CONSOLIDATED ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS

Boussard & Gavaudan Holding Limited

For the year ended 31 December 2011

Contents

Directors

Christopher Fish
Sameer Sain
Nicolas Wirz
Andrew Henton (appointed 3 January 2012)

Advisers

Investment Manager
Boussard & Gavaudan Asset Management, LP
Calder House - 1 Dover Street
London W1S 4LA
(Telephone +44 207 514 0700)

Legal Advisers to the Company (as to English and United States law)

Herbert Smith LLP
Exchange House, Primrose Hill
London EC2A 2HS

Legal Advisers to the Company (as to Netherlands law)

Stibbe N.V.
Strawinskylaan 2001
1077 ZZ Amsterdam
The Netherlands

Administrator and Registrar

With effect from 30 September 2011
Kleinwort Benson (Channel Islands) Fund Services Limited
Dorey Court
Admiral Park, St. Peter Port
Guernsey GY1 2HT

Formerly:
Close Fund Services Limited
Trafalgar Court
Admiral Park, St. Peter Port
Guernsey GY1 2JA

Sub-Administrator

GlobeOp Financial Services LLC
One South Road
Harrison
NY 10528
USA

Advocates to the Company (as to Guernsey law)

Carey Olsen
Carey House
Les Banques, St Peter Port
Guernsey GY1 4BZ

Auditors

Ernst & Young LLP
Royal Chambers
St Julian's Avenue
St. Peter Port
Guernsey GY1 4AF

Custodian

BNP Paribas Securities Services
PO Box 158

Liberte House / 19-23 La Motte Street
St Helier
Jersey JE4 5RC

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

From 1 January to 31 December 2011, European equity markets fell with the EURO STOXX 50® index down 17.1%.

During the reporting period:

- Prices of the Company's Euro shares and Sterling shares outperformed European equity indices such as the STOXX® Europe 600 (down 11.34%) but underperformed the S&P 500® (flat).

- The net asset value (NAV) of the Company's Euro share decreased 2.6% while the share price went down 2.3%. The NAV of the Sterling share decreased 5.0% while the share price went down 8.5%.

- The discount of the share price to the NAV of the Euro share was almost unchanged from 19.2% to 19.0%. The discount of the share price to the NAV of the Sterling share increased from 19.5% to 22.5%.

The determinants of share price are the NAV reflecting the performance of the underlying investment fund BG Master Fund Plc (formerly Boussard & Gavaudan Fund Plc) ("the Fund"), and the degree of discount or premium to NAV at which the shares trade, which in turn is driven by the supply and demand in the market place, the liquidity of the underlying shares and the general market sentiment.

With regard to the performance of the NAV and the review of recent developments, I refer you to the Directors' Report and the Investment Manager's Report which highlight the main features of the results of the business over the reporting period. For your information, the Company also publishes on its website (www.bgholdingltd.com) daily and monthly NAVs and monthly newsletters based on data provided to the Company by the Administrator and the Investment Manager.

In order to offer sufficient liquidity to the investors, the Company has been buying back its own shares since early 2008. In 2011, the Company bought back 8,222,931 Euro shares (6,278,425 in 2010). As at 31 December 2011, 2,628,763 Euro shares were held in Treasury representing 6.00% of the total share capital issued.

We continue to make every endeavour to seek measures to narrow the discount to NAV and increase the liquidity of the shares.

On behalf of the Board I wish to thank the shareholders and advisors to the Company for their continued support during continued difficult global market conditions.

Christopher Fish
Chairman
27 April 2012

The Directors present their annual report and financial statements for the year ended 31 December 2011.

Principal Activities

From 1 January to 31 December 2011, Boussard & Gavaudan Holding Limited (the "Company" or "BGHL") had invested substantially all of its assets in Boussard & Gavaudan Fund plc ("the Fund"), a Europe-focused multi-strategy hedge fund established in Ireland and authorised by the Central Bank as a Qualified Investor Fund (QIF). The Fund aims primarily at arbitraging instruments with linear or non-linear pay-offs on equities and credit markets. The overall investment objective of the Fund is to provide investors with consistent absolute returns primarily through investing and trading in financial instruments of companies incorporated in or whose principal operations are in Europe.

Additionally, the Company may enter into private equity investments and approximately 4.84% of its assets under management were so invested as of 31 December 2011.

At an extraordinary general meeting of the Fund held on 19 December 2011 the shareholders resolved to (i) change the name of the Fund to "BG Master Fund Plc" and (ii) amend the articles of association of the Fund to empower the Directors to exchange the investors' shares in the Fund for new shares in BG Umbrella Fund Plc, in order to reorganise the Fund into a master/feeder structure. All shares in the Fund were exchanged on 3 January 2012 for shares of the same value in the BG Fund, a sub-fund of BG Umbrella Fund Plc. BG Umbrella Fund Plc was established in Ireland and authorised by the Central Bank as a Qualified Investor Fund (QIF) on 21 December 2011. BG Umbrella Fund Plc is an umbrella (open-ended) investment company with variable capital and segregated liability between sub-funds.

Boussard & Gavaudan Asset Management LP ("BGAM" or the "Investment Manager") is the Investment Manager of the Company and the Fund.

Review of Recent Developments

The performance of the Company is driven primarily by the financial results of the Fund and, to a lesser extent, from the accretive effect of the share buy back. Over the reporting period, the contribution of the private equity investments to the performance of the Company has been marginal.

The Fund

From 1 January to 31 December 2011, the NAV of the Fund's Euro A share class posted a -5.10% return, while European equity markets went down with the EURO STOXX 50® at -17.1%. Volatility on stock markets increased with the VDAX index ending at 28.6% from 19.1%, the VSTOXX® index at 32.2% from 23.9% and credit spreads widened with the Itraxx Crossover finishing at 755bps from 437bps.

In the circumstances, the Directors are satisfied with the Fund's strategies and performance, particularly given the market conditions.

Over the five year period ended on 31 December 2011, the NAV of the Fund's (and previously Sark Fund Limited's) Euro A share posted an annualised return of 2.32% with an annualised volatility of 8.35%. This compares with the following hedge fund indices:

Index	**Annualised return**	**Annualised volatility**
Dow Jones Credit Suisse Convertible Arbitrage Hedge Fund Index	3.10%	11.67%
Dow Jones Credit Suisse Multi-Strategy Hedge Fund Index	2.79%	7.64%,
HFRI RV Fixed Income-Convertible Bond Arbitrage Index (HFRICAI)	3.76%	12.94%
HFRI Fund Weighted Composite Index	2.23%	7.83%

The Company

The Euro shares closed at €10.89 at year-end, down 2.3% over the reporting period, and the Sterling shares saw a 8.5% decrease, closing at £9.48. Whilst the NAV of the Euro shares went down 2.6% to €13.44 and the NAV of the Sterling shares went down 5.0% to £12.23, the discount to NAV went from 19.2% to 19.0% for the Euro shares and went up from 19.5% to 22.5% for the Sterling shares. Euro share price outperformed its NAV whereas Sterling share price underperformed its NAV during the reporting period.

Finally, the Company continued to actively improve the liquidity of the shares in the market by repurchasing its own shares.

The assets under management were €555m at 31 December 2011 down from €683 million at 31 December 2010. A negative performance and share buy backs explain the decrease in assets under management.

Results for the year and State of Affairs at 31 December 2011

The Statement of Financial Position and the Statement of Comprehensive Income for the year ended 31 December 2011 are set out in the enclosed financial statements.

Directors

The Directors at 31 December 2011included:

- Christopher Fish, Chairman;
- Nicolas Wirz; and
- Sameer Sain.

Mr Andrew Henton was appointed as Director on 3 January 2012.

As Mr Christopher Fish was re-elected at the last annual general meeting and Mr Sain was re-elected at the annual general meeting held in 2010, they are not required to stand for re-election at the forthcoming annual general meeting. As recommended at section B.7.1 of the UK Corporate Governance Code (the "Code") (previously the Combined Code on Corporate Governance), the Directors intend to retire by rotation and accordingly Mr Nicolas Wirz will at the forthcoming annual general meeting retire and, being eligible, stand for re-election. As Mr Henton was appointed by the directors he will, in accordance with the Company's Articles of Incorporation, retire and, being eligible, stand for re-election.

Andrew Henton

Andrew Henton is a British citizen and Guernsey resident. Andrew works with a small portfolio of specialist financial service businesses. He has an extensive 20 years experience in private equity (as a partner at Baring Private Equity Partners), in wealth management and fund administration (at Close Brothers, Head of Offshore Businesses for non UK based wealth management and fund administration operations, and in corporate finance at Samuel Montagu (HSBC Investment Bank).

Nicolas Wirz

Nicolas Wirz is a French national. Nicolas has a 30 years extensive experience in investment management and securities markets.

He is currently Directeur Général of Oddo Securities at Oddo & Cie He spent 11 years at Morgan Stanley in Paris, as Head of Equities France where he was Managing Director in charge of Equity Sales in Continental Europe. He founded Montana Partners in 2006 and was Managing Director until 2010.

Save as disclosed in these financial statements, the Company is not aware of any potential conflicts of interest between any duty of any of the Directors owed to it and their respective private interests. For the year under review, each Director was paid an annual fee of €30,000, the Chairman was entitled to receive €50,000 per annum and the Chairman of the Audit Committee received an additional fee of €7,500 per annum. Since year end, due to the fact that the size of the Board increased, it was decided to reduce the Directors' fees to €23,000 per annum and the Chairman's fee to €41,500.

