



**Marwyn Value Investors Limited**

Report and Audited financial statements  
for the year ended 31 December 2013

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### Investment Objective

The investment objective of Marwyn Value Investors Limited (LSE: MVI) (the “Company”) is to maximise total returns on its capital primarily through the capital appreciation of its investments.

The Company is listed on the Specialist Fund Market of the London Stock Exchange.

### Investment Policy

The Company seeks to achieve its investment objective by investing up to 100% of its available capital into Marwyn Value Investors LP (the “Master Fund” or the “Fund”) through the acquisition of limited partnership interests in the Master Fund. The capital of the Company’s Ordinary Share class is invested in Class F partnership interests of the Master Fund and the capital of the Company’s B Ordinary share class is invested in Class B1 partnership interests of the Master Fund. Marwyn Asset Management Limited (the “Manager”), the manager of the Master Fund, also acts as manager to the Company. The Manager is advised by Marwyn Investment Management LLP (the “Investment Advisor”) in respect of both the Company and the Master Fund.

The Master Fund's investment strategy is to identify, support, invest in and work alongside experienced operational managers with strong and demonstrable track records for building and managing small and mid-cap UK, European and North American businesses, combining a mix of private equity and public market disciplines to create value.

The Management Agreement between the Manager and the Master Fund allows for the investment strategies that the Manager may employ on behalf of the Master Fund to be in any securities, instruments, obligations, guarantees, derivative instrument or property of whatsoever nature in which the Master Fund is empowered to invest and as contemplated by the Investment Policy.

At the Extraordinary General Meeting of the Company held on 19 November 2013 the proposals contained in the Shareholder Circular dated 1 November 2013 (the “Circular”) were adopted and the investment policy of the Master Fund was amended, in so far as it relates to the Ordinary shares, so that the Master Fund is permitted to make investments in new portfolio companies.

### Performance Summary

Key performance features for the 12 months ended 31 December 2013 are as follows:

#### Ordinary Shares

- The reported Net Asset Value (“NAV”) of the Ordinary shares increased by 36.4% during the year. The reported NAV has increased by 193.5% since inception, compared with an increase in value of the FTSE All Share Index (ex Investment Trusts) of 16.71% over the same period;

- The reported NAV figure includes a liquidity discount in respect of the investment in the Master Fund, as required by IFRS. The actual NAV stated by the Company in its NAV statement, which does not include a liquidity discount, increased by 38.5% over the period and has increased 233.6% since inception;

#### B Ordinary Shares

- The reported NAV of the B Ordinary shares decreased by 35.7% during the year. The reported NAV has decreased by 53.3% since inception.
- As with the Ordinary Shares, the reported NAV figure includes a liquidity discount as required by IFRS. The NAV for the B Ordinary shares stated by the Company in its NAV statement, which does not include a liquidity discount, decreased by 38.7% over 2013 and 49.9% since inception.

I am pleased to present to the shareholders the audited Annual Report and Financial Statements of the Company for the year ended 31 December 2013.

2013 was a significant year for the Company following the approval of the Proposals (as defined in the Circular) at the Extraordinary General Meeting of the Company held on 19 November 2013, further information about which is contained in the Notes to these financial statements.

The Manager, together with the Board and the Investment Advisor, continues to monitor the discount of the share price to the Company's NAV in both share classes on a regular basis. As at 31 December 2013, before adjustment for the liquidity discount, the discount to NAV of the Ordinary Shares was 29.56% and of the B Ordinary Shares was 33.85%. The discounts, before adjustment for the liquidity discount, are 30.9% and 31.3% respectively at 11 April 2014, being the latest published NAV at the date of this report. We strive to maintain an open dialogue with shareholders to understand, amongst other matters, their concerns regarding the discount.

As announced on 2 December 2013, the Company appointed Marwyn Asset Management Limited as its manager on 29 November 2013. The Manager is wholly owned by the previous manager, Marwyn Capital Management Limited. The Manager has been appointed on the same commercial terms as applied to the previous manager, including as to fees. Marwyn Investment Management LLP is the investment advisor to the Manager and its fees and expenses are paid by the Manager.

The Master Fund is also managed by the Manager. The Company does not pay a management fee or performance fee to the Manager in respect of the Company's investment in the Master Fund. The valuation of the Company's investment in the Master Fund takes into account the management fee and performance fee payable by the Master Fund that is applicable to the classes in which the Company invests.

During December 2013 the Company announced its first return of capital pursuant to the new progressive distribution policy for holders of Ordinary shares. This will result in a minimum return of capital in January of each year and the first return of capital completed in January 2014 was equal to 8 pence per Ordinary share, effected by way of a partial cash redemption of the Ordinary shares.

#### **New Applicable Legislation**

Certain disclosures are required to be made to investors on an annual basis pursuant to the Codes of Practice for Alternative Investment Funds and AIF Services Business (the "Codes") as required under the licence held by the Manager. These Financial Statements include all relevant disclosures that would constitute an annual report in accordance with the Codes.

The Board has considered the requirements of the Foreign Account Tax Compliance Act ("FATCA") and associated jurisdictional requirements and has appointed the Manager as its Sponsor in this regard. The Manager will be responsible for ensuring ongoing compliance.

#### **Outlook**

The Board believes that there is potential for further growth in the NAV of the Ordinary shares. The Board also believes that the Company offers a unique and attractive proposition for investing in actively managed investment opportunities and acquisition-led growth strategies in selected industries. Accordingly, the Board further believes that the Company is well placed to continue to deliver significant investment returns to Ordinary shareholders.

As noted in the Circular, the Board believes that the benefits of the recent restructuring of the Ordinary share class should enhance the appeal of the Company's Ordinary shares to investors and, accordingly, should attract market support for the shares over the medium to long term which should in turn lead to an improvement in the rating and liquidity of the Ordinary shares.

The Board is aware that the NAV and share price of the B Ordinary shares have not performed well in recent years. The Board, together with the Manager, will continue to explore ways to improve this performance.

#### **Ordinary Shares**

The operations of the Master Fund's underlying portfolio companies continued to perform well during 2013 and this has been reflected in the overall performance of the NAV. A detailed review of the performance of the portfolio companies is set out in the Report of the Manager.

The NAV of the Ordinary shares increased by 38.5% during the year, before the application of a liquidity discount as required under IFRS. Since 30 June 2013, the date of the Company's interim results, the Company has reported (before adjustment for a liquidity discount) a 23.1% increase in its NAV and the price per Ordinary share has increased by 18.5%.

During October 2013 the Master Fund sold its remaining investment in Advanced Computer Software plc ("ACS") following a partial disposal in April 2013, further details of which are contained in the Investment Summary. The Master Fund realised a total return of 626% on its investment, representing an IRR of 37% and cash multiple of 7.3x. The success of the investment in ACS is another example of how the Master Fund's acquisition-led growth strategy and the hands-on operational and advisory support provided by the Manager and the Investment Advisor have created significant value for investors.

As discussed more fully in the Report of the Manager, during the year the Master Fund has written down the value of its investment in Silverdell plc to zero.

## B Ordinary Shares

The financial performance of the Master Fund's underlying portfolio companies related to the Company's B Ordinary share class has fallen behind their forecast figures, which has impacted on the share prices of these companies and subsequently the NAV of the shares.

Since 30 June 2013, the date of the Company's interim results, despite a 2.6% increase in the reported Class B NAV (before adjustment for a liquidity discount), the price per B Ordinary share has decreased by 32.2%.

A more detailed report on the performance of the Master Fund's underlying portfolio companies related to each share class is contained on pages 7 to 11.

## Investment Performance

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

### Performance of Ordinary shares

The NAV per Ordinary share of the Company (after liquidity adjustment) increased during the financial year by 60.8p to £2.27906, an increase of 36.4%. As at 31 December 2013, the discount of the share price to NAV per share was 19.9%, a decrease over the year from 26.7% as at 31 December 2012.

	NAV %	FTSE All Share (Ex - IT) %	FTSE Small Cap %	MSCI Europe Net (€) %
Year (to 31/12/2013)	+36.4%	+16.7%	+29.6%	+19.8%
Since inception <sup>1</sup> (1/3/2006 to 31/12/2013)	+193.5%	+21.9%	+24.1%	+23.9%

### Performance of B Ordinary shares

The NAV per B Ordinary share of the Company (after liquidity adjustment) decreased during the year by 23.8p to £0.42900, a decrease of 35.7%. As at 31 December 2013, the discount of the share price to the NAV was 28.9%, an increase from the discount of 20.5% as at 31 December 2012.

	NAV %	FTSE All Share (EX - IT) %	FTSE Small Cap %	MSCI Europe Net (€) %
Year (to 31/12/2012)	-35.7%	+16.7%	+29.6%	+19.8%
Since inception <sup>2</sup> (30/11/2009 to 31/12/2012)	-53.3%	+21.9%	+24.1%	+23.9%

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 2013 is provided in Note 9 to these financial statements.

## Robert Ware

Chairman  
29 April 2014

<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 178.8%.

<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 -57.1%.

**DISCLAIMER**

The report of the Manager ("Manager's Report") is issued by Marwyn Asset Management Limited (the "Manager") which has been registered as a fund service business provider under the Financial Services (Jersey) Law 1998 by the Jersey Financial Services Commission (the "Commission"), in connection with Marwyn Value Investors L.P. (the "Master Fund"), a limited partnership with one or more feeder vehicles at any time, including the listed feeder Marwyn Value Investors Limited (the "Company") whose shares are listed on the Specialist Fund Market of the London Stock Exchange. The Commission is protected by the Financial Services (Jersey) Law 1998 against liability arising from the discharge of its function under that law. This Manager's Report does not constitute a prospectus or offering document relating to the Master Fund or the Company, nor does it constitute or form part of any offer or invitation to purchase, sell or subscribe for, or any solicitation of any such offer to purchase, sell or subscribe for, any securities in the Master Fund or the Company (an "Investment") nor shall this presentation or any part of it, or the fact of its distribution, form the basis of, or be relied on in connection with, any contract therefore.

Persons who wish to make an Investment are reminded that any such Investment should only be made on the basis of the information contained in materials provided for that purpose for your consideration and not on the information contained in this Manager's Report. No reliance may be placed, for any purposes whatsoever, on the information contained in this Manager's Report or on its completeness and this Manager's Report should not be considered a recommendation by Marwyn Investment Management LLP, the Manager or any member of the Marwyn group or any of their respective advisers or affiliates (the "Relevant Entities"), the Master Fund or the Company in relation to an Investment. No representation or warranty, express or implied, is given by or on behalf of the Relevant Entities or any of their respective directors, partners, officers, employees, advisers or any other persons as to the accuracy, fairness or sufficiency of the information or opinions contained in this Manager's Report and none of the information contained in this Manager's Report has been independently verified by the Relevant Entities or any other person. Save in the case of fraud, no liability is accepted for any errors, omissions or inaccuracies in such information or opinions.

The distribution of this document in certain jurisdictions may be restricted by law and the persons into whose possession this document comes should inform themselves about, and observe, any such restrictions.

