

**MARWYN VALUE INVESTORS LIMITED**  
**AUDITED FINANCIAL STATEMENTS**  
**31 December 2012**

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# MARWYN VALUE INVESTORS LIMITED

## 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 or 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 2012 are as follows:

The Company posted a decrease in the Net Asset Value (“NAV”) of the Ordinary shares of 3.9%. The NAV since inception has increased by 115.1%. That compares with an increase in value of the FTSE All Share Cap Index (ex Investment Trusts) of 4.41% 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, decreased by 7.0% over 2012 and increased 140.9% since inception.

The price per Ordinary share decreased by 13.1% from 141.0p on 31 December 2011 to 122.5p on 31 December 2012 and was 146p as at the day prior to this annual report.

The NAV of the B Ordinary shares reduced by 30% during the year with the share price reducing by 24.3% from 70.0p on 31 December 2011 to 53.0p on 31 December 2012 and was 49.5p as at the day prior to 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 31.5% over 2012 and 18.2% since inception.

The Master Fund’s investee companies have together delivered a net internal rate of return (IRR) to investors of 22.4% on a total of approximately £1.1 billion 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 2012.

**Ordinary Shares**

While the operations of the underlying portfolio companies for the Company's Ordinary share class continued to perform well during 2012, this has not been reflected in the overall performance of the Fund. In the earlier part of the year this was primarily due to the performance of the share price of Entertainment One Ltd ("ETO"), the Fund's largest position, following its announcement regarding the conclusion of a strategic review that had previously driven strong appreciation in the share price during the second half of the prior year. The second half of 2012 saw an improvement in the performance of the Fund, primarily driven by the announcement by ETO of its potential acquisition of Alliance alongside strong performance from other portfolio companies. A detailed review of the performance of the portfolio companies is set out in the Investment Summary.

Since 30 June 2012, the date of the Company's interim results, the Company has reported a 7% increase in its NAV and the price per Ordinary share has increased by 7%.

**B Ordinary Shares**

Despite significant operational improvements, the financial performance of the underlying portfolio companies for the Company's B Ordinary share class has fallen behind forecast figures, which has impacted on the share prices of these companies and consequently the performance of the Fund.

The price per share for the Company's B Ordinary shares as at 31 December 2012 was 10.9% less than the share price at the end of the prior year.

A more detailed report on the performance of the underlying portfolio companies for both share classes are contained on pages 6 to 18.

**Investment Performance**

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

The NAV per Ordinary share of the Company reduced during the financial period by 6.8p to 167.1p, a decrease of 3.9%. As at 31 December 2012, the discount of the share price to net asset value per share was 26.7%, an increase over the 12 month period from 18.9% as at 31 December 2011.

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Performance	NAV %	FTSE All Share (Ex- Inv Tr) %	FTSE Small Cap %	MSCI Europe Net (€) %
Year to date (to 31/12/2012)	-3.9%	+8.1%	+24.4%	+17.29%
Since inception <sup>1</sup> (1/3/2006 to 31/12/2012)	+115.1%	+4.4%	+24.4%	+17.3%

The NAV per B Ordinary share of the Company decreased during the period by 28.0p to 66.7p, a decrease of 29.6%. As at 31 December 2012, the discount of the share price to the net asset value was 20.5%, a reduction from the discount of 26.1% as at 31 December 2011.

Performance	NAV %	FTSE All Share (Ex- Inv Tr) %	FTSE Small Cap %	MSCI Europe Net (€) %
Year to date (to 31/12/2012)	-29.6%	+8.1%	+24.4%	+17.29%
Since inception <sup>2</sup> (30/11/2009 to 31/12/2012)	-27.4%	+4.4%	+24.4%	+17.3%

The NAV figures presented above include a liquidity discount as required by IFRS whereas the comparative performance figures for the relevant indices are as published to the market. 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 2012 is provided in Note 9 to the audited financial statements.

**Robert Ware**

Chairman

28 March 2013

<sup>1</sup> 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 104.4%.

<sup>2</sup> The calculation is based on capital raised net of issue costs. If issue costs are taken into consideration the equivalent performance would be - 33.3%.

## 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 area that is largely non-discretionary spend (eg asbestos remediation) or they may have a high degree of entrenched public sector spending. We also favour companies in those sectors that tend to outperform in tougher times (low ticket entertainment). 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 teams 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 sector's 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. 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. Our view is also 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 can place on the growth prospects of these businesses. High leverage risks shackling 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 another challenging year from a macroeconomic perspective, we are pleased with the operating performance of all of our portfolio companies during 2012. We have again demonstrated the resilience of an investment model that concentrates on working closely with management and adding operational value to our investee companies. Our hands-on investment

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approach to executing build-and-buy strategies in the public markets has built an impressive track record of consistent returns. Whilst the performance of the Fund over the financial year was negatively impacted by ETO's announcement regarding the conclusion of a strategic review and our two smallest companies lagging slightly behind market consensus estimates of financial performance, we believe that the underlying portfolio is well positioned to perform strongly during the current financial year and beyond.

### 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 2012:

#### Ordinary Shares

Company	Ticker	Sector	% of NAV
Advanced Computer Software plc	ASW LN	Healthcare Software	18.64%
Entertainment One Limited	ETO LN	Entertainment Rights	76.90%
Breedon Aggregates Limited	BREE LN	Construction Materials	20.02%
Marwyn Management Partners plc	MMP LN	Financial Services	1.71%
Silverdell plc	SID LN	Asbestos Services	5.30%
Other assets of the Master Fund			0.81%
Liabilities of the Master Fund			-23.38%
<b>Net assets</b>			<b>100.00%</b>

#### B Ordinary Shares

Company	Ticker	Sector	% of NAV
Fulcrum Utility Services Limited	FCRM LN	Support Services	67.4%
Paragon Entertainment Limited	PEL LN	Leisure and Entertainment	32.5%
Other assets of the Master Fund			4.62%
Liabilities of the Master Fund			-4.52%
<b>Net assets</b>			<b>100.00%</b>

**INVESTMENTS – ORDINARY SHARES**

**Company:** Entertainment One Limited (“ETO”)  
**Sector:** Entertainment Rights  
**Ticker:** ETO LN

**Introduction:**

ETO is a leading international entertainment group incorporating international film distribution and independent television content production. ETO’s international footprint covers Canada, the U.S., the UK, Australia, Benelux and Spain.

**Management Biography:**

Darren Throop (CEO) has over 20 years of executive management experience in the entertainment industry. Darren has been CEO of ETO since July 2003 and has been in the Group since 1999.

Patrice Theroux (President of Filmed Entertainment) has over 25 years of experience in the motion picture industry and until June 2006 was president and CEO of the Toronto Stock Exchange listed Motion Picture Distribution LP.

Giles Willits (CFO) joined the board of ETO in May 2007. He was formally director of Group Finance at J Sainsbury plc from 2005 to 2007 and group corporate development director and interim group finance director at Woolworths Group plc.

**Progress over the Period:**

As part of its interim management statement published in February 2012, ETO provided an update on its ongoing strategic review originally announced in September 2011. It stated that the board had considered various proposals and concluded that offers received for all or parts of the Group did not reflect the company’s value and as a result it was no longer considering the sale of the company. ETO confirmed that it was continuing to review strategic acquisition opportunities and that further announcements would be made in due course. Immediately following this announcement, the share price fell from 200p to 162p.

In May 2012, ETO announced its preliminary results for the year ended 31 March 2012. Highlights included a 7% increase in revenue to GBP502.7 million, a 23% increase in underlying EBITDA to GBP52.6 million and net debt of GBP44.1 million. Operational highlights included the Group releasing 152 films with gross box office receipts of USD212 million and digital sales doubling to GBP66 million. In addition, the Group delivered 237 half hours of television programming during the year and Peppa Pig remained the number one UK pre-school property with a US licensing and merchandising launch due during 2012.