Directors' interests in shares

As of 31 December 2011, Christopher Fish had invested, directly or indirectly, in 8,631 ordinary Euro shares of the Company. Sameer Sain had invested, directly or indirectly, in 10,000 ordinary Euro shares of the Company and Nicolas Wirz had invested, directly or indirectly, in 16,168 ordinary Euro shares of the Company.

Share buy-backs

In 2011, the Company bought back 8,222,931 Euro shares (6,278,425 in 2010). As at 31 December 2011, 2,628,763 Euro shares were held in treasury representing 6.00% of the total share capital issued.

On 7 July 2011 the shareholders renewed the Company's authorisation to make market purchases of its shares. Under such authorisation the Company is allowed to purchase up to 14.99% of the shares in issue (excluding treasury shares) at the time authority was granted, i.e. 7,097,799 shares. Between 7 July 2011 and 31 December 2011 the Company purchased 3,996,950 Euro shares of the Company, representing 8.44% of the shares in issue at the time of authorisation.

Corporate Governance

As a closed-ended investment company incorporated in Guernsey, the Company was not historically required to comply with the requirements of the Code. However, the Company was required to comply with the UK Financial Services Authority's Disclosure and Transparency Rules DTR7 and in accordance with the requirements of DTR7, the Board of directors has for some years been voluntarily applying the Code. The Code is available for download from the Financial Reporting Council's web-site www.frc.org.uk.

Since the revision in April 2010 of the UKLA Listing Rules, all overseas companies with a "premium listing" (which includes the Company) have been required to include a statement in their annual reports as to whether they have complied throughout the accounting period with all relevant provisions set out in the Code or, if not, setting out those provisions with which they have not complied and the reasons for non-compliance. The Directors place a high degree of importance on ensuring that high standards of corporate governance are maintained and have adopted the Code which sets out principles of good governance and a code of best practice for listed companies.

On 30 September 2011, the Guernsey Financial Services Commission Code published its Finance Sector Code of Corporate Governance (the "GFSC Code"), which came into effect on 1 January 2012. The GFSC Code provides a framework which applies to all companies in the regulated finance sector in Guernsey. The Code deals with governance issues under several topics including the Board, accountability, risk management, disclosure and reporting, remuneration and shareholder relations. Companies which report against the UK Corporate Governance Code are deemed to meet the requirements of the GFSC Code.

The Board has carried out a full review of the Code to ensure that the appropriate level of corporate governance is attained. The Board confirms that the Company has complied with the provisions of the Code during the year, except as follows. No limit has been imposed on the overall length of service of Directors. However, each directors stands for reelection every three years. There is no Chief Executive position within the Company. Being a closed-ended investment company the Company has no employees and therefore no Chief Executive.

The Board meets formally at least four times a year. In addition to these scheduled meetings, during the year the Board has consulted the Investment Manager regularly. The Directors are satisfied that they have been kept fully informed of the investment performance, financial and operational controls, and other matters relevant to the business of the Company. The Directors have, where necessary to the furtherance of their duties, taken independent professional advice at the expense of the Company.

The attendance record of the Directors is set out below:

	Quarterly Board Meeting	Ad hoc Board Meetings	Audit Committee
Number of Meetings	4	-	2
Meetings attended:			
Christopher Fish	4	-	2
Nicolas Wirz	4	-	2
Sameer Sain	2	-	0

The focus at Board meetings is a review of investment performance, marketing/investor relations, risk management, general administration and compliance, peer group information and industry, regulatory and corporate governance issues. Board papers are circulated in advance allowing Directors the opportunity to add agenda items they consider appropriate for Board discussion. Each Director is required to inform the Board of any potential or actual conflicts of interest prior to Board discussion.

The Board evaluates its performance and the performance of individual Directors on an annual basis, and believes that the current mix of skills and experience of the Directors are appropriate to the requirements of the Company.

Directors' Duties and Responsibilities

The Directors responsibilities are as follows:

- Statutory obligations and public disclosure;
- Strategic matters and financial reporting;
- Oversight of management and advisors' matters;
- Risk assessment and management, including reporting, monitoring, governance and control;
- Other matters having a material effect on the Company.

Committees of the Board

The Board has not deemed it necessary to appoint a nomination or remuneration committee as, being comprised wholly of non-executive Directors, the whole Board considers these matters.

Audit Committee

An Audit Committee, with defined terms of reference and duties, has been established and comprised the following members as of 31 December 2011: Nicolas Wirz (Chairman), Christopher Fish and Sameer Sain.

On 2 February 2012, Andrew Henton was appointed as Chairman of the Audit Committee.

The Committee meets at least twice a year when the Company's half-yearly and annual financial reports to Shareholders are to be considered by the Board and, where possible, the Audit Committee meetings precede the relevant Board meeting.

The Committee's responsibilities which were discharged during the year include *inter alia*:
- monitoring and reviewing the integrity of the semi-annual and annual financial reports and the internal financial controls;
- making recommendations to the Board in relation to the appointment of the external auditors and approving their remuneration and the terms of their engagement;
- developing and implementing policies on the engagement of the external auditors to supply non-audit services;
- reviewing and monitoring the independence, objectivity and effectiveness of the external auditors;
- reviewing the arrangements in place within the Investment Manager whereby their staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters insofar as they may
- reviewing the terms of the Investment Management Agreement; and
- considering annually whether there is a need for the Company to have its own internal audit function.

The Company considers that the Audit Committee's performance of its duties fulfils the requirements of C.3.2 of the Code.

The Audit Committee does not award any non-audit work. The full Board would have to approve any non-audit work. Ernst & Young LLP have been appointed as auditors and a resolution for their re-appointment will be proposed at the forthcoming annual general meeting. The Audit Committee considered the experience and tenure of the audit partner and staff and the nature and level of services provided. The Committee receives confirmation from the auditors that they have complied with the relevant UK professional and regulatory requirements on independence.

The Company's Audit Committee meets representatives of the Investment Manager, who report as to the proper conduct of the business in accordance with the regulatory environment in which both the Company and the Investment Manager operate. The Company's external auditors also attend this meeting at its request and report if the Company has not kept proper accounting records, or if they have not received all the information and explanations required for their audit.

The Terms of Reference for the Audit Committee will hence forth be published and made available via the company website (www.bgholdingltd.com).

Internal Controls

In accordance with the provisions of C.2.1 of the Code, the Audit Committee has conducted a review of the Company's system of internal controls and is satisfied that they are sufficient to withstand the risks to which the Company is subject.

The Board is ultimately responsible for the Company's system of internal controls and for reviewing its effectiveness. The Board has developed a framework that is designed to identify, evaluate and manage the primary operating risks faced by the Company. The framework specifies an ongoing review timetable that ensures at least an annual review of the Company's system of internal controls, including financial, operational, compliance and risk management.

The Board has delegated the management of the Company's investment portfolio, the provision of custody services, the administration, registrar and corporate secretarial functions (including the independent calculation of the Company's Net Asset Value); and the production of the annual financial reports, which are independently audited. The Board retains accountability for the functions it delegates and is responsible for the system of internal controls. Formal contractual arrangements have been put in place between the Company and the providers of these services.

The Company has appointed Boussard & Gavaudan Asset Management, LP as Investment Manager pursuant to an investment management agreement entered into on 13 October 2006. The Board has reviewed the performance of the Investment Manager and is satisfied that the continuing appointment of the Investment Manager on the terms agreed is in the interests of the Shareholders. Please refer to the above section entitled "Review of Recent Developments" of this report for a review of the performance of the Company. Also, please refer to note 9 to the financial statements for further details on the terms of the investment management agreement.

Compliance reports are provided at each quarterly Board meeting by the Company's Secretary.

Financial Statements

The Company's financial statements are prepared under International Financial Reporting Standards. As a result of the acquisition of Compangnie des Minquiers, the Company is required to prepare consolidated financial statements. These consolidated financial statements combine the activities of a closed-ended investment company and the activity of an industrial company.

The Company considers the investment in Compagnie des Minquiers as a financial investment as part of the Company's private equity activities. The board therefore considers that the obligation to prepare consolidated financial statements detracts from presenting a true and fair view of the primary business activities of the Company. Therefore, as a matter of clarity , the Board has decided to present both the full audited Company financial statements, showing all investments at fair value, giving a true and fair view of the Company as an entity, together with the audited consolidated financial statements required by International Financial Reporting Standards. The consolidated financial information has been presented on pages 53 to 64.

Audit Confirmation

So far as each of the Directors is aware, there is no relevant audit information of which the Company's Auditors are unaware and each Director has taken all reasonable steps he ought to have taken as a Director to make himself aware of any relevant information and to establish that the Company's Auditors are aware of that information.

Principal risk and Uncertainties

The Company is exposed to various types of risks. They are extensively described in the prospectus, in the accompanying Financial Statements (note 4) and in the report of the Investment Manager (note C and F). The Company is exposed to market, credit and liquidity risks directly from the investment it makes and indirectly as a result of the types of investments the Fund makes.

Corporate Responsibility

The Company considers the ongoing concerns of investors on the basis of open and regular dialogue with the Investment Manager.

The Company keeps abreast of regulatory and statutory changes and responds as appropriate.

The Board assesses its performance on an annual basis based on the guidelines set out by the Code.

