MARWYN VALUE INVESTORS LIMITED

AUDITED FINANCIAL STATEMENTS

31 December 2011

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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 LP (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 2011 are as follows:

- The Company posted an increase in the Net Asset Value ("NAV") of the Ordinary shares of 9.1%. The NAV since inception has increased by 123.8%. That compares with a decrease in value of the FTSE All Share Cap Index (ex Investment Trusts) of 3.4% over the same period;

- The above NAV figure includes a liquidity discount in respect of the investment in the Master Fund, as required by IFRS. The NAV reported by the Company in its NAV statement, which does not include a liquidity discount, increased by 26.4% over 2011 and 159.2% since inception;

- The price per Ordinary share increased by 38.9% from 101.5p on 31 December 2010 to 141.0p on 31 December 2011 and 111.5p as at the date of release of this annual report;

- The NAV of the B Ordinary shares reduced by 18.8% during the year with the share price decreasing by 21.3% from 89p on 31 December 2010 to 70p on 31 December 2011 and 61p as at the date of release of this annual report;

- The above NAV figure includes a liquidity discount as required by IFRS. The NAV reported by the Company in its NAV statement, which does not include a liquidity discount, decreased by 5.9% over 2011;

- Marwyn's investee companies have together delivered a net internal rate of return (IRR) to equity investors of 25 per cent on a total of approximately £940 million of invested equity (combining new equity issuance and share considerations to vendors in acquired companies).

REPORT OF THE CHAIRMAN

I am pleased to present to the shareholders the audited Annual Report and Financial Statements of the Company for the twelve months ended 31 December 2011.

Ordinary Shares

Among key investment holdings, the board of Entertainment One ("eOne") (ETO LN), the leading international entertainment distributor, confirmed that it had received interest from various parties and had retained J.P.Morgan and Credit Suisse to review its strategic options. The shares finished the year 48% ahead. In February 2012, eOne announced that, following its review of strategic options, the board had considered various proposals that have been made for all or parts of the group and had concluded that these did not adequately reflect the company's value. As such, the board of eOne announced it is no longer considering the outright sale of the business. However, through the continuing review of strategic options, the board of eOne, advised by Credit Suisse and JP Morgan, continues to evaluate a number of acquisition opportunities and further announcements are expected to be made in due course.

Shares in Advanced Computer Software Group plc (ASW LN), a leading provider of software and IT services to the UK health care and business sectors, gained 32% on a strong first half performance with organic growth across all divisions of 5%. Silverdell plc (SID LN), the specialist environmental support services group, announced that it had been selected by Magnox Ltd as part of the £304 million Framework Contract, part of the UK's Nuclear Decommissioning Programme. Silverdell shares finished the year 73% ahead.

During the year Marwyn Management Partners plc (MMP LN), a newly established acquisition conglomerate with a listing on the Main Market of the London Stock Exchange, acquired the UK high street gaming group, Praesepe plc and the Agora chain of Adult Gaming Centres. The MMP subsidiary, Marwyn European Transport plc (MET), completed the acquisition of two German bus operators, and another, Marwyn Gaming Limited.

B Ordinary Shares

In December, Marwyn Capital II Limited completed its reverse takeover of themed attraction design business Paragon Entertainment Ltd.

Investment Performance

A summary of the returns as 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 14.6p to 173.8p, a rise of 9.1%. As at 31 December 2011, the discount of the share price to net asset value per share was 18.8%, a decrease over the 12 month period from 36.3% as at 31 December 2010. See note below.

Performance	NAV %	FTSE All Share (Ex-Inv Tr) %	FTSE Small Cap %	MSCI Europe Net (€) %
Year to date (to 31/12/2011)	9.1%	-6.5%	-14.9%	-8.08%
Since inception[1] (1/3/2006 to 31/12/2011)	123.8%	-3.4%	-23.0%	-11.82%

B Ordinary Shares

The NAV per B Ordinary share of the Company decreased during the period by 22.0p to 94.7p, a decrease of 18.8%. As at 31 December 2011, the discount of the share price to net asset value was 26.1%, an increase from the discount of 23.7% as at 31 December 2010. See note below.

Performance	NAV %	FTSE All Share (Ex-Inv Tr) %	FTSE Small Cap %	MSCI Europe Net (€) %
Year to date (to 31/12/2011)	-18.8%	-6.5%	-14.9%	-8.08%
Since inception[2] (30/11/2009 to 31/12/2011)	3.1%	7.8%	1.1%	8.47%

Note: The above NAV figures include a liquidity discount as required by IFRS. A reconciliation of the NAV reported per these financial statements in accordance with IFRS and the NAV reported by the Company in its NAV release for 31 December 2011 is provided in Note 9 to the audited financial statements.

Robert Ware
Chairman
24 April 2012

[1] 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 112.7%

[2] The calculation is based on capital raised net of issue costs. If issue costs are taken into consideration the equivalent performance would be -5.3%.

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 regulatory change, industry structure 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. asbestos remediation) or they may have a high degree of entrenched public sector funding. 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 represent the potential then it is our first class management that we rely on to 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 a 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. Whilst we cannot claim to have had exclusive foresight of the current credit environment, it has long been apparent to business managers and operationally-focused investment managers that high leverage brings with it significant 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 at 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

In what turned out to be an extremely challenging year, we have demonstrated again the resilience of an investment model that concentrates on working closely with management and adding operational value to our investee companies. 2011 proved to be another excellent year for Marwyn, its companies and their investors. Our hands-on investment approach to executing buy-and-build strategies in the public markets has built an impressive track record of consistent returns.

Allocation of Marwyn Value Investors Limited NAV by company

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 2011:

Ordinary Shares:

Company	**Ticker**	**Sector**	**% of NAV**
Advanced Computer Software	ASW LN	Healthcare Software	10.82%
Entertainment One	ETO LN	Entertainment Rights	87.56%
Breedon Aggregates	BREE LN	Construction Materials	14.48%
Marwyn Management Partners	MMP LN	Financial Services	3.67%
Silverdell	SID LN	Asbestos Services	2.60%
Other assets of the Master Fund			0.87%
Liabilities of the Master Fund			-20.00%
Net assets			**100.00%**

B Ordinary Shares:

Company	**Ticker**	**Sector**	**% of NAV**
Fulcrum Utility Services Limited	FCRM LN	Support Services	65.12%
Paragon Entertainment Limited	PEL LN	Leisure and Entertainment	31.82%
Other assets of the Master Fund			3.40%
Liabilities of the Master Fund			-0.34%
Net assets			**100.00%**

Company: Entertainment One Limited ("eOne")

Sector: Entertainment Rights

Ticker: ETO LN

Strategy and Opportunity:

eOne has identified the opportunity to create a leading international entertainment group through the combination of international film distribution and independent television content production.

Within film, growth is being driven by increasing investment in rights acquisition, with 74 titles released internationally in the six months to 30 September 2011. Within television, eOne is the leading independent television producer in Canada and has had a number of recent commissioning successes from major US network broadcasters. Supported by unique Canadian production financing incentives and with established reach into the US and international markets, eOne is well positioned to drive long term value from its production and distribution activities across multiple genres including drama, comedy and kids.

The group continues to assess corporate acquisition opportunities in international territories.

Management Biography:

Darren Throop (CEO) and Patrice Theroux (President of Filmed Entertainment) have more than 45 years of combined experience in the entertainment industry. Giles Willits (CFO) was previously Director of Group Finance of J Sainsbury plc.