During September 2012, ETO announced the acquisition of Alliance Films Holdings, Inc, a leading distributor of filmed entertainment products in Canada, the UK and Spain, for a total consideration of CAD\$225 million. ETO financed this acquisition through the placing of £110 million of new equity at



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150 pence per share and CAD\$150 million of new debt commitments. The placing was subject to shareholder approval that was confirmed at a general meeting held on 28 September. The deal remained subject to Canadian regulatory approval which expired on 2 January 2013 without the Canadian Competition Bureau raising any concerns on the deal. Completion of the acquisition of Alliance Films Holdings, Inc, referred to above, was announced on 9 January 2013. Alongside the announcement, Peel Hunt released a highly positive note on ETO including the company in its top 4 media stocks with a target price of 250p.

Also during September 2012, ETO announced that it had entered into a four year output agreement with Dreamworks Studios to distribute their films in all media across the UK and Benelux.

In November 2012, ETO announced its interim results for the six months ended 30 September 2012. Operating highlights included signing of an output deal with Dreamworks Studios, as detailed above, and the Peppa Pig US licensing and merchandising launch and international roll out performing ahead of expectations. The Group released over 85 film titles theatrically compared to 74 in the first half of the prior year and delivered over 130 hours of television programming compared to 73 in the comparative period. Financial highlights included reported revenue of £220.5 million (2011: £204.6 million) which was 86% ahead of the prior period, driven primarily by strong performance from the Group's investment in the Entertainment division. Underlying EBITDA of £13.4 million (2011: £23.6 million) was lower due to the timing of higher advertising costs associated with the increased number of theatrical releases. ETO stated that the full year outlook remained in line with management expectations with the weaker first half profit performance reflecting timing of releases.

### Investment Performance:

During the twelve month period to 31 December 2012, ETO's share price decreased from 206p to 168.5p.

**Company:** Silverdell plc ("SID")  
**Sector:** Asbestos Services  
**Ticker:** SID LN

### Introduction:

SID is an environmental support services business, offering a full suite of specialist services providing for the safe management and disposal of high hazard materials and built assets worldwide ,working across the public, private, construction and industrial markets.

### Management Biography:

Stuart Doughty (Non-Executive Chairman) has over 49 years experience in the construction industry and from 2001 to 2005 served as Chief Executive Officer of Costain Group plc. Stuart's past responsibilities include acting as Non-Executive Chairman of Alstec Group Limited, Beck & Pollitzer Limited, and Kennedy Construction Group Limited, as well as Senior Non-Executive Director of Somero plc and Scott Wilson plc. Currently Stuart also serves as Senior Non-Executive Director of Aigis Blast Protection Limited.

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Sean Nutley (CEO) has more than 20 years' experience in the asbestos and environmental sectors. Sean was previously Chief Operating Officer of SID and has been a board member since 2006.

Ian Johnson (CFO) was previously Group Finance Director of McBride Plc. Ian has also held senior finance roles within Taylor Wimpey Plc, including Commercial Director for the Taylor Morrison Inc in North America.

Progress over the period:

In June 2012, SID announced its interim results for the half year ended 31 March 2012. Highlights included revenue growth of 12% to £31.4 million, increased gross profit of 16% at £8.9 million and a record H1 order book of £133 million reflecting a strategic focus on large customers and repeat business. SID also announced several contract wins including £3 million of cumulative work for high street retailers, £1.1 million with a major energy supplier in North England and inclusion on the £300 million Magnox framework contract. Increased overheads for the period resulted from investment in long term growth including additions to the senior management team.

On 20 June 2012, SID announced the acquisition of EDS Group Holding Ltd ("EDS"), a specialist provider of decommissioning and dismantling services to the power generation, chemical, oil & gas, pharmaceutical and fuel industries with operations in the UK, Canada and Australia, for an initial consideration of £15 million. SID advised that it expected the acquisition to be immediately earnings enhancing, offering significant cross selling opportunities to the enlarged Group's customer base as well as enabling SID to accelerate its planned expansion into Canada and Australia. The acquisition was funded by a placing of 80.1 million new ordinary shares at a price of 11 pence per share raising c. £8.81 million before expenses. As part of the placing, the Master Fund subscribed for an additional 15.5 million new ordinary shares in the company. In addition, as part of the acquisition SID agreed new banking facilities with HSBC Bank plc which include a revolving credit facility of £5.45 million, a 3-year term loan of £3 million as well as a £1 million unsecured overdraft. The new facilities gave the Group reduced overall financing costs, improved covenant terms and a global banking relationship.

In July 2012, SID announced that it had secured further decontamination and dismantling contracts in Canada worth a total of c. £13 million.

In a trading update for the financial year ended 31 September 2012, SID announced expected revenue of c. £78 million being an increase of more than 30% year-on-year and expected growth in adjusted EBITDA of 46% at around £6 million. SID also announced that it received a £3.2 million order for work to commence immediately at the Magnox site under the Framework Agreement referred to above and advised that the integration of EDS was progressing in line with management expectations. SID stated that it was also in the process of tendering for large contracts in Australia, Canada, the UK and mainland Europe where it has submitted a number of bids in respect of the decommissioning of oil and gas and pharmaceutical facilities.

Financial highlights included increased revenue of £82.5 million (up by 38%) while gross profit was up 27% at £20.4 million. Adjusted EBITDA was up 51% to £6.2 million; adjusted pre-tax profit was up

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43% at £4.3 million; adjusted EPS was up at 1.5p; and net senior debt (excluding lease finance) decreased by £0.5 million. The Company also reported the recommendation of a maiden dividend of 0.175 pence per share to be paid in March 2013. The group's order book increased 105% to £219 million at 31 October 2012, of which £97 million is scheduled to fall in 2013. Trading was stated to be in line with the Board's expectations.

During January 2013, SID announced that it had agreed a £12 million contract with Canada's largest electricity generator, Hydro Québec. The contract is due to start in Q2 2013 and will complete within 12 months. FinnCap released an analyst report to coincide with the announcement of the contract re-affirming the attractive upside available to the target price of 23 pence but leaving its forecasts unchanged. The Company confirmed on 31 January 2013 the terms of its maiden dividend at 0.175 pence (c. £550k in total) due to be paid on 22 March 2013.

### Investment Performance:

During the twelve month period to 31 December 2012, SID's share price increased from 11.3p to 15.1p.

**Company:**      **Advanced Computer Software plc ("ACS")**  
**Sector:**        **Healthcare Software**  
**Ticker:**        **ASW LN**

### Introduction:

ACS is a leading provider of patient management software solutions for the healthcare sector and back office solutions for businesses and organisations in both the public and commercial sectors.

### Management Biography:

Michael Jackson (Chairman) joined ACS in August 2008. Michael founded Elderstreet Investments Limited in 1990 and for the past 30 years has specialised in investing in the smaller companies sector. Michael was previously Chairman of The Sage Group plc, Computer Software Group plc ("CSG") and Party Gaming plc.

Vin Murria (CEO) 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 CEO of CSG which she took private in May 2007. CSG merged with IRIS in July 2007 and was subsequently sold to Hellman Friedman for USD1 billion. Vin is also a partner at Elderstreet Capital.

Barbara Firth (CFO) was previously CFO of CSG where she worked closely with Vin Murria and Michael Jackson until its merger with IRIS in July 2007. Following the merger Barbara became Acquisitions and Integration Director of the combined group until joining ACS in August 2009.