This Manager's Report includes "forward-looking statements" which includes all statements other than statements of historical facts, including, without limitation, those regarding the Master Fund's and the Company's financial position, business strategy, plans and objectives of management for future operations and any statements preceded by, followed by or that include forward-looking terminology such as the words "targets", "believes", "estimates", "expects", "aims", "intends", "can", "may", "anticipates", "would", "should", "could" or similar expressions or the negative thereof. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors beyond the Master Fund's and the Company's control that could cause the actual results, performance or achievements of the Master Fund or the Company to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the Master Fund's and the Company's present and future business strategies and the environment in which the Master Fund or the Company will operate in the future.

These forward-looking statements speak only as at the date of this Manager's Report.

Investing in the Company involves certain risks, as detailed in these Financial Statements, and as described more fully in the SFM Admission Document.

The Manager is pleased to present its first report to the shareholders of the Company following its appointment to the Company on 29 November 2013, assuming responsibility from the previous manager, Marwyn Capital Management Limited.

We manage both the Company and the Master Fund into which the Company invests all of its available capital. The review that follows refers to the portfolio of the Master Fund, except where noted.

We have engaged Marwyn Investment Management LLP as the Investor Advisor to the Manager in relation to the Master Fund and the Company. We work very closely with the Investment Advisor in executing the investment strategy of the Fund.

#### **What the Master Fund invests in**

One of the founding principles of the Master Fund's investment strategy has been to focus on companies and sectors that allow mid-term profitability to be forecast with a reasonable degree of confidence given the resilience of the underlying revenue streams. The Master Fund is also attracted to situations where structural or regulatory changes within an industry are creating opportunities for established market-leading companies to create and capture value in new ways.

#### **How the Master Fund invests**

These investment criteria help to identify opportunities with potential, but it is management teams that ultimately deliver that value. There is the conviction to take a contrarian view and back a proven management team that has demonstrated a thorough understanding of how to create value within their sector.

The Investment Advisor works extremely closely with the management teams of the Master Fund's portfolio companies. The Investment Advisor's role is to act in support of management teams where appropriate, providing additional financial and advisory resources not ordinarily available to the portfolio companies.

The Manager believes this provides significant benefits to the portfolio companies and forms an integral part of the Manager's risk management process.

#### **Investment performance**

We are extremely pleased with the performance of the Master Fund during the year. The performance has again demonstrated the resilience of an investment model that concentrates on working closely with management and adding operational value to our investee companies.

The performance of the Master Fund's Class B investments has fallen behind the market's consensus forecast figures which has impacted on the share prices of these companies and subsequently the NAV of these shares.

Despite global equity markets experiencing high returns, the NAV of the Master Fund has still significantly outperformed all of its comparative indices and this performance has continued into the first quarter of 2014.

The Investment Advisor continues to evaluate new investment opportunities with a view to the Master Fund making new investments in due course.

To date, the Master Fund's investee companies (both current and exited investments) have together delivered an equity IRR to all investors (including the Master Fund and third party investors) of 25% on a total of approximately £1.2 billion of invested equity.

# Marwyn Value Investors Limited

## Report of the Manager

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### 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 2013:

#### Ordinary Shares

Company	Ticker	Sector	% of NAV
Advanced Computer Software plc <sup>3</sup>	ASW LN	Healthcare Software	0.00%
Entertainment One Limited	ETO LN	Entertainment Rights	86.11%
Breedon Aggregates Limited	BREE LN	Construction Materials	26.54%
Marwyn Management Partners plc	MMP LN	Financial Services	0.53%
Silverdell plc	SID LN	Asbestos Services	0.00%
Other assets of the Master Fund			6.88%
Liabilities of the Master Fund			-20.06%
<b>Net assets</b>			<b>100.00%</b>

#### B Ordinary Shares

Company	Ticker	Sector	% of NAV
Fulcrum Utility Services Limited	FCRM LN	Support Services	62.67%
Paragon Entertainment Limited	PEL LN	Leisure and Entertainment	41.14%
Other assets of the Master Fund			5.82%
Liabilities of the Master Fund			-9.63%
<b>Net assets</b>			<b>100.00%</b>

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<sup>3</sup> The Master Fund has retained an interest in ASW of 5 ordinary shares, with an aggregate market value as at 31 December 2013 of £5. Any proceeds from the sale of these shares will be donated to charity.



## INVESTMENTS – ORDINARY SHARES

**Company:** Entertainment One Limited (“ETO”)  
**Sector:** Entertainment Rights  
**Ticker:** ETO LN  
**% ownership:** 27.5%

ETO is a leading international entertainment group incorporating international film distribution and independent television content production. ETO’s international footprint covers Canada, the US, the UK, Australia, Benelux and Spain. Its global network is further extended with partnerships in France, Germany, Scandinavia, South Africa and South Korea.

Today, ETO has a market capitalisation close to £1.0bn and is a member of the FTSE 250. The business is still run by the same executive management team who led the business following the Master Fund’s original investment in 2007 and the Master Fund remains the company’s largest shareholder.

Alan Leighton was appointed a non-executive director and Chairman of ETO on 31 March 2014 with James Corsellis, a director of the Manager and a managing partner of the Investment Advisor, standing down as Chairman but remaining as a non-executive director of ETO.

### Management Biographies:

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:

ETO has enjoyed a strong financial year with full year earnings to 31 March 2014 expected to be ahead of management expectations. Gross margins have been higher than previous years with improvements in both the Film and Television divisions driven by continued increase in investment returns and cost synergies following the acquisition of Alliance Films in January 2013.

ETO was included in the FTSE 250 UK Index Series effective from 23 September 2013, following admission to the premium listing segment of the Official List of the Financial Conduct Authority on 1 July 2013. Since joining the FTSE 250, ETO’s share price has traded at record highs.

As detailed in ETO’s Interim Management Statement dated 13 February 2014, the Board of ETO is also expected to announce the commencement of a progressive dividend policy at the time of ETO’s year end results announcement due in May 2014.

### Investment Performance:

During the twelve month period to 31 December 2013, ETO’s share price increased from 168.5p to 259.2p, an increase of 53.8%.

**Company:** Breendon Aggregates Limited ("BREE")  
**Sector:** Building Materials  
**Ticker:** BREE LN  
**% ownership:** 14.5%

BREE is now the largest independent aggregates business in the UK with a market capitalisation of approximately £400m. The business operates across Central England, East Anglia, Eastern England and Scotland, supplying a wide range of products and services to the construction sector.

BREE is still led by the same executive management team with whom the Investment Advisor launched the company in 2008 and the Master Fund is the second largest shareholder with c.15% of the shares in issue.

#### **Management Biographies:**

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.

#### **Progress over the Period:**

BREE has again performed strongly in 2013 with its EBITDA margin up a full percentage point to 12.6% and sales volumes in all products significantly ahead of the prior financial year.

The company completed two acquisitions during the year, funded by a £61m placing. The Master Fund did not participate in the placing.

Following the acquisition of Aggregate Industries' northern Scottish operations at the end of April 2013, the Office of Fair Trading ("OFT") conducted a review of the transaction and subsequently referred the acquisition to the Competition Commission ("CC"). The CC published their findings on 6 February 2014, following which BREE entered into discussions with them regarding the required remedies were to be agreed between the parties by the end of April 2014. The Board of BREE believes that the overall impact of the anticipated remedies is not significant to the value of the acquisition.

On 9 April 2014, BREE released an announcement noting the final report of the CC which confirmed their provisional findings that BREE would be required to dispose of a ready-mixed concrete plant in the Peterhead area and an asphalt plant in the Aberdeen area, and to give undertakings in respect of its asphalt plants in the Inverness area. BREE confirmed their intention to work with the CC to finalise the terms of these divestments and undertakings with the intention of reaching agreement as quickly as possible in order that it can expedite the sale of the assets concerned and intends to pursue the full integration of the remaining operations with its existing business in Scotland and expects to deliver synergy benefits during 2014.

The macroeconomic background for BREE's industry is better than it has been for some years with UK GDP forecast to grow by 2.7% in 2014. The outlook for the UK construction market is robust for 2014 and 2015 and BREE expect the improved market conditions to allow some cost recovery through increased pricing.

The business has a strong balance sheet and appears well placed to take advantage of any additional acquisition opportunities in 2014.

#### **Investment Performance:**

During the twelve month period to 31 December 2013, BREE's share price increased from 21.75p to 40.0p, an increase of 83.9%.

**Company:** Marwyn Management Partners plc  
("MMP")  
**Sector:** Financial Services  
**Ticker:** MMP LN  
**% ownership:** 22.1%

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's market capitalization remains low, at only £3.93 million as at 31 December 2013. The Master Fund is MMP's largest shareholder with a 22.13% stake.

MMP is organised across two divisions. The Luxury Goods division which holds and targets investments in the global luxury and consumer goods industry and the Industrial division which holds and targets investments in the European transport industry. Further information regarding the divisions is contained below.

Mark Watts and James Corsellis, are directors of MMP as well as being non-executive directors of the Manager and partners in the Investment Advisor.

#### Luxury Goods

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.

Silvercloud completed the acquisition of Le Chameau, the French premium rubber boot company, in October 2012. Le Chameau represents an opportunity to develop a global footwear brand, built upon its unique 85 year heritage and handmade products. The business continues to make considerable progress across key components of its strategy, including product development, distribution, marketing and the UK market, which is a key immediate priority for the business.

#### Industrial

Metropolitan European Transport plc ("MET") was established in February 2011 to pursue acquisition opportunities within the European transport sector, focused on the market for contracted bus services and intercity express bus routes in Germany.

Since 2011, MET has completed five acquisitions, has won, retained or extended 20 contracts, and operates a bus fleet of approximately 380 vehicles. MET has identified and continues to be in discussions with a large pipeline of acquisition opportunities which, subject to the availability of additional capital, will significantly enhance its scale and operational efficiencies.

Following discussion with its shareholders, MMP pursued a listing of MET on AiM during the final quarter of 2013. As announced on 29 November, MMP made the decision to no longer pursue the listing of MET on AiM and instead appointed advisors to coordinate private investment of capital into MET. Conversations with potential private investors are ongoing and which may or may not lead to a sale of MMP's ownership of MET.

#### MMP Strategy

The Board of MMP has been evaluating strategic and financing options for the group, in conjunction with its exploration of listing MET on AiM and the subsequent discussions regarding private investment into MET.

As part of this evaluation, the Board of MMP has confirmed that it intends to make an application to move the listing of the company's shares to AiM as the Board believe that AiM is a more suitable market given the size of MMP.

As part of the AiM admission, MMP would also intend to undertake a placing of new ordinary shares (the "Proposed Placing") to shareholders.