Progress over the Period:

On 9 March 2011, eOne announced the successful placing of 10 million shares at a 6% premium to the market price, raising gross proceeds of £16 million. In April, eOne announced the completion of the acquisition of Hopscotch, the Australian film distribution group for AUD$20 million (approximately £12.9 million). The acquisition was the company's first transaction within the Australian market, enhancing its international film infrastructure. During the month, eOne also announced that it had renewed its UK and Canadian output deal with Summit, the leading US independent film studio.

In May 2011, eOne announced its preliminary results for the financial year ended 31 March 2011. During the period, the company released 121 films theatrically, generating gross box receipts of US$202 million (2010: US$156 million) and delivered 269 half hours of television programming. Peppa Pig was established as the number one UK pre-school toy property in 2010, and achieved strong viewer ratings from initial broadcast on Nick Jr. in the US. Revenues grew 12.1% to £469.7 million (2010: £419.0 million), EBITDA was up 20.4% at £42.5 million (2010: £35.3 million) and adjusted profit before tax increased to £32.3 million, up 39.2% on the prior year (2010: £23.2 million). During the month the company also announced it had appointed Fisher-Price as its toy partner for Peppa Pig in the US.

In July 2011, eOne announced that it had signed an exclusive output deal with LOVEFiLM, a subsidiary of Amazon EU SARL (Europe's largest digital subscription service), for the distribution of the company's UK film releases. As a result of the five year agreement, the company stated that it expected trading performance for the year ending 31 March 2012 and beyond to be significantly ahead of market expectations.

In September 2011, eOne responded to press speculation and confirmed that the company was considering its strategic options, which may include a sale of the business in response to interest it had received from various parties. J.P.Morgan and Credit Suisse were engaged to co-ordinate the review to the board.

In October 2011, eOne announced it had signed an additional three year output agreement with Summit covering Australia and New Zealand. The following month, the company published its interim results for the six months ended 30 September 2011 showing revenue was up 1% at £204.6 million, with EBITDA increasing 77.4% to £23.6 million (2010: £13.3 million), driving a 121.0% increase in adjusted profit before tax to £18.8 million (2010: £8.5 million). The company benefited from increased investment in content and improved margins supported by long term output agreements, and television network shows selling well internationally. The company confirmed the expansion of its senior debt facilities to US$196 million with an extended term to October 2014.

In February 2012, the Company announced that following its review of strategic options, the Board has considered various proposals that have been made for all or parts of the Group and has concluded that these do not adequately reflect the Company's value. As such, the Board is no longer considering the outright sale of the business. However, through the continuing review of strategic options, the Board, advised by Credit Suisse and JP Morgan, continues to evaluate a number of acquisition opportunities and further announcements will be made in due course.

Investment Performance:

During the twelve month period to 31 December 2011, eOne's share price increased from 139p to 206p.

Company: Silverdell plc ("Silverdell")

Sector: Asbestos Services

Ticker: SID LN

Strategy and Opportunity:

Silverdell has identified the opportunity to consolidate key businesses within the high growth, fragmented UK asbestos services sector. Its strategy is to create a nationwide, full service provider capable of delivering remediation and consultancy services across diverse end user markets including government, retail, utilities, nuclear, marine and petrochemical. Its core asbestos services market is growing at c.15%, driven by regulatory requirements and the increasing threat of litigation.

Management Biography:

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

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

Progress over the period:

In March 2011, Silverdell released its annual results for the twelve months to 30 September 2010. Sales fell by 5% to £56.7 million (2009: £59.9 million) and EBITDA increased 70% to £3.9 million (2009: £2.3 million). Profit before tax grew 317% to £2.5 million (2009: £0.6 million), while net debt fell £0.4 million to £4.3 million (2009: £4.7 million).

In April 2011, the company announced that it had acquired AH Allen Limited, an asbestos management consultancy based in Hull for an initial consideration of £0.55 million in cash, with further deferred consideration of up to £0.35 million payable in cash over the next two years.

In June 2011, Silverdell announced that it had secured a three year national framework contract with a major high street retailer, which was expected to be worth in excess of £3.0 million in revenues over the life of the contract. Also in June, Silverdell released its interim results for the six month period to 31 March 2011. Sales fell 6% to £27.9 million (2010: £29.6 million) while operating profit increased 42% to £1.3 million (2010: £0.9 million). Profit before tax was up 87% to £1.1 million (2010: £0.6 million) and net debt was £1.9 million lower at £3.9 million (2010: £5.8 million).

In September 2011, Silverdell announced the acquisition of RDS Asbestos Management Consultants (UK) Limited for a total maximum consideration of £2.3 million, following the successful placing raising £2.4 million during August.

In November 2011, Silverdell announced that it had been selected by Magnox Ltd for inclusion on a framework contract worth £304.0 million, as part of their joint venture with EDS Ltd, a specialist decommissioning partner. As one of six framework contractors, the company will be involved in the removal of asbestos across 10 licensed nuclear reactor sites in the UK. At the end of the month, Silverdell also announced their preliminary results for the year ended 30 September 2011. A combination of organic and acquisitions growth helped increase sales to £59.7 million (2010: £56.7 million) and EBITDA to £4.1 million (2010: £3.9 million). The company also grew fully diluted EPS by 100% to 1.0p.

Investment Performance:

During the twelve month period to 31 December 2011, Silverdell's share price increased from 6.5p to 11.3p.

Company: Advanced Computer Software Group plc ("ACS")

Sector: Healthcare Software

Ticker: ASW LN

Strategy and Opportunity:

ACS has identified the opportunity to become a leading provider of software and IT 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). ACS 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 ("CSG"). CSG merged with IRIS in July 2007 and was subsequently sold to Hellman Friedman for US$1.0 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:

In June 2011, ACS released its results for the twelve months to 28 February 2011, with revenues up 216% to £95.4 million (2010: £30.2 million) reflecting the acquisition of COA Solutions in February 2010. Adjusted EBITDA was also up 235% over the same period to £24.1 million (2010: £7.2 million) and pre-tax profits grew by 209% to £21.0 million (2010: £6.8 million). Strong cash generation meant net debt fell to £31.2 million from £41.0 million in the prior year.

In July 2011, ACS announced it had entered into a partnership with Vodafone UK to supply its iNurse product as part of Vodafone UK's Health Professional range of mobile solutions.

In September 2011, ACS announced it had disposed of Cedar HR Software for £15.0 million in cash to Capita Group plc. The asset was a discrete non-core part of the company's Business Solutions division, and proceeds from the sale were used to reduce the balance on the company's revolving credit facility.

In October 2011, ACS announced it had secured a 10 year contract with the Northern Ireland Department of Health, Social Care and Public Safety to supply province-wide finance, procurement and logistics solutions. The contract is worth £17.0 million over its lifetime and will help save Health and Social Care in Northern Ireland in excess of £8.0 million per annum.

In November 2011, ACS announced its interim results for the six months ended 31 August 2011. Revenues grew 7% over the period to £47.3 million, driving a 10% increase in adjusted EBITDA to £12.0 million. Pre-tax profit was up 14%, lifting adjusted EPS to 2.4p (2010: 2.2p), while net debt fell to £25.3 million, down 19% from the prior year.

Investment Performance:

During the twelve month period to 31 December 2011, ACS' share price increased from 36.0p to 47.5p.

Company: Breedon Aggregates Limited ("Breedon")

Sector: Building Materials

Ticker: BREE LN

Strategy and Opportunity:

Breedon Aggregates 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 market consolidation and providing a first-class localised service to customers. Through their experience of previous recessions, management believes significant value can be created by investing at a cyclical low point. Although the outlook for 2012 is uncertain and the full impact of public sector spending cuts in the UK has yet to be felt, management believe the increases in English housing and infrastructure spending should have a positive impact on demand for building materials in the medium term.