### Progress over the Period:

In May 2012, ACS completed the acquisition of London-based Fabric Technologies Ltd (“Fabric”), a provider of healthcare and business management software and services, for a total cash consideration of £4.6 million including a performance related earn-out of up to £0.4 million which was payable in October 2012. Fabric generated turnover of £11.2m and EBITDA of £0.5 million in the year to 31 December 2010. ACS stated that they expected this acquisition to strengthen the Group’s existing managed services division with opportunities for cross-selling other group products.

In June 2012, ACS announced its audited results for the year ended 29 February 2012. Financial highlights included revenue growth of 10% to £98.2 million and adjusted EBITDA up 9% to £24 million. Mobile user license orders were up 200% to over 13,000 and ACS announced that it was benefitting from growth in cross selling cloud solutions, including a £17 million contract with Northern Ireland’s Department of Health, Social Services and Public Safety.

During September 2012, ACS acquired Strand Technology Limited (“Strand”), a leading supplier of clinical care management solutions to community care and mental health organisations, for a total cash consideration of £2.0 million. In the financial year ended 31 March 2012, Strand had a turnover of £1 million and their flagship solution, CareNotes, provides a fully integrated web-based health and social care solution covering all aspects of community and mental health care. ACS advised that they believed the deal would provide access to new customers across both public and private sectors and will support the Group’s penetration of the £100 million market for community care as the MPfit contacts come to an end in 2014-2016. ACS also announced that it had invested £350,000 in AIM-listed Avia Health Informations PLC in the form of a convertible loan note with a term of three years.

On 28 November 2012, ACS announced its unaudited half year results for the six months ended 31 August 2012 which reported that group revenue was up 20% to £56.8 million with adjusted EBITDA up 10% to £13.2 million. Cash flow remained strong with cash generated from operating activities of £12.3 million while net cash at the period end, after spending £4.7 million on acquisitions, was £1.5 million.

During December 2012 ACS announced the acquisition of Serco Learning, one of the UK’s leading education software providers, for a total cash consideration of £7.25 million. Serco Learning provides business solutions for the education sector, including training and support to over 2,000 local authorities, academies, independent schools and higher and further education providers. ACS advised that the business would be integrated into ACS’ Advanced Business Solutions division which already had 49 university college customers, providing back office and student records solutions. ACS further advised that following the acquisition it now had 80 local authority customers creating significant opportunities for the cross selling of products and services.

During Q1 2013 ACS completed the raising of £44 million through a placing of 55 million new ordinary shares at 80 pence per share. Following the completion of the placing, ACS announced the acquisition of Computer Software Holdings (“CSH”) from Hg Capital for £110 million in cash, financed through ACS’ existing cash resources and additional bank debt. CSH is the successor company of CGS, the

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company previously run by the ACS management team. CSH provides accounting and back office software to U.K. lawyers and coroners, Customer Relationship Management software to non-profit organisations, accounting software to SMEs, and solutions for field services operations. The Company announced that the Enlarged Group is expected to deliver pro forma revenue of GBP193.2 million for the year to February 28, of which GBP160 million is recurring, and adjusted EBITDA of GBP42.3 million.

### Investment Performance:

During the twelve month period to 31 December 2012, ACS' share price increased from 47.5p to 75.8p.

**Company:** Breedon Aggregates Limited ("BREE")  
**Sector:** Building Materials  
**Ticker:** BREE LN

### Introduction:

BREE is the largest independent aggregates company in the UK, operating across Central England, East Anglia, Eastern England and Scotland. BREE supplies a wide range of products and services to the construction and building sectors.

### Management Biography:

Peter Tom CBE (Chairman) has more than 50 years' experience in the aggregates industry, latterly as CEO of Aggregate Industries plc and Holcim.

Simon Vivian (Group Chief Executive) has over 20 years' experience in aggregates and construction, most recently as CEO of Mowlem plc where he negotiated the takeover of Mowlem by Carillion plc in 2005.

Ian Peters (Group Finance Director) has more than 25 years' experience in the European aggregates industry, initially in financial controller roles within the UK aggregates business of Hanson.

### Progress over the Period:

In January 2012, BREE completed the acquisition of Nottingham Readymix, the leading supplier of ready-mixed concrete in the city. The acquisition allows BREE to expand its coverage of the East Midlands and benefit from the city's various infrastructure and commercial projects, including a £600 million tram project which was anticipated to start during 2012.

In March 2012, BREE announced its audited annual results for the year ended 31 December 2011. Key highlights included revenue growth of 17.5% to £168.9 million and EBITDA growth of 24.8% to £17.1 million. Group net debt was reported to be £96.2 million following the acquisition of C&G Concrete for £10.8 million during the financial year.

During May 2012, BREE released an announcement in response to the report issued by the Competition Commission concluding that the proposed Anglo American and Lafarge UK joint venture could only proceed on the basis that a significant portfolio of operations would be sold prior to completion. BREE's response reiterated the company's belief that it was well placed to consider any specific opportunities from the proposed divestiture programme, consistent with its strategy of consolidating the heavyside end of the UK building materials industry. BREE stated that it would assess any specific opportunities once further details on the proposed disposals had been made available. During October 2012, BREE announced that, further to its initial interest in the assets being made available through the divesting programme being conducted by Lafarge and Tarmac, the group had submitted conditional offers to the sellers' advisers for a number of the assets but that the group was unable to meet the value expectations of the sellers in respect of the majority of assets and had therefore withdrawn from the bidding process for those assets. The BREE group further stated that it remained in discussion regarding the possible acquisition of certain other assets and that it would make a further announcement in due course.

In July 2012, BREE reported its interim results for the six months ended 30 June 2012. Key highlights included revenue of £83 million, underlying EBITDA margin improved by 1.8 points to 11.7% reflecting downward pressure on costs and higher selling prices and net debt reduced to £81.8 million from £96.2 million. The BREE group also completed its first acquisition in Scotland of a sand and gravel quarry and reported encouraging prospects in its English regions, backed by commercial and industrial investment as well as recovery in house building.

In November 2012, BREE issued a statement in advance of its preliminary results announcement due during March 2013. Sales revenue in the second half of the year was slightly stronger than the first half and the EBITDA margin improvements reported in the first half had been largely maintained. BREE continues to make good progress, despite the difficulties faced by the UK construction market, with reported construction output and mineral production volumes both sharply down. The Company stated that anticipated trading results for the year to 31 December 2012 remain in line with management expectations.

### Investment Performance:

During the twelve month period to 31 December 2012, BREE's share price increased from 17.0p to 21.75p.

**Company:** Marwyn Management Partners plc ("MMP")  
**Sector:** Financial Services  
**Ticker:** MMP LN

### Introduction:

MMP is a holding company listed on the Main Market of the London Stock Exchange, established to acquire interests in one or more operating companies or businesses. MMP seeks to identify experienced management teams with proven sector expertise and back those teams to deliver acquisitive growth strategies. Potential acquisition targets include listed and unlisted businesses

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principally headquartered in the UK, particularly those operating in fragmented sectors or sectors undergoing structural changes.

Following the exit of its Gaming division during 2012, MMP is organised across two divisions. The Luxury Goods division holds and targets investments in the global luxury goods industry and the Industrial division holds and targets investments in the European transport industry. Further information regarding the divisions is contained below.

### Progress over the Period:

During April 2012, MMP released its results for the period from 15 October 2010 (the date of incorporation) to 31 December 2011. Key financial highlights included; total group revenue of £33.2 million, loss before tax of £4.4 million, adjusted EBITDA of £2.2 million, adjusted EPS (excluding exceptional and non-recurring items) of 8.5p and net debt of £42.0 million. During the period MMP established a gaming business through the acquisition of Praesepe plc and the Agora entities with 166 venues across the UK, and a transport business, MET, with a fleet for more than 240 vehicles in the German bus market. MMP also announced the issue of 10% unsecured convertible loan notes with a total principal value of £1.5 million which would be used to fund additional acquisition opportunities in MET and for general working capital purposes across the group.