In advance of the Proposed Placing, in order to fund short term working capital requirements, the Master Fund provided MMP with a £6.5 million unsecured loan ("Unsecured Loan") in December 2013. The Unsecured Loan was in addition to the £5 million secured loan from the Master Fund to MMP in April 2013 (the "Secured Loan"). The Master Fund has also agreed to underwrite the Proposed Placing to a minimum of £12 million by contributing the amounts outstanding under the Unsecured Loan and Secured Loan into the Proposed Placing. The Master Fund's underwriting is subject to certain conditions, including the Proposed Placing taking place at no more than 10 pence per share. The Proposed Placing will be subject to normal shareholder approvals, including a whitewash if required. If a whitewash is required but not approved, the Unsecured Loan will be repaid at the end of its term on 1 August 2014, in the form of shares in MMP's 100% subsidiary Marwyn Management Partners Subsidiary Limited ("MMPSL").

MMPSL is the holding company of the MMP Group's equity interests in Silvercloud and MET.

#### Investment Performance:

During the twelve month period to 31 December 2013, MMP's share price decreased from 20.5p to 8.75p, a fall of 57.3%.

**Company:** Silverdell plc ("SID")  
**Sector:** Asbestos Services  
**Ticker:** SID LN  
**% ownership:** 18.1%

SID is an environmental support services business, offering a range 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.

**Progress over the period:**

The company's shares were suspended from trading on AiM on 2 July 2013, following one of SID's subsidiaries entering administration.

The company announced in December 2013 that HSBC had sold its debt position of £16m in the company to R Capital Partners, a turnaround investor. In addition, SID sold the entire share capital of its subsidiaries Redhill Analysts and RDS Asbestos Management Consultants to R Capital Partners for £1 and an assumed debt obligation of £5.5m. Both subsidiaries had contributed £1.5m of operating profit to the SID Group and had combined net assets of £11.8m according to SID's previously announced set of results. Following these transactions, the Board all announced their resignations, with the exception of CEO Sean Nutley.

SID subsequently issued a statement on 31 December stating that trading conditions in the group's subsidiaries had been extremely challenging, reflecting the impact of one of the Kitsons administration which, in turn, led to a serious deterioration in the group's working capital position. At that time the company noted that it was working with R Capital to pursue all options, which may include the sale of additional parts of the group, but added that it was not anticipated that shareholders will receive any return for the shares they hold.

Pursuant to the AiM rules, admission of the SID shares was cancelled on 2 January 2014.

Given that HSBC had not received the full face value of its debt in December 2013, it was anticipated at that time that the any transaction contemplated with R Capital may result in the loss of the entire equity value of SID and accordingly the Master Fund wrote down the value of its investment in SID to zero. As at the date of the write down, the impact on the NAV was a reduction in value of £4.3m, equivalent to 6.47p per ordinary share in the Company based on the NAV as at 22 November 2013 (being the latest date in respect of which the Company had published a NAV for its ordinary shares at the time of the write down).

**EXITED INVESTMENT**

**Company:** Advanced Computer Software plc ("ACS")  
**Sector:** Healthcare Software  
**Ticker:** ASW LN  
**% ownership:** 7.2% (prior to final exit)

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.

**Progress over the Period:**

The Master Fund successfully sold its investment in ACS in October 2013. Following a partial disposal in March 2013, the final disposal generated net aggregate proceeds of £25.4m (of which £18.4 million was attributable to the Company), delivering 5.9x cash return in aggregate for the Company over the life of the investment. This resulted in a gross IRR of 31.3% in respect of the Company's indirect investment in ACS.

**NOTES**

The Company does not legally own interests in the underlying portfolio of the Master Fund; the returns reported above are calculated on an illustrative "look-through" basis and are based upon the Company's percentage interest in the Master Fund's net assets at any one time as detailed in the announcement released on 10 October 2013.

#### INVESTMENTS – B ORDINARY SHARES

**Company:** Fulcrum Utility Services Limited ("FCRM")  
**Sector:** Support Services  
**Ticker:** FCRM LN  
**% ownership:** 13.2%

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 turnaround strategy to return to revenue growth and profitability.

##### Management Biographies:

Martin Donnachie (CEO) was appointed as Interim CEO in May 2013 following the departure of John Spellman and was subsequently appointed as permanent CEO in October 2013. Martin has considerable experience gained from a range of interim leadership roles and, prior to that, 12 years of experience in the house building and construction services sectors, most recently with George Wimpey plc and Rok plc.

Philip Holder (Chairman) has over 30 years' experience in the utilities sector, latterly as Managing Director of East Surrey Holdings, the water and gas utilities business and as an Operational Adviser for JO Hambro Capital Management Group which manages the Trident Private Equity funds.

##### Progress over the Period:

Following the appointment of Martin Donnachie as CEO the management team has been refocused with clear operational plans in place across all operational areas of the business. Restructuring activities have now been completed which should yield annual costs savings of an additional £1.7 million. The disposal of domestic pipeline assets on 9 October 2013 generated net proceeds of £5.9 million. In addition, the order book remains strong and has been increasing during the period.

The Board of FCRM believe that with the outlook for the UK construction industry becoming increasingly favourable, together with further cost reductions, further improvement in the revenue generation and profitability of the business is achievable.

##### Investment Performance:

During the twelve month period to 31 December 2013, FCRM's share price decreased from 12.5p to 7.13p, a fall of 43.0%.

**Company:** Paragon Entertainment Limited ("PEL")  
**Sector:** Leisure & Entertainment  
**Ticker:** PEL LN  
**% ownership:** 10.7%

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.

##### 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 originally developed Paragon Creative into a market leading theming business with an extensive global client base.

##### Progress over the Period:

Forecast results for the year ended 31 December 2013 are expected to show a doubling of EBITDA to £0.6 million.

PEL now has three clearly defined business divisions: Creative; Attractions; and Leisure and Licencing. The Creative division designs and builds attractions for operators of theme parks, museums and attractions and this division forms the majority of the PEL Group's results. The Attractions division builds and operates attractions for the PEL Group and opened its first attraction in Westfield's Merry Hill in November 2012. This division continues to implement a number of strategies to refine its existing offering with the aim of achieving profitability in 2014. Leisure and Licencing has been created since 31 December 2013 to capitalise on the worldwide appeal of certain IP rights to themed attractions such as Nerf, YuKids and HiLo. The Board of PEL believes that Leisure and Licencing has demonstrated good potential with its existing IP deals and that the new structure will allow for greater focus to develop this area of the business.

##### Investment Performance:

During the 12 month period to 31 December 2013, PEL's share price decreased from 6.13p to 4.75p, a fall of 22.5%.

The Directors have pleasure in submitting their Annual Report and the Audited Financial Statements for the year ended 31 December 2013.

#### 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 the Master Fund. The Master Fund was launched in March 2006. It is an open-ended fund domiciled in the Cayman Islands.

The Master Fund specialises in the acquisition and development of growth businesses, often taking a significant stake in its quoted portfolio companies.

Following adoption of the proposals at the EGM, the investment policy of the Master Fund was amended, in so far as it relates to the Ordinary Shares, so that the Master Fund is permitted to make investments in new portfolio companies. In relation to B Ordinary shares, the Manager will focus on creating maximum value from the existing portfolio before realising those investments. Cash realised by the Master Fund will be distributed to its investors, including the Company, in accordance with the distribution policy applicable to the relevant class, further detail about which is contained in the Report of the Chairman and the Notes to these Financial Statements.

A review of the performance of, and the outlook for, the Master Fund is provided in the Report of the Manager.

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 13 to the financial statements.

#### Results and dividends

The results attributable to the shareholders for the year are shown in the Statement of Comprehensive Income. The Directors did not pay, and do not recommend, a dividend for the year (2012: Nil).

#### Share capital

As at 31 December 2013 the Company had 66,106,473 Ordinary shares in issue (31 December 2012: 66,106,473) and 5,008,870 B Ordinary shares in issue (31 December 2012: 5,008,870).

#### January Return

As detailed in the Report of the Chairman, during December 2013 the Company announced its first return of capital pursuant to the new progressive distribution policy for holders of Ordinary shares which will result in a minimum return of capital in January of each year. The first return of capital was completed in January 2014 was equal to 8 pence per Ordinary share and was effected by way of a partial cash redemption of the Ordinary shares.

#### 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 Ware  
Paul Everitt  
Paul Cookson (resigned 2 January 2014)  
Ronald Hobbs (appointed 2 January 2014)  
Louisa Bonney (appointed 2 January 2014)

#### Robert Ware (Non-Executive Chairman)

Length of service: 8 years, appointed 2 October 2006  
Last re-elected to the Board: 19 November 2013 at the Annual General Meeting  
Committee membership: Nomination, Remuneration and Audit Committee

Robert Ware is resident in the UK and is a qualified chartered accountant. Robert 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 in 2003 by Robert and members of the ex-MEPC team. He is a 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 Advisor. Robert is also a director of various companies connected to the Investment Advisor.

In May 2013 he was appointed Chairman of Chalkstream Investment Company PLC which is quoted on the ISDX Growth Market.



**Paul Cookson (Non-Executive Director)**

Length of service: 1 and a half years, appointed 13 June 2012, resigned on 2 January 2014  
Last re-elected to the Board: 30 October 2012 at the Annual General Meeting  
Committee membership: Nomination, Remuneration and Audit Committee

Paul Cookson is resident in Jersey and has spent over 15 years employed in the finance industry having qualified as a chartered accountant with Arthur Andersen. He continued to work for Deloitte after the integration of Andersen's business where he specialised in securitisation and structured finance. Paul has wide financial markets experience gained from major international banking clients throughout the UK and continental Europe. During the financial period Paul was Managing Director of Axio Capital Solutions Limited, a provider of fund and trust company administration services in Jersey and an Executive Director of Marwyn Asset Management Limited, the Company's Manager. In addition, Paul was also a Non-Executive director of Marwyn Capital Management Limited (the previous Manager), Marwyn General Partner Limited (the general partner of the Master Fund), Marwyn Value Investors (Unlisted Feeder) Limited and Marwyn Value Investors (pte) Limited.

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

Length of service: 5 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 resident in Guernsey and 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, fund 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 Everitt is also a Non-Executive director of Marwyn Capital Management Limited, the previous manager and other companies connected to the previous Manager and is also a non-executive director of Marwyn Value Investors (Unlisted Feeder) Limited and Marwyn Value Investors (Pte) Limited.

As noted, Paul Everitt is a Non-Executive director of other Marwyn group companies however as he has no economic interest in the Marwyn Group (including the Manager and the Investment Advisor), the Company or the Master Fund he is regarded as independent of Marwyn.

**Ronald Hobbs (Non-Executive Director)**

Length of service: 4 months, appointed 2 January 2014  
Last re-elected to the Board: Ron will be offering himself for re-election at this year's Annual General Meeting in accordance with the Company's Articles of Association  
Committee membership: Deputy Chairman of the Audit Committee, Nomination Committee and Remuneration Committee.

Ronald Hobbs is resident in South Africa and has over 25 years of private equity experience having been Managing Director and Senior Partner with UBS AG, London and Paris in their Private Equity - Europe Division as well as Vice President at Citicorp Venture Capital, London. Since 2009, Ronald has been a partner in Monceau Capital, a privately owned turn-around fund focused on under-performing activities in France. Ron is a qualified accountant.