Management Biography:

Peter Tom CBE (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 (Group Chief Executive) 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 (Group 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:

Breedon successfully completed their first bolt-on acquisition with the purchase of the business and assets of C&G Concrete Limited (in administration) ("C&G") from the administrator for £10.15 million in July 2011. C&G is an integrated aggregates and ready-mixed concrete producer based in Lincolnshire with three sand and gravel quarries and 13 ready-mixed concrete plants bringing scale and potential synergies to the English business.

The Group experienced growth in sales volumes across all product groups in both Scotland and England during the year and anticipated trading results for the year to 31 December 2011 remain comfortably in line with market expectations. Breedon has made good progress in addressing operational issues identified at the beginning of the year by returning the English contracting business to profit, completing numerous asset disposals, increasing the Group's mineral reserves and recovering all key raw material cost increases. Management continues to review several acquisition opportunities and believe that current market conditions will create further opportunities to purchase assets at realistic prices.

Investment Performance:

Breedon's share price increased 13.3% in the 12 months to 31 December 2011 from 15.0p to 17.0p.

Company: Praesepe plc ("Praesepe")

Sector: Gaming

On 3 June 2011, Marwyn Management Partners plc ("MMP") made a formal offer for the entire issued share capital of Praesepe, on the basis of one ordinary share in MMP for 13.3 shares of Praesepe. This represented an equity value of £39.4 million or 8.008 pence per share. With the offer unconditional, Praesepe's admission to trading on AIM was cancelled on 25 July 2011. Following the application of follow on rights, MMP owns 100% of the shares in Praesepe.

See the MMP section below for further information.

Company: Marwyn Management Partners plc (“MMP”)

Sector: Financial Services

Ticker: MMP LN

Strategy and Opportunity:

MMP was established to acquire controlling interests in one or more companies or businesses (each having an enterprise value of up to £1 billion), or to acquire, should there be sufficient opportunity to increase shareholder value, non-controlling interests in companies or businesses. MMP is organised into three divisions, Consumer, Support Services and Industrials. MMP seeks to identify experienced management teams with proven sector expertise. Potential acquisition targets include listed and unlisted businesses principally headquartered in the UK, particularly those operating in fragmented sectors or sectors undergoing structural change.

Progress over the period:

As mentioned in the Praesepe investment performance section, following acceptance by the Company of the offer made by MMP for Praesepe on 3 June 2011, the Master Fund holds 13,957,384 shares in MMP. MMP has made substantial progress in developing the conglomerate model since it was admitted to the Official List of the London Stock Exchange (by way of a Standard Listing) on 12 January 2011, in particular in its Consumer and Industrials divisions. To date, in addition to the acquisition of Praesepe, MMP has established, developed and funded two operating subsidiaries (Silvercloud Management Holdings plc and Marwyn European Transport plc) to more closely focus on and develop acquisition opportunities.

Consumer division

Marwyn Gaming Limited (“MGL”)

Strategy and Opportunity:

MGL’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. Although currently focusing on integrating newly acquired sites, MGL’s pipeline of potential 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 (CEO) is a leading manager in the UK gaming sector with relevant experience at Talarius plc, Rank Group plc, Ladbrokes plc and Gala Coral Group Limited. Nick is a past President of BACTA (the Adult Gaming Centre (“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).

Progress over the period:

On 10 June 2011, MMP’s offer for Praesepe plc, an operator of high-street AGC and bingo venues, in which the Company previously held a direct investment, went unconditional. Praesepe plc was delisted on 25 July 2011.

On 27 November 2011, Marwyn Gaming Limited announced the acquisition of Baleday Limited and Restcare Limited. Together these businesses trade under the Agora brand, operating 62 high-street AGCs in the Greater London area. The consideration of £6.7 million was satisfied through the issue of loan notes. In addition, £7.8 million of gross debt was assumed by MGL and restructured to have the same terms as the consideration loan notes. Interest on both sets of loan notes will accrue at 7%, assuming that a third of the loan notes are repaid by 31 July 2012 and the remainder by 31 December 2012. The acquisition increases the total UK venues under MGL's ownership from 96 to 159 AGCs, four Family Entertainment Centers, six Bingo Clubs and an on-line bingo web site.

In terms of regulatory progress, in July 2011 regulations were introduced allowing the increase in the maximum stake for Category B3 gaming machines from £1 to £2 and the increase in the maximum number of B3 machines in venues. These machines are an important part of Praesepe's commercial offering and any increase in stakes should have a positive impact on its business and the potential for revenue growth.

Silvercloud

Strategy and Opportunity:

Silvercloud Management Holdings plc (“Silvercloud”) was the first subsidiary established in the Consumer division, and intends to target acquisition opportunities within the worldwide luxury goods sector. MMP believes that there are significant investment opportunities to create shareholder value through a well executed, acquisition led growth strategy in this sector. Such opportunities include the acquisition of established brands that are underperforming as well as younger brands that have struggled to achieve meaningful scale.

Industrials division

Marwyn European Transport

Strategy and Opportunity:

Marwyn European Transport plc (“MET”) has been established to pursue acquisition opportunities within the European transport sector. MMP believes there are some exceptional opportunities for consolidation in the sector that offer attractive revenue streams, strong underlying cash generation and low volatility across the economic cycle.

Progress over the period:

In July 2011 MET completed the acquisition of Axel Tücks GmbH, the German bus operator, for an initial consideration of €3.75 million and in September 2011 MET completed the acquisition of FirstGroup Deutschland GmbH, an operator of more than 130 buses in the German regions of Hesse, north Baden-Württemberg and Rhineland-Palatinate for €5.5 million. MET now has an established operating base of over 240 vehicles on contracted bus services across South West Germany. Following the year end MET completed the acquisition of PublicExpress, a single-route inter-city express bus business based in Northern Germany.

MET continue to pursue a number of other acquisition opportunities within the sector.

INVESTMENTS – B ORDINARY SHARES

Company: Fulcrum Utility Services Limited ("Fulcrum")

Sector: Support Services

Ticker: FCRM LN

Strategy and Opportunity:

Fulcrum identified the opportunity to become the leading utilities connections provider to the non-regulated UK market, through the acquisition and turnaround of Fulcrum Group Holdings Limited, previously a wholly owned subsidiary of National Grid plc.

Fulcrum is an independent gas transportation and connections business, generating revenue of £36.1 million and an underlying EBITDA loss of £9.0 million on a pro forma basis for the twelve months to 31 March 2011.

Despite having the key attributes critical to success in the connections market – namely a skilled engineering base, national coverage and established credibility in the market – as a non-core subsidiary of National Grid the business had been prevented from efficiently responding to increased competition in the market and taking advantage of new revenue opportunities.

Fulcrum believes that under the experienced management team now in place and operating as an independent entity, the business can be re-established as the leading provider to the market and return to strong revenue growth and profitability.

Management Biography:

John Spellman (CEO) has more than 30 years' experience in the energy and utilities industries and was most recently CEO of Corona Energy Limited, the largest independent supplier of gas to the UK industrial and commercial sector.

Progress over the Period:

During the period, Fulcrum has continued to make significant progress against its turnaround plan. In November 2011 the Fulcrum announced it had successfully completed the re-tendering of its outsourced contractor arrangements. Framework agreements were signed with three new providers, replacing the previous outsourced contractor relationships inherited from Fulcrum's ownership by National Grid. The Fulcrum considers this to be a transformational change to the business that will enable them to expand their offering and enhance customer service along with an expectation of improved profitability.