During August 2012, MMP released its results for the 6 month period to 30 June 2012. Key financial highlights included total group revenue of £47.7 million, loss before tax of £1.5 million, adjusted EBITDA of £3.4 million, net debt of £41.8 million and loss per share of 2.6p. The announcement advised that within the Consumer division the gaming business acquired three new bingo halls which increased MMP's gaming estate to 169 venues and it remains the third largest estate in the UK. In the Industrial division there were further acquisitions completed by MET with two acquisitions announced in the period and three new contract wins helping to establish a fleet of more than 290 vehicles in the German bus market.

In October 2012, MMP announced the sale of its wholly owned indirect subsidiary Marwyn Gaming Limited ("MGL") to Merkur Casino UK Ltd ("Merkur"), a wholly owned subsidiary of German operator Casino Merkur Spielothek GmbH ("Gauselmann"). The gross consideration for the sale was £76.0 million on a cash free, debt free basis, payable in cash. The sale was expected to represent net cash available to MMP of approximately £16 million after the repayment of debt.

During the same month MMP announced that it had completed the acquisition of Le Chameau SAS ("Le Chameau") from the Lafuma S.A. group for a total consideration of €16.5 million on a cash free, debt free basis. Founded in 1927, Le Chameau is a French based producer of high-end rubber boots, footwear and apparel. MMP completed the acquisition through its 100% owned subsidiary Silvercloud Management Holdings plc ("Silvercloud"). MMP established Silvercloud in 2011 to pursue acquisition opportunities within the global luxury goods market. MMP's strategy for Le Chameau will be to grow sales in core markets, build new geographic and attract new customer groups to the brand. MMP believes that an opportunity exists to develop Le Chameau into a global luxury brand, built upon its unique heritage and the quality of its range of hand-made footwear products.

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During November 2012, MMP issued its interim management statement for the period from 1 July 2012 to 16 November 2012. The MMP Group's consolidated net cash assets as at 30 September 2012 were £25.3 million (30 June 2012: £51.5 million), including an estimated write-down of £25.0 million relating to the sale of MGL.

### Luxury Goods

#### Introduction:

Silvercloud Management Holdings plc ("Silvercloud") was established in March 2011 to pursue the acquisition of one or more operating companies within the luxury goods sector.

#### Management Biography:

Maria Giron (Non-Executive Chairman) has over 20 years experience in the Luxury goods sector. Maria was previously CEO of Carrera y Carrera and held senior management roles at Spanish leather goods business Loewe. She has successfully led and operated business and brand turnarounds and has advised numerous luxury companies on strategic development, expansion in Asia and CIS and brand development. Maria was awarded Best Women Executive of Spain in 2004.

Marc Newson (Creative Director) is one of the most acclaimed and influential designers of his generation and has previously been listed as one of Time magazine's 100 Most Influential People in the World.

#### Progress over the Period:

Silvercloud completed its first acquisition with the purchase of Le Chateau, details of which are provided above. Silvercloud's strategy is to develop Le Chateau into a global luxury brand, built upon its unique 85 year heritage and the quality of its hand-made products.

### Industrial

#### Introduction:

Marwyn European Transport plc ("MET") was established to pursue acquisition opportunities within the European transport sector. MET is focussed on consolidating the market for contracted bus services and intercity express routes in Germany, building an independent bus group of significant scale, targeting new contracting opportunities and maximising operating efficiencies across its vehicle and route network.

MET's strategy is to acquire local "hub" operators across South West Germany and use this operating infrastructure to target smaller "bolt-on" acquisitions, new operating contracts and express route opportunities and add significant value to the acquired businesses via operating synergies as well as expertise in contract bidding and the operation of express services.



### Management Biography:

Iain Lanaghan (Non-Executive Chairman) is a former Finance Director of First Group plc and founder and Finance Director of Abellio GmbH, the German bus and rail group. Iain is currently Group Finance Director of Faroe Petroleum plc.

David Leeder (CEO) is a former main board member and Development Director at First Group plc with over 20 years experience in the transport sector. David was previously Managing Director of the First Group UK Bus Division and CEO of West Midlands Travel for National Express.

### Progress over the Period:

In January 2012, MET acquired Publicexpress (“PX”), the German intercity express bus business. The consideration of EUR280,000 was payable through the issue of 190,000 MET ordinary shares and a cash payment of EUR50,000 to the vendors. MET assumed new debt of approximately EUR205,000 as part of the transaction. PX provides MET with the resources for the expansion of intercity express bus services, building on PX’s track record in gaining route licences and developing new markets for express travel in Germany.

During April 2012, MET completed its fourth acquisition in the German bus sector with the addition of the contracted bus services of Norbert Welter GmbH (“Welter”). The acquisition incorporated gross assets of c. EUR0.45 million and represented an Enterprise Value to historical EBITA multiple of approximately 2.0x. The acquisition was financed from MET’s existing cash resources and following the completion MET operates a fleet of over 280 vehicles on contracted and intercity bus operations.

As detailed in MMP’s interim management statement issued in November 2012, MET completed its fifth deal in the German transport market with the acquisition of the Bonifer Group and Kraus Reisen (together “Bonifer-KR”). MET paid cash consideration of €1.1 million and has assumed €4.0 million of net finance lease obligations as part of the acquisition. Bonifer-KR was integrated into MET’s subsidiary BRH ViaBus GmbH (“BRH”), in line with MET’s strategy of clustering operations around regional hubs to create operational synergies and build on the expertise of local management teams.

### Investment Performance:

During the twelve month period to 31 December 2012, MMP’s share price decreased from 47.5p to 20.5p.

**INVESTMENTS – B ORDINARY SHARES**

**Company:** Fulcrum Utility Services Limited (“FCRM”)  
**Sector:** Support Services  
**Ticker:** FCRM LN

**Introduction:**

FCRM is an independent gas transportation and connections business, which until July 2010 was a subsidiary of National Grid plc. At the time of acquisition the business was significantly loss-making. Under new management, the business is undertaking a turn-around strategy to become the leading independent utility connections business in the UK 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.

Philip Holder (Chairman) has over 30 years’ experience in the utilities sector. From 1997 to March 2007, Philip was Managing Director of East Surrey Holdings, the mid-cap water and gas utilities business. Philip is also an Operational Adviser for JO Hambro Capital Management Group which manages the Trident Private Equity funds.

Marcus Green (CFO) has more than 15 years’ experience in corporate finance and operational finance roles with public companies and SMEs. Marcus joined FCRM in March 2011 having previously spent eight years with KCOM Group plc where he held a succession of finance and commercial roles, including three years as their Group Financial Controller and latterly as Finance Director of their national business-to-business telecoms service provider.

**Progress over the Period:**

In May 2012, FCRM announced its preliminary results for the year ended 31 March 2012. Key highlights included revenue increasing by 14% to £41 million, with underlying EBITDA loss reduced by 77% to £2.1 million and a cash balance of £8.3 million. Operational highlights included completion of the group’s restructuring with reduced operating costs, successful conclusion of a new subcontractor procurement process, the addition of new business development managers into a new sales and marketing team and investment in new IT infrastructure to improve the quality of management information and customer service delivery. During the year FCRM had also relocated to new office space in Sheffield, re-launched the Fulcrum corporate brand and delivered a new customer-focussed website.