Ron has previously been a Non-Executive director of another Marwyn group company however as he has no economic interest in the Marwyn Group (including the Manager and the Investment Advisor), the Company or the Master Fund he is regarded as independent of Marwyn.

**Louisa Bonney (Non-Executive Director)**

Length of service: 4 months, appointed 2 January 2014  
Last re-elected to the Board: Louisa will be offering herself for re-election at this year's Annual General Meeting in accordance with the Company's Articles of Association  
Committee membership: Nomination, Remuneration and Audit Committee

Louisa Bonney is resident in Jersey. Louisa is currently an Executive Director of Axio Capital Solutions Limited, a provider of fund and trust company administration services in Jersey which is the sub-administrator and Exchange Administrator of the Company. Louisa is also an Executive Director of the Company's manager, Marwyn Asset Management Limited. Louisa is also a non-executive director of Marwyn Capital Limited, Marwyn Capital Management Limited (the previous manager), Marwyn General Partner Limited (the general partner of the Master Fund), Marwyn Investment Management Limited, Marwyn Value Investors (Unlisted Feeder) Limited, Marwyn Value Investors (pte) Limited and Marwyn Management General Partner Limited.

Louisa qualified as a chartered accountant with Ernst & Young and has worked in the finance industry in Jersey for over 16 years with both private equity and private wealth clients. Louisa's experience includes working with large multi-jurisdictional structures with private equity, real estate and private wealth.

## Marwyn Value Investors Limited

### Report of the Directors

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The Board considers that Louisa's position as a director provides the Board with important knowledge of the detailed operations and risks of the Manager and the Master Fund and will assist with the continued open communication and the supportive, co-operative and open environment which has been the basis of the Board's relationship with the Manager (and the previous Manager).

In the Circular sent to Shareholders on 19 November 2013, the Board stated its intention to appoint two independent non-executive directors. The Chairman has since consulted with Shareholders and following the appointment of Ron and Louisa the Board has decided not to appoint a further non-executive director for the time being.

#### Directors' interests

The Directors' interests in the Ordinary shares of the Company were as follows as at 31 December 2013 and 31 December 2012 and to the date of approval of these financial statements.

	<i>Ordinary shares</i>
Robert Ware	458,715
Paul Cookson	Nil
Paul Everitt	Nil
Ronald Hobbs	Nil
Louisa Bonney	Nil

#### Directors' remuneration

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

	2013	2012
	£	£
Robert Ware	20,000	20,000
Paul Cookson	30,000	16,475
Paul Everitt	30,000	27,500
	<b><u>80,000</u></b>	<b><u>63,975</u></b>

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.

#### Fund Manager

Marwyn Asset Management Limited (the "Manager") is entitled to a management fee, payable by the Company in arrears, equal to 1/12<sup>th</sup> of 2.0% per month of the NAV from the Company where such investment is not in the Master Fund. As the Company's sole investment is in the Master Fund the Company does not pay a management fee to the Manager.

The Manager is also the manager of the Master Fund and is entitled to a management fee, payable by the Master Fund in arrears, equal to 1/12<sup>th</sup> of 2.0% per month of the NAV in respect of Class F and Class B1 of the Master Fund

into which the Company invests. The Manager may, at its discretion, pay from the management fee to any person to which it has delegated any of the functions it is permitted to delegate such as the Investment Advisor. UBS Fund Services (Ireland) Limited, the administrator to the Master Fund, calculates the management fee payable to the Manager by the Master Fund. The Manager is also entitled to reimbursement of certain expenses incurred by it in connection with its duties.

As detailed in Note 14 to the Financial Statements incentive fees are payable by the Master Fund in respect of Class F and Class B1 into which the Company invests.



## Marwyn Value Investors Limited

### Report of the Directors

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As required by Article 16.3.5 of the Codes, the remuneration paid by the Manager ('MAML') to its staff during the year is set out below. The existing Manager was incorporated on 13 June 2013 and was appointed to the Company on 29 November 2013.

The Directors of the Manager perform their duties in respect of three Alternative Investment Funds ("AIF"), Marwyn Value Investors LP, Marwyn Value Investors (Unlisted Feeder) Limited and the Company.

<b>Total remuneration paid to staff:</b>	From incorporation to 31 December 2013
	£
Fixed remuneration of entire staff of MAML	37,889
Number of beneficiaries	<u>6</u>

<b>Total remuneration of staff involved in activities of the Company:</b>	From incorporation to 31 December 2013
	£
Fixed remuneration of staff involved in the activities of the Company	37,889
Number of beneficiaries	<u>6</u>

The amount paid in fixed remuneration relates to directors fees and the cost of time spent by staff on compliance, portfolio and risk management and marketing services. These are contractually agreed payments and are paid regardless of the Company's performance.

<b>Proportion of time spent on the Company:</b>	From incorporation to 31 December 2013
	%
Proportion of time spent by the Manager specifically relating to the Company	30
Number of beneficiaries	<u>6</u>

The estimated allocation of time has been derived by considering the total number of hours spent by all six directors of the Manager and estimating, by director, the number of hours spent specifically in relation to the Company of the total time spent across all 3 AIFs managed. An overall percentage has been calculated based on hours spent on the Company divided by total hours worked.

#### Incentive allocation

The incentive fee is payable on returns generated by the Master Fund and is deducted from the Gross Asset Value of the Master Fund in deriving the Net Asset Value. The Net Asset Value is used to calculate the value of the Company's holding in the Master Fund.

Any incentive allocation to be borne by the Class Interests will only be payable on "Returns" being made, however there are provisions allowing for the acceleration of Incentive fee payments due to retired partners (subject to performance criteria being met). For the purposes of Class F Interests, "Returns" shall mean any distribution, dividend or return of capital by the Master Fund to holders of the Class F Interests (either directly or indirectly through the Listed Fund) and purchases of Ordinary Shares by the Master Fund (which are subsequently cancelled through the Exchange Procedure or otherwise).

The incentive allocation attributable to the Ordinary Shares during the year was £12,738,894 (2012: £2,506,614). There is no incentive allocation attributable to the B Ordinary shares. The total incentive fee accrued as at 31 December 2013 amounted to £34,447,866 (2012: £21,708,972).

Two of the directors of the Manager are incentivised through the incentive fee and investment advisory fee payable by the Master Fund.

Investors can assess remuneration and incentives by reference to the disclosure of the basis of calculation of the incentive fee which was made in the Circular dated 1 November 2013 in relation to the Company's investment in Class F, and the Registration Document issued in 2009 in relation to the Company's investment in Class B1, both documents are available on the Company's website. Disclosure of the amount of investment advisory fee is contained in note 14.

### Substantial shareholdings

At 31 March 2014 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
Chase Nominees Limited	6,200,607	9.68
The Bank of New York (Nominees) Limited CFMSS Acct	6,105,469	9.53
Tortin Limited	4,845,610	7.56
BBHISL Nominees Limited 128140 Acct	4,696,000	7.33
BNY Mellon Nominees Limited BSDTGUSD Acct	3,236,543	5.05
BBHISL Nominees Limited 121624 Acct	3,122,626	4.87
HSBC Global Custody Nominee (UK) Limited 764685 Acct	2,785,257	4.35
State Street Nominees Limited OM01 Acct	2,651,651	4.14
Chase Nominees Limited FISL Acct	2,607,011	4.07
Nortrust Nominees Limited	2,340,411	3.65
Rulegale Nominees Limited JAMSCLT Acct	2,306,207	3.60

	Number of B Ordinary shares	Percentage of share capital
HSBC Global Custody Nominee (UK) Limited 978777 Acct	750,000	14.97
HSBC Global Custody Nominee (UK) Limited 667656 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
Harewood Nominees Limited 4153230 Acct	255,042	5.09
Jim Nominees Limited AMATI Acct	200,000	3.99
Fiske Nominees Limited Fiskpool Acct	153,000	3.05

### Future Prospects

The Board continues to believe that there is long-term value in the Master Fund and that the majority of underlying investments will continue to see increases in their market value. Additional details regarding the investments of the Master Fund are contained in the Report of the Manager.

### Auditors

The Audit Committee does not have any reason to believe that PricewaterhouseCoopers did not conduct an effective audit. PricewaterhouseCoopers has expressed its willingness to continue to act as auditor to the Company and a resolution for its re-appointment 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.

### Corporate Governance

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 published by the Financial Reporting Council. The Directors however recognise the importance of maintaining sound corporate governance 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 Corporate Governance Code, as well as setting out additional principles and recommendations that are of specific relevance to the Company. The AIC Code together with the AIC Guide are available on the AIC's website (<http://www.theaic.co.uk/>).

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 Corporate Governance Code), will provide better information to shareholders.

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

The UK Corporate Governance Code includes provisions relating to:

- the role of the chief executive
- executive directors' remuneration
- the need for an internal audit function

For the reasons set out in the AIC Guide, and as explained in the UK Corporate Governance Code, the Board considers these provisions are not relevant to the position of the Company being an externally managed investment company. In particular, all of the Company's day-to-day management and administrative functions are outsourced to third parties. As a result, the Company has no executive directors, employees or internal operations. The Company has therefore not reported further in respect of these provisions.

#### The Board

The Chairman, Robert Ware, is not considered to be independent due to his having interests in, and having other directorships within, the Marwyn Group. The Board does not consider it necessary to have an independent Chairman as it believes that Robert's high level and range of business knowledge, financial experience and integrity enables him to provide clear and effective leadership and, in conjunction with his fellow directors, proper stewardship of the Company.

Paul Cookson who served as director during the financial period was not considered to be independent due to his having other directorships within and being employed by the Marwyn Group as detailed on page 13. The Board considered that Paul Cookson's position as a director provided the Board with important knowledge of the detailed operations and risks of the Manager and the Master Fund and assisted with the continued open communication between the Board and the Manager.

Louisa Bonney, appointed to the Board on 2 January 2014, is not considered to be independent as detailed earlier in the Directors' Report. Notwithstanding such interests, the Board believes Louisa's skills and her

position within Marwyn are of benefit to the Board, as further detailed in the Directors' Report, and as such do not consider that it is necessary for her to be independent.

Paul Everitt and Ronald Hobbs are both considered to be independent as detailed earlier in the Directors' Report.

Given the size and composition of the Board it is not currently felt necessary to appoint a Senior Independent Director however this position will be reviewed on an annual basis by the nomination committee.

The Board 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 nearest number to one-third, of the Directors shall retire and offer themselves for re-appointment at each annual general meeting in accordance with the Company's Articles of Association. Each Director is required to offer themselves for re-election at least every three years.

The Chairman regularly meets with representatives of the Manager and is in regular communication with his fellow Directors. In addition, the Board maintains open and frequent communication with the Manager and the sub-administrator throughout the year so that any ad hoc items for the Board's consideration are able to be considered in a timely manner by all members of the Board.