Further progress against the turnaround plan has included additional headcount rationalisation, relocation of the head office to a modern fit-for-purpose facility in Sheffield and substantial improvements to internal processes. The Fulcrum has also established a new sales and marketing function, launched a new corporate brand and an ongoing systems development project is due for completion in Spring 2012.

On 29 November 2011, Fulcrum announced its interim results for the period ended 30 September 2011, with revenue increasing by 7% to £19.6 million and underlying EBITDA loss reduced by 51% to £2.4 million.

Investment Performance:

During the 12 month period to 31 December 2011, Fulcrum's share price increased from 16p to 17.63p.

Company: Paragon Entertainment Limited ("PEL") (formerly Marwyn Capital II Limited or MCII)

Sector: Leisure & Entertainment

Ticker: PEL LN

Strategy and Opportunity:

In 2011 MCII continued to pursue its stated strategy to acquire one or more quoted or unquoted businesses or companies (in whole or in part) initially by way of a reverse takeover with particular focus on the leisure, healthcare, testing and inspection sectors. In 2011 the Directors continued to review potential acquisition targets and in the second half of 2011 undertook a review of the leisure sector to identify potential acquisition opportunities therein.

On the 16 December 2011 Marwyn Capital II announced the reverse takeover of Paragon Creative Limited for a maximum consideration of approximately £4.0 million (to be satisfied in cash and shares) and the proposed fundraising of £2.5 million (before expenses) by way of a conditional placing of up to 62,500,000 new ordinary shares at 4 pence per share. The transaction subsequently completed on the 22 December 2011.

Paragon Creative designs and produces third party attractions (including interactive exhibits, models and fully themed attractions) for museums, shopping malls, theme parks, science centres and other third party clients globally. The opportunity now exists to create a diversified attractions group providing services ranging from initial design and production for third party clients through to direct operation and development of proprietary themed attractions. In addition to further leveraging Paragon Creative's existing skill base, PEL management have identified organic and acquisitive growth opportunities, and have a pipeline of proprietary attraction concepts which PEL intends to develop, fund and operate internally.

Management Biography:

As part of the transaction Paul Everitt and Paul Cookson stepped down from the Board and a new management team was appointed alongside Mark Watts (who remained on the Board as a non-executive director).

Brief biographies of the newly appointed Directors are set out below:

Robert Basil Hersov (Chairman)
Robert Hersov (51) has over 20 years of experience in the global investment banking, media and private aviation sectors. Alongside his role as managing partner at merchant bank Sapinda, Rob continues to hold a number of senior executive and non-executive roles in addition to significant interests as a private investor and entrepreneur. Previously, Rob served as CEO of Marquis Jet, vice-chairman of NetJets Europe, chairman of Sportal Ltd, was CEO of Telepiu Pay TV in Milan (now Sky Italia) and ran Morgan Stanley's European media investment banking group. Rob has an M.B.A from Harvard Business School.

Mark Colin Pyrah (Chief Executive Officer)
Mark Pyrah (39) has 20 years of experience in the entertainment industry including film & media, theming and attractions and has spent three years as the UK director of the Themed Entertainment Association. Mark developed Paragon Creative into a market leading theming business with an extensive global client base. Prior to Paragon Creative, Mark worked with Ginger TV, Saatchi & Saatchi, the BBC and British Airways.

Peter Edward Holdsworth (Production Director)
Peter Holdsworth (42) has over 22 years of experience in the realisation of interactive visitor attractions, themed environments and models, 20 of which were at the helm of his own company. Peter founded Paragon Creative alongside Mark Pyrah in 2003, completing over 1,000 projects in over 20 countries for a wide range of clients. Peter is involved in most elements of Paragon Creative's design, build and installation process and has a wealth of experience in costing, project management and turning concept design into practical reality.

David Eugene Gray (Operations Director)
David Gray (53) has over 20 years of experience in funding, developing, operating, managing and marketing tourist attractions globally. He has developed and managed over $50 million in entertainment projects over the last 20 years including five Ripley's Believe It or Not! Museums (including in New York and London), Wyland Galleries of Florida in Disney's Boardwalk, Disney's Polynesian resort and numerous other family entertainment projects. Most recently David served as the managing partner for the world's largest Ripley's Believe It or Not! Museum in London.

Mark Jonathan George Taylor (Commercial Director)
Mark Taylor (50) has over a decade's private equity and venture capital experience. He has held a number of executive positions at LSE-listed Richemont and Venfin, and as CEO of JSE-listed Intervid where he led the successful turnaround of the group. As part of these roles, Mark managed teams in excess of 500 staff spread across four continents. Mark has spent the last five years as managing

director of Global Aquariums BV, a business which develops, owns and manages aquariums in emerging markets where he successfully developed Turkey's first giant public aquarium, Turkuazoo, in Istanbul.

Progress over the period:

Nothing to report other than the reverse takeover of Paragon Creative which took place immediately prior to the year end.

Investment Performance:

During the six month period to 31 December 2011, PEL's share price fell from 11.25p to 8.75p (predominantly as a result of the issue of 62,500,000 new shares at 4 pence per share as part of the reverse takeover of Paragon Creative).

REPORT OF THE DIRECTORS

The Directors have pleasure in submitting their Annual Report and the Audited Financial Statements for the year ended 31 December 2011.

Status and activities

Marwyn Value Investors Limited (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 was admitted to trading as a closed-end investment company on the Specialist Fund Market of the London Stock Exchange on 8th December 2008, a fully regulated market servicing professional, institutional and sophisticated investors.

The investment objective is to maximise total returns, primarily through the capital appreciation of its investment in Marwyn Value Investors LP (the "Master Fund" or "the Fund"). Marwyn Value Investors LP was launched in March 2006 with backing from more than 60 leading institutions and alternative funds. It is an open-ended fund domiciled in the Cayman Islands.

Marwyn Value Investors LP specialises in the acquisition and development of growth businesses for the benefit of investors, often taking a significant stake in its quoted portfolio companies. Since inception, the Fund has invested in 13 portfolio companies which together have completed approximately 68 transactions with an aggregate transaction value (including initial public offerings) in excess of £1 billion. The current classes of partnership interests in the Marwyn Value Investors LP, which are invested in 7 portfolio companies, are now closed to new investors.

The Company utilises an innovative fund structure, the Exchange Procedure, to minimise the potential discount between the share price of the Company and its underlying NAV, which can occur in times of market illiquidity. Investors can switch between holding public shares in the closed-ended feeder fund and interests in the open-ended Master Fund at the prevailing NAV (not share price) during an exchange window every month.

No new investments will be made by Marwyn Value Investors LP, other than follow-on investments in the existing portfolio companies. Instead, the Manager will focus on creating maximum value from the existing portfolio before realising those investments. Cash realised in Marwyn Value Investors LP will be distributed to its investors, including the Company.

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 18. An analysis of the Company's exposure to financial risk and the policies adopted in its efforts to mitigate such risks are disclosed in note 14 to the financial statements.

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 (2010: Nil).

Share capital

As at 31 December 2011 the Company had 66,106,473 Ordinary shares in issue (31 December 2010: 66,106,473). The Company also had, as at 31 December 2011, 5,008,870 B Ordinary shares in issue (31 December 2010: 5,008,870).