## MARWYN VALUE INVESTORS LIMITED

During December 2012, FCRM announced its interim results for the six months ended 30 September 2012. Highlights included recorded revenue of £19.4 million against the backdrop of continue challenging market conditions; year-on-year improvement in gross margin from 29% to 40%; positive EBITDA of £1.1 million (2011: EBITDA loss of £2.4 million) and a material new contract for £7.6 million signed after the period end to provide gas pipelines to distilleries in Speyside. FCRM stated that it expected full year performance to be below market expectations due to ongoing pressure on the construction market and customers delaying projects into the next financial year.

### Investment Performance:

During the twelve month period to 31 December 2012, FCRM's share price decreased from 17.63p to 12.5p.

**Company:** Paragon Entertainment Limited ("PEL")  
**Sector:** Leisure & Entertainment  
**Ticker:** PEL LN

### Introduction:

PEL is a visitor attraction design, production and fit-out business working with a broad range of customers including museums, theme parks, shopping malls, retail and corporate clients. PEL's strategy is to create a diversified attractions business with the scope to service an extensive global entertainment industry, expanding through both organic and acquisitive means to gain access to more of the value chain in their core leisure attractions market.

### Management Biography:

Mark Pyrah (CEO) has over 20 years' experience working in the entertainment industry including film and 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.

Peter Holdsworth (Production Director) has over 22 years of experience in the realisation of interactive visitor attractions, themed environments and immersive displays. Peter founded Paragon Creative alongside Mark Pyrah in 2003, completing numerous high profile projects both in the UK and worldwide.

Mark Taylor (Commercial Director) 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. 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.

### Progress over the Period:

In April 2012, PEL announced the acquisition of The Visitor Attraction Company Limited ("TVAC"),

a provider of strategic development, operating and project management services to the leisure attractions industry. TVAC was established in 2010 through the combination of a team of specialists, each with over 10 years of leisure attraction development and operational experience. Some of TVAC's projects include: The London Olympic Legacy, ArcelorMittal Orbit, The British Olympic Experience, Skyvue (Las Vegas, USA) and the Lisbon Story Centre. The acquisition strengthens PEL's capacity to develop and operate visitor attractions globally.

During June 2012, PEL announced its annual results for the year ended 31 December 2011. Highlights included the acquisition of Paragon Creative Limited for £4 million and a fundraise of £2.5 million (£2 million net of expenses) which occurred at the end of the financial year. During the year ended 31 December 2011 PEL incurred a £2.9 million operating loss of which £2.4 million related to exceptional expenses including equity settled payments.

PEL provided an update on its trading based on unaudited financial information for the six months ended 30 June 2012. Key highlights included a record order book of £11.7m for H2 2012 and into 2013. Design and build activity was also at a record level following significant new project wins and the successful completion of large projects including the Titanic visitor attraction in Belfast, Chocolate - York's Sweet Story and Web Lab Chrome Experiment at the Science Museum in London. Trading in H1 2012 was in line with expectations. PEL also announced that it had secured the contract to design, develop and fit out The Olympic Museum in Lausanne, Switzerland.

During October PEL announced that it had concluded a licensing agreement with Hasbro International Inc. ("Hasbro") to build and operate a series of Nerf branded attractions. Nerf is one of Hasbro's core global brands and one of the best-selling toys in the UK. Under the terms of the license, PEL will design, build and operate Nerf attractions, the first of which will be at Westfield's Merry Hill Shopping Centre and is expected to open by the year end. PEL intends to announce additional Nerf sites in due course.

During November 2012, PEL announced that its first installation of owned and licensed attractions opened at Westfield's Merry Hill Shopping Centre. Under the brand 'Quest', PEL has created an action-orientated family leisure destination in an area of high footfall within the centre. The opening saw the launch of several attractions including Quest for Adventure Extreme, the UK's highest indoor ropes course; Quest for Christmas including a large outdoor ice rink and festive market; and the Nerf Gallery referenced above.

During December PEL announced an agreement with Exclusive Media for the rights to exclusively use the 'Hammer' brand and media to develop, build and operate 'Hammer House of Horror' visitor attractions. PEL is in the process of identifying suitable locations, including central London, to create the first 'Hammer House of Horror' attraction. Hammer has an illustrious history of successful horror productions and more recently the return of Hammer to the horror scene was heralded with 'The Woman in Black' starring Daniel Radcliffe.

### Investment Performance:

During the 12 month period to 31 December 2012, PEL's share price decreased from 8.75p to 6.13p.

**REPORT OF THE DIRECTORS**

The Directors have pleasure in submitting their Annual Report and the Audited Financial Statements for the year ended 31 December 2012.

**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-ended 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.

# MARWYN VALUE INVESTORS LIMITED

## 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 (2011: Nil).

## Share capital

As at 31 December 2012 the Company had 66,106,473 Ordinary shares in issue (31 December 2011: 66,106,473). The Company also had, as at 31 December 2012, 5,008,870 B Ordinary shares in issue (31 December 2011: 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 Cookson (appointed 13 June 2012)

Paul Michael Everitt

Eitan Milgram (resigned 29 March 2012)

### Robert Ware (Non-Executive Chairman)

Length of service: 7 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 Cookson (Non-Executive Director)

Length of service: 1 year, appointed 13 June 2012

Last re-elected to the Board: 30 October 2012 at Annual General Meeting

Committee membership: Nomination, Remuneration and Audit Committees

Paul Cookson is Managing Director of Axio Capital Solutions Limited, a provider of fund and trust company administration services in Jersey. Paul has spent over 15 years employed in the finance industry having qualified as a chartered accountant with Arthur Andersen. He continued to work for

## MARWYN VALUE INVESTORS LIMITED

Deloitte after the integration of Andersen's business where he specialised in securitisation and structured finance. Paul has wide financial markets experience gained from major international banking clients throughout the UK and continental Europe. He is a Non-Executive director of Marwyn Capital Management Limited, Marwyn General Partner Limited and also a Non-Executive Director of Marwyn Value Investors (Unlisted Feeder) Limited and Marwyn Value Investors (pte) Limited, managed by the Investment Manager.

### **Paul Everitt** (Non-Executive Director)

Length of service: 4 years, appointed 3 April 2009

Last re-elected to the Board: 30 October 2012 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.

	<i>Ordinary shares</i>
Robert Ware	458,715
Paul Cookson	Nil
Paul Everitt	Nil

### **Directors' remuneration**

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

	2012	2011
	£	£
Robert Ware	20,000	20,000
Paul Cookson	16,475	-
Paul Everitt	27,500	20,000
Michael Price	-	19,210
	<hr/> 56,475	<hr/> 59,210

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.

## MARWYN VALUE INVESTORS LIMITED

### Substantial shareholdings

At 28 February 2013 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	24,569,802	37.17
The Bank of New York (Nominees) Limited 141498 Acct	8,114,603	12.28
Tortin Limited	5,000,000	7.56
Deutsche Bank Aktiengesellschaft London PROP0001 Acct	4,208,155	6.37
BBHISL Nominees Limited 121624 Acct	2,327,119	3.52
HSBC Global Custody Nominee (UK) Limited 764685 Acct	2,199,000	3.33
Credit Suisse Securities (Europe) Limited Principal Acct	1,995,000	3.02

	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
Huntress (CI) Nominees Limited KGCLT Acct	505,000	10.08
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 Acct	255,042	5.09
Vidacos Nominees Limited	200,000	3.99
Fiske Nominees Limited Fiskpool Acct	183,000	3.65

### 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  
28 March 2013

Paul Everitt  
28 March 2013

**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 two Non-Executive Directors. Robert Ware is also Chairman of Marwyn Investment Management Limited, part of the same group as the Investment Manager. Paul Cookson is also a director of Axio Capital Solutions Limited, the Company's Sub-administrator and a director of the 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.

