with no executive directors. The final two provisions of the Combined Code and the AIC Code principle are discussed further below.

The Board

The Board consists of a Non-Executive Chairman and four Non-Executive Directors. No director other than Robert Ware is considered to be independent of the Investment Manager. James Corsellis is a Managing Partner of the Investment Manager. Michael Price is a director of other companies also managed by the Investment Manager. Paul Everitt is a director of Fund Corporation of the Channel Islands Limited, the Company's administrator and a director of other companies also managed by the Investment Manager. Paul Cookson is a senior employee of Axio Capital Solutions Limited, the Company's sub-administrator and a related party to the Investment Manager and also a director of other companies managed by the Investment Manager. Robert Ware is considered to be independent and was elected as Chairman of the Board of Directors on 26 April 2010 replacing David Williams.

Each Director has the requisite high level and range of business and financial experience which enables the Board to provide clear and effective leadership and proper stewardship of the Company. The Board considers that the post of chief executive officer is not relevant for an investment company as this role has effectively been delegated to the Investment Manager, under the terms of the investment management agreement. Given the size and composition of the Board it is not felt necessary to separate the roles of Chairman and senior independent Director.

The Board of Directors has adopted a policy on tenure which requires the Nomination Committee to annually consider the appropriateness of the tenure of the Chairman and each director.

One-third, or the 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 and Directors are required to submit themselves for re-election at least every three years. Under the Articles of Association James Corsellis retires by rotation and being eligible offers himself for re-election at the forthcoming Annual General Meeting. Paul Cookson has been appointed since the last general meeting and hence will retire and seek re-appointment at the forthcoming Annual General Meeting.

During the year ended 31 December 2009 the Board met fifteen times. In addition, the Audit Committee, the Nomination Committee and the Remuneration Committee each met once. The Board of Directors is scheduled to meet quarterly. Between meetings the Board maintains regular contact with the Investment Manager and holds ad-hoc meetings as necessary. Directors have attended scheduled quarterly Board and Committee meetings during the year ended 31 December 2009 as follows (with their eligibility to attend the relevant meeting in brackets):

	Quarterly Meetings	*Audit Committee*	*Nomination Committee*	*Remuneration Committee*
Director:				
David Williams	3 (3)			
Robert Ware	1 (3)		0 (1)	
Paul Everitt	3 (3)	1 (1)	1 (1)	1 (1)
Michael Price	3 (3)	1 (1)	1 (1)	1 (1)
James Corsellis	1 (3)			
David Warr	1 (1)			
Ian Clarke	1 (1)			

The Board will normally meet 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 14 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.

The Board has put in place the necessary procedures to conduct, on an annual basis, an appraisal of the Directors, the Chairman of the Board as well as an appraisal and performance evaluation of the Board as a whole and of its Committees. The appraisals, including consideration of the independence of Directors and the other commitments of the Chairman and Directors, were carried out by the members of the Nomination Committee. The findings of the Nomination Committee were then brought to the attention of the Board.

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 Board considers the performance and engagement terms of the Investment Manager and is 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. The key factors taken into account in reaching this decision are the long-term performance of the portfolio and the investment skills, experience and commitment of the Investment Manager.

There is an agreed procedure for Directors to take independent professional advice if necessary and at the Company's expense. 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.

Board Committees

Audit Committee

An Audit Committee has been established with written terms of reference and comprises two Directors, Paul Everitt (Chairman) and Michael Price. The terms of reference of the Audit Committee are reviewed and reassessed for their adequacy on an annual basis.

A summary of the Committee's main audit review functions is shown below:

- to review and monitor the internal control systems and risk management systems on which the Company is reliant;
- to consider annually whether there is a need for the Company to have its own internal audit function;
- to monitor the integrity of the interim and annual financial statements of the Company by reviewing, and challenging where necessary, the actions and judgements of the Investment Manager and Administrator;
- to meet with the external Auditor to review their proposed audit programme of work and the findings of the Auditors. The Board shall also use this as an opportunity to assess the effectiveness of the audit process;
- to develop and implement policy on the engagement of the external Auditor to supply non-audit services;
- to make recommendations in relation to the appointment of the external Auditor and to approve the remuneration and terms of engagement of the external Auditor; and
- to monitor and review annually the external Auditor's independence, objectivity, effectiveness, resources and qualification. At its April 2010 meeting the Audit Committee confirmed its view that the Auditor remained independent and objective.

The level of non-audit services is not deemed to impact on the objectivity or independence of the auditor due to the relative size of the fee to the auditor.

Nomination Committee

Appointments to the Board of Directors are considered by the Nomination Committee which is comprised of the independent Chairman of the Board of Directors, Robert Ware and two Directors, Paul Everitt (Chairman) and Michael Price. The terms of reference of the Nomination Committee are reviewed and re-assessed for their adequacy on an annual basis.

Following the year end, Mr. Ware was appointed as Chairman of the Company after proposal by the other members of the Nomination Committee to the Board of Directors. Mr. Ware was chosen due to his independence from the Investment Manager and his wide experience gained from acting as chief executive to The Conygar Investment Company plc and as Chairman of Terra Catalyst Fund. Neither an external search consultancy nor open advertising was used in the appointment of the Chairman as Mr. Ware is considered to have the requisite mix of skills and experience to meet the challenges of the role.

Possible new Directors are identified against the requirements of the Company's business and the need to have a balanced Board. Every Director is entitled to receive appropriate training as deemed necessary. A Director appointed during the year is required, under the provisions of the Company's Articles of Association, to retire and seek election by shareholders at the first subsequent AGM. The Articles of Association require that one third of the Directors retire by rotation at each AGM and that Directors are required to submit themselves for re-election at least every three 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.

Remuneration Committee

The Committee comprises two Directors, Paul Everitt (Chairman) and Michael Price. The Company's remuneration policy is to set remuneration at a level to attract individuals of a calibre appropriate to the Company's future development.

Management Engagement Committee

The AIC Code recommends a Management Engagement Committee is established consisting of directors independent of the Investment Manager to regularly review both the performance of, and contractual arrangements with, the Investment Manager. The Board of Directors has not established a separate Management Engagement Committee and itself undertakes the review of the Investment Manager. The performance of the Investment Manager is considered at each quarterly meeting of the Directors together with annual consideration of the contractual arrangements to ensure they are both competitive and aligned with the interests of shareholders.

Relations with Shareholders

In conjunction with the Company Secretary and Registrar, 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. Directors will attend the AGM, at which shareholders have the opportunity to ask questions and discuss matters with the Directors and the Investment Manager.