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
Paul Michael Everitt
Eitan Milgram (resigned 29 March 2012)
Michael Paul Price (resigned 16 December 2011)

Robert Ware (Non-Executive Chairman)
Length of service: 6 years, appointed 20 January 2006
Last re-elected to the Board: 20 September 2011 at Annual General Meeting
Committee membership: Nomination, Remuneration and Audit Committees

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

Robert is currently Chief Executive Officer of the Conygar Investment Company PLC, an AIM quoted property investment and development company formed by Robert and members of the ex-MEPC team. He is senior non-executive director at Tarsus Group plc and Chairman of the Terra Catalyst Fund and Marwyn Management Partners plc which is operated by an entity connected to the Investment Manager. Robert is also a director of various companies connected to the Investment Manager.

Paul Everitt (Non-Executive Director)
Length of service: 3 years, 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 is Managing Director of Fund Corporation, a niche provider of outsourced administration services in Guernsey. Fund Corporation specialises in investment administration, 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 in London then spent two years in corporate finance for PricewaterhouseCoopers. Paul is a director of Kingswalk Investments Limited. Paul is also a director of the Manager and other companies connected to the Manager and Investment Manager.

	Ordinary shares
Robert Ware	458,715
Paul Everitt	Nil

Directors' remuneration

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

	2011	2010
	£	£
Robert Ware	20,000	20,000
Paul Everitt	20,000	20,000
Michael Price	19,210	20,000
Eitan Milgram	-	-
Paul Cookson	-	9,366
James Corsellis	-	13,667
	59,210	83,033

Since the introduction of the Exchange Procedure in 2009, Directors' fees are paid directly from the Master Fund. The above fees do not include reimbursed expenditure.

Substantial shareholdings

At 31 March 2012 the following interests in 3% 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	24,225,905	36.65
The Bank of New York (Nominees) Limited 141498 Acct	7,969,103	12.05
Deutsche Bank Aktiengesellschaft London PROP0001 Acct	5,715,000	8.65
Tortin Limited	5,000,000	7.56
BBHISL Nominees Limited 121624 Acct	2,549,419	3.86
Goldman Sachs International Creptemp Acct	2,335,000	3.53
HSBC Global Custody Nominee (UK) Limited 764685 Acct	2,199,000	3.33

	Number of B Ordinary shares	Percentage of share capital
HSBC Global Custody Nominee (UK) Limited 667656 Acct	750,000	14.97
HSBC Global Custody Nominee (UK) Limited 978777 Acct	750,000	14.97
Hunter (CI) Nominees Limited KGCLT Acct	530,000	10.58
BBHISL Nominees Limited 121624 Acct	500,000	9.98
Fitel Nominees Limited 0060214 Acct	500,000	9.98
Rene Nominees (IOM) Limited 3639 Acct	500,000	9.98
Nortrust Nominees Limited SLEND Acct	300,041	5.99
Chase Nominees Limited	300,000	5.99
HSBC Global Custody Nominee (UK) Limited 934567	255,042	5.09
Vidacos Nominees Limited	200,000	3.99

Auditors
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
24 April 2012

Paul Everitt
24 April 2012

CORPORATE GOVERNANCE STATEMENT

As a Cayman company and under the Specialist Fund Market (SFM) rules for companies, the Company is not required to comply with the UK Corporate Governance Code (UK 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 has considered the principles and recommendations of the AIC Code of Corporate Governance (AIC Code) by reference to the AIC Corporate Governance Guide for investment companies (AIC Guide). The AIC Code, as explained by the AIC Guide, addresses all the principles set out in the UK Code, as well as setting out additional principles and recommendations on issues that are of specific relevance to the Company.

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

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

The UK 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 Guide, and as explained in the UK 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 UK Code and the AIC Code principle are discussed further below.

The Board

The Board consists of a Non-Executive Chairman and one Non-Executive Director. Robert Ware is also Chairman of Marwyn Investment Management Limited, part of the same group as the Investment Manager. Paul Everitt is also a director of Fund Corporation of the Channel Islands Limited, the Company’s Administrator and a director of the Manager.

The Board does not consider it necessary to have an independent Chairman and for a majority of the

Board to be independent. 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 appoint a 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 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, Paul Everitt retires by rotation and being eligible offers himself for re-election at the forthcoming Annual General Meeting.

During the year ended 31 December 2011 the Board met eight times. In addition, the Audit Committee met three times and the Nomination Committee and Remuneration Committee met once. The Board of Directors is scheduled to meet quarterly. 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 2011 as follows (with their eligibility to attend the relevant meeting in brackets):

	Quarterly Meetings	Audit Committee	Nomination Committee	Remuneration Committee
Director:				
Robert Ware	4(4)		2(1)	
Paul Everitt	4(4)	3(3)	2(2)	2(2)
Michael Price	3(4)	3(3)	2(2)	2(2)
Eitan Milgram	3(4)			

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 considers 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 Administrator, 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 the 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. Paul Everitt (Chairman) and Michael Price (resigned 16 December 2011) served on the Committee during the year. Robert Ware replaced Mr. Price to serve on the Committee. 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 2012 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.

Whilst Paul Everitt is a director of Fund Corporation of the Channel Islands, the Company's Administrator, due to the outsourcing of the financial reporting process to the Sub-administrator, in the opinion of the Directors, no conflict of interest exists.

Nomination Committee

Appointments to the Board of Directors are considered by the Nomination Committee. Paul Everitt (Chairman), Robert Ware (Chairman of the Board of Directors) and Michael Price (resigned 16 December 2011) served on the Committee during the year. The terms of reference of the Nomination Committee are reviewed and re-assessed for their adequacy on an annual basis.

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 Administrator and the AIC.

Remuneration Committee

Paul Everitt (Chairman) and Michael Price (resigned 16 December 2011) served on the Committee during the year. Robert Ware replaced Mr. Price to serve on the Committee. 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 Administrator 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 receives quarterly reports on the shareholder profile of the Company. The Chairman held discussions with major shareholders in addition to regular contact being undertaken by 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

Due to the Master Fund meeting the Company's expenses, the Directors consider that there is no mismatch between the Company's assets and liabilities. 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 the Sub-administrator, 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 does not consider the need for an internal audit function is necessary.

DIRECTORS' RESPONSIBILITIES

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

The Directors are required to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

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

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Law (2010 Revision) as applicable in the Cayman Islands. 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.

Approved by the Board of Directors

Robert Ware
24 April 2012

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

We have audited the financial statements of Marwyn Value Investors Limited (the "Company") for the year ended 31 December 2011 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Net Assets and the related notes 1 to 17. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards as adopted by the European Union.

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 auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 28, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2011 and of its profit for the year then ended; and
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union.

Ernst and Young LLP
Jersey, Channel Islands
26 April 2012

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 2011

	Notes	*For the year ended 31 December 2011* Revenue £	Capital £	Total £	*For the year ended 31 December 2010* Revenue £	Capital £	Total £
INCOME							
Bank interest	3	263	-	263	192	-	192
Realised loss on disposal of financial assets at fair value through profit or loss		-	-	-	-	(1,216,054)	(1,216,054)
Net gain on financial assets at fair value through profit or loss	6	-	8,522,050	8,522,050	-	48,433,196	48,433,196
TOTAL NET INCOME		263	8,522,050	8,522,313	192	47,217,142	47,217,334
EXPENSES							
Loan interest		263	-	263	192	-	192
TOTAL OPERATING EXPENSES		263	-	263	192	-	192
PROFIT FOR THE YEAR		-	8,522,050	8,522,050	-	47,217,142	47,217,142
TOTAL COMPREHENSIVE INCOME		-	8,522,050	8,522,050	-	47,217,142	47,217,142
Attributable to holders of Ordinary shares	10	-	9,623,387	9,623,387	-	47,265,270	47,265,270
Attributable to holders of B Ordinary shares	10	-	(1,101,337)	(1,101,337)	-	(48,128)	(48,128)
Return per Ordinary share - Basic	10	-	14.56p	14.56p	-	68.98p	68.98p
Return per Ordinary share - Diluted	10	-	14.56p	14.56p	-	54.98p	54.98p
Return per B Ordinary share - Basic and diluted	10	-	(21.99p)	(21.99p)	-	(0.98p)	(0.98p)

The total column of this statement represents the Statement of Comprehensive Income of the Company, prepared in accordance with IFRS as adopted by the European Union. The revenue and capital columns represent supplementary information prepared under guidance published by the AIC.