Going Concern

The Board conducts a rigorous and proportionate assessment of the Company's operational and financial risks with reference to the Company's cash flow requirements, debt position and the liquidity of its investments.

Currently the Company has a small debt position whose purpose is to finance acquisitions of its own shares. The debt position is repaid in full using the proceeds from redemptions of BG Fund shares on a monthly basis. It remains at the discretion of the Company to continue its share buy back activity in the future.

Other than this debt position, the only financial commitments of the Company are its ongoing fees and expenses.

After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus the financial statements have been prepared on a going concern basis.

Relations with Shareholders

While the Company reports formally to the shareholders twice a year, it also maintains a website which contains comprehensive information (www.bgholdingltd.com). This includes all historical communication, investment philosophy, risk management policies, Investment Manager's reports, statistical information and corporate governance guidelines. Additionally, shareholders are welcome to contact Directors of the Company, should they wish to have a dialogue and/or provide any feedback. Finally, if required, the Company can also make available representatives of the Investment Manager to shareholders.

By order of the Board

Christopher Fish	Andrew Henton
Chairman	Director

27 April 2012

The Directors are responsible for the preparation of financial statements in accordance with applicable Guernsey Law and generally accepted accounting principles. Guernsey Law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the year and profit or loss for that year.

In preparing those financial statements, the Directors should:

- Select suitable accounting policies and then apply them on a consistent basis;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is not appropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with The Companies (Guernsey) Law, 2008, as amended. They are also responsible for the system of internal controls for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors confirm that to the best of our knowledge:

(a) The Annual Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and give a true and fair view of the financial position and profit or loss of the Company as at and for the year ended 31 December 2011.

(b) The Annual Financial Report includes information detailed in the Chairman's Report, Investment Advisor's and Directors' Reports and Notes to the Annual Financial Statements which provides a fair review of the information required by:

(i) DTR 4.1.8 of the Disclosure and Transparency Rules, being a fair review of the Company business and a description of the principal risks and uncertainties facing the Company; and

(ii) DTR 4.1.11 of the Disclosure and Transparency Rules, being an indication of important events that have occurred since the end of the financial year and the likely future development of the Company.

By order of the Board

Christopher Fish	Andrew Henton
Chairman	Director

27 April 2012

Background and Highlights

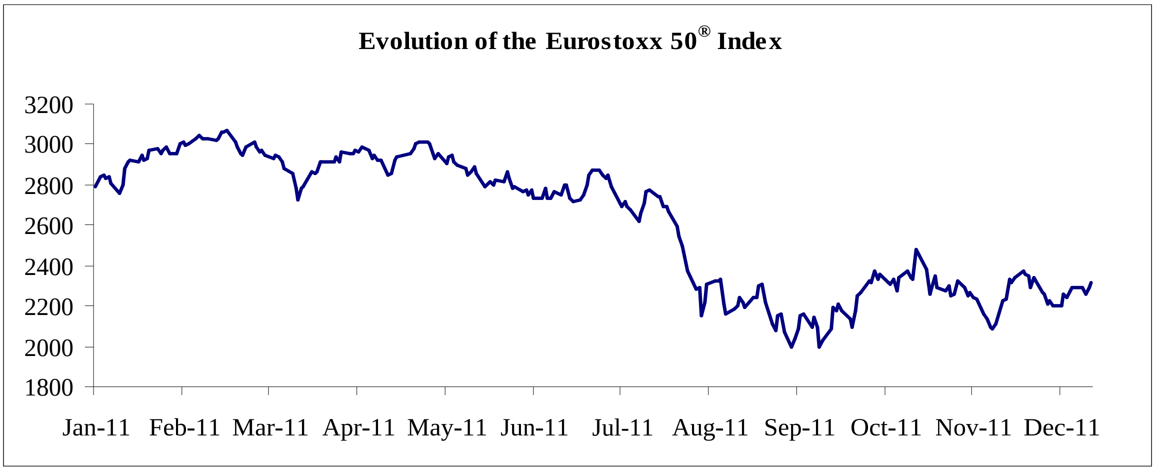
A.1 Background

Boussard & Gavaudan Holding Limited ("the Company" or "BGHL") is a closed-ended investment company, registered and incorporated under the laws of Guernsey on 3 October 2006. The Company's shares are listed and traded on the Eurolist Market operated by Euronext Amsterdam by NYSE Euronext, and are subject to Dutch securities regulations and to supervision by the relevant Dutch authorities. The Company is registered with the Dutch Authority for the Financial Markets as a collective investment scheme.

On 28 July 2008, the Company's shares were also admitted to the Official List of the UK Listing Authority and to trading on the London Stock Exchange plc's main market for listed securities. At the time of this dual listing, the Company created a class of shares denominated in Sterling (the "Sterling Shares") through the conversion of existing Euro shares into new Sterling shares at the prevailing net asset value ("NAV") per Euro share at 30 June 2008. Shareholders can convert their existing holding of shares in the Company from one class into another class on a yearly basis, subject to satisfying certain requirements.

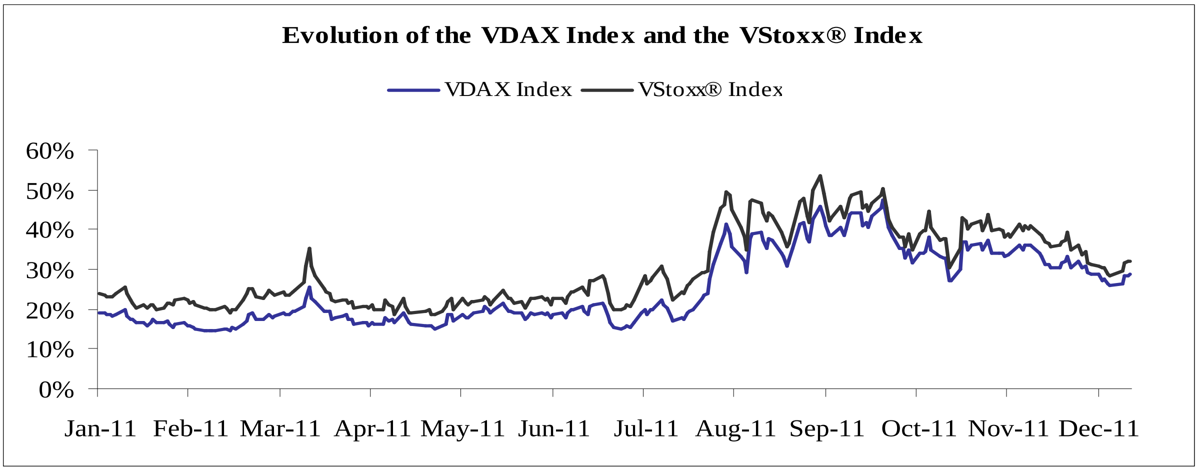
Through its investment in BG Master Fund plc (formerly "Boussard & Gavaudan Fund plc") (the "Fund") managed by Boussard & Gavaudan Asset Management, which constitutes its main investment, the Company is sensitive to equity and volatility prices as well as to credit spreads. The Company is exposed to other market factors but to a lesser extent.

From 1 January to 31 December 2011 ("the Period"), European equity markets decreased with the Eurostoxx 50® down 17.1%.



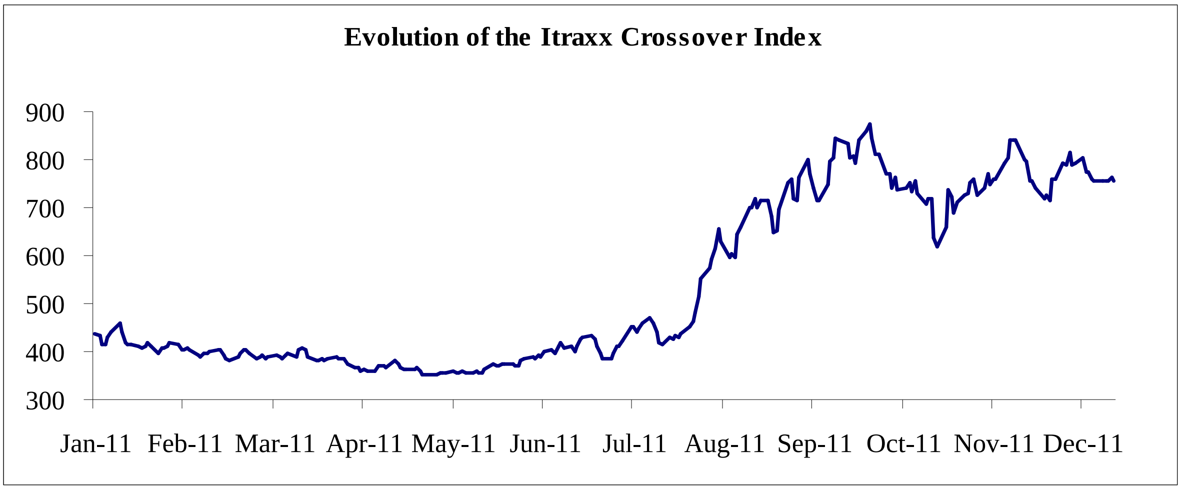
Graph 1 (source Bloomberg)

Volatility on stock markets increased with the VDAX index ending at 28.6% from 19.1% and the VStoxx® index at 32.2% from 23.9%.



Graph 2 (source Bloomberg)

Credit spreads widened with the Itraxx Crossover index finishing at 755bps from 437bps.