As noted in the Chairman's statement, the composition and performance of the Board was reviewed during 2013. The Board believes the appointment of Ron Hobbs and Louisa Bonney will help ensure the ongoing effectiveness of the Board. These Board changes have also resulted in the Board being refreshed whilst at the same time continuing to benefit from the experience and knowledge of the Company by retaining the services of Robert Ware and Paul Everitt.

The Chairman does not regularly review and agree with each Director their training and development needs as all of the Directors are professionally qualified or regulated and are required by their relevant governing professional bodies or regulators to undertake continuing professional education.

The Board has engaged external companies to undertake the investment management and administrative activities of the Company. These services are undertaken in accordance with clear documented contractual arrangements between the Company and the relevant firm, and also define the areas where the Board has delegated responsibility to them. These relationships are reviewed on a regular basis to ensure their continued competitiveness and effectiveness.

The Board will normally meet on a quarterly basis to consider amongst other things, the investment performance and associated matters such as marketing and investor relations, risk and portfolio management, the suitability of the investment policy, performance of the share price as well as NAV performance and any discounts related to the share price to the NAV, and the

performance and cost of service providers to ensure control is maintained over the Company's affairs. Due to ongoing discussions regarding the proposals approved at the EGM on 19 November 2013 two formal meetings were held during the year with ad hoc meetings called at short notice.

During the financial year ended 31 December 2013, the Board met a total of 15 times during the year, of which 13 meetings were ad hoc with two formal meetings held. In addition, the Audit Committee met twice, the Nomination Committee met once and the Remuneration Committee did not meet as detailed below. All three committees were scheduled to meet at the end of December however due to the Board changes being

considered at that time there were insufficient independent members available for meetings to consider the relevant items. As such, a board meeting was held on 2 January 2014 to approve the Board changes and to amend the Committee Terms of Reference to the strictest extent necessary to enable the minimum number of meetings to be reduced to zero for the year 2013 only.

The Board at its first quarterly board meeting of 2014 reviewed and updated, as necessary, the terms of reference of each committee and changes have been made to the membership of the Committees as detailed later in this report.

	Formal Board Meetings	Audit Committee	Nomination Committee	Remuneration Committee
Director:				
Robert Ware	2(2)	1(2)	1(1)	0(0)
Paul Cookson	2(2)	2(2)	1(1)	0(0)
Paul Everitt	2(2)	1(2)	0(1)	0(0)

#### Board Committees

The Company uses a number of committees to control its operations. Each committee has formal written terms of reference, which clearly define their responsibilities. The terms of reference are available to access on the Company's website (<http://www.marwynvalue.com/company-information/documents.stm>).

#### Audit Committee

The Audit Committee comprises all the Directors of the Company and meets at least twice a year, Ronald Hobbs and Louisa Bonney were appointed members of the Audit Committee on 27 March 2014. Paul Everitt is Chairman of the Audit Committee and Ronald Hobbs is Deputy Chairman of the Audit Committee. The terms of reference of the Audit Committee are reviewed and reassessed for their adequacy on an annual basis. The Audit Committee provides a forum through which the Company's auditor has access to and can report to the Board.

Following completion of the audit of the Company's financial statements for the year ended 31 December 2012, the Board, following a recommendation from the Audit Committee, agreed that the audit should be put out to tender as Ernst & Young LLP had been the Company's auditor since 2009, and in order that alternative approaches to running the engagement and comparisons of fee levels could be made and considered by the Board. It was further agreed that the Board would consider the proposals received and would agree on a recommendation to be made at the Company's Annual General Meeting in November 2013 regarding the appointment of a new auditor or the re-appointment of the existing auditor.

The Big 4 audit firms, which included Ernst & Young LLP, were asked to tender as it was agreed that they offered

the most appropriate skills and resources and offer extensive networks, bespoke software and specialist staff. Following a detailed review of all proposals the Board agreed to recommend the appointment of PricewaterhouseCoopers as the Company's auditors given their experience, skills and competitive fee representing value for the Company. The Company's shareholders approved the appointment of PricewaterhouseCoopers at the Company's Annual General Meeting on 19 November 2013.

The Company's auditors do provide certain tax services to the Company however audit independence regulations do not currently restrict the services which are provided under the terms of the separate engagement entered into.

Compliance with auditor independence is monitored on a regular basis and the Company's auditor is required to confirm their independence on an annual basis.

The audit committee considered the need for a liquidity discount to be applied to the NAV of the Company's investment in the Master Fund as declared by UBS as Administrator. IFRS requires the application of a liquidity discount in specific circumstances and following the amendments of the distribution policy adopted at the Company's EGM in November 2013, the need for the liquidation discount was reconsidered. It was agreed that the adjustment should continue to be made and the assumptions and methodology used in calculation were reviewed and agreed.

#### Nomination Committee

The Nomination Committee comprises all the Directors of the Company and meets at least twice a year. Ronald Hobbs and Louisa Bonney were appointed members of the Nomination Committee on 27 March 2014. Paul Everitt is Chairman of the Nomination Committee and Ronald Hobbs is Deputy Chairman of the Nomination

Committee. The terms of reference of the Nomination Committee are reviewed and reassessed for their adequacy on an annual basis. Members of the Nomination Committee do not participate in the review of their own position.

The function of the Nomination Committee is to consider the appointment and re-appointment of Directors. As noted in the Directors' Report the recent board changes were not discussed at a meeting of the Nomination Committee as there were insufficient independent available directors to constitute a quorum. In this instance the Board fulfilled the duties of the Nomination Committee at a Board Meeting.

When considering the appointment and re-appointment of Directors, the Nomination Committee and the Board consider whether the Board and its committees have a balance of skills, experience, length of service, knowledge of the Company, its diversity, how the Board works together and any other factors relevant to the effectiveness of the Board including if the Director or candidate being reviewed has sufficient time to devote to the Company to carry out their duties effectively. The Board and the Nomination Committee does not take into account the gender of a director or candidate as they do not believe it affects a Director's performance.

No external search consultancy nor open advertising has been used in the appointment of Ronald Hobbs and Louisa Bonney. Ronald Hobbs was not known to either the Chairman or Paul Everitt prior to his appointment to the Board. The Board also believes that due to the specialist nature of the Company it is not appropriate at this time to use an external search consultancy or open advertising. This position is reviewed by the Board prior to any new appointments.

Formal induction training is not given to new directors however all new directors meet with the Chairman, and any members of the nomination committee as applicable, prior to appointment in order to discuss the Company, its manager, the responsibilities of a director of the Company and investment company industry matters.

Any new directors will meet with the full Board at the earliest opportunity following their appointment. In addition, all directors have full access to the sub-administrator and the Manager.

All Directors are re-elected at the next Annual General Meeting following their appointment and thereafter retire by rotation (with one third of the Directors being required to retire by rotation each year) subject also to the requirement that all Directors are required to offer themselves for re-election at least every three years.

#### **Remuneration Committee**

The Remuneration Committee comprises all the Directors of the Company and meets at least once a year, Ronald Hobbs and Louisa Bonney were appointed members of the Remuneration Committee on 27 March 2014. Paul Everitt is Chairman of the Remuneration Committee and Ronald Hobbs is Deputy Chairman of the

Remuneration Committee. The terms of reference of the Remuneration Committee are reviewed and reassessed for their adequacy on an annual basis. Members of the Remuneration Committee do not participate in the review of their own remuneration.

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 Board considers its size to be such that it would be unnecessarily burdensome to establish a separate management engagement committee. The review of the performance of, and contractual arrangements with, the Manager is undertaken by the Board however only directors independent of the Manager are involved with this review.

#### **Relations with Shareholders**

The Directors are always available for communication with Shareholders and all Shareholders have the opportunity, and are encouraged, to attend and vote at the Annual General Meetings of the Company during which the Board and the Manager will be available to discuss issues affecting the Company. The Board stays informed of Shareholders' views via regular updates from the Manager and Broker as to meetings and other communications they may have had with Shareholders.

#### **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 Board is responsible for establishing and maintaining the Company's system of internal control and reviewing its effectiveness. Internal control systems are designed to meet the particular needs of the Company and the particular risks to which it is exposed.

The procedures are designed to manage rather than eliminate risk and by their nature can only provide reasonable but not absolute assurance against material misstatement or loss. The key procedures which have been established to provide effective internal controls are as follows:

- Fund Corporation of the Channel Islands Limited ("Fund Corporation") is responsible for administration and company secretarial duties and has outsourced a significant volume of these duties to Axio Capital Solutions Limited ("Axio")
- Axio is required to report to Fund Corporation on a quarterly basis regarding various matters including
  - Confirmation of any material events during the period
  - Submission of relevant financial data
  - Submission of relevant investor

- transactions or activity
- Submission of relevant investment related information
- The duties of managing the investments and accounting are segregated
- UBS Fund Services (Ireland) Limited, a company independent of the Manager and the Board, provide administrative and accounting services to the Master Fund
- Custodian services for the Master Fund are provided by an independent company and are segregated from the administrative and accounting services provided to the Master Fund and the Company
- The Board reviews financial information produced by the Manager and Axio on a regular basis
- The Manager, Fund Corporation and Axio are all regulated entities and are subject to an annual audit by an independent auditor. This is confirmed to the Board on an annual basis
- On an ongoing basis, compliance reports are provided at each quarterly board meeting by Axio

The Company does not have an internal audit function as all of the Company's management functions are delegated to third parties and it is therefore felt that there is no need for the Company to have an internal audit facility.

The Audit Committee has reviewed the Company's risk management and control systems and believes that the controls are satisfactory given the nature and size of the Company.

#### Financial Risk Profile

The Company's financial instruments comprise investments, cash and various items such as payables and receivables that arise directly from the Company's operations. The main purpose of these instruments is the investment of Shareholders' funds. The main risks are detailed in note 13 and pages 38 to 40 to the financial statements.

#### 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 and to confirm that the Reports contained in these Financial Statements includes a fair review of the performance of the business and the position of the Company.

In preparing these financial statements the Directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements 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 (2013 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.

#### By order of the Board

**Robert Ware**  
Chairman  
29 April 2014

**Louisa Bonney**  
Director  
29 April 2014



To the Shareholders of Marwyn Value Investors Limited

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Marwyn Value Investors Limited, which comprise the statement of financial position as at 31 December 2013 and the statement of comprehensive income, statement of changes in net assets attributable to equity holders and statement of cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by European Union, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

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

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

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

This report, including the opinion, has been prepared for and only for the Marwyn Value Investors Limited's members as a body and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

### **Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of Marwyn Value Investors Limited as at 31 December 2013, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by European Union.

PricewaterhouseCoopers

Dublin

29 April 2014

1. The financial statements are published at [www.marwynvalue.com](http://www.marwynvalue.com). The Directors together with the Manager and Investment Advisor are responsible for the maintenance and integrity of the website as far as it relates to Marwyn Value Investors Limited. The work carried out by the auditors does not involve consideration of the maintenance and integrity of the website and accordingly, the auditors accept no responsibility for any changes that have occurred to the financial statements presented on the website. Legislation in the Republic of Ireland governing the presentation and dissemination of the financial statements may differ from legislation in other jurisdictions.