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.

Internal control

The Administrator of the Company is Fund Corporation of the Channel Islands Limited with a significant amount of the administration outsourced to Axio Capital Solutions Limited. The Board is ultimately responsible for establishing and maintaining the Company's system of internal control and reviewing its effectiveness. The Administrators are 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 Axio Capital Solutions Limited that it has in place robust financial controls in respect of the Company and that these controls are subject to external audit. The Board has received assurance, through reports provided by Axio Capital Solutions Limited 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.

At the direction of the Board, the audit committee has reviewed the need for an internal audit function. Being an externally managed investment company the audit committee considers Axio Capital Solutions Limited's internal control systems, which are themselves subject to 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 and 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 Law (2009 Revision). 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 Law (2009 Revision) 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's web site, www.marwynvalue.com.

Approved by the Board of Directors

Robert Ware

26 April 2010

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MARWYN VALUE INVESTORS LIMITED

We have audited the accompanying financial statements of Marwyn Value Investors Limited (the Company) which comprise the Statement of Comprehensive Income, Statement of Financial Position, the Statement of Cash Flows, the Statement Changes in Net Assets Attributable to Equity Holders of the Company and a summary of significant accounting policies and other explanatory notes.

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

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair representation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conduct our audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion the financial statements give a true and fair view of the financial position of the Company as at 31 December 2009 and of its performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Ernst & Young LLP, Jersey, Channel Islands
Date: 26 April 2010

Notes :

1. The maintenance and integrity of the Marwyn Value Investors Limited web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2009

	Notes	For the year ended 31 December 2009 Revenue £	Capital £	Total £	For the year ended 31 December 2008 Revenue £	Capital £	Total £
INCOME							
Bank interest	3	1,320	–	1,320	10,654	–	10,654
Excess on amalgamation of assets acquired above cost		–	–	–	–	8,418,391	8,418,391
Realised gain on disposal of financial assets held at fair value through profit or loss		–	–	–	–	57,452	57,452
Net gain/(loss) on financial assets designated at fair value through profit or loss	5	–	19,027,480	19,027,480	–	(43,999,968)	(43,999,968)
TOTAL NET INCOME		1,320	19,027,480	19,028,800	10,654	(35,524,125)	(35,513,471)
EXPENSES							
Directors' fees	15	28,556	–	28,556	56,804	–	56,804
Administration fees	15	25,890	–	25,890	71,242	–	71,242
Legal and professional fees		30,911	–	30,911	129,936	–	129,936
Regulatory expenses		3,250	–	3,250	8,360	–	8,360
Audit fees		967	–	967	12,213	–	12,213
Registrars fees		–	–	–	28,085	–	28,085
Exempt fee		600	–	600	600	–	600
Listing fees		17,500	–	17,500	28,048	–	28,048
Insurance		17,172	–	17,172	27,584	–	27,584
Other expenses		14,437	–	14,437	1,793	–	1,793
TOTAL OPERATING EXPENSES		139,283	–	139,283	364,665	–	364,665
PROFIT/(LOSS) FOR THE YEAR		(137,963)	19,027,480	18,889,517	(354,011)	(35,524,125)	(35,878,136)
Attributable to holders of Ordinary shares	9	(137,963)	17,744,173	17,606,210	(354,011)	(35,524,125)	(35,878,136)
Attributable to holders of B Ordinary shares	9	–	1,283,307	1,283,307	–	–	–
Return per Ordinary share – Basic	9	(0.17p)	21.63p	21.47p	(0.52p)	(52.51p)	(53.03)
Return per Ordinary share – Diluted	9	(0.17p)	16.85p	16.72p	(0.52p)	(52.51p)	(53.03)
Return per B Ordinary share – Basic and diluted	9	–	25.62p	25.62p	–	–	–

The total column of this statement represents the Statement of Comprehensive Income 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.

The notes 1 to 18 form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

31 December 2009

	Notes	31 December 2009 £	31 December 2008 £
NON CURRENT ASSETS			
Unquoted financial assets at fair value through profit or loss	5	80,188,371	56,659,663
CURRENT ASSETS			
Prepayments		–	2,283
Cash and cash equivalents		396,577	80,131
TOTAL ASSETS		80,548,948	56,742,077
CURRENT LIABILITIES			
Loan	7	(250,000)	–
Accruals		(146,577)	(94,608)
TOTAL LIABILITIES		(396,577)	(94,608)
NET ASSETS ATTRIBUTABLE TO EQUITY HOLDERS		80,188,371	56,647,469
EQUITY			
CAPITAL AND RESERVES ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY			
Share capital	12	87	8,215,647
Share Premium	12	48,384,287	43,780,480
Special distributable reserve	13	26,346,979	26,346,979
Warrant reserve	13	4,392,660	4,392,660
Exchange reserve		47,574	–
Capital reserve – Unrealised		(6,587,315)	(25,614,795)
Revenue reserve		7,604,099	(473,502)
TOTAL EQUITY		80,188,371	56,647,469
Net assets attributable to each Ordinary share	8	74,301,258	56,647,469
Net assets attributable to each B Ordinary share	8	5,887,113	–
Net assets per Ordinary share	8	90.44p	68.95p
Net assets per B Ordinary share	8	117.53p	–

The financial statements on pages 24 to 45 were approved by the Board of Directors on 26 April 2010 and signed on its behalf by:

Robert Ware Paul Everitt

The notes 1 to 18 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS

For the year ended 31 December 2009

	Note	31 December 2009	31 December 2008
Cash flows from operating activities			
Interest received		1,320	10,654
Operating expenses paid		(231,610)	(310,803)
Net cash outflow from operating activities	10	(230,290)	(300,149)
Cash flows from investing activities			
Acquisition of investment		(4,653,653)	–
Disposal of investments		200,000	720,000
Net cash (outflow)/inflow from investing activities		(4,453,653)	720,000
Cash flows from financing activities			
Issue of own shares and warrants		5,008,870	131,150
Proceeds from borrowing		250,000	–
Payment of share and warrant issue costs		(258,481)	(744,704)
Net cash inflow/(outflow) from investing activities		5,000,389	(613,554)
Net increase/(decrease) in cash and cash equivalents		316,446	(193,703)
Cash and cash equivalents at beginning of the year		80,131	273,834
Cash and cash equivalents at end of the year		396,577	80,131