Graph 3 (source Bloomberg)

A.2 Highlights

As of 31 December 2011, the Company's assets under management were approximately €555 million, down from €683 million at 31 December 2010. A negative performance and share buy backs explain the decrease in assets under management.

A.2.1 Performance

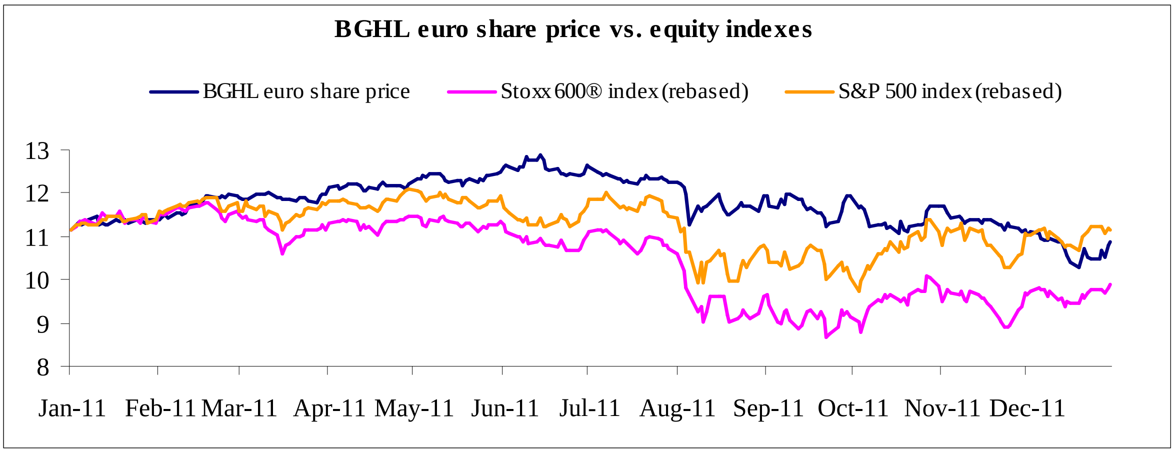
During the period, the performance of the Euro and the Sterling shares was as follows:

	31 December 2011	**31 December 2010**	**Variation**
Euro share price[1]	€10.89	€11.15	-2.3 %
Euro share NAV	€13.44	€13.80	-2.6%

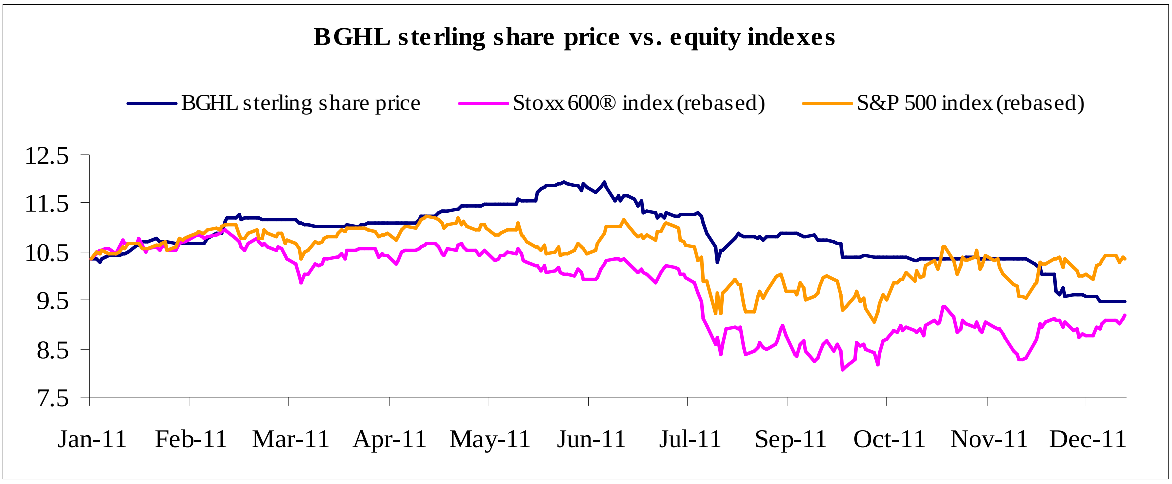
	31 December 2011	**31 December 2010**	**Variation**
Sterling share price[2]	£9.48	£10.36	-8.5%
Sterling share NAV	£12.23	£12.87	-5.0%

[1] Amsterdam (AEX) market close for euro share
[2] London (LSE) market close for sterling share

Euro and Sterling share prices outperformed the Stoxx 600® index but underperformed the S&P 500 index.



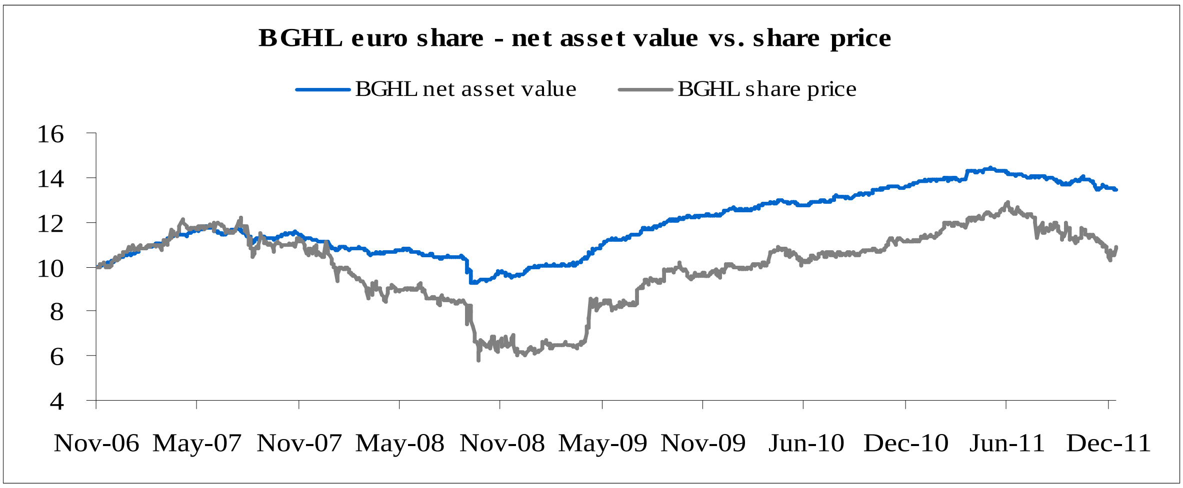
Graph 4 (source Bloomberg)



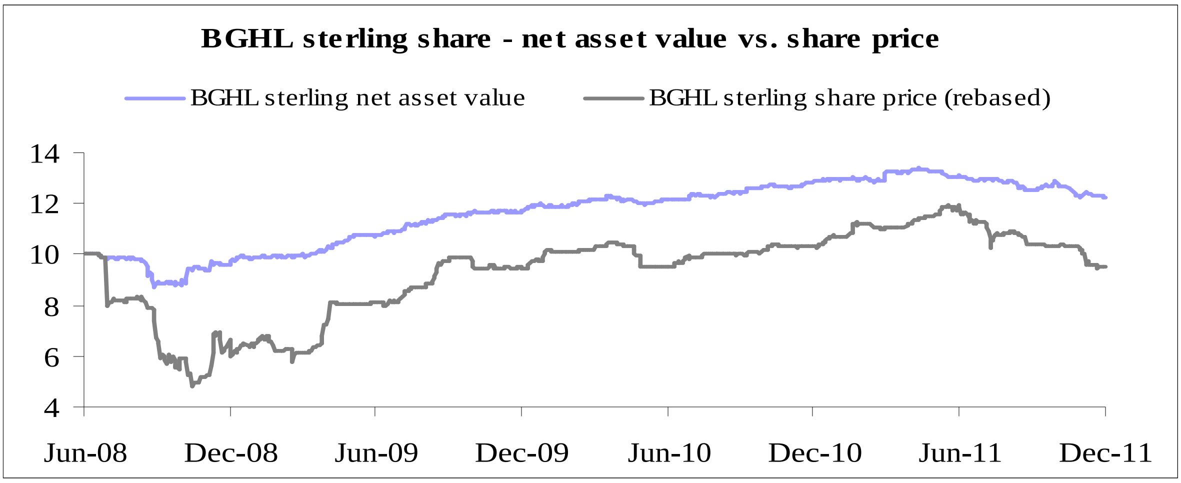
Graph 5 (source Bloomberg)

Euro share price outperformed its NAV whereas Sterling share price underperformed its NAV during this Period.

Below is the performance evolution of the share prices relative to their respective NAV since inception.



Graph 6 (source BGAM estimates / Bloomberg)



Graph 7 (source BGAM estimates / Bloomberg)

A.2.2 Share buy back and discount to NAV

Share buy back programme

Since its listing, the Company has set up a share buy back programme approved in general meeting by its shareholders. The volume of the share buy back programme during the Period shows the Investment Manager's commitment to the Company's strategy and its efforts to reduce the discount to NAV.