Marwyn Value Investors Limited  
Statement of comprehensive income

For the year ended 31 December 2013

	Notes	Year ended 31 December 2013 £	Year ended 31 December 2012 £
<b>INCOME</b>			
Interest income		264	263
Net gain/(loss) on financial assets at fair value through profit or loss	6	<u>39,016,514</u>	<u>(5,875,304)</u>
<b>TOTAL NET INCOME</b>		<u>39,016,778</u>	<u>(5,875,041)</u>
<b>EXPENSES</b>			
Bank charges		38	60
Loan interest		<u>226</u>	<u>203</u>
<b>TOTAL OPERATING EXPENSES</b>		<u>264</u>	<u>263</u>
<b>PROFIT/ (LOSS) FOR THE YEAR</b>		<u>39,016,514</u>	<u>(5,875,304)</u>
<b>TOTAL COMPREHENSIVE INCOME/(EXPENSE)</b>		<u>39,016,514</u>	<u>(5,875,304)</u>
<b>RETURNS PER SHARE</b>			
Attributable to holders of Ordinary shares		40,207,646	(4,470,784)
Ordinary shares in issue at 31 December	11	66,106,473	66,106,473
Return per Ordinary share - Basic and diluted		60.82p	(6.76p)
Attributable to holders of B Ordinary shares		(1,191,132)	(1,404,520)
B ordinary shares in issue at 31 December	11	5,008,870	5,008,870
Return per B Ordinary share - Basic and diluted		(23.78p)	(28.04p)

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



Marwyn Value Investors Limited  
Statement of financial position

At 31 December 2013

	Notes	31 December 2013 £	31 December 2012 £
<b>NON CURRENT ASSETS</b>			
Financial assets at fair value through profit or loss	6	152,809,664	113,793,150
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	7	263,969	263,743
<b>TOTAL ASSETS</b>		153,073,633	114,056,893
<b>CURRENT LIABILITIES</b>			
Loan payable	8	(250,000)	(250,000)
Accruals		(13,969)	(13,743)
<b>TOTAL LIABILITIES</b>		(263,969)	(263,743)
<b>NET ASSETS ATTRIBUTABLE TO EQUITY HOLDERS</b>		152,809,664	113,793,150
<b>CAPITAL AND RESERVES ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY</b>			
Share capital	11	87	87
Share premium	11	48,384,287	48,384,287
Special distributable reserve	12	26,346,979	26,346,979
Exchange reserve	12	54,386	54,386
Capital reserve		82,293,087	43,276,573
Revenue reserve		(4,269,162)	(4,269,162)
<b>TOTAL EQUITY</b>		152,809,664	113,793,150
<b>Net assets attributable to Ordinary shares</b>	6	150,660,857	110,453,211
<b>Ordinary shares in issue at 31 December</b>	11	66,106,473	66,106,473
<b>Net assets per Ordinary share</b>	9	227.91p	167.08p
<b>Net assets attributable to B Ordinary shares</b>	6	2,148,807	3,339,939
<b>B ordinary shares in issue at 31 December</b>	11	5,008,870	5,008,870
<b>Return per B Ordinary share - Basic and diluted</b>	9	42.90p	66.68p

The financial statements on pages 22 to 41 were approved by the Board of Directors and authorised for issue on 29 April 2014. They were signed on its behalf by:

Robert Ware

Louisa Bonney

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

Marwyn Value Investors Limited  
Statement of cashflows

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**For the year ended 31 December 2013**

	Notes	31 December 2013	31 December 2012
<b>Cash flows from operating activities</b>			
Interest received		264	218
Bank charges paid		<u>(38)</u>	<u>(60)</u>
Net cash inflow from operating activities	10	226	158
 <b>Net increase in cash and cash equivalents</b>		 226	 158
 Cash and cash equivalents at the beginning of the year		 <u>263,743</u>	 <u>263,585</u>
Cash and cash equivalents at the end of the year		<u>263,969</u>	<u>263,743</u>

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

Marwyn Value Investors Limited  
Statement of changes in net assets attributable to equity holders of the Company

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For the year ended 31 December 2013

	Share capital	Share premium	Special distributable reserve	Exchange reserve	Capital reserve	Revenue reserve	Total
	£	£	£	£	£	£	£
Opening balance	87	48,384,287	26,346,979	54,386	43,276,573	(4,269,162)	113,793,150
Result for the year	-	-	-	-	39,016,514	-	39,016,514
Closing Balance	<u>87</u>	<u>48,384,287</u>	<u>26,346,979</u>	<u>54,386</u>	<u>82,293,087</u>	<u>(4,269,162)</u>	<u>152,809,664</u>

For the year ended 31 December 2012

	Share capital	Share premium	Special distributable reserve	Exchange reserve	Capital reserve	Revenue reserve	Total
	£	£	£	£	£	£	£
Opening balance	87	48,384,287	26,346,979	54,386	49,151,877	(4,269,162)	119,668,454
Result for the year	-	-	-	-	(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>

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

### 1. General information

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

These financial statements were authorised for issue by the Board of Directors (the “Board”) on 29 April 2014.

### 2. New standards and amendments to International Financial Reporting Standards

The following are standards and amendments to existing standards, which are effective for annual periods beginning on or after 1 January 2013.

The change to IFRS 13 ‘Fair value measurement’ states that if an asset or a liability measured at fair value has a bid price and an ask price, then the valuation should be based on a price within the bid-ask spread that is most representative of fair value. As the Company values its investment based on the Net Asset Value reported by the administrator adjusted for a liquidity discount, it has no effect on the pricing applied.

Amendments to IFRS 7, offsetting financial assets and financial liabilities is effective for annual periods beginning on or after 1 January 2014, and has been early adopted by the Company. These amendments clarify the offsetting criteria in IFRS 7 and address inconsistencies in their application. This includes clarifying the meaning of ‘currently has a legally enforceable right of set-off’ and that some gross settlement systems may be considered equivalent to net settlement. The amendments did not have any impact on the Company’s financial position or performance.

IFRS 10, ‘Consolidated financial statements’, IFRS 11, ‘Joint arrangements’, IAS 27 (revised 2011), ‘Separate financial statements’, IAS 28 (revised 2011), ‘Associates and joint ventures’ and the Transition Guidance Amendments to IFRS 10, IFRS 11 and IFRS 12 have also been adopted as required by IFRS12, however these standards and amendments have had no significant impact on the Company.

IFRS 12, ‘Disclosure of interests in other entities’. The standard requires entities to disclose significant judgements and assumptions made in determining whether the entity controls, jointly controls, significantly influences or has some other interests on other entities. Entities are also required to provide more disclosures around certain ‘structured entities’. Adoption of the standard has not impacted the Company’s level of disclosures nor has it impacted the Company’s financial position or results of operations.

#### 2.1 New standards, amendments and interpretations not yet effective

A number of new standards, amendments and interpretations are effective for annual periods beginning after 1 January 2014, and have not been early adopted in preparing these financial statements. None of these are expected to have a significant effect of the financial statements of the Company.

### 3. Summary of significant accounting policies

The principal accounting policies which have been consistently applied in the preparation of these financial statements are set out below.

#### 3.1 Statement of compliance

The financial statements of the Company 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 (2013 Revision).

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.

The Statement of Recommended Practice (‘SORP’) issued by the Association of Investment Companies (‘AIC’) seeks to best reflect the activities of an investment company. Where the SORP contains recommendations applicable to the company and involving material balances, its recommendations have been incorporated in these financial statements.

These financial statements also comply with Section 3, Article 16 disclosure requirements of the Codes of Practice for Alternative Investment Funds and AIF Service Business issued by the Jersey Financial Services Commission (the ‘Codes’).

#### 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 currency in which the original capital was raised, any distributions that may be made and ultimately the currency that the capital would be returned in 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 and therefore the financial statements are presented in Sterling.

#### (b) Transactions and balances

Foreign currency transactions are translated into Sterling using the exchange rates prevailing at the dates of the transactions. Foreign currency assets and liabilities are translated 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 'net gain/(loss) 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

The Company's investments in the Master Fund were designated by the Board of Directors at Fair value through profit or loss at inception as they are not held for trading but are managed, and their performance evaluated, on a fair value basis, in accordance with the Company's documented investment strategy.

Unquoted investments are stated at fair value as determined by the Directors using appropriate valuation techniques. Changes in the fair value of investments held at fair value through profit or loss are recognised in the Statement of Comprehensive Income. On disposal, realised gains and losses are also recognised in 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 Net Asset Value ('NAV') information provided by the administrator of the Master Fund, 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 of the underlying investments held by the Master Fund and a discount rate applied to the value of the realisations received by the Company. The liquidity discount is discussed in more detail in note 6.

### 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 income 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 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 Manager is entitled to fees and expenses from the Master Fund.

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

### **3.9 Costs directly attributable to the issue of equity**

Share and warrant issue costs are placing expenses directly relating to the issue of the Company's shares. These expenses include fees payable under share placement agreements, printing, advertising and distribution costs and legal fees and any other applicable expenses. All such costs are charged to equity and deducted from the proceeds received.

### **3.10 Exchange Procedure**

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

The Exchange Procedure for investors in Ordinary shares in the capital of the Company was cancelled following the passing of the special resolution at the Extraordinary General Meeting of the Company, held on 19 November 2013 ("EGM"). The Exchange Procedure remains available for use by investors in B Ordinary shares.

### **3.11 Segment reporting**

The Company is organised and operates as one segment by allocating its assets to investment funds managed by 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 determined 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 liquidity discount involves making significant estimates, judgements and assumptions. It has been further explained in note 6.

## **5. Taxation**

The Company is exempt from all forms of taxation in the Cayman Islands, including income and capital gains. However, dividend income and certain other interest from other countries are subject to withholding taxes at various rates. The Company recognises interest and penalties, if any, related to unrecognised tax benefits as income tax expense in the statement of operations. During the years ended 31 December 2013 and 31 December 2012, the Master Fund did not incur any interest or penalties. The Company identifies its major tax jurisdictions as the Cayman Islands where the Fund makes significant investments. Management have analysed the Fund's tax positions, and have concluded that no liability for unrecognised tax liabilities should be recorded related to uncertain tax positions for open tax years and the positions to be taken for tax year ended 31 December 2013. The relevant statute of limitations in the United Kingdom for potential tax liabilities is five years, and therefore the years 2007 to 2013 inclusive remain open for tax purposes.

The directors of the Company intend to manage the affairs of the Company in such a way that it is not resident in the United Kingdom for United Kingdom tax purposes. In these circumstances, the Company will not be subject to United Kingdom tax on its profits and gains (other than withholding tax on any interest or certain other income which has a United Kingdom source).

The Company recognises the tax benefits of uncertain tax positions only where the position is "more likely than not" to be sustained assuming examination by tax authorities.

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

As at 31 December 2013, 100% (2012: 100%) of the financial assets at fair value through profit or loss relate to the Company's investment in the Master Fund that has been fair valued in accordance with policies set out herein. The limited partnership interests in the Master Fund are not publicly traded; redemptions can only be made by the Company subject to the requirements specified in the offering document and the Circular which are available on the Company's website.