The notes 1 to 18 form an integral part of these financial statements

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

For the year to 31 December 2009

	Share capital £	*Share premium* £	*Special distributable reserve* £	*Warrant reserve* £	*Series One Warrant reserve* £	*Series Two Warrant reserve* £	*Exchange reserve* £	*Deferred reserve* £	*Capital reserve* £	*Revenue reserve* £	*Total* £
Opening balance	8,215,647	43,780,480	26,346,979	4,392,660	–	–	–	–	(25,614,795)	(473,502)	56,647,469
Cancellation of Deferred shares	(8,215,565)	–	–	–	–	–		8,215,564	–	–	(1)
Exchanges							47,574				47,574
Transfer to revenue reserve	–	–	–	–	–	–	–	(8,215,564)	–	8,215,564	-
Issue of B Ordinary shares	5	5,008,865	–	–	–	–	–	–	–	–	5,008,870
Issue costs	–	(405,058)	–	–	–	–	–	–	–	–	(405,058)
Result for the period	–	–	–	–	–	–	–	–	19,027,480	(137,963)	18,889,517
Closing Balance	87	48,384,287	26,346,979	4,392,660	–	–	47,574	–	(6,587,315)	7,604,099	80,188,371

For the year to 31 December 2008

	Share capital £	*Share premium* £	*Special distributable reserve* £	*Warrant reserve* £	*Series One Warrant reserve* £	*Series Two Warrant reserve* £	*Exchange reserve* £	*Deferred reserve* £	*Capital reserve* £	*Revenue 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	–	(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

NOTES TO THE FINANCIAL STATEMENTS
31 December 2009

1 General information

Marwyn Value Investors Limited is a closed-ended investment fund registered by way of continuation in the Cayman Islands (registered number MC-228005). The rights of the shareholders are governed by Cayman Law and may differ from the rights and duties owed to shareholders in a UK incorporated company. The address of its registered office is PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

These financial statements were authorised for issue by the Board of Directors on 26 April 2010.

2 Adoption of new and revised International Financial Reporting Standards (IFRSs)

(a) ***Standards and amendments to existing standards effective 1 January 2009***

- IAS 1 (revised), 'Presentation of financial statements' has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements. The Company has applied IAS 1 (revised) from 1 January 2009, and has elected to present solely a statement of comprehensive income. The adoption of this revised standard has not resulted in a significant change to the presentation of the Company's performance statement, as the Company has no elements of other comprehensive income.

- The amendments to IFRS 7 expand the disclosures required in respect of fair value measurements and liquidity risk.

(b) ***Standards, amendments and interpretations effective on 1 January 2009 but not relevant***

- IAS 23 (amendment), 'Borrowing costs';

- IAS 32 (amendment), 'Financial instruments: Presentation'

- IAS 39 and IFRIC 9 (amendments), 'Embedded derivatives' (effective for all periods ending on or after 30 June 2009);

- IAS 39 and IFRS 7 (amendments), 'Reclassification of financial assets';

- IFRS 1 (amendment), 'First-time adoption of IFRS', and IAS 27, 'Consolidated and separate financial statements';

- IFRS 2 (amendment), 'Share-based payment'

- IFRIC 15, 'Agreements for construction of real estates'

(c) ***Standards, amendments and interpretations that are not yet effective and not relevant for the Company's operations***

The following interpretations are mandatory for accounting periods beginning on or after 1 July 2009 or later periods but are not relevant for the Company's operations:

- IAS 27 (revised), 'Consolidated and separate financial statements' (effective from 1 July 2009);

- IAS 39 (amendment), 'Financial instruments: Recognition and measurement' (effective from 1 July 2009);

- IFRS 1 (amendments), 'Additional exemptions for first-time adopters' (effective from 1 January 2010);

2 Adoption of new and revised International Financial Reporting Standards (IFRSs) (continued)

- IFRS 2 (amendments), 'Group cash-settled share-based payment transactions' (effective from 1 January 2010);
- IFRS 3 (revised), 'Business combinations' (effective from 1 July 2009);
- IFRIC 17, 'Distributions of non-cash assets to owners' (effective from 1 July 2009); and
- IFRIC 18, 'Transfers of assets from customers' (effective from 1 July 2009)

Improvements to IFRS' were issued in May 2008 and April 2009 respectively and contain numerous amendments to IFRS, which the IASB consider non-urgent but necessary. 'Improvements to IFRS' comprise amendments that result in accounting changes for presentation, recognition or measurement purposes as well as terminology or editorial amendments related to a variety of individual standards. Most of the amendments are effective for annual periods beginning on or after 1 January 2009 and 1 January 2010 respectively, with earlier application permitted. No material changes to accounting policies are expected as a result of these amendments.

3 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

3.1 *Statement of compliance*

The financial statements of Marwyn Value Investors Limited have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union together with the applicable legal and regulatory requirements of the Companies Law (2009 Revision) and the Specialist Fund Market ("SFM") rules published by the London Stock Exchange.

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

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 Statement of Comprehensive Income between items of a revenue and capital nature has been presented alongside the Statement of Comprehensive Income.

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 Statement of Comprehensive Income presentation discussed above.

3.2 *Basis of preparation*

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

3 Summary of significant accounting policies (continued)

3.3 ***Consolidation***

Subsidiaries are all entities (including underlying investment funds) over which the Company has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are de-consolidated from the date that control ceases.

During the year ended 31 December 2009 and 2008, the Company held no positions in underlying entities, including investment funds that it controlled.

3.4 ***Foreign currency translation***

(a) *Functional and presentation currency*

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates (the functional currency). In arriving at the functional currency the Directors have considered the 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.

(b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign currency assets and liabilities are translated into the functional currency using the exchange rate prevailing at the statement of financial position date.

Foreign exchange gains and losses arising from translation are included in the statement of comprehensive income.

Foreign exchange gains and losses relating to cash and cash equivalents are presented in the statement of comprehensive income within 'net foreign currency gains or losses on cash and cash equivalents'.

Foreign exchange gains and losses relating to the financial assets and liabilities carried at fair value through profit or loss are presented in the statement of comprehensive income within 'other net changes in fair value on financial assets and financial liabilities at fair value through profit or loss'.

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

(a) *Classification*

Financial assets designated at fair value through profit or loss at inception are financial instruments that are not classified as held for trading but are managed, and their performance is evaluated on a fair value basis in accordance with the Company's documented investment strategy.

The Company's policy requires the Investment Manager and the Board of Directors to evaluate the information about these financial assets and liabilities on a fair value basis together with other related financial information.