## MARWYN VALUE INVESTORS LIMITED

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, Robert Ware retires by rotation and being eligible offers himself for re-election at the forthcoming Annual General Meeting.

During the year ended 31 December 2012 the Board met nine times. In addition, the Audit Committee and Nomination Committee met three times and the 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 2012 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)	1(3)	2(3)	0(1)
Paul Cookson	2(2)	2(2)	1(1)	1(1)
Paul Everitt	4(4)	3(3)	3(3)	1(1)

The Board will normally meet at least quarterly to review the overall business of the Company and to consider matters specifically reserved for its review. At these meetings the Board monitors the investment performance of the Master Fund, reviews the Company's exposure to risk on its financial instruments and discusses the policies it 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.

## MARWYN VALUE INVESTORS LIMITED

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), Robert Ware and Paul Cookson served on the Committee during the year. 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 Audit Committee 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 February 2013 meeting the Audit Committee confirmed its

view that the Auditor remained independent and objective.

There were no non-audit services provided by the auditor during the year under review or to the date of this report.

Whilst Paul Cookson is a director of Axio Capital Solutions Limited, the Company's Sub-administrator and Paul Everitt is a director of Fund Corporation of the Channel Islands, the Company's Administrator, in the opinion of the Directors they are sufficiently independent of the Investment Manager and any conflicts of interest which do exist are adequately managed.

### *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 Paul Cookson 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), Robert Ware and Paul Cookson served on the Committee during the year. 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

## MARWYN VALUE INVESTORS LIMITED

understanding of the views of major shareholders. However, the Board receives quarterly reports on the shareholder profile of the Company. The Chairman holds discussions with 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 Administrators). 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  
28 March 2013

**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 2012 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Net Assets Attributable to Equity Holders of the Company 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 29, 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 and express an opinion on 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 2012 and of its result for the year then ended; and
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union.

Jersey, Channel Islands  
Date: 28 March 2013

1. The maintenance and integrity of 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



# MARWYN VALUE INVESTORS LIMITED

## STATEMENT OF COMPREHENSIVE INCOME

*For the year ended 31 December 2012*

*For the year ended 31 December 2012      For the year ended 31 December 2011*

	<i>Notes</i>	<i>Revenue</i> £	<i>Capital</i> £	<i>Total</i> £	<i>Revenue</i> £	<i>Capital</i> £	<i>Total</i> £
<b>INCOME</b>							
Bank interest	3	263	-	263	263	-	263
Net (loss)/gain on financial assets at fair value through profit or	6	-	(5,875,304)	(5,875,304)	-	8,522,050	8,522,050
<b>TOTAL NET INCOME</b>		263	(5,875,304)	(5,875,041)	263	8,522,050	8,522,313
<b>EXPENSES</b>							
Bank charges		60	-	60	-	-	-
Loan interest		203	-	203	263	-	263
<b>TOTAL OPERATING EXPENSES</b>		263	-	263	263	-	263
<b>(LOSS)/ PROFIT FOR THE YEAR</b>		-	(5,875,304)	(5,875,304)	-	8,522,050	8,522,050
<b>TOTAL COMPREHENSIVE INCOME</b>		-	(5,875,304)	(5,875,304)	-	8,522,050	8,522,050
Attributable to holders of Ordinary shares	10	-	(4,470,784)	(4,470,784)	-	9,623,387	9,623,387
Attributable to holders of B Ordinary shares	10	-	(1,404,520)	(1,404,520)	-	(1,101,337)	(1,101,337)
Return per Ordinary share - Basic and diluted	10	-	(6.76p)	(6.76p)	-	14.56p	14.56p
Return per B Ordinary share - Basic and diluted	10	-	(28.04p)	(28.04p)	-	(21.99p)	(21.99p)

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 2012

	Notes	31 December 2012 £	31 December 2011 £
<b>NON CURRENT ASSETS</b>			
Unquoted financial assets at fair value through profit or loss	6	113,793,150	119,668,454
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		<u>263,743</u>	<u>263,585</u>
<b>TOTAL ASSETS</b>		114,056,893	119,932,039
<b>CURRENT LIABILITIES</b>			
Loan	8	(250,000)	(250,000)
Accruals		<u>(13,743)</u>	<u>(13,585)</u>
<b>TOTAL LIABILITIES</b>		<u>(263,743)</u>	<u>(263,585)</u>
<b>NET ASSETS ATTRIBUTABLE TO EQUITY HOLDERS</b>		<u>113,793,150</u>	<u>119,668,454</u>

**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		43,276,573	49,151,877
Revenue reserve		<u>(4,269,162)</u>	<u>(4,269,162)</u>
<b>TOTAL EQUITY</b>		<u>113,793,150</u>	<u>119,668,454</u>

<b>Net assets attributable to Ordinary shares</b>	9	110,453,211	114,923,995
<b>Net assets attributable to B Ordinary shares</b>	9	3,339,939	4,744,459
<b>Net assets per Ordinary share</b>	9	167.08p	173.85p
<b>Net assets per B Ordinary share</b>	9	66.68p	94.72p

The financial statements on pages 31 to 53 were approved by the Board of Directors on 28 March 2013 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 2012*

	<i>Notes</i>	<i>31 December 2012</i>	<i>31 December 2011</i>
<b>Cash flows from operating activities</b>			
Interest received		218	309
Operating expenses paid		<u>(60)</u>	<u>(24)</u>
Net cash inflow from operating activities	11	158	285
 <b>Net increase in cash and cash equivalents</b>		158	285
Cash and cash equivalents at beginning of the year		<u>263,585</u>	<u>263,300</u>
Cash and cash equivalents at end of the year		<u><u>263,743</u></u>	<u><u>263,585</u></u>

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 2012*

	<i>Share capital</i>	<i>Share premium</i>	<i>Special distributable reserve</i>	<i>Exchange reserve</i>	<i>Capital reserve</i>	<i>Revenue reserve</i>	<i>Total</i>
	£	£	£	£	£	£	£
Opening balance	87	48,384,287	26,346,979	54,386	49,151,877	(4,269,162)	119,668,454
Result for the period	-	-	-	-	(5,875,304)	-	(5,875,304)
Closing Balance	<u>87</u>	<u>48,384,287</u>	<u>26,346,979</u>	<u>54,386</u>	<u>43,276,573</u>	<u>(4,269,162)</u>	<u>113,793,150</u>

*For the year to 31 December 2011*

	<i>Share capital</i>	<i>Share premium</i>	<i>Special distributable reserve</i>	<i>Exchange reserve</i>	<i>Capital reserve</i>	<i>Revenue reserve</i>	<i>Total</i>
	£	£	£	£	£	£	£
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	<u>87</u>	<u>48,384,287</u>	<u>26,346,979</u>	<u>54,386</u>	<u>49,151,877</u>	<u>(4,269,162)</u>	<u>119,668,454</u>

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

# MARWYN VALUE INVESTORS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2012

### 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 28 March 2013.

### 2 Changes to International Financial Reporting Standards

#### *New and amended standards and interpretations*

The accounting policies adopted are consistent with those of the previous financial year, except for the following amendments to IFRS effective as of 1 January 2012:

- IAS 12 *Income Taxes (Amendment) – Deferred Taxes: Recovery of Underlying Assets*
- IFRS 1 *First-Time Adoption of International Financial Reporting Standards (Amendment) – Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters*
- IFRS 7 *Financial Instruments : Disclosures – Enhanced Derecognition Disclosure Requirements*

None of these had an effect on the Company’s financial position, performance or its disclosures.

#### *Standards issued but not yet effective*

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company’s financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective.