The notes 1 to 17 form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

31 December 2011

	Notes	*31 December 2011* £	*31 December 2010* £
NON CURRENT ASSETS			
Unquoted financial assets at fair value through profit or loss	6	119,668,454	111,146,404
CURRENT ASSETS			
Cash and cash equivalents		263,585	263,300
TOTAL ASSETS		119,932,039	111,409,704
CURRENT LIABILITIES			
Loan	8	(250,000)	(250,000)
Accruals		(13,585)	(13,300)
TOTAL LIABILITIES		(263,585)	(263,300)
NET ASSETS ATTRIBUTABLE TO EQUITY HOLDERS		119,668,454	111,146,404
EQUITY			
CAPITAL AND RESERVES ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY			
Share capital	12	87	87
Share premium	12	48,384,287	48,384,287
Special distributable reserve	13	26,346,979	26,346,979
Exchange reserve	13	54,386	54,386
Capital reserve		49,151,877	40,629,827
Revenue reserve		(4,269,162)	(4,269,162)
TOTAL EQUITY		119,668,454	111,146,404
Net assets attributable to Ordinary shares	9	114,923,995	105,300,608
Net assets attributable to B Ordinary shares	9	4,744,459	5,845,796
Net assets per Ordinary share	9	173.85p	159.29p
Net assets per B Ordinary share	9	94.72p	116.71p

The financial statements on pages 30 to 51 were approved by the Board of Directors on 24 April 2012 and signed on its behalf by:

Robert Ware   Paul Everitt

The notes 1 to 17 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS

For the year ended 31 December 2011

	Notes	31 December 2011	31 December 2010
Cash flows from operating activities			
Interest received		309	192
Operating expenses paid		(24)	(61)
Net cash inflow from operating activities	11	285	131
Cash flows from financing activities			
Payment of share and warrant issue costs		-	(133,408)
Net cash outflow from financing activities		-	(133,408)
Net increase/(decrease) in cash and cash equivalents		285	(133,277)
Cash and cash equivalents at beginning of the year		263,300	396,577
Cash and cash equivalents at end of the year		263,585	263,300

The notes 1 to 17 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 2011

	Share capital	*Share premium*	*Special distributable reserve*	*Warrant reserve*	*Exchange reserve*	*Capital reserve*	*Revenue reserve*	*Total*
	£	£	£	£	£	£	£	£
Opening balance	87	48,384,287	26,346,979	-	54,386	40,629,827	(4,269,162)	111,146,404
Result for the period	-	-	-	-	-	8,522,050	-	8,522,050
Closing Balance	87	48,384,287	26,346,979	-	54,386	49,151,877	(4,269,162)	119,668,454

For the year to 31 December 2010

	Share capital	*Share premium*	*Special distributable reserve*	*Warrant reserve*	*Exchange reserve*	*Capital reserve*	*Revenue reserve*	*Total*
	£	£	£	£	£	£	£	£
Opening balance	87	48,384,287	26,346,979	4,392,660	47,574	(6,587,315)	7,604,099	80,188,371
Exchanges	-	-	-	-	(16,259,109)	-	-	(16,259,109)
Transfer to revenue reserve	-	-	-	(4,392,660)	16,265,921	-	(11,873,261)	-
Result for the period	-	-	-	-	-	47,217,142	-	47,217,142
Closing Balance	87	48,384,287	26,346,979	-	54,386	40,629,827	(4,269,162)	111,146,404

The notes 1 to 17 form an integral part of these financial statements

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 (the "Board") on 24 April 2012.

2 Changes to International Financial Reporting Standards

New standards and interpretations not adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2011, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Company, except for IFRS 9 Financial Instruments, which becomes mandatory for the Company's 2015 financial statements and could change the classification and measurement of financial assets and liabilities. The Company does not plan to adopt this standard early and the extent of the impact has not been determined.

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 (2010 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 as adopted by the European Union, 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 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 on a going concern basis, as modified by the revaluation of financial assets at fair value through profit or loss.

3.3 Foreign currency translation

(a) Functional and presentation currency

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

3.4 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 on a fair value basis together with other related financial information.

The Company classifies its investment in the Master Fund as a financial asset at fair value through profit or loss. This financial asset was 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 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.

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

(c) Fair value estimation
The Master Fund is unquoted and accordingly the fair value of the investment is determined based primarily on the information provided by the administrator of the Master Fund on a weekly basis.

The Company's investment 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 adjusted for a liquidity discount. The NAV of the Master Fund is determined by the Master Fund Administrator by deducting the fair value of the liabilities of the Master Fund from the fair value of the Master Fund's assets. The liquidity discount is calculated using estimated realisation dates and a discount rate applied to the NAV provided by the Master Fund Administrator.

3.5 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.

3.6 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.

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

3.8 Expenditure
All expenses attributable to the Company are paid by the Master Fund. The Investment Manager does 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 pays broker 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.

3.9 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.

3.10 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 NAV as reported by the administrator of the Master Fund. Movements in capital in respect of shareholder exchanges are recorded in the Exchange Reserve. Where the Company's partnership interests in the Master Fund are cancelled following Exchanges by the Master Fund out of Ordinary shares, the capital amount previously transferred to the Exchange reserve is transferred to the revenue reserve.

3.11 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 judgements

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

The fair value of the investments held 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 adjusted for a liquidity discount. The NAV of the Master Fund is determined by the Master Fund Administrator by deducting the fair value of the liabilities of the Master Fund from the fair value of the Master Fund's assets. The liquidity discount requires estimates of the expected dates upon which realisations will be received from the Master Fund and a judgement of the appropriate discount rate which reflects the shareholders' expected returns.

5 Taxation

The Company is an exempted company registered in the Cayman Islands and as such is not subject to taxation in the Cayman Islands.

6 Financial assets at fair value through profit or loss

	31 December 2011	31 December 2010
Marwyn Value Investors L.P.	£	£
At cost		
Opening balance	**77,776,366**	**95,251,529**
Additions	-	834,670
Disposals	-	(18,309,833)
Closing balance	**77,776,366**	**77,776,366**
Unrealised gain/(loss) brought forward	**33,370,038**	**(15,063,158)**
Movement in unrealised gain	27,412,302	48,433,196
Unrealised gain carried forward	**60,782,340**	**33,370,038**
Net asset value per Master Fund Administrator	**138,558,706**	**111,146,404**
Class F	133,058,964	48,433,196
Class B1	5,499,742	33,370,038
Net asset value per Master Fund Administrator	**138,558,706**	**111,146,404**
Fair value adjustment - liquidity discount	(18,890,252)	-
At fair value – Net asset value in accordance with IFRS	**119,668,454**	**111,146,404**
Class F	114,923,995	105,300,608
Class B1	4,744,459	5,845,796
At fair value – Net asset value in accordance with IFRS	**119,668,454**	**111,146,404**

The net gain on financial assets at fair value through profit or loss reported in the Statement of Comprehensive Income consists of the movement in unrealised gain and the fair value adjustment – liquidity discount.