3 Summary of significant accounting policies (continued)

The Company classifies its investment in 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.

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 Statement of Comprehensive Income. On disposal realised gains and losses are also recognised in the Capital column of the Statement of Comprehensive Income. Unrealised gains and losses on the disposal of investments are taken to the Capital reserve – unrealised.

(b) *Recognition, derecognition and measurement*

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 Master Fund is unquoted and accordingly the fair value of the investment is determined based on the information provided by the Master Fund Administrator 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.

(c) *Fair value estimation*

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 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.

3.6 ***Financial liabilities***

The Company recognises a financial liability on assuming a financial obligation and derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire.

Borrowings are initially measured at fair value, net of transaction costs and subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

3.7 ***Cash and cash equivalents***

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

3.8 ***Interest income***

Interest receivable on cash deposits is accounted for on an accruals basis. Following the establishment of the Exchange Procedure, all interest income is payable to the Master Fund in accordance with the Exchange Procedure.

3 Summary of significant accounting policies (continued)

3.9 *Taxation*

Tax is charged to profit or loss on an accruals basis. The Company was liable to a tax exempt fee in Guernsey and is not liable to any tax charge in the Cayman Islands.

3.10 *Expenditure*

Prior to the establishment of the Exchange Procedure, all expenses, with the exception of those directly attributable to the issue of equity, were accounted for on an accruals basis and charged to profit or loss. Following the Exchange Procedure, all expenses attributable to the Company are paid by the Master Fund.

The Investment 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 Investment Manager is 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 Statement of Comprehensive Income in the period in which they are incurred.

3.11 *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 share placement agreements, printing, advertising and distribution costs and legal fees and any other applicable expenses. All such costs are charged to equity and deducted from the proceeds received.

3.12 *Exchange Procedure*

Movements into and out of the Master Fund by the Company in respect of shareholder exchanges are accounted for as additions and disposals of investments recorded at the net asset value as reported by the administrator of the Master Fund. Movements in capital in respect of shareholder exchanges are recorded in the Exchange Reserve.

3.13 *Segment reporting*

The Company is organised and operates as one segment by allocating its assets to investment funds managed by investment managers, which are not actively traded.

4 Critical accounting estimates and assumptions

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

4.1 *Critical judgements*

The Board of Directors considers Sterling the currency that most faithfully represents the economic effect of the underlying transactions, events and conditions. Sterling is the currency in which the Company measures its performance and reports its results, as well as the currency in which it issues shares to its investors and measures its fair value of investment in the Master Fund.

5 Financial assets at fair value through profit or loss

	31 December 2009 £	*31 December 2008* £
Marwyn Value Investors L.P.		
At cost		
Opening balance	90,750,301	31,160,000
Additions	5,412,150	60,252,849
Disposals	(910,922)	(662,548)
Closing balance	95,251,529	90,750,301
Unrealised loss brought forward	(34,090,638)	(9,909,330)
Movement in unrealised gain/(loss)	19,027,480	(43,999,968)
Unrealised loss carried forward	(15,063,158)	(34,090,638)
At fair value	80,188,371	56,659,663

In order to facilitate the establishment of the Exchange Procedure, the Company exchanged its holdings of Class A Interests in the Master Fund for Class F Interests in the Master Fund on 9 July 2009. As the move from Class A to Class F was an exchange without any change in the risk profile of the investment it has not been treated as a disposal and subsequent addition.

Shareholders exchanging out of Ordinary shares and into the Master Fund during the year exchanged 868,000 Ordinary shares with a total net asset value of £710,924. Shareholders exchanging out of the Master Fund and into Ordinary shares during the year exchanged 868,000 Exchange shares with a total net asset value of £758,498. These movements in the Master Fund investment are included in disposals and additions in the table above respectively.

The Company invests only in the Master Fund, a Cayman-based hedge fund, and holds £5,887,113 in class B1 GBP interests and £74,301,258 Class F GBP interests of the Master Fund. The Master Fund is managed by Marwyn Investment Management 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 F of the Master Fund represents 100 per cent. of the Class F net assets and the Company's investment in Class B1 of the Master Fund represents 100 per cent. of the Class B1 assets, together the investment in the Master Fund represents 76.52 per cent. of the Master Fund, as at 31 December 2009.

As the Company has no control over the Master Fund's activities and has no voting power in its affairs, the Master Fund is not considered to be a subsidiary. Details of the investment activities of the Master Fund are disclosed in the Investment Managers Report on pages 4 to 12.

Fair value estimation

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.

Fair value of investments in the Master Fund

The fair value of investments in the Master Fund, which are not quoted in an active market, is determined primarily by reference to the latest net asset value, as determined by the administrator of the Master Fund. The Company may make adjustments to the reported net asset value based on considerations such as (i) the liquidity of the Master Fund or its underlying investments, (ii) the value date of the net asset value provided, (iii) any restrictions on redemptions, and (iv) the basis of accounting and, in instances where the basis of accounting is other than fair value, fair valuation information provided by the Master Fund's advisors. The carrying value of the Master Fund may be materially different to the values ultimately realised on redemption.

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

Following the takeover of Concateno plc in August 2009, the Master Fund received equity and cash consideration for its investment in the company. The investment manager advised the general partner of the Master Fund to make a partial offer in October 2009 to acquire 15,150,000 ordinary shares of Marwyn Value Investors Limited, at 66p per share which at that time represented a discount to the NAV of 24 per cent. and a premium of 6 per cent. to the share price. The offer was fully taken up, as a result of which the Master Fund owned 15,150,000 shares in the Company. The value attributed to each share acquired, for the purposes of the NAV reports issued by the Master Fund to the year end, was the NAV per share as opposed to the share's market price. However, as the financial statements of the Master Fund are prepared in accordance with the principles of US GAAP, the value attributed to each share is the share's market price.

As at 31 December 2009, 100 per cent. (2008: 100 per cent.) of financial assets at fair value through profit or loss comprise investments in the Master Fund fair valued in accordance with the policies set out above. The interests in the Master Fund are not publicly traded and the Company does not have a right of redemption. As a result, the carrying value of the Master Fund may not be indicative of the values ultimately realised on redemption. In addition, the Company may be materially affected by the actions of other investors who have invested in the Master Fund in which the Company has invested.