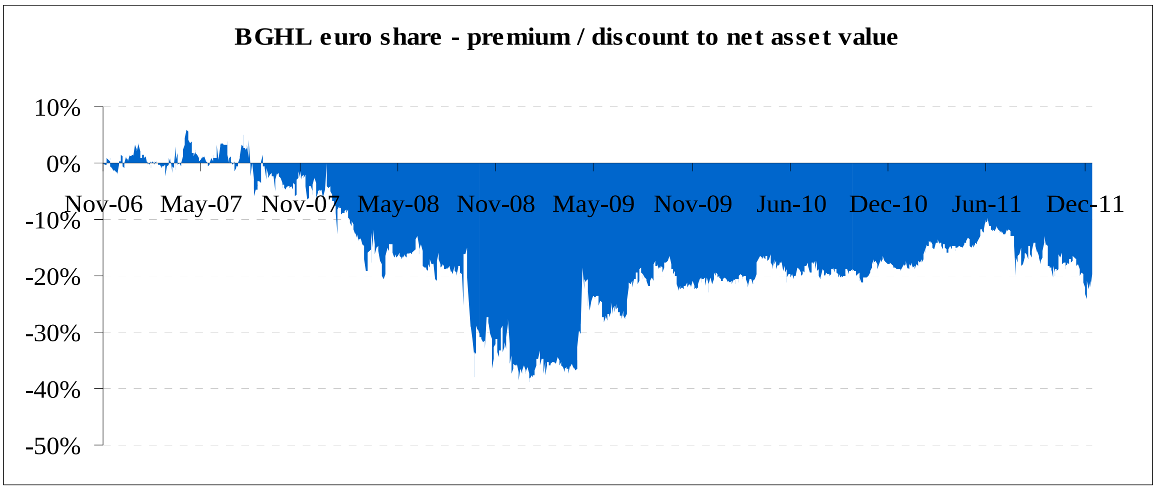
Liquidity enhancement agreement

To increase the liquidity of the Company's shares, the Company set up a liquidity contract with Exane BNP Paribas on 14 August 2008. Exane BNP Paribas handles the execution of the liquidity enhancement agreement of the Company in accordance with the Dutch accepted market practice. The Company intends to limit the amount allocated to the execution of this contract to 2% of its market capitalisation per year.

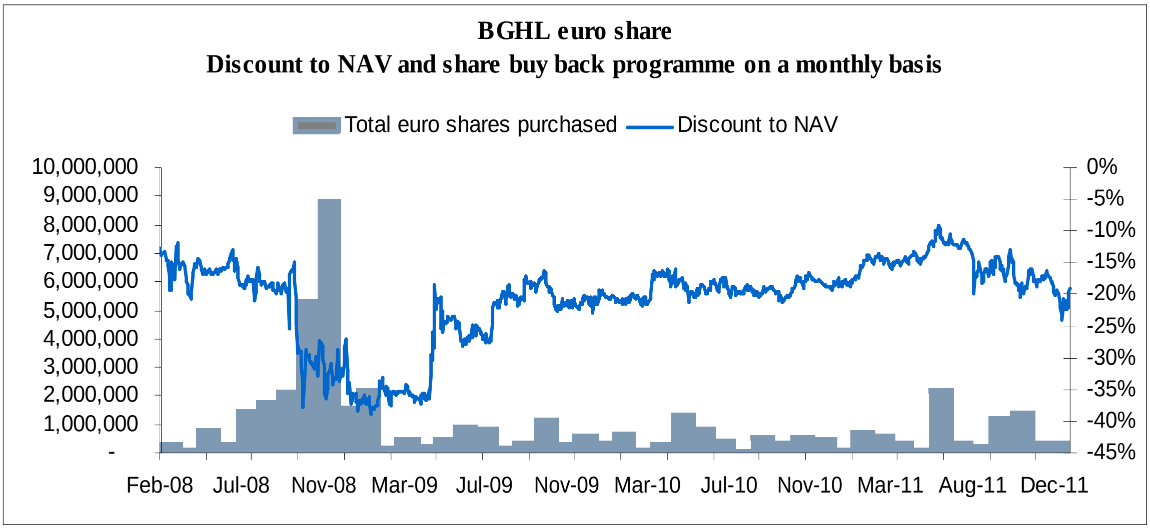
Share buy backs from both programmes are accretive to shareholders; they contribute to the outperformance of the Company's net asset value with respect to that of the Fund.

Discount to NAV	**31 December 2011**	**31 December 2010**
Euro share	-19.0%	-19.2%
Sterling share	-22.5%	-19.5%

Euro Share (discount and share buy back)

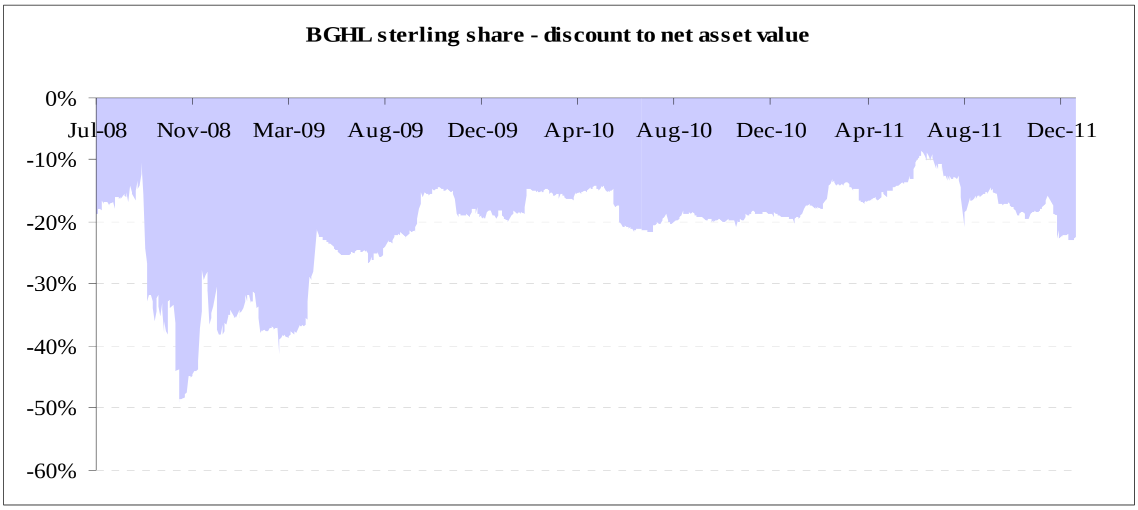


Graph 8 (source BGAM estimates / Bloomberg)

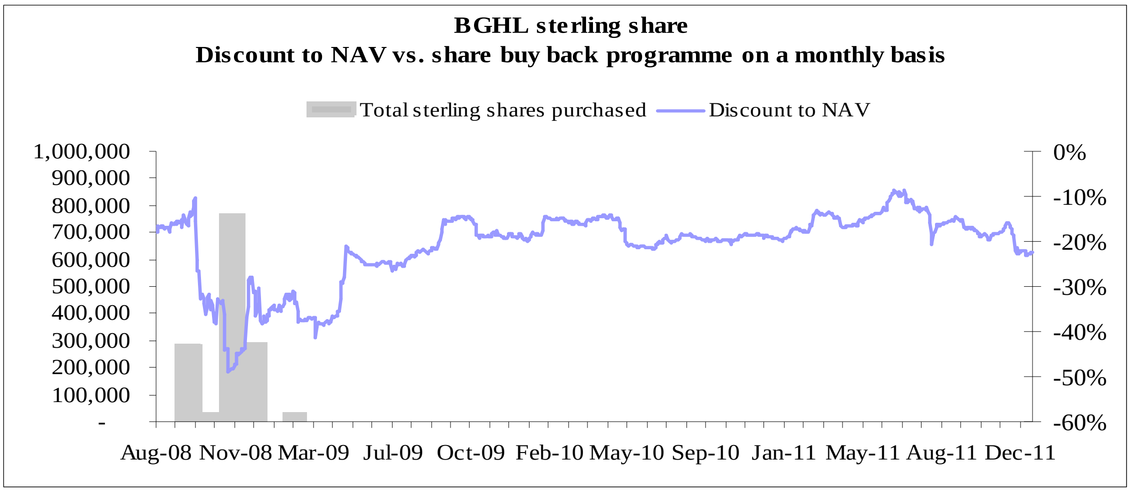


Graph 9 (source BGAM estimates)

Sterling Share (discount and share buy back)



Graph 10 (source BGAM estimates / Bloomberg)



Graph 11 (source BGAM estimates)

B- Review of the development of the business

At an extraordinary general meeting of Boussard & Gavaudan Fund Plc held on 19 December 2011 the Shareholders resolved to (i) change the name of the Fund to "BG Master Fund Plc" and (ii) amend the articles of association of the Fund to empower the Directors to exchange the investors' shares in the Fund for new shares in BG Umbrella Fund Plc, in order to reorganise the Fund into a master/feeder structure.

From 1 January to 31 December 2011, the Company had most of its total assets invested in BG Master Fund Plc. BG Master Fund Plc, an Irish Qualified Investor Fund, is a Europe-focused multi-strategy fund, which aims primarily at arbitraging instruments with non-linear pay-offs in special situations. TheFund implements diversified investment strategies, including volatility, equity and credit strategies.

In addition to its investment in the Fund and as described in the Company's offering memorandum, the Company may enter into other investments including private equity investments. These investments are currently financed through the Company's equity.

Part of the cash allocated to the liquidity enhancement programme, which has not yet been used to buy back the shares of the Company, is invested by the liquidity provider in "BNP Paribas Cash Invest", a pure money market fund distributed by a subsidiary of the BNP Paribas SA group.