The fair value of the investment in the Master Fund is based on the latest available valuation price reported by the administrator of the Master Fund adjusted for a liquidity discount which is disclosed in detail below.

As a result the carrying value of the Master Fund may not be indicative of the value 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.

## 6. Financial assets at fair value through profit or loss - continued

### Net Asset Value – investment movements

	31 December 2013	31 December 2012
Marwyn Value Investors L.P.	£	£
Opening and closing cost	77,776,366	77,776,366
Unrealised gain brought forward	49,691,118	60,782,340
Movement in unrealised gain	46,113,517	(11,091,222)
Unrealised gain carried forward	95,804,635	49,691,118
<b>Net asset value per Master Fund Administrator</b>	<b>173,581,001</b>	<b>127,467,484</b>
Class F	171,271,677	123,700,221
Class B1	2,309,324	3,767,263
<b>Net asset value per Master Fund Administrator</b>	<b>173,581,001</b>	<b>127,467,484</b>
Fair value adjustment - liquidity discount	(20,771,336)	(13,674,334)
<b>At fair value in accordance with IFRS 13</b>	<b>152,809,664</b>	<b>113,793,150</b>
Class F	150,660,857	110,453,211
Class B1	2,148,807	3,339,939
<b>At fair value in accordance with IFRS 13</b>	<b>152,809,664</b>	<b>113,793,150</b>
<b>Net gain/(loss) recognised in the statement of comprehensive income</b>	<b>39,016,514</b>	<b>(5,875,304)</b>

The net gain/(loss) 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 70.26% of the net asset value of the Master Fund and 100% of the Class B1 interests which represents 0.95% of the net asset value of the Master Fund. As the Company has no control over the Master Fund's activities and has no voting power in its affairs, the Master Fund is not considered to be a subsidiary.

### Fair value adjustments for IFRS purposes

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

Some of the inputs to these models may not be market observable and are therefore based on assumptions. The output of a model is always an estimate or an approximation of a value that cannot be determined with certainty, and valuation techniques employed may not fully reflect all factors relevant to the investment in the Master Fund. 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 encompasses estimates of the expected dates upon which realisations are made by the Master Fund and received by the Company from the Master Fund and a judgement of the appropriate discount rate which best reflects the timing of shareholders' expected returns.

### Inputs to the liquidity discount calculation

A number of inputs have been used in determining the value of the liquidity discount applied, a summary of significant inputs are set out below.

## 6. Financial assets at fair value through profit or loss - continued

		2013			2012
UK Government – risk free rate proxy	%	Source	%	Source	
Government bond rate – 2 year	0.51	Bloomberg	0.46	Bloomberg	
Government bond rate – 5 year	1.69	Bloomberg	1.06	Bloomberg	
Simple average rate 30 months (2.57yr)	0.71	Inputs from Bloomberg	0.56	Inputs from Bloomberg	
Simple average rate 18 months (1.5yr)	0.51	Inputs from Bloomberg	0.59	Inputs from Bloomberg	
Equity market risk premium	4.41	Damadora. The Equity Risk Premium 2013 Edition	4.10	Damadora. The Equity Risk Premium 2013 Edition	

### Sensitivity Analysis of the liquidity discount

The table below considers the impact of a 1% movement in the annual discount rate.

Class F	Amount	Increase 1%	Decrease 1%
Net asset value as provided by the Administrator	171,271,677	171,271,677	171,271,677
Discount rate – annual	5.12%	6.12%	4.12%
Discounted value	150,660,857	147,039,699	154,407,098
Liquidity Discount	20,610,820	24,231,978	16,864,578
% liquidity discount applied	12.03%	14.15%	9.85%
<b>Class B</b>			
Net asset value as provided by the Administrator	2,309,324	2,309,325	2,309,325
Discount rate – annual	4.92%	5.92%	3.92%
Discounted value	2,148,807	2,118,449	2,179,899
Liquidity Discount	160,517	190,876	129,426
% liquidity discount applied	6.95%	8.27%	5.60%
<b>Total NAV</b>	173,581,001	173,581,001	173,581,001
Total liquidity discount	20,771,336	24,422,854	16,994,005
Net fair value	152,809,664	149,158,148	156,586,997
% liquidity discount applied	11.97%	14.07%	9.79%

### Fair value hierarchy

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)

Taking into account the valuation methodology applied to the investments in the Master Fund, they are classified as level 3, which is consistent with the classification in 2012. The Master Fund's assets and liabilities carried at fair value at 31 December 2013 and 2012 are primarily categorised as level 1 fair value measurement.

## 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

The Master Fund has made a loan to the Company of £250,000 (2012: £250,000) for which the Company pays interest received on the corresponding cash amount held. The loan will be repaid by set-off on the date that all of the Company's interests in the Master Fund are redeemed. As a cash balance is held to the value of the loan payable and all interest earned on the cash balance is added to the amount payable, the effect of discounting is not material to the cash flows or balance sheet position.



#### 9. Reconciliation of NAV per share per financial statements to reported NAV per share

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	150,660,857	2,148,807
IFRS fair value adjustment - Liquidity discount (as described in note 6)	<u>20,610,820</u>	<u>160,517</u>
Net asset value used in reported NAV per share	<u>171,271,677</u>	<u>2,309,324</u>
Shares in issue at year end	66,106,473	5,008,870
Net asset value per share per financial statements	227.91p	42.90p
Net asset value per share per reported NAV	259.08p	46.10p

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

	31 December 2013 £	31 December 2012 £
Profit/(loss) for the year	39,016,514	(5,875,304)
(Gain)/loss on investments held at fair value through profit or loss	(39,016,514)	5,875,304
Increase in accruals	<u>226</u>	<u>158</u>
Net cash inflow from operating activities	<u>226</u>	<u>158</u>

#### 11. Share Capital

As at 31 December 2012 and 31 December 2013 the Authorised share capital was as follows:

Ordinary shares	10,892,258,506,473	shares of 0.0001p each
Exchange shares	10,892,176,350,000	shares of 0.0001p each
Deferred shares	82,156,473	shares of 9.9999p each

As at 31 December 2012 and 31 December 2013 the issued and fully paid up share capital was as follows:

		£
Ordinary shares	66,106,473	<u>66</u>
B Ordinary shares	5,008,870	<u>5</u>
Exchange shares	16,050,000	<u>16</u>
		<u>87</u>

The share premium received on issue of shares as at 31 December 2012 and 31 December 2013 is £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. Each class of Ordinary share ranks equally as to voting rights. Rights as to capital are equivalent for each Ordinary class. Only investors in B Ordinary shares are able to convert into Exchange shares of its respective class.

##### (a) Voting rights

- (i) Ordinary shares and B 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 (2013 Revision), 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.

## 11. Share Capital – continued

(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) Distribution policy

At the EGM a distribution policy for the Ordinary shareholders was adopted which resulted in:

- (i) a progressive capital return, payable in January each year that will be maintained or grown on a pence per Ordinary share basis, commencing in January 2014 with a return of 8p per Ordinary share;
- (ii) as an addition to the return detailed in (i) above, where the Master Fund disposes of an asset for a Net Capital Gain<sup>4</sup> and has not already returned an aggregate amount in excess of 50% of that gain and any previous such gains pursuant to the distribution policy, the Company will make an additional capital return of the difference to Ordinary shareholders by way of tender offers, share repurchases or other returns of capital and distributions; and
- (iii) the opportunity to augment the distribution policy by returning cash in excess of the amounts referred to in (i) and (ii) above being kept under review and to be undertaken through periodic tender offers, share repurchases or other returns of capital and distributions.

The distribution policy will not apply to the Realisation shares. There is no formal distribution policy in relation to the Company's B Ordinary shares.

### (d) Realisation opportunities

Commencing on 30 November 2016 and thereafter at five-yearly intervals, Ordinary shareholders will have the option to continue with all or some of their existing investment in Ordinary shares or to re-designate all or some of such Ordinary shares into Realisation shares. The terms of the Realisation shares are contained in the Circular. The Realisation shares will rank equally and will otherwise carry the same rights as the Ordinary shares, save that (i) the investment policy differs as detailed in Part II, Section 3 of the Circular, (ii) the distribution policy for the Ordinary shares will not apply and (iii) the Realisation shares will entitle their holders to returns only in respect of realisations made on investments attributable to the realisation pool as described in the Circular.

There are no exit penalties for those Ordinary shareholders electing to re-designate all or some of their investment into Realisation shares or on a return of capital attributable to the Realisation shares. Listing of the Realisation shares will be subject to the receipt of all required consents and approvals, including the approval of the UKLA of a prospectus in relation to their admission to trading.

### (e) 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 and Realisation shares pro rata to their holding of such shares out of the proceeds of the corresponding class of interests in the Master Fund.

### (f) Exchange

Upon the notification of the Exchange Administrator to the Company, investors in B Ordinary shares may convert their shares by way of redesignation to Exchange shares and Exchange shares may be converted by way of redesignation to B Ordinary shares to give effect to an Exchange. On the conversion of B 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 B 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 B Ordinary shares to the extent it holds sufficient interests in the Master Fund or B Ordinary shares in the unlisted feeder-fund to the Master Fund.

## 12. 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.

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<sup>4</sup> Net Capital Gains means the net sale proceeds received by the Master Fund on a Profitable Realisation (being the disposal of a security for a net consideration with a value higher than its value on 27 August 2013 for existing investments or, in respect of a new investment, the Weighted Average Investment Cost (being the total capital cost of the investment divided by the number of shares held in such investment))

There were no movements in the current or prior year.

### 13. Instruments and associated risks

The Company invests substantially all its assets in the Master Fund, which is exposed to market risk (including currency risk, interest risk and price risk), credit risk and liquidity risk arising from financial instruments it holds.

As at 31 December 2013, the Company owned 71.21% (2012: 81.15%) of the net assets of Master Fund.

#### Market 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 the Circular and the SFM Admission document relating to B Ordinary shares. The Board accepts the market price risks inherent in the investment portfolio and monitors these by ensuring full and timely access to relevant information from the Manager. Following the change in Manager as discussed in the Report of directors, the Board receives quarterly reports from the Manager of the Master Fund. The Board meets regularly and at each meeting reviews investment performance.