The Company adopted the amendment to IFRS 7 with effect from 1 January 2009. This requires the Company to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

The following table analyses within the fair value hierarchy the Company's financial assets measured at fair value at 31 December 2009:

	Level 1 £	*Level 2* £	*Level 3* £	*Total balance* £
Financial assets at fair value through profit or loss:				
Master Fund	–	80,188,371	–	80,188,371

The Master Fund was fair valued with reference to the net asset value as reported by the Master Fund's administrator.

6 Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise balances with original maturity of less than 3 months.

7 Financial liabilities at fair value through profit or loss

	31 December 2009 £	*31 December 2008* £
Loan from Master Fund	250,000	–

The Master Fund has made a loan to the Company of £250,000 for which the Company pays interest received on the corresponding cash amount held. The loan will be repaid by set-off on the date that all of the Company's interests in the Master Fund are redeemed.

8 Net Asset Value

Ordinary share series

The calculation of net asset value of the Ordinary share series is based on the net assets attributable to the Ordinary shares of £74,301,258 (2008: £56,647,469) and on the Ordinary shares in issue of 82,156,473 at the balance sheet date (2008: 82,156,473).

As the price of the Ordinary Shares (60.5p) was below the exercise price of the Warrants (115p) there was no dilution in the net asset value per ordinary share.

Following completion of the offer made by the Master Fund for up to 15,150,000 Ordinary Shares in the Company, the Master Fund held as at 31 December 2009, 18.44 per cent. of the total issued share capital of the Company. Excluding the Ordinary shares held by the Master Fund, subsequently exchanged for Master Fund interests on 12 February 2010, the net asset value of the Ordinary shares was 95.48p at 31 December 2009.

B Ordinary share series

The calculation of net asset value is based on the net assets of £5,887,113 (2008: £NIL) and on the B Ordinary shares in issue of 5,008,870 at the balance sheet date (2008: £NIL).

9 Earnings per Share

Ordinary share series

The calculation of basic earnings per Ordinary share series is based on the net revenue deficit of £137,963 (2008: Deficit £354,011) attributable to the Ordinary shares, and net capital gain of £17,744,173 (2008: Loss £32,524,125), on ordinary activities for the year attributable to the Ordinary share series and on a weighted average 82,018,544 Ordinary Shares in issue during the year (2008: 67,651,284).

Diluted earnings per Ordinary share is based on the net capital gain of £17,744,173 (2008: Loss £32,524,125), on ordinary activities for the year attributable to the Ordinary share series and on weighted average Ordinary shares which include the 23,259,078 Ordinary shares exercisable from the warrants in issue being a total of 105,277,622 Ordinary Shares in issue during the year (2008: 67,651,284). The warrants in issue have not been included in the calculation of the diluted earnings per Ordinary share for the net revenue deficit as the effect is anti-dilutive.

B Ordinary share series

The calculation of basic and diluted earnings per B Ordinary share series is based on the net revenue of £NIL attributable to the B Ordinary shares, and net capital gain of £1,283,307, on ordinary activities for the year attributable to the B Ordinary share series and on 5,008,870 Ordinary Shares in issue during the year. As the B Ordinary shares were issued after the Exchange Procedure was in place all expenses have been paid by the corresponding Master Fund class.

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

	31 December 2009 £	*31 December 2008* £
Net profit/(loss) for the year	18,889,517	(35,878,136)
(Gain)/loss on investments held at fair value through profit and loss	(19,027,480)	35,524,125
Decrease/(increase) in debtors	2,283	(2,283)
(Decrease)/increase in creditors	(87,610)	56,145
Net cash outflow from operating activities	(230,290)	(300,149)

11 Warrants

As at 31 December 2009 and 31 December 2008 the warrants in issue over Ordinary shares were as follows:

	Exercise price pence	*Subscription period*	*Allotted*
Warrants	115	30 September 2010	23,259,078

Accelerated call feature

If the mid-market closing price on SFM, or any other securities exchange or quotation system on which the Ordinary Shares are then primarily traded or quoted as shown by Bloomberg shall be 132.5p or more 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 Ordinary Shares are then primarily traded or quoted on the thirtieth consecutive Trading Day to give notice to the holders of the Warrants.

The notice referred to in the 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 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. The sale proceeds will be determined by the price the Company is able to achieve for the Ordinary Shares.

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.

12 Share Capital

	2009 £	2008 £
Authorised		
Ordinary shares:		
10,892,258,506,473 of 0.0001p each (2008:200,000,000 of 10p each)	10,892,258	20,000,000
Exchange shares:		
10,892,176,350,000 of 0.0001p each	10,892,176	–
Deferred shares:		
82,156,473 of 9.9999p	8,215,566	–
Total authorised	30,000,000	20,000,000

	2009 Number	2009 £	2008 Number	2008 £
Issued and fully paid				
Ordinary shares:				
Opening Balance	82,156,473	8,215,647	33,000,000	3,300,000
Sub-division during year:				
Ordinary shares (0.0001p)	82,156,473	82	–	–
Ordinary shares issued during the year	–	–	49,156,473	4,915,647
B Ordinary shares issued during the year	5,008,870	5	–	–
Ordinary shares redesignated as Exchange shares	(868,000)	(1)	–	–
Exchange shares redesignated as Ordinary shares	868,000	1		–
Closing balance – Ordinary	82,156,473	82	–	8,215,647
Closing balance – B Ordinary	5,008,870	5	–	–
Closing balance – total Ordinary	87,165,343	87	82,156,473	8,215,647
Deferred shares:				
Opening Balance	–	–	–	–
Deferred shares created on subdivision of Ordinary shares during year	82,156,473	8,215,565	–	–
Cancellation of deferred shares	(82,156,473)	(8,215,565)	–	–
Closing balance	–	–	–	–

12 Share Capital (continued)

	2009 Number	2009 £	2008 Number	2008 £
Exchange shares:				
Opening Balance	–	–	–	–
Ordinary shares redesignated as Exchange shares	868,000	1	–	–
Exchange shares redesignated as Ordinary shares	(868,000)	(1)	–	–
Closing balance	–	–	–	–

	2009 £	2008 £
Share Premium:		
Opening balance	43,780,480	–
Premium on new share issues	5,008,865	44,486,609
Share issue costs	(405,058)	(706,129)
Closing Balance	48,384,287	43,780,480

On 27 April 2009 at an Extraordinary General Meeting of the Company the shareholders approved the subdivision of each Ordinary Share of 10p into one Ordinary share of 0.0001p each and one Deferred share of 9.9999p each and the subdivision of each authorised but unissued Ordinary share into 50,000 Ordinary shares of 0.0001p each and 50,000 Exchange shares of 0.0001p each.