C- Risks

C.1 Investments other than in the Fund

The Company was approximately 6% invested in investments other than in the Fund as of 31 December 2011.

Rasaland

The Company invested $10 million into Rasaland in June 2008. Rasaland is a Maltese company, structured as a private equity fund in terms of fees and organisation, which is dedicated to investing in land, land development and high-end resort developments in Mexico. The EUR/USD exposure is hedged by an FX forward which is rolled on a 3 month basis.

DSO Interactive

On 9 December 2009 and 19 February 2010, the Company acquired a minority stake in DSO Interactive for a total consideration of €1.7 million (6.2% of the share capital and 5.3% on a fully diluted basis). DSO Interactive is a private company incorporated in France and headquartered in Paris, where it employs over 120 people. DSO Interactive provides bad debt collection services to consumer creditors such as telecom operators, banks and specialised credit institutions.

Compagnie des Minquiers - Cofigeo

On 3 March 2011, Compagnie des Minquiers SAS, a 83.3%-owned subsidiary of the Company (other shareholders being the executive committee members of the Cofigeo group) acquired 100% of the shares of MPF (renamed Financière des Minquiers), a holding company, with 26,523 shares in Cofigeo negotiated on the regulated market NYSE Euronext in Paris representing approximately 36% of capital and 41% of voting rights. On 29 March 2011, in compliance with French securities law, Compagnie des Minquers filed a mandatory tender offer for all the remaining shares of Cofigeo at a price of €530. On 20 June 2011, following the completion of the "offre publique de retrait" on Cofigeo, Compagnie des Minquiers SAS announced that it held 100% of the capital of Cofigeo.

With sales of 138 million and approximately 650 employees, Cofigeo is a leading player in France in the canned food industry. The group sells prepared meals and sauces under the brands Zapetti (formerly Buitoni) and Raynal & Roquelaure as well as under private labels. It is ranked #2 in France with a market share of approximately 25%. The Company's total investment in the transaction amounts to approximately €18 million.

Listed security

The Company has a small investment in a listed security representing approximately €4 million as of 31 December 2011.

C.2 Investment in the Fund

The Company was approximately 94% invested in the Fund as of 31 December 2011.

Strategies

The Fund has three main strategies which can be split into the following sub-strategies.

Volatility strategies include:
- mandatory convertible bond arbitrage ("mandatories")
- convertible bond arbitrage (including credit convertible bonds)
- gamma trading

Equity strategies include:
- merger arbitrage & special situations
- long / short trading with short-term catalyst & value

Credit strategies include:
- credit long / short
- capital structure arbitrage

In addition, the Fund has a fourth "trading strategy" with smaller risk allocations dedicated to short-term directional trading.

Risk and Capital allocation

Prime brokers, when providing financing and leverage to hedge funds, take a risk that they assess using their own methodologies. Risk measurement is achieved by the use of haircuts. Haircuts reflect the level of risk attributed by a prime broker to a position. The higher the level, the higher the risk. According to this model, an amount of equity, considered at risk, is allocated through the use of haircuts to each position. Each prime broker calculates its risk exposure to the sole portion of BG Fund's portfolio it holds in custody.

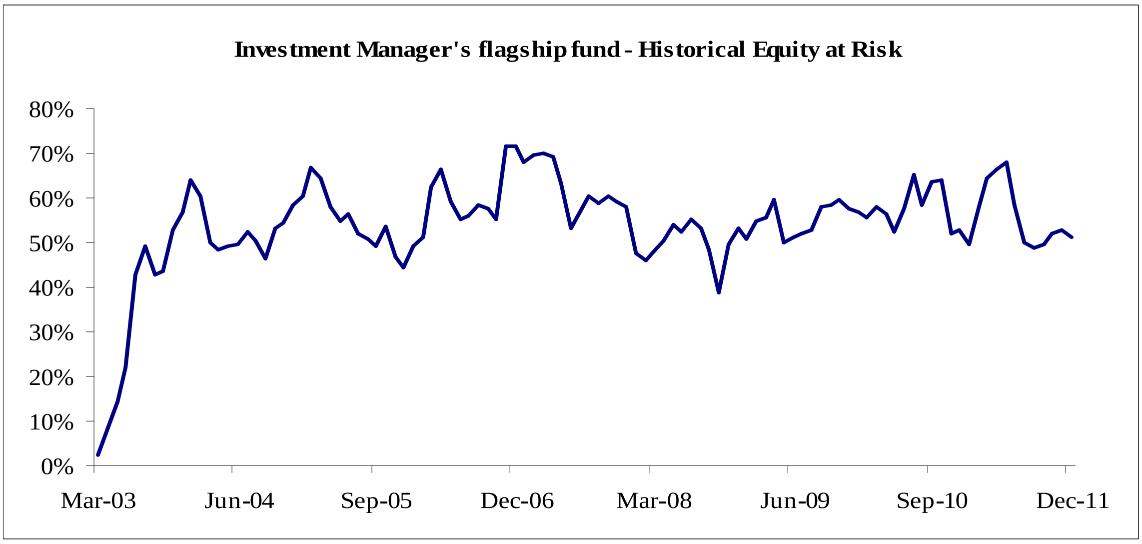
The Investment Manager replicates the methodology applied by prime brokers through a model, named "equity at risk". This model, applied to the entire portfolio, is a proxy for the calculations of the prime brokers with a conservative bias.

Haircuts condition the level of excess margin, which is the level of risk left to increase positions or enter into additional ones. An excess margin of 25%, which corresponds to a 75% level of equity at risk, means that the Fund can theoretically increase all of the positions in the portfolio by approximately 33% without having to raise further cash. The model provides an estimation of the Fund's potential for additional leverage across all its prime brokers. Excess margin is a key indicator, used by the Investment Manager to monitor the solvency of the Fund. A large level of excess is maintained at any time. The excess margin corresponds to the remaining capacity the Fund can deploy without having to raise additional cash. The Investment Manager intends to be very selective when deploying equity at risk.

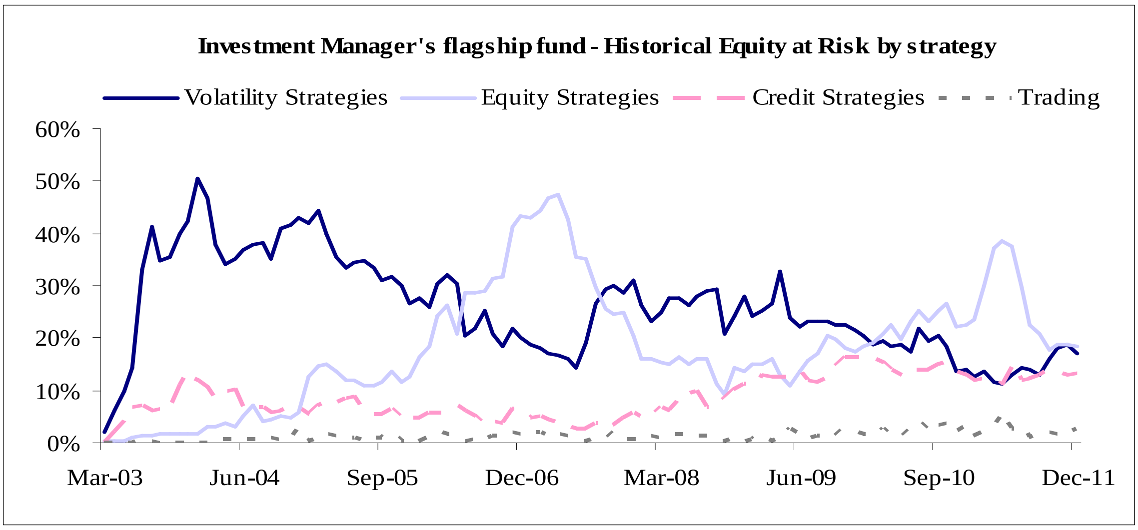
The Fund, which allocates its capital according to the equity at risk, is at 31 December 2011 quite well-balanced between equity strategies, volatility strategies and, to a lesser extent, credit strategies. The allocation to trading remains small.

At 31 December 2011, the equity at risk of the Fund stood at 51% of capacity versus 52% at 31 December 2010.

The graphs below illustrate the evolution of the equity at risk of the flagship fund since inception (Sark Fund until 30 October 2010, the Fund since 1 November 2010) and the allocation of the equity at risk across strategies.