#### *(a) IFRS 9 Financial Instruments: Classification and Measurement*

IFRS 9, as issued, reflects the first phase of the IASB’s work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard was initially effective for annual periods beginning on or after 1 January 2013, but *Amendments to IFRS 9 Mandatory Effective Date of IFRS 9 and Transition Disclosures*, issued in December 2011, moved the mandatory effective date to 1 January 2015. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Company’s financial assets, but will not have an impact on classification and measurements of financial liabilities. The Company will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued. IFRS 9 has not yet been endorsed by the EU.

#### *(b) IFRS 10 Consolidated Financial Statements, IAS 27 Separate Financial Statements*

IFRS 10 replaces the portion of IAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements. It also addresses the issues raised in SIC-12 *Consolidation – Special Purpose Entities*.

# MARWYN VALUE INVESTORS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2012

IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgement to determine which entities are controlled and therefore are required to be consolidated by a parent, compared with the requirements that were in IAS 27. The impact of IFRS 10 on the Company is being assessed. This standard becomes effective for annual periods beginning on or after 1 January 2013, however the investment entity amendment is yet to be endorsed by the EU.

### *(c) IFRS 13 Fair Value Measurement*

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The Company is currently assessing the impact that this standard will have on the financial position and performance. This standard becomes effective for annual periods beginning on or after 1 January 2013.

### *Annual Improvements May 2012*

These improvements will not have an impact on the Company.

## **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.

# MARWYN VALUE INVESTORS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2012

### 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.

#### *(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

# MARWYN VALUE INVESTORS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2012

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.



# MARWYN VALUE INVESTORS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2012

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 encompasses 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.

# MARWYN VALUE INVESTORS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2012

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

	31 December 2012	31 December 2011
Marwyn Value Investors L.P.	£	£
<b>At cost</b>		
<b>Opening balance</b>	<b>77,776,366</b>	<b>77,776,366</b>
Additions	-	-
Disposals	-	-
<b>Closing balance</b>	<b>77,776,366</b>	<b>77,776,366</b>
<b>Unrealised gain brought forward</b>	<b>60,782,340</b>	<b>33,370,038</b>
Movement in unrealised gain	(11,091,222)	27,412,302
<b>Unrealised gain carried forward</b>	<b>49,691,118</b>	<b>60,782,340</b>
<b>Net asset value per Master Fund Administrator</b>	<b>127,467,484</b>	<b>138,558,706</b>
Class F	123,700,221	133,058,964
Class B1	3,767,263	5,499,742
<b>Net asset value per Master Fund Administrator</b>	<b>127,467,484</b>	<b>138,558,706</b>
Fair value adjustment - liquidity discount	(13,674,334)	(18,890,252)
<b>At fair value – Net asset value in accordance with IFRS</b>	<b>113,793,150</b>	<b>119,668,454</b>
Class F	110,453,211	114,923,995
Class B1	3,339,939	4,744,459
<b>At fair value – Net asset value in accordance with IFRS</b>	<b>113,793,150</b>	<b>119,668,454</b>

The net (loss)/ gain on financial assets at fair value through profit or loss reported in the Statement of Comprehensive Income consists of the movement in both the 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 or the prior year.

The Company holds 100% of the Class F interests which represent 76.4% of the net asset value of the Master Fund and 100% of the Class B1 interests which represents 2.3% 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.

# MARWYN VALUE INVESTORS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2012

### *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.

As at 31 December 2012, 100% (2011: 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 portfolio companies in which the Master Fund 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:

# MARWYN VALUE INVESTORS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2012

	Level 1	Level 2	Level 3	Total balance
<i>31 December 2012</i>	£	£	£	£
Financial assets at fair value through profit or loss:				
Master Fund	–	–	113,793,150	113,793,150
 <i>31 December 2011</i>				
Financial assets at fair value through profit or loss:				
Master Fund	–	–	119,668,454	119,668,454

The Master Fund investment was fair valued with reference to the NAV as reported by the Master Fund's administrator less the application of a liquidity discount. The investment in the Master Fund has been reclassified to a level 3 hierarchy from level 2 due to the significance attributed to unobservable inputs in the liquidity discount calculation with effect from 1 January 2011.

### Reconciliation of fair value measurements of level 3 financial instruments

The Company carries its investment in the Master Fund as financial assets at fair value through profit or loss. A reconciliation of the beginning and closing balances is summarised below:

	31 December 2012 £	31 December 2011 £
Opening balance	119,668,454	111,146,404
Total loss recognised in Statement of Comprehensive Income	(5,875,304)	8,522,050
As at 31 December 2012	<u>113,793,150</u>	<u>119,668,454</u>

The above (loss)/profit is recognised within the Net (loss)/gain on financial assets at fair value through profit or loss within the Statement of Comprehensive Income.

### 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 2012 £	31 December 2011 £
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

# MARWYN VALUE INVESTORS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2012

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 £110,453,211 (2011: £114,923,995) and on the Ordinary shares in issue of 66,106,473 at the balance sheet date (2011: 66,106,473).

#### *B Ordinary share series*

The calculation of NAV is based on the net assets of £3,339,939 (2011: £4,744,459) and on the B Ordinary shares in issue of 5,008,870 at the balance sheet date (2011: 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	110,453,211	3,339,939
Liquidity discount	13,247,010	427,324
Net asset value used in reported NAV per share	<u>123,700,221</u>	<u>3,767,263</u>
Shares in issue at year end	66,106,473	5,008,870
Net asset value per share per financial statements	167.1p	66.7p
Net asset value per share per reported NAV	187.1p	75.2p

### 10 Earnings per Share

#### *Ordinary share series*

The calculation of basic and diluted earnings per Ordinary share series is based on net revenue of £NIL (2011: £NIL) attributable to the Ordinary shares, and net capital loss of £4,470,784 (2011: Gain £9,623,387), 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 (2011: 66,106,473).

# MARWYN VALUE INVESTORS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2012

### *B Ordinary share series*

The calculation of basic and diluted earnings per B Ordinary share series is based on the net revenue of £NIL (2011: £NIL) attributable to the B Ordinary shares, and net capital loss of £1,404,520 (2011: Loss £1,101,337), 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 (2011: 5,008,870).

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

	31 December 2012 £	31 December 2011 £
Net (loss)/ profit for the year	(5,875,304)	8,522,050
Loss/ (gain) on investments held at fair value through profit or loss	5,875,304	(8,522,050)
Increase in accruals	158	285
Net cash inflow from operating activities	<u>158</u>	<u>285</u>

## 12 Share Capital

	2012 £	2011 £
<b><u>Authorised</u></b>		
<i>Ordinary shares:</i>		
10,892,258,506,473 of 0.0001p each	10,892,258	10,892,258
<i>Exchange shares:</i>		
10,892,176,350,000 of 0.0001p each	10,892,176	10,892,176
<i>Deferred shares:</i>		
82,156,473 of 9.9999p	8,215,566	8,215,566
<b>Total authorised</b>	<b><u>30,000,000</u></b>	<b><u>30,000,000</u></b>

	2012 Number	2012 £	2011 Number	2011 £
<b><u>Issued and fully paid</u></b>				
<i>Ordinary shares:</i>				
Ordinary shares	66,106,473	66	66,106,473	66
B Ordinary shares	5,008,870	5	5,008,870	5
<b>Opening balance</b>	<b>71,115,343</b>	<b>71</b>	<b>71,115,343</b>	<b>71</b>
Closing balance – B Ordinary	5,008,870	5	5,008,870	5
Closing balance – Ordinary	66,106,473	66	66,106,473	66
<b>Closing balance – total Ordinary</b>	<b>71,115,343</b>	<b>71</b>	<b>71,115,343</b>	<b>71</b>

# MARWYN VALUE INVESTORS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

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	Number	2012 £	Number	2011 £
<i>Ordinary Exchange shares:</i>				
<b>Opening balance</b>	<b>16,050,000</b>	<b>16</b>	<b>16,050,000</b>	<b>16</b>
<b>Closing balance</b>	<b>16,050,000</b>	<b>16</b>	<b>16,050,000</b>	<b>16</b>

	2012 £	2011 £
<i>Share Premium:</i>		
<b>Opening balance</b>	48,384,287	48,384,287
<b>Closing balance</b>	48,384,287	48,384,287

The Company has two classes of Ordinary shares in issue, Ordinary and B Ordinary shares and one class of Exchange shares. The Company's assets and liabilities are segregated in accordance with the assets and liabilities of each Ordinary 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.