No shareholders exchanged into or out of Ordinary shares or B Ordinary shares during the year. In 2010, shareholders exchanging out of B Ordinary shares and into the Master Fund exchanged 653,870 B Ordinary shares with a total net asset value of £827,858. Shareholders exchanging out of the Master Fund and into B Ordinary shares in 2010 exchanged 653,870 B Exchange shares with a total net asset value of £834,670. Following completed exchanges by the Master Fund in 2010, interests held by the Company in the Master Fund with a cost of £17,708,841 were cancelled. These movements in the Master Fund investment are included in additions and disposals and in the table above. There were no such exchanges by the Master Fund in 2011.

The Company holds 100% of the Class F interests which represent 68.2% of the net asset value of the Master Fund and 100% of the Class B1 interests which represents 2.8% of the net asset value of the Master Fund. 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.

Fair value adjustments for IFRS purposes
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 NAV, as determined by the administrator of the Master Fund. The Company may make adjustments to the reported NAV based on considerations such as (i) the liquidity of the Master Fund or its underlying investments, (ii) the value date of the NAV 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.

The fair value of the investments recorded in the above table includes a fair value adjustment for a liquidity discount. The liquidity discount represents an estimate of the potential discount that would be needed to be applied if the Company were to sell the investments.

In February 2010, the 15,150,000 Ordinary shares acquired by the Master Fund in October 2009 were exchanged into partnership interests in the Master Fund and subsequently cancelled. In September 2010, the Master Fund acquired, exchanged and cancelled a further 900,000 Ordinary shares. The total net asset value of the cancelled partnership interests was £16,265,921. There were no exchange movements or cancellations in 2011.

As at 31 December 2011, 100% (2010: 100%) 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 classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined 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:

	Level 1	Level 2	Level 3	Total balance
31 December 2011	£	£	£	£
Financial assets at fair value through profit or loss:				
Master Fund	–	119,668,454	-	119,668,454
31 December 2010				
Financial assets at fair value through profit or loss:				
Master Fund	–	111,146,404	-	111,146,404

The Master Fund was fair valued with reference to the NAV as reported by the Master Fund's administrator and the application of a liquidity discount.

7 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.

8 Financial liabilities at amortised cost

	31 December 2011	31 December 2010
	£	£
Loan from Master Fund	250,000	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.

9 Net Asset Value

Ordinary share series

The calculation of NAV of the Ordinary share series is based on the net assets attributable to the Ordinary shares of £114,923,995 (2010: £105,300,608) and on the Ordinary shares in issue of 66,106,473 at the balance sheet date (2010: 66,106,473).

B Ordinary share series

The calculation of NAV is based on the net assets of £4,744,459 (2010: £5,845,796) and on the B Ordinary shares in issue of 5,008,870 at the balance sheet date (2010: 5,008,870).

Reconciliation of NAV per share per financial statements to reported NAV per share

These financial statements include an adjustment to the net asset value of the investments held in the Master Fund as reported by the Master Fund administrator and as used in the reported NAV statements made by the Company. The adjustment represents a liquidity discount and has been included in accordance with IFRS, as explained in Note 6. The following table reconciles the NAV per share as reported by the Company and the NAV per share reported in these financial statements.

	Ordinary shares	B Ordinary shares
	£	£
Net asset value per financial statements	114,923,995	4,744,459
Liquidity discount	(18,134,969)	(755,283)
Net asset value used in reported NAV per share	133,058,964	5,499,742
Shares in issue at year end	66,106,473	5,008,870
Net asset value per share per financial statements	173.8p	94.7p
Net asset value per share per reported NAV	201.3p	109.8p

10 Earnings per Share

Ordinary share series

The calculation of basic earnings per Ordinary share series is based on net revenue of £NIL (2010: £NIL) attributable to the Ordinary shares, and net capital gain of £9,623,387 (2010: Gain £47,265,270), on ordinary activities for the year attributable to the Ordinary share series and on a weighted average 66,106,473 Ordinary shares in issue during the year (2010: 68,524,966).

Diluted earnings per Ordinary share is based on the net capital gain of £9,623,387 (2010: Gain £47,265,270), on ordinary activities for the year attributable to the Ordinary share series and on weighted average Ordinary shares of 66,106,473. In 2010, diluted weighted average shares included 17,444,309 Ordinary shares exercisable from the warrants, adjusted for their expiry in September 2010, giving a total of 85,969,275 Ordinary shares in issue during the year.

B Ordinary share series

The calculation of basic and diluted earnings per B Ordinary share series is based on the net revenue of £NIL (2010: £NIL) attributable to the B Ordinary shares, and net capital loss of £1,101,337 (2010: Loss £48,128), on ordinary activities for the year attributable to the B Ordinary share series and on 5,008,870 weighted average B Ordinary shares in issue during the year (2010: 4,890,636).

11 Reconciliation of net profit for the year to net cash outflow from operating activities

	31 December 2011 £	31 December 2010 £
Net profit for the year	8,522,050	47,217,142
Gain on investments held at fair value through profit or loss	(8,522,050)	(48,433,196)
Realised loss on investments	-	1,216,054
Increase in trade creditors	285	131
Net cash inflow from operating activities	285	131

12 Share Capital

Authorised	2011 £	2010 £
Ordinary shares:		
10,892,258,506,473 of 0.0001p each	10,892,258	10,892,258
Exchange shares:		
10,892,176,350,000 of 0.0001p each	10,892,176	10,892,176
Deferred shares:		
82,156,473 of 9.9999p	8,215,566	8,215,566
Total authorised	**30,000,000**	**30,000,000**

	2011		2010	
Issued and fully paid	Number	£	Number	£
Ordinary shares:				
Ordinary shares	66,106,473	66	82,156,473	82
B Ordinary shares	5,008,870	5	5,008,870	5
Opening balance	**71,115,343**	**71**	**87,165,343**	**87**
B Ordinary shares redesignated as B Exchange shares	-	-	(653,870)	(1)
B Exchange shares redesignated as Ordinary	-	-	653,870	1
Closing balance – B Ordinary	5,008,870	5	5,008,870	5
Ordinary shares redesignated as Exchange shares	-	-	(16,050,000)	(16)
Closing balance – Ordinary	66,106,473	66	66,106,473	66
Closing balance – total Ordinary	**71,115,343**	**71**	**71,115,343**	**71**

		2011		2010
	Number	£	Number	£
Exchange shares:				
Opening balance	**16,050,000**	**16**	**-**	**-**
Ordinary shares redesignated as Exchange shares	-	-	16,050,000	16
B Ordinary shares redesignated as B Exchange shares	-	-	653,870	1
B Exchange shares redesignated as Ordinary shares	-	-	(653,870)	(1)
Closing balance	**16,050,000**	**16**	**16,050,000**	**16**

	2011	2010
	£	£
Share Premium:		
Opening balance	48,384,287	48,384,287
Closing balance	48,384,287	48,384,287

The Company has two classes of shares in issue, Ordinary and B Ordinary shares. The Company's assets and liabilities are segregated in accordance with the assets and liabilities of each share class (see Note 16). Each class of share ranks equally as to voting rights. Dividends and rights as to capital are equivalent for each class and as described below in (a) to (d) where Ordinary shares refer to both Ordinary and B Ordinary shares. Both classes of share are able to convert into Exchange shares of their respective class.