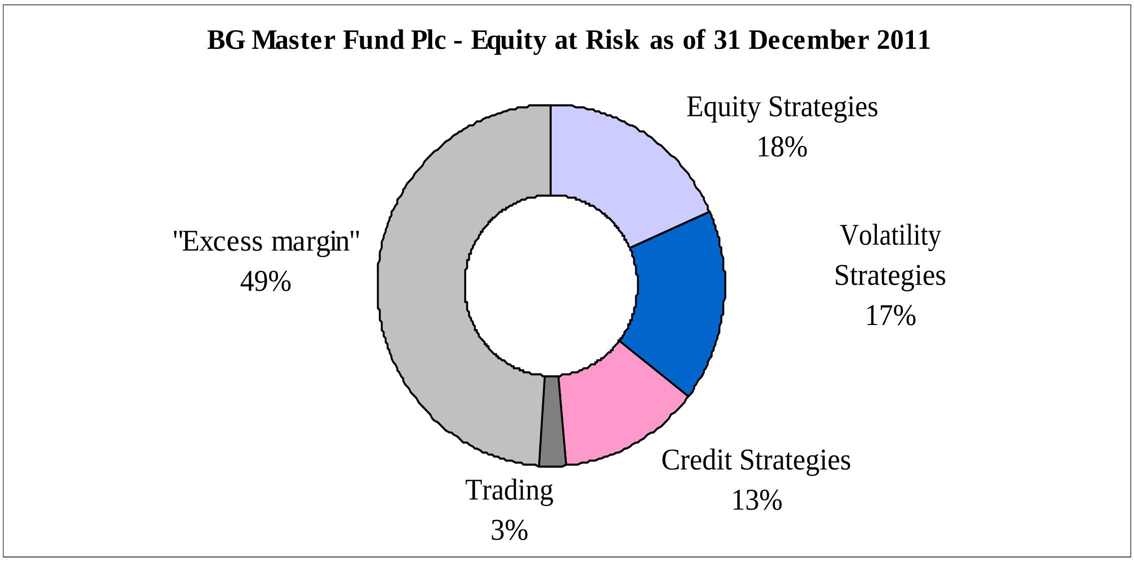


Graph 12 (source BGAM estimates)



Graph 13 (source BGAM estimates)

The equity at risk of the Fund as of 31 December 2011 was as follows:



Graph 14 (source BGAM estimates)

D. Results

D.1 Results in investments other than in the Fund from 1 January to 31 December 2011

Pursuant to BGHL's private equity valuation policy, the Private Equity Valuation Committee met at the end of December 2011 to review the performance of each investment and to have an update on external valuation benchmarks relevant to the portfolio companies. The Private Equity Valuation Committee decided to revise the value of the investments down by €0.4 million (i.e. 1.6%) as of 31 December 2011.

As of 31 December 2011, the NAV of the investments other than in the Fund represents approximately 6% of the net asset value of the Company.

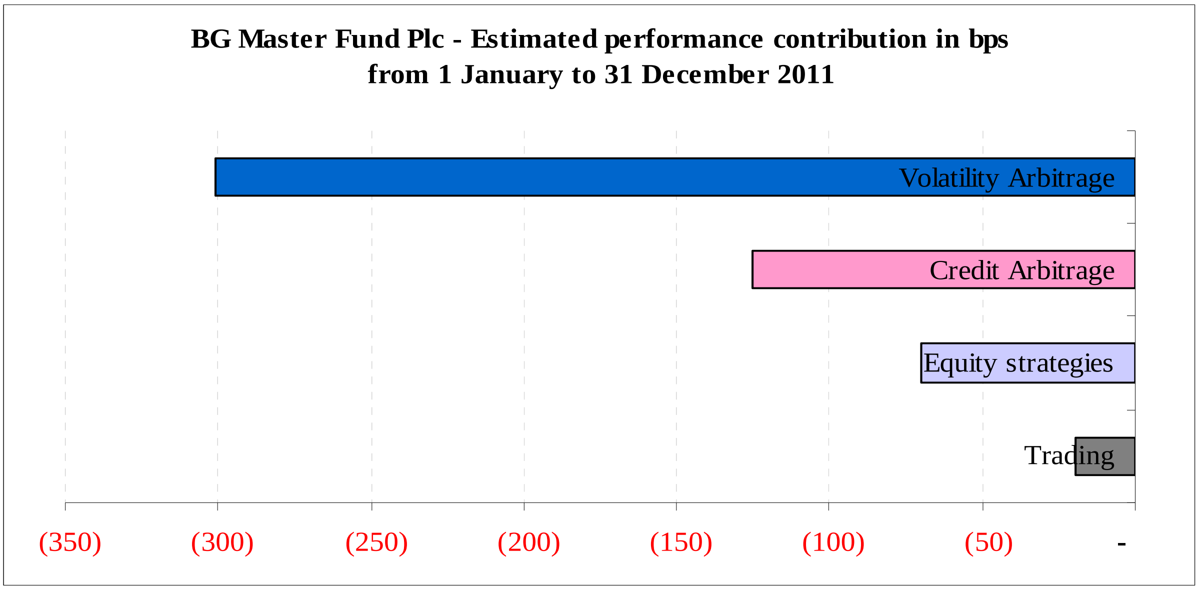
Over the Period, the contribution of these investments to the performance of the Fund has been marginal.

D.2 Results in the Fund from 1 January to 31 December 2011

The performance of the Fund, the main investment of the Company, was as follows:

NAV per share	**31 December 2011**	**31 December 2010**	**Variation**
Euro Class A	€96.53	€101.70	-5.1%
Euro Class B[3]	€98.65	€102.38	-3.6%
US Dollar Class A	$96.61	$101.74	-5.0%
US Dollar Class B[4]	$96.61	$101.71	-5.0%

For the Period, the contribution of each strategy to the performance of the Euro Class A shares, which is the most representative of the Fund, was as follows:



Graph 15 (source BGAM estimates)

All strategies contributed negatively to the performance of the Fund.

[3] Euro Class B bears no management and performance fees which explains this over performance. Management and performance fees are charged at BGHL level.
[4] US Dollar Class B has been created on 31 August 2011. The US dollar Class B bears no voting rights.

Volatility strategies

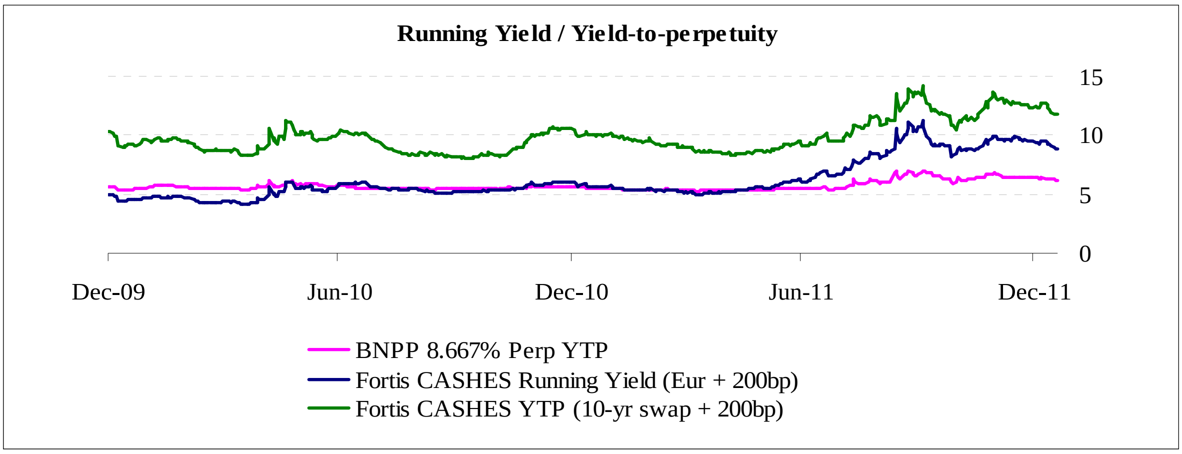
Within volatility strategies, convertible bond arbitrage and gamma trading contributed negatively to the performance of the Fund whereas mandatory convertible arbitrage contributed slightly positively.

Convertible bond arbitrage
Convertible bond arbitrage (excl. mandatories arbitrage) was the main contributor to the negative performance of the Fund this year. Two positions, Fortis CASHES and Alcatel, account for most of the loss, whilst the rest of the book was flat overall.

Indeed, away from Fortis CASHES and Alcatel, the performance of the portfolio of European convertibles was lacklustre. At the beginning of the year, the Investment Manager took profits and significantly reduced some positions, as the very strong performance of the bonds in 2010 had left a significant portion of the European convertibles market at unsustainable levels from an arbitrage standpoint. The remaining positions were on high delta names which the Investment Manager also partially credit hedged. On those positions the credit hedges were slightly oversized compared to what was implied by the Investment Manager's models in order to be able to fully re-balance the gamma on the downside, even if their delta came down. This turned out to be profitable as despite the continuous sell-off of both credit and equity markets on the back of the on-going sovereign crisis and a concerning macro outlook, those positions held up relatively well thanks to the CDS hedges and the gamma which the Investment Manager realised. Towards the end of the first half of 2011, the Investment Manager preemptively took the investment decision to reduce some of these high delta positions as valuations were very rich from an arbitrage standpoint. The Investment Manager also decided to selectively increase some credit sensitive convertible bonds in line with the Fund's strategy to raise its credit exposure (including through convertibles), whilst maintaining a high level of protection through increased gamma and vega OTC positions.

As far as the Fortis CASHES are concerned, the year began on a positive note as from January to April, in a context of sharp sector rotation in global assets, the Investment Manager benefited from renewed investor appetite for financials and in particular this position. From May to September, the position gave up its earlier gains entirely and then resulted in losses for the Fund, suffering from a sharp reversal in market sentiment and supply / offer imbalances. The turmoil in the Tier 1 space and persistant investors concerns over French banks and BNP Paribas in particular further increased the selling pressure on those bonds. The Investment Manager marginally increased the position on the back of such cheapening. In the 'risk on' rally of October, the bonds recouped part of the previous months' losses but this was short-lived as in November the Fortis CASHES fell back again to the levels of September. The bonds were dragged down by the continuing stress in the Tier 1 space and despite the positive impact of Liability Management Exercises (LMEs) by several European banks (including amongst others BNP Paribas) seeking to take advantage of low trading levels to tender or exchange subordinated instruments at a discount to par. All these moves in the Fortis CASHES occurred in very limited volumes though, which meant most of the price action was driven by remarks, not by actual trades in the market. Fortis CASHES ended the year close to their 12-month lows at ~35%, a level that, in the views of the Investment Manager, shockingly failed to start to reflect the true characteristics of this bond, which sharply underperformed other BNP Paribas Tier 1 instruments whilst being structurally senior to them (see below).