(a) ***Voting rights***

(i) The Ordinary Shares carry the right to receive notice of and attend and vote at any general meeting of the Company in accordance with the Articles.

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

(b) ***Dividends***

(i) Subject to the Companies Law, the Directors may declare dividends (including interim distributions) and distributions on shares in issue and authorise payment of the dividends or distributions out of the funds of the Company lawfully available. No dividend or distribution will be paid except out of the realised or unrealised profits of the Company, or as otherwise permitted by the Companies Law. There are no fixed dates on which the entitlement to dividends arises. All dividend payments will be non-cumulative.

(ii) Distributions on each series of Ordinary shares may only be paid from proceeds received from the corresponding class of interests in the Master Fund.

(iii) The Exchange Shares will not confer any rights to dividends or other distributions.

(c) ***Rights as to capital***

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

12 Share Capital (continued)

(d) ***Conversion***

Upon the notification of the Exchange Administrator to the Company, Ordinary Shares may be converted by way of redesignation to Exchange Shares and Exchange Shares may be converted by way of redesignation to Ordinary Shares to give effect to an Exchange.

On the conversion of Ordinary Shares to Exchange Shares, in addition to receiving Exchange Shares, the shareholder will receive, at his election, either corresponding interests in the Master Fund or ordinary shares in the unlisted feeder-fund to the Master Fund.

A holder of Exchange Shares will only be permitted to convert Exchange Shares into Ordinary Shares of the corresponding class to the extent it holds sufficient interests in the Master Fund or ordinary shares in the unlisted feeder-fund to the Master Fund.

13 Reserves

Special distributable reserve

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

Warrant reserve

The Warrant reserve was created from the proceeds of the original placing.

Exchange reserve

Movements in capital in respect of shareholders exchanging into and out of the Company are recognised in the Exchange reserve.

Deferred shares reserves

During the year, Deferred shares were issued, bought back and subsequently cancelled. The nominal value of the Deferred shares less consideration paid was recognised in a Deferred shares reserve and transferred to the revenue reserve.

14 Financial risks

14.1 ***Market Risk***

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

(a) *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 and the loan from the Master Fund, which pays interest received on the corresponding cash amount held, all assets and liabilities of the Company are non-interest bearing.

14 Financial risks (continued)

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

	Interest rate revalues in less than 1 month 2009 £	*Non-interest bearing 2009* £	*Interest rate revalues in less than 1 month 2008* £	*Non-interest bearing 2008* £
Assets				
Unquoted investments at fair value through profit or loss	–	80,188,371	–	56,659,663
Receivables	–	–	–	2,283
Cash and cash equivalents	396,577	–	80,131	–
Total assets	396,577	80,188,371	80,131	56,661,946
Liabilities				
Loan from Master Fund	250,000	–	–	–
Payables and accruals	–	146,577	–	94,608
Total liabilities	250,000	146,577	–	94,608
Total interest sensitivity gap*	–		80,131	

* All income received by the Company on cash held is paid to the Master Fund in accordance with the Exchange Procedure.

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 £NIL (2008: £1,321).

(b) *Price Risk*

The Company invests in two classes of the Master Fund, Class F and Class B1 and is susceptible to market price risk arising from uncertainties about future values of those Master Fund classes. 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.

Any movement in the value of the Class F or Class B1 of the Master Fund would result in an equivalent movement in the net asset value per Ordinary Share and B Ordinary Share respectively, similarly for 2008.

The Company's exposure to changes in market prices at 31 December 2009 on its unquoted investments were as follows:

	2009 £	*2008* £
Unquoted investments at fair value through profit or loss	80,188,371	56,659,663

14 Financial risks (continued)

The following tables show the average monthly performance of the reported net asset value of the Company for each share class in issue:

Ordinary shares:

	2009 Analysis of monthly returns	*2008 Analysis of monthly returns*
Number of periods	12	12
Percent profitable	67%	17%
Average period return	3.05%	-4.66%
Average gain	6.96%	2.60%
Average loss	-4.75%	-6.11%

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

	Monthly Returns		*Impact of Increase*		*Impact of Decrease*	
	Increase (%)	*Decrease (%)*	*Net Income £*	*Equity £*	*Net Income £*	*Equity £*
2009	6.96	(4.75)	5,171,367	5,171,367	(3,529,310)	(3,529,310)
2008	2.60	(6.11)	1,475,658	1,475,658	(3,463,408)	(3,463,408)

B Ordinary shares

	2009 Analysis of monthly returns	*2008 Analysis of monthly returns*
Number of periods	1	–
Percent profitable	100%	–
Average period return	27.9%	–
Average gain	27.9%	–
Average loss	–	–

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

	Monthly Returns		*Impact of Increase*		*Impact of Decrease*	
	Increase (%)	*Decrease (%)*	*Net Income £*	*Equity £*	*Net Income £*	*Equity £*
2009	27.9	–	1,642,505	1,642,505	–	–
2008	–	–	–	–	–	–

14.2 ***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 any liquidity risk inherent in the investment portfolio by ensuring full and timely access to relevant information from the Investment Manager and Administrator to the Master Fund.

14 Financial risks (continued)

The Company holds two classes in the Master Fund. The policy is that the Company should remain fully invested in normal market conditions.

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

	Less than 1 month 2009 £	*1-3 months 2009* £	*Less than 1 month 2008* £	*1-3 months 2008* £
Loan from Master Fund	250,000	–	–	–
Payables and accruals	146,577	–	82,575	12,033

The financial liabilities of the Company at 31 December 2009 comprise accrued expenses and a loan payable to the Master Fund. As at 31 December 2009, total accrued expenses of £146,577 (2008: £94,608) had contractual maturity dates ranging between 1 and 7 days (2008: 1 and 7 days) after the year end date. As at 31 December 2009, the loan payable to the Master Fund had no contractual maturity date being repayable against a final redemption of the Company's interest in the Master Fund. As all liabilities as at 31 December 2009 and 2008 do not have a contractual maturity date longer than one month of the year end, the effect of discounting has no material impact on the cash flows.

The Company holds, and will continue to hold, £250,000 cash in respect of the £250,000 loan payable to the Master Fund. The loan will be repaid by set-off on the date that Master Fund interests are redeemed.

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

14.3 ***Credit Risk***

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

The Company 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 is HSBC Bank plc, which holds a credit rating of Aa2, as issued by Moody's.

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

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.