# MARWYN VALUE INVESTORS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

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### *(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 or prior year.

Where the Company's partnership interests in the Master Fund are cancelled following Exchanges by the Master Fund out of Ordinary shares, the capital amount previously transferred to the exchange reserve is transferred to the revenue reserve. There were no movements in the current or prior year.

## **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. The Directors do not believe the Company is exposed to any significant interest rate risk. 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.

### *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.



# MARWYN VALUE INVESTORS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

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Any movement in the value of the Class F or Class B1 Interests of the Master Fund would result in an equivalent movement in the reported NAV per Ordinary share and B Ordinary share respectively, similarly for 2011. The size of the liquidity discount is affected by estimated realisation dates of the underlying portfolio companies and the discount rate used to discount the value of the realisations back to the balance sheet date.

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

	2012	2011
	£	£
Unquoted investments at fair value through profit or loss	113,793,150	119,668,454

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

Ordinary shares:	2012	2011
	Analysis of monthly returns	Analysis of monthly returns
Number of periods	12	12
Percent profitable	58%	50%
Average period return	-0.45%	2.16%
Average gain	2.97%	7.46%
Average loss	-5.23%	-3.14%

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 £
2012	2.97	(5.23)	3,280,460	3,280,460	(5,776,703)	(5,776,703)
2011	7.46	(3.14)	8,573,330	8,573,330	(3,608,613)	(3,608,613)

# MARWYN VALUE INVESTORS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2012

### B Ordinary shares

	2012	2011
	Analysis of monthly returns	Analysis of monthly returns
Number of periods	12	12
Percent profitable	33%	25%
Average period return	-2.76%	-0.36%
Average gain	5.86%	6.25%
Average loss	-7.07%	-3.67%

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:

	<i>Monthly Returns</i>		<i>Impact of Increase</i>		<i>Impact of Decrease</i>	
	<i>Increase</i>	<i>Decrease</i>	<i>Net Income</i>	<i>Equity</i>	<i>Net Income</i>	<i>Equity</i>
	(%)	(%)	£	£	£	£
2012	5.86	(7.07)	195,720	195,720	(236,134)	(236,134)
2011	6.25	(3.67)	296,529	296,529	(174,122)	(174,122)

### 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 may not be readily realisable. As such the Master Fund and/ or Company may not be able to readily dispose of such illiquid investments and, in some cases, may be contractually prohibited from 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		Less than	
	1 month	1-3 months	1 month	1-3 months
	2012	2012	2011	2011
	£	£	£	£
Loan from Master Fund	250,000	-	250,000	-
Payables and accruals	13,743	-	13,585	-

The financial liabilities of the Company at 31 December 2012 comprise accrued expenses and a loan payable to the Master Fund. As at 31 December 2012, total accrued expenses of £13,743 (2011: £13,585) had contractual maturity dates ranging between 1 and 7 days (2011: 1 and 7 days) after the year end date. As at 31 December 2012, the loan payable to the Master Fund had no contractual maturity date being repayable

# MARWYN VALUE INVESTORS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

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against a final redemption of the Company's interest in the Master Fund. As all liabilities as at 31 December 2012 and 2011 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 net 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, 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 (2011: 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.

# MARWYN VALUE INVESTORS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

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The incentive allocation to be borne by the Class F and B1 Interests in the Master Fund 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 (2011: £5,000) and Axio Capital Solutions Limited is paid an annual fee of £30,000 (2011: £30,000) for the administration of the Ordinary series and £15,000 (2011: £15,000) for the administration of the B Ordinary series, monthly in arrears. Axio also receives an exchange administration fee of £5,000 (2011: £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 2011.

### *(c) Board of Directors' remuneration*

Director fees are paid by the Master Fund. Robert Ware receives an annual fee of £20,000 (2011: £20,000). Paul Cookson receives an annual fee of £30,000. Paul Everitt receives an annual fee of £30,000, increased from £20,000 with effect from April 2012 (2011:£20,000).

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:

	2012	2011
	£	£
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	43,276,573	49,151,877
Revenue reserve	(4,269,162)	(4,269,162)
<b>Total Capital</b>	<b>113,793,150</b>	<b>119,668,454</b>

# MARWYN VALUE INVESTORS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

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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.

# MARWYN VALUE INVESTORS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

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31 December 2012

### NON CURRENT ASSETS

Unquoted investments at fair value through profit or loss

### CURRENT ASSETS

Cash and cash equivalents

### TOTAL ASSETS

### CURRENT LIABILITIES

Loan

Accruals

### TOTAL LIABILITIES

### NET ASSETS ATTRIBUTABLE TO EQUITY HOLDERS

### CAPITAL AND RESERVES ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

Called up share capital

Share Premium

Special distributable reserve

Exchange reserve

Capital reserve

Revenue reserve

### TOTAL EQUITY

Net assets per Ordinary share

Net assets per B Ordinary share

	Ordinary shares £	B Ordinary shares £
Unquoted investments at fair value through profit or loss	110,453,211	3,339,939
Cash and cash equivalents	126,984	136,759
TOTAL ASSETS	110,580,195	3,476,698
Loan	125,000	125,000
Accruals	1,984	11,759
TOTAL LIABILITIES	126,984	136,759
NET ASSETS ATTRIBUTABLE TO EQUITY HOLDERS	110,453,211	3,339,939
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	44,547,258	(1,270,685)
Revenue reserve	(4,269,162)	-
TOTAL EQUITY	110,453,211	3,339,939
Net assets per Ordinary share	167.08p	
Net assets per B Ordinary share		66.68p

# MARWYN VALUE INVESTORS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2012

<i>31 December 2011</i>	<i>Ordinary shares</i>	<i>B Ordinary shares</i>
	£	£
<b>NON CURRENT ASSETS</b>		
Unquoted investments at fair value through profit or loss	114,923,995	4,744,459
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	126,903	136,682
<b>TOTAL ASSETS</b>	<u>115,050,898</u>	<u>4,881,141</u>
<b>CURRENT LIABILITIES</b>		
Loan	125,000	125,000
Accruals	1,903	11,682
<b>TOTAL LIABILITIES</b>	<u>126,903</u>	<u>136,682</u>
<b>NET ASSETS ATTRIBUTABLE TO EQUITY HOLDERS</b>	<u>114,923,995</u>	<u>4,744,459</u>
<b>CAPITAL AND RESERVES ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY</b>		
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)	-
<b>TOTAL EQUITY</b>	<u>114,923,995</u>	<u>4,744,459</u>
<b>Net assets per Ordinary share</b>	173.85p	
<b>Net assets per B Ordinary share</b>		94.72p

**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.



# MARWYN VALUE INVESTORS LIMITED

## 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

## MARWYN VALUE INVESTORS LIMITED

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.

## MARWYN VALUE INVESTORS LIMITED

### 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

## MARWYN VALUE INVESTORS LIMITED

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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