(a) Voting rights

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

(b) Dividends

(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 class of Ordinary shares may only be paid from proceeds received from the corresponding class of interests in the Master Fund.

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

(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 class 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.

(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% of the Ordinary shares.

Exchange reserve
Movements in capital in respect of shareholders exchanging into and out of the Company are recognised in the exchange reserve. There were no movements in the current year. In 2010, an amount of £16,259,109 was debited to the exchange reserve in this respect.

Where the Company's partnership interests in the Master Fund are cancelled following Exchanges by the Master Fund out of Ordinary shares, the capital amount previously transferred to the exchange reserve is transferred to the revenue reserve. There were no movements in the current year. In 2010, an amount of £16,265,921 was credited to the exchange reserve and debited to the revenue reserve in this respect.

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 reserves. 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.

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

	Interest rate revalues in less than 1 month 2011 £	Non-interest bearing 2011 £	Interest rate revalues in less than 1 month 2010 £	Non-interest bearing 2010 £
Assets				
Unquoted investments at fair value through profit or loss	-	119,668,454	-	111,146,404
Cash and cash equivalents	263,585	-	263,300	-
Total assets	263,585	119,668,454	263,300	111,146,404
Liabilities				
Loan from Master Fund	250,000	-	250,000	-
Payables and accruals	-	13,585	-	13,300
Total liabilities	250,000	13,585	250,000	13,300
Total interest sensitivity gap*	-		-	

* All income received by the Company on cash held is paid to the Master Fund in accordance with the Company's Registration Document.

The net assets attributable to ordinary shareholders would have been unaffected by any move in interest rates at the year end and the previous year end.

(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 quarterly 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 NAV per Ordinary share and B Ordinary share respectively, similarly for 2010.

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

	2011	2010
	£	£
Unquoted investments at fair value through profit or loss	119,668,454	111,146,404

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

Ordinary shares:	2011 Analysis of monthly returns	2010 Analysis of monthly returns
Number of periods	12	12
Percent profitable	50%	75%
Average period return	2.16%	4.48%
Average gain	7.46%	6.42%
Average loss	-3.14%	-1.32%

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*
	(%)	*(%)*	*£*	*£*	*£*	*£*
2011	7.46	(3.14)	8,573,330	8,573,330	(3,608,613)	(3,608,613)
2010	6.42	(1.32)	6,760,299	6,760,299	(1,389,968)	(1,389,968)

B Ordinary shares	2011 Analysis of monthly returns	2010 Analysis of monthly returns
Number of periods	12	12
Percent profitable	25%	33%
Average period return	-0.36%	0.0%
Average gain	6.25%	0.65%
Average loss	-3.67%	-0.27%

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*
	(%)	*(%)*	£	£	£	£
2011	6.25	(3.67)	296,529	296,529	(174,122)	(174,122)
2010	0.65	(0.27)	37,998	37,998	(15,783)	(15,783)

14.2 Liquidity Risk

The Company requires the approval of the General Partner in order to redeem or sell its investment. Further, the Master Fund invests a significant part of its assets in publicly traded investments, the holdings of which are illiquid. As such the Master Fund and/ or Company may not be able to readily dispose of such illiquid investments and, in some cases, may be contractually prohibited from disposing of such investments. However, the Company's liquidity profile of its assets is matched with the liquidity profile of its liabilities, as described below.

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 2011	1-3 months 2011	Less than 1 month 2010	1-3 months 2010
	£	£	£	£
Loan from Master Fund	250,000	-	250,000	-
Payables and accruals	13,585	-	13,300	-

The financial liabilities of the Company at 31 December 2011 comprise accrued expenses and a loan payable to the Master Fund. As at 31 December 2011, total accrued expenses of £13,585 (2010: £13,300) had contractual maturity dates ranging between 1 and 7 days (2010: 1 and 7 days) after the year end date. As at 31 December 2011, 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 2011 and 2010 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 short-term credit rating of P-1 and long-term 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.

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.

(a) Management fee
Marwyn Investment Management LLP, part of the Marwyn Investment Management Limited group, 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 (2010: Nil).

Under the Master Fund Management Agreement, the Manager will receive monthly management fees from the Master Fund not exceeding 2% per annum of the NAV of each class of share in the Master Fund, payable monthly in arrears.

The incentive allocation to be borne by the Class F and B1 Interests will only be payable on Returns being made. For these purposes "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
The administration is carried out by Fund Corporation of the Channel Islands Limited with outsourced administration and exchange administration services provided by Axio Capital Solutions Limited. Fund Corporation of the Channel Islands Limited is considered a related party.

Fund Corporation is paid an annual fee of £5,000 (2010: £5,000) and Axio Capital Solutions Limited is paid an annual fee of £30,000 (2010: £30,000) for the administration of the Ordinary series and £15,000 (2010: £15,000) for the administration of the B Ordinary series, monthly in arrears. Axio also receives an exchange administration fee of £5,000 (2010: £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. These fees are paid by the Master Fund as they were in 2010.

(c) Board of Directors' remuneration
Director fees are paid by the Master Fund. Michael Price received a fee of £19,210 (2010: £20,000). Robert Ware and Paul Everitt received a fee of £20,000 (2010: £20,000). With effect from 1 April 2012, Paul Everitt's fee has been increased to £30,000. Eitan Milgram did not receive a director fee (2010: Nil).

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:

	2011	2010
	£	£
Share capital	87	87
Share premium	48,384,287	48,384,287
Special distributable reserve	26,346,979	26,346,979
Exchange reserve	54,386	54,386
Capital reserve	49,151,877	40,629,827
Revenue reserve	(4,269,162)	(4,269,162)
Total Capital	119,668,454	111,146,404

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 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. The information on the following two pages is presented in respect of those two series of Ordinary shares in issue.

31 December 2011	*Ordinary shares* £	*B Ordinary shares* £
NON CURRENT ASSETS		
Unquoted investments at fair value through profit or loss	114,923,995	4,744,459
CURRENT ASSETS		
Cash and cash equivalents	126,903	136,682
TOTAL ASSETS	115,050,898	4,881,141
CURRENT LIABILITIES		
Loan	125,000	125,000
Accruals	1,903	11,682
TOTAL LIABILITIES	126,903	136,682
NET ASSETS ATTRIBUTABLE TO EQUITY HOLDERS	114,923,995	4,744,459
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	-
Exchange reserve	47,574	6,812
Capital reserve	49,018,042	133,835
Revenue reserve	(4,269,162)	-
TOTAL EQUITY	114,923,995	4,744,459
Net assets per Ordinary share	173.85p	
Net assets per B Ordinary share		94.72p

31 December 2010	*Ordinary shares*	*B Ordinary shares*
	£	£
NON CURRENT ASSETS		
Unquoted investments at fair value through profit or loss	105,300,608	5,845,796
CURRENT ASSETS		
Cash and cash equivalents	126,692	136,608
TOTAL ASSETS	105,427,300	5,982,404
CURRENT LIABILITIES		
Loan	125,000	125,000
Accruals	1,692	11,608
TOTAL LIABILITIES	126,692	136,608
NET ASSETS ATTRIBUTABLE TO EQUITY HOLDERS	105,300,608	5,845,796
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	-
Exchange reserve	47,574	6,812
Capital reserve	39,394,655	1,235,172
Revenue reserve	(4,269,162)	-
TOTAL EQUITY	105,300,608	5,845,796
Net assets per Ordinary share	159.29p	
Net assets per B Ordinary share		116.71p

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.

Control 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.

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