15 Material contracts and related-party transactions

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

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

15 Material contracts and related-party transactions (continued)

(a) ***Management fee***

Marwyn Investment Management LLP is the Investment Manager to the Company. Marwyn Investment Management LLP did not hold any beneficial interest in any of the shares of the Company.

Under the Management Agreement dated 20 February 2006 if, and to the extent that the Company invests its assets only in the Master Fund, the Investment Manager shall not receive any fees. In respect of any assets of the Company not invested in the Master Fund, the Investment 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 (2008: 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.

On 8 July 2009, the Company completed its planned reorganisation and subsequent migration to the Cayman Islands. Prior to the reorganisation, the Master Fund also paid 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 did not receive a performance fee in relation to its investments which are categorised as Special Situation Investments.

Following the reorgnisation, the incentive allocation to be borne by the Class F and B1 Interests will not be calculated on the basis of realised and unrealised gains that arise on the value of the Master Fund’s net assets during the relevant accounting period and there will be no high watermark. Any incentive allocation to be borne by the Class F and B1 Interests will only be payable on Returns being made. For these purposes (i) “Returns” shall mean any distribution, dividend or return of capital by the Master Fund to holders of the Class F and B1 Interests (either directly or indirectly through the Company or the Unlisted Fund) and purchases of Ordinary Shares by the Company or the Master Fund (which are subsequently cancelled through the Exchange Procedure or otherwise).

(b) ***Administration fee***

With effect from 1 May 2009 the administrator changed from Fortis Fund Services (Guernsey) Limited to Fund Corporation of the Channel Islands Limited with outsourced administration and exchange administration services provided by Axio Capital Solutions Limited.

Fortis Fund Services (Guernsey) Limited was paid an annual fee of £40,000. Fund Corporation is paid an annual fee of £5,000 and Axio Capital Solutions Limited is paid an annual fee of £30,000 for the administration of the Ordinary series and £15,000 for the administration of the B Ordinary series, monthly in arrears. Axio also receives an exchange administration fee of £5,000 for each series of exchange shares, payable 6 monthly in arrears. The administrator is entitled to reimbursement of certain expenses incurred by it in connection with its duties. Post the implementation of the Exchange Procedure, these fees are paid by the Master Fund.

(c) ***Board of Directors’ remuneration***

With effect from 1 January 2010, all Directors are entitled to receive an annual fee of £20,000 per annum for their services as Director to the Company any part of which may be waived. David Williams and James Corsellis waived any Directors’ fee due during the year. David Warr and Ian Clarke, who both resigned on 3 April 2009, were entitled to receive an annual fee of £20,000. Robert Ware is entitled to receive a fee of £20,000 per annum. Michael Price is entitled to receive an annual fee of £20,000 per annum since his appointment on 3 April 2009. Paul Everitt received an annual fee of £15,000 per annum since his appointment on 3 April 2009 and from 1 January 2010 is entitled to receive an annual fee of £20,000. These fees are paid by the Master Fund.

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.

16 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:

	2009 £	*2008* £
Share capital	87	8,215,647
Share premium	48,384,287	43,780,480
Special distributable reserve	26,346,979	26,346,979
Warrant reserve	4,392,660	4,392,660
Exchange reserve	47,574	–
Capital reserve – Unrealised	(6,587,315)	(25,614,795)
Revenue reserve	7,604,099	(473,502)
Total Capital	80,188,371	56,647,469

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

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 must be able to pay its debts as they fall due in its ordinary course of business immediately following the Dividend and there must be sufficient profits, retained earnings or share premium. There has been no dividend paid or proposed during the year.

17 Post Balance Sheet Events

On 12 February 2010, 15,150,000 Ordinary shares held by the Master Fund were exchanged for Master Fund interests, which were then cancelled, resulting in Ordinary shares outstanding of 67,006,473 and B Ordinary shares of 5,008,870 (see Note 5).

18 Ordinary shares – by series

The Company has issued two series of Ordinary shares the proceeds of which have been invested in two separate classes of the Master Fund. Distributions on each series of Ordinary shares may only be paid from proceeds received from the corresponding class of interests in the Master Fund. The surplus capital and assets of the Company will on a winding-up or on a return of capital (otherwise than on a purchase by the Company of any of its shares) be paid to the holders of each series of the ordinary shares *pro rata* to their holding of such ordinary shares out of the proceeds of the corresponding class of interests in the Master Fund.

18 Ordinary shares – by series (continued)

The following information is presented in respect of those two series of Ordinary shares in issue:

31 December 2009	*Ordinary shares* £	*B Ordinary shares* £
NON CURRENT ASSETS		
Unquoted investments at fair value through profit or loss	74,301,258	5,887,113
CURRENT ASSETS		
Receivables	–	–
Cash and cash equivalents	125,000	271,577
TOTAL ASSETS	74,426,258	6,158,690
CURRENT LIABILITIES		
Loan	(125,000)	(125,000)
Accruals	–	(146,577)
TOTAL LIABILITIES	(125,000)	(271,577)
NET ASSETS ATTRIBUTABLE TO EQUITY HOLDERS	74,301,258	5,887,113
CAPITAL AND RESERVES ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		
Called up share capital	82	5
Share Premium	43,780,480	4,603,807
Special distributable reserve	26,346,979	–
Warrant reserve	4,392,660	–
Exchange reserve	47,574	–
Capital reserve – Unrealised	(7,870,616)	1,283,301
Revenue reserve	7,604,099	–
TOTAL EQUITY	74,301,258	5,887,113
Net assets per Ordinary share	90.44p	
Net assets per B Ordinary share		117.53p

RISK WARNING

Risks applicable to investing in the Company and the Master Fund

Past performance

The Company and the Master Fund do not have a long operating history upon which to evaluate their likely performance. The past performance of the Company and Investment Manager may not be indicative of future performance.

Dependence on key individuals

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

Terrorist action

There is a risk of terrorist attacks in Europe 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.

Exchange Administrator's consent required to utilise the Exchange Procedure

Use of the Exchange Procedure is at the sole and absolute discretion of the General Partner of the Master Fund who has delegated that authority to the Exchange Administrator. The Exchange Administrator may refuse consent to a proposed exchange for any reason or no reason and is not required to give any reasons for such a refusal. The Exchange Notice which will be required to be completed and delivered by any investor wishing to effect an Exchange includes certain warranties and representations which are required to be made by such investors. Investors who are unable to make such warranties and representations or for whom the Exchange Administrator refuses to give consent will be unable to effect an Exchange.

Handling of mail

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

Net asset value considerations

The 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 IFRS 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.