Any movement in the value of the Class F or Class B1 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 2012. The size of the liquidity discount is affected by both the assessment of the estimated realisation dates of the underlying portfolio companies by the Master Fund and the discount rate used to discount the value of the realisations received by the Company 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:

	2013 £	2012 £
Financial assets at fair value through profit or loss – ordinary shares	150,660,857	110,453,211
Financial assets at fair value through profit or loss – B ordinary shares	2,148,807	3,339,939

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

#### Ordinary shares:

	2013 Analysis of monthly returns	2012 Analysis of monthly returns
Number of periods	12	12
Percent profitable	75%	58%
Average period return	2.79%	-0.45%
Average gain	4.15%	2.97%
Average loss	-1.28%	-5.23%

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 £
2013	4.15	(1.28)	6,252,429	6,252,429	(1,928,460)	(1,928,460)
2012	2.97	(5.23)	3,280,460	3,280,460	(5,776,703)	(5,776,703)

### 13. Instruments and associated risks – continued

#### B Ordinary shares

	2013 Analysis of monthly returns	2012 Analysis of monthly returns
Number of periods	12	12
Percent profitable	42%	33%
Average period return	-3.50%	-2.76%
Average gain	5.30%	5.86%
Average loss	-9.78%	-7.07%

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
	(%)	(%)	£	£	£	£
2013	5.30	(9.78)	113,882	113,882	(210,153)	(210,153)
2012	5.86	(7.07)	195,720	195,720	(236,134)	(236,134)

The Company invests in the Master Fund and is exposed to price risks derived from the Master Fund's investment portfolio. The Master Fund is therefore theoretically exposed to a loss limited to the value of its investments if the market value of its securities decreases. The investments of the Master Fund are subject to normal market fluctuations and the risks inherent in investment in international securities markets and there can be no assurances that the Master Fund's objective of capital appreciation will be achieved.

#### Currency 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.

Summary of currency exposure of the Master Fund.	31 December 2013 £	31 December 2012 £
Monetary assets in GBP	290,591,238	210,197,271
Non-monetary assets in GBP	0	0
Monetary liabilities in GBP	11,504,227	9,277,260
Non-monetary liabilities in GBP	0	0

#### Liquidity risk

The Company may not sell its investment in the Master Fund without the approval of the Master Fund's General Partner. Redemption opportunities are available in relation to Ordinary shares in line with the distribution policy adopted at the EGM. The Company may not redeem its investment in respect of the B Ordinary shares without the consent of the Master Fund's General Partner. Further, the Master Fund invests a significant part of its assets in publicly traded investments, the holdings of which may not be readily realisable due to their size. 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 doing so. 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 Company is only required to settle its liabilities when its investment is fully redeemed.

### 13. Instruments and associated risks - continued

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

	Less than 1 month 2013	1-3 months 2013	Less than 1 month 2012	1-3 months 2012
	£	£	£	£
Loan from Master Fund	250,000	-	250,000	-
Payables and accruals	13,969	-	13,743	-

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 fully 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 as the loan is repayable by set-off, the Directors do not consider the Company has any net liquidity risk.

#### Interest Rate Risk

The Company itself is not exposed to significant interest rate risk, however it is indirectly exposed to such risk through its investment in the Master Fund. Details of the Master Fund's exposure to interest rate risk are set out below:

The Master Fund has an interest bearing loan facility of £10million with a term until February 2015 and holds cash and cash equivalents; both are held at short-term market interest rates. It also has a loan receivable totalling £11.5million which bears interest at fixed market rates. This exposes it to risks associated with the effects of fluctuations in the prevailing levels of the market interest rates on its cash flows. The impact of any movement in interest rates would not have a material effect on the Master Fund. All the other Master Fund's assets and liabilities are non-interest bearing.

#### 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.

The Master Fund's policy is to enter into financial instruments with a range of reputable counterparties. Therefore, the Master Fund does not expect to incur material credit losses on its financial instruments. The majority of the Master Fund's investments are in listed securities, the only remaining financial instrument is a loan receivable where the Investment Advisor has reviewed the credit worthiness of the borrower and has also built in equity conversion rights to the loan facility to ensure, as far as possible, that the Master Fund is not exposed to significant credit risk.

### 14. 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, Investment Advisory fee and Incentive fee

Marwyn Investment Management LLP ("MIM LLP"), was the Investment Manager to the Company up to 29 November 2013.

MIM LLP did not hold any beneficial interest in any of the shares of the Company. From 29 November 2013, Marwyn Asset Management Limited ("MAML") was appointed Manager to the Company. MAML engaged MIM LLP as the investment advisor at the same date.

Under the Management Agreement dated 29 November 2013 the Manager shall not receive any fees to the extent that the Company invests its assets only in the Master Fund. In respect of any assets of the Company not invested in the Master Fund, the Manager shall receive aggregate performance and management fees on the same basis as those to which it would have been entitled if such assets had been those of the Master Fund. The Company has not made any such investments during the year and as such no fees were paid by the Company or payable at the year end (2012: Nil).

Under the Master Fund Management Agreement, the Manager will receive monthly management fees from the Master Fund not exceeding 2% per annum of the NAV of each class of share in the Master Fund, payable monthly in arrears. The total management fee expense and payable by the Master Fund for the year ended 31 December 2013 was £3,667,391 (2012: £2,967,646).

During the year ended 31 December 2013, MIM LLP earned a fee of £3,117,282 for providing investment management services to 29 November 2013 and from that date, providing Investment Advisory services (2012: £2,275,747)

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, however, in relation to Class F Interests, there are provisions allowing for the acceleration of incentive fee payments due to retired partners (subject to performance criteria being met). 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).

The incentive allocation recognised by the Master Fund relating to the Ordinary shares in the Company for the year ended 31 December 2013 was £12,738,894 (2012: £2,506,614). The total incentive fee accrued as at 31 December 2013 amounted to £34,447,866 (2012: £21,708,972).

There has been no incentive allocation recognised by the Master Fund relating to the B Ordinary shares in the Company for the year ended 31 December 2013 (2012: nil).

As noted in the Report of the Directors, investors can assess remuneration and incentives by reference to the disclosure of the basis of calculation of the incentive fee which was made in the Circular dated 1 November 2013 in relation to the Company's investment in Class F of the Master Fund, and the Registration Documents issued in 2009 in relation to the Company's investment in Class B1 of the Master Fund. Both documents are available on the Company's website.

#### **(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 and Axio Capital Solutions Limited are considered related parties.

Fund Corporation is paid an annual fee of £5,000 (2012: £5,000) and Axio Capital Solutions Limited is paid an annual fee of £30,000 (2012: £30,000) for the administration of the Ordinary shares and £15,000 (2012: £15,000) for the administration of the B Ordinary shares, monthly in arrears. Axio also receives an exchange administration fee of £5,000 (2012: £5,000) for each series of Ordinary 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 2012.

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

Director fees are paid by the Master Fund. The directors of the Company received the following annual fees:

Robert Ware	£20,000 (2012: £20,000)
Paul Cookson	£30,000 (2012: £13,975)
Paul Everitt	£30,000, increased from £20,000 with effect from April 2012.

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.

#### 15. Capital Management Policies and Procedures

The Company's capital management objectives are to ensure that it will be able to continue as a going concern and to maximise capital return to its equity shareholders.

The Company's capital at 31 December comprises:

	2013	2012
	£	£
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	82,293,087	43,276,573
Revenue reserve	(4,269,162)	(4,269,162)
<b>Total Capital</b>	<b>152,809,664</b>	<b>113,793,150</b>

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

#### 16. 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 sets out the risks applicable to those two series of Ordinary shares in issue.

#### 17. Commitments and contingent liabilities

There were no commitments or contingent liabilities outstanding at 31 December 2013 or 31 December 2012 that require disclosure or adjustment in these financial statements.

#### 18. Subsequent events

As detailed in the Chairman's Statement, in January 2014 the Company completed its first return of capital pursuant to the new progressive distribution policy for holders of Ordinary shares equal to 8 pence per Ordinary share effected by the way of a partial cash redemption of Ordinary shares. Accordingly, 2,041,217 Ordinary shares were redeemed on 13 January 2014 (representing 3.0878% of the Ordinary shares in issue at 10 January 2014) and were subsequently cancelled. The aggregate value of the partial redemption amounted to £5,288,478.74.

**Risks applicable to investing in the Company and the Master Fund**

**Past performance**

The past performance of the Company, Manager and Investment Advisor 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 Manager and Investment Advisor to develop and implement investment strategies that achieve the Master Fund's investment objective. If the Manager or Investment Advisor 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.

The Exchange Procedure is only available for investors in B Ordinary Shares.

**Handling of mail**

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

**Net asset value considerations**

The net asset value per share of both the Company and the Master Fund is expected to fluctuate over time with the performance of the Master Fund's and/or Company's investments. A shareholder may not fully recover his initial investment when he chooses to redeem his shares or upon compulsory redemption if the net asset value per share of the relevant class of shares at the time of such redemption is less than the subscription price paid by that shareholder.

In addition, where in relation to the calculation of the net asset value there is any conflict between IFRS and the valuation principles set out in the Articles and any Admission document(s) in relation to the Company or US GAAP, and the valuation principles set out in the limited partnership agreement 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. Returns relating to Class F will be in accordance with the distribution policy adopted on 19 November 2013.

**Directors**

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

**Cayman Islands registration**

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

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



Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

### United Kingdom tax considerations

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

### Control over the Master Fund

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

### Class consents

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

### Value and liquidity of the shares

An investment in shares traded on SFM is perceived to involve a higher degree of risk and be less liquid than an investment in companies whose shares are listed on the Official List of the Financial Conduct Authority. 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. 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.

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 Advisor have not been and it is extremely unlikely that they will ever be registered as "Investment Advisers" under the US Investment Advisers Act.

### Depository Interests

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

### Voting rights

Under the Articles, only those persons who are shareholders of record are entitled to exercise voting rights. Persons who hold Shares in the form of Depository Interests will not be considered to be record holders of such shares that are on deposit with the Depository and, accordingly, will not be able to exercise voting rights. However, the Deed Poll provides that the Depository shall pass on, as far as it is reasonably able, rights and entitlements to vote. In order to direct the delivery of votes, holders of Depository Interests must deliver instructions to the Depository by the specified date.

Neither the Company nor the Depository can guarantee that holders of Depository Interests will receive the notice in time to instruct the Depository as to the delivery of votes in respect of Shares represented by Depository Interests and it is possible that they will not have the opportunity to direct the delivery of votes in respect of such Shares. In addition, persons who beneficially own Shares that are registered in the name of a nominee must instruct their nominee to deliver votes on their behalf.

Neither the Company nor any nominee can guarantee that holders of Depository Interests will receive any notice of a solicitation of votes in time to instruct nominees to deliver votes on behalf of such holders and it is possible that holders of Depository Interests and other persons who hold ordinary shares or exchange shares through brokers, dealers or other third parties will not have the opportunity to exercise any voting rights.

### Limitation of liability

The Deed Poll contains provisions excluding and limiting the Depository's liability to holders of Depository Interests. For example, the Depository will not be liable to any holder of Depository Interests or any other person for liabilities in connection with the performance or non-performance of obligations under the Deed Poll or otherwise except as may result from its negligence or wilful default or the fraud of any custodian or agent which is not a member of its group unless it has failed to exercise reasonable care in the appointment and continued use and supervision of such custodian or agent. Furthermore, except in the case of personal injury or death, the Depository's liability to a holder of Depository Interests will be limited to the lesser of the value of shares and other deposited property properly attributable to the Depository Interests to which the liability relates; and 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 such 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.

**Registered office**

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**Manager to the Master Fund and the Company**

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