Risks Applicable to Investments in the Company

Sole purpose

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

Limited redemption rights

The Company has no right of redemption in relation to the Class F Interests or Class B1 Interests.

Directors

The Company is 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 and performance.

Cayman Islands registration

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

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

United Kingdom tax considerations

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

Influence over the Master Fund

The Company, in its capacity as an investor in the Master Fund, has no opportunity to control the day-to-day operation, including investment and disposition decisions, of the Master Fund. The Company does not have the opportunity to evaluate the relevant economic, financial and other information that is utilised by the Investment Manager in its selection of investments and does not receive the detailed financial information regarding investments that is available to the Investment Manager.

Class consents

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

Value and liquidity of the shares

An investment in shares traded on SFM 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 FSA. 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.

Additional financing and dilution

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

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

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

Depository Interests

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

Voting rights

Under the Articles, only those persons who are shareholders of record are entitled to exercise voting rights. Persons who hold Shares in the form of Depository Interests will not be considered to be record holders of such shares that are on deposit with the Depository and, accordingly, will not be able to exercise voting rights. However, the Deed Poll provides that the Depository shall pass on, as far as it is reasonably able, rights and entitlements to vote. In order to direct the delivery of votes, holders of Depository Interests must deliver instructions to the Depository by the specified date. Neither the Company nor the Depository can guarantee that holders of Depository Interests will receive the notice in time to instruct the Depository as to the delivery of votes in respect of Shares represented by Depository Interests and it is possible that they will not have the opportunity to direct the delivery of votes in respect of such Shares. In addition, persons who beneficially own Shares that are registered in the name of a nominee must instruct their nominee to deliver votes on their behalf. Neither the Company nor any nominee can guarantee that holders of Depository Interests will receive any notice of a solicitation of votes in time to instruct nominees to deliver votes on behalf of such holders and it is possible that holders of Depository Interests and other persons who hold ordinary shares or exchange shares through brokers, dealers or other third parties will not have the opportunity to exercise any voting rights.

Limitation of liability

The Deed Poll contains provisions excluding and limiting the Depository's liability to holders of Depository Interests. For example, the Depository will not be liable to any holder of Depository Interests or any other person for liabilities in connection with the performance or non-performance of obligations under the Deed Poll or otherwise except as may result from its negligence or wilful default or the fraud of any custodian or agent which is not a member of its group unless it has failed to exercise reasonable care in the appointment and continued use and supervision of such custodian or agent. Furthermore, except in the case of personal injury or death, the Depository's liability to a holder of Depository Interests will be limited to the lesser of: (i) the value of shares and other deposited property properly attributable to the Depository Interests to which the liability relates; and (ii) that proportion of £10 million which corresponds to the portion which the amount the Depository would otherwise be liable to pay to the holder of the Depository Interests bears to the aggregate of the amounts the Depository would otherwise be liable to pay all such holders in respect of the same act, omission or event which gave rise to such liability or, if there are no such amounts, £10 million. The Depository is entitled to charge fees and expenses for the provision of its services under the Deed Poll without passing any profit from such fees to holders of Depository Interests.

Indemnification

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

United States ownership and transfer restrictions

There are restrictions on the purchase of Securities by or to investors who are located in the United States or who are US Persons or who acquire Securities for the account or benefit of US Persons. In the event that Securities are acquired by persons who are not qualified to hold the Securities, such Securities are subject to provisions requiring forfeiture and/or compulsory transfer.

Warrants

The Warrants have the potential for higher capital appreciation than the Ordinary Shares but at the same time their market price may be more volatile and there is a risk that they may become valueless. Investors should be aware that the subscription rights attached to the Warrants are exercisable only during the subscription period at 115p per Ordinary Share (or such adjusted price as may be determined in accordance with the terms of the Warrant Instrument). The exercise of the Warrants will result in a dilution of the interests of holders of Ordinary Shares if the Net Asset Value per Ordinary Share exceeds the exercise price payable on the exercise of a Warrant at the relevant time. The issue of Ordinary Shares pursuant to exercise of the Warrants could have an adverse effect on the market price of the Ordinary Shares. In the event of the winding-up of the Company prior to the exercise of the subscription rights conferred by the Warrants, holders of the Warrants may receive a payment equal to that he would have received if he were the holder of the Ordinary Shares under that subscription out of the assets (less a sum per Ordinary Share equal to the subscription price payable upon exercise of the Warrants) available in the winding up *pari passu* with the holders of Ordinary Shares. Any Warrants not exercised on or before the final subscription date for the Warrants will lapse without any payment being made to the holders of such Warrants unless a trustee appointed by the Company determines that the net proceeds of sale of the Ordinary Shares that would be allotted on the exercise of such Warrants after deduction of all the costs and expenses of sale would exceed the costs of subscription. Any repurchase of Ordinary Shares and/or Warrants may result in a change to the dilutive effect of the Warrants on the Net Asset Value per Ordinary Share. The Warrants, in so far as they give an entitlement to subscribe for Ordinary Shares, are affected by the same risk factors as the Ordinary Shares.

ADVISERS

Registered office
PO Box 309
Ugland House
Grand Cayman
KY1 – 1104
Cayman Islands

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

Administrator to the Company
Fund Corporation of the Channel Islands Limited
PO Box 665
Roseneath
The Grange
St. Peter Port
Guernsey GY1 3SJ

Sub-administrator to the Company
Axio Capital Solutions Limited
Surville Office
Surville
La Ruette Pinel
St Helier
Jersey JE2 3HF

Manager to the Master Fund and the Company
Marwyn Capital Management Limited
PO Box 309
Ugland House
Grand Cayman
KY1-1104
Cayman Islands

Auditors
Ernst & Young LLP
Liberation House
Castle Street
St. Helier
Jersey JE1 1EY

Legal Advisers to the Broker and to the Company as to English law
Travers Smith LLP
10 Snow Hill
London EC1A 2AL

Legal Advisers to the Company as to Cayman law
Maples & Calder
PO Box 309
Ugland House
Grand Cayman
KY1-1104
Cayman Islands

Exchange Administrator to the Company
Axio Capital Solutions Limited
Surville Office
Surville
La Ruette Pinel
St Helier
Jersey JE2 3HF

Broker
Cenkos Securities plc
6.7.8 Tokenhouse Yard
London EC2R 7AS

Registrar
Capita Registrars (Guernsey) Limited
Longue Hougue House
St. Sampson
Guernsey GY2 4JN

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