Fortis CASHES versus BNPP 8.667% Perp Tier 1.



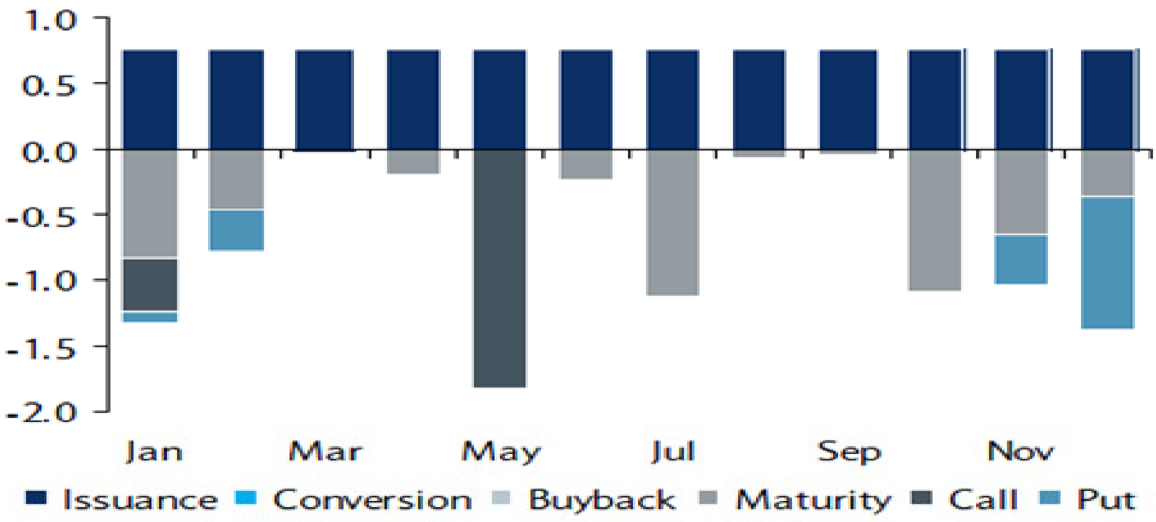
Graph 16 (Source Bloomberg)

At the start of 2012 the investment case on this position was therefore even stronger than before. This was eventually validated during the course of January 2012 as BNP Paribas launched a voluntary cash tender on the Fortis CASHES. The final tender price of 47.5% of par represented roughly a 9 pts premium to the closing secondary trading levels on the day before the offer was announced. Taking into account the premium offered and the risk of illiquidity on the remaining bonds the Investment Manager decided to participate in the tender, in line with most of the institutional investors involved in the situation. BNP Paribas eventually bought back 63% of the issue, leaving €1.1 bn of bonds outstanding which the Investment Manager intends to continue to monitor closely, as market opportunities may present themselves in this situation again in the future.

The rest of the losses came mostly from the position in the Alcatel 5% 2015 convertible bond. The Investment Manager increased this position as a high delta convertible in the first quarter of 2011, but did not hedge the credit as it felt being long the latter was a good risk reward but also because the stock price was close to the issuer call level. Whilst the Investment Manager decided to maintain a significant static delta at the end of October (ie. no longer hedging the gamma on the downside) to protect the position, the trade was severely hit by the market reaction to the Q3 results when Alcatel warned on their margins, cut their profit forecast for 2011 and announced a negative cash flow of around €1bn for the first 9 months of the year. The shares tumbled the most in almost a decade, and the 5-year CDS widened from around 1,000bps before the release to more than 1,600bps at the end of November. The convertible bonds closed the year at a Z-spread of ~1,435bps (with a zero equity volatility input). Over the coming months, the Investment Manager expects the convertible bond to recover as Alcatel cashes in the proceeds of the sale of Genesys in the US (US$1.5bn) and reduces their working capital requirements in Q4. The Investment Manager also believes Alcatel will have to raise external resources to match their maturing liabilities and will probably have to tap their shareholders or issue a mandatory, as current spreads prevent them from issuing more debt.

In 2012, the Investment Manager expects new issuance of convertible bonds to recover from what was probably a 10-year low in European issuance seen in 2011. According to Barclays, whilst the gross supply was only around €7.5bn, the net supply was heavily negative due to €14.9bn of redemptions. In 2012, there could be another €9.1bn of redemptions requiring around €0.8bn of issuance per month on average for flat annual net supply. Adding the strong trend in banks' deleveraging and disintermediation, 2012 could actually surprise on the upside in terms of new issuance

EMEA 2012 issuance versus redemptions (€ bn)



Graph 17 (Source Barclays)

Mandatory convertible bond arbitrage
Mandatory convertible bond arbitrage contributed positively to the performance of the Fund in 2011.

The Fund mostly benefited from the UBS into BBVA mandatory exchangeable which continued to perform rather well. For the first 4 months of the year, the mandatory remained well bid on the back of a rising share price, a decrease in BBVA's historic volatility, and a continued erosion of UBS's CDS spread. The Fund also benefited from the dividend protection embedded in the bonds, as the dividends on BBVA are passed through to investors on the basis of 100% delta. This means that hedged mandatory holders actually receive more dividends on their long leg than they have to pay on their short leg. From July to September, the Fund continued to benefit from a better valuation on the UBS/BBVA exchangeable bonds, which were lifted up in light volume. Towards the end of the Period, despite the stressed and illiquid environment, this position held up remarkably well, evidencing a stable and well-anchored investor base, which, the Investment Manager believes, is totally comfortable holding the paper until maturity. With 8 months to maturity and the mandatory strikes approx. 113% and 200% above the year-end share price, i.e. several standard deviations away, the risk profile of the mandatory is very good and its discount to fair value provides the Fund with a stable and highly visible source of performance until the maturity of the bond on 31 July 2012.

Aside from this, there was one position which cost the Fund but it is expected to regain all lost ground as it comes to maturity in the second half of 2012. This position suffered from a shaky investor base and came under significant selling pressure during the summer owing to its sector (financial institutions). The Investment Manager remains convinced of the value and risk profile of this position and increased it as a result.

There were no new mandatory convertible bond issue in Europe this year, despite repeated market talks that mandatories (with an acceleration trigger) might be included in the EBA 9% core capital ratio, although not governed by the (Tier 1 host) CoCo termsheet prepared with the national regulators. This may lead to very interesting opportunities, hopefully in the coming months.

Gamma trading
The Period was tough to read for this sub-strategy which contributed marginally negatively to the performance. The Fund’s gamma exposure moved around all along the year depending on the newsflow coming from both the macroeconomic and geopolitical angles. The Investment Manager began the year with minimal long volatility exposure which it progressively ramped up towards March as the market unexpectedly experienced a spike in volatilities and a skew due to panic stemming from the Japanese nuclear crisis. Unfortunately this high volatility regime was short-lived and the market was quick to decrease to pre-quake levels, with even lower implied volatilities. The Investment Manager took advantage of this low level of implied volatility to increase further the long gamma/long volatility position to provide relatively cheap protection to the Fund as it thought uncertainties were not reflected in the market. Nevertheless, equities did not move significantly except in the second part of June as sovereign debt worries resurfaced. Implied volatilities spiked but in very low volume and low activity, displaying an elevated risk aversion from volatility market makers. Anticipating this high volatility regime would be short-lived, the Investment Manager switched mid-term volatility exposure to very short-term volatility exposure in order to increase the long gamma exposure and protection.

July was a difficult month for equities, as the market drifted downwards most days. The Investment Manager continued to protect the overall Fund with long gamma exposure, even through the carry barely paid off. Concerns over the European sovereign debt, mitigated corporate results and guidances, as well as fears of a US credit downgrade which materialised and a poor perception of policymakers, caused an abrupt fall in equities in August, together with a spike in implied volatilities. The massive correction led the Investment Manager to some restriking of the Fund’s gamma exposure, as the spot moved away from its strikes and this reduced the Fund’s long gamma exposure. The Investment Manager bought downside volatility at high levels which paid off with extreme intraday volatility. Realised volatilities were high across all sectors and implied volatilities reached new highs for the year in September. The recurrent negative newsflow, paired with contradicting comments from European officials, kept intraday volatility high and therefore implied volatility at high but cheap levels. Scarce liquidity on single stock options led the Investment Manager to increase the Fund’s long gamma exposure on the liquid Eurostoxx 50®, which made sense due to the unusually high internal correlation.

The market then made a slow recovery over the course of October, driven mainly by leaks and declarations by officials, which gave the positive impression that the right topics were being addressed. The long gamma exposure therefore suffered from the violent drop in implied volatilities which came back to levels last seen in early August. As the index gamma was harder to carry, the Investment Manager quickly decided to switch the long gamma exposure into single names (short-dated maturities) in order to take advantage of the increased dispersion, as well as the earnings season. As a result, the focus on the front month maturities reduced the vega exposure, which proved a cheaper bet in the end. November was quite mixed on the volatility side, high correlation led the Investment Manager again to favour gamma exposure on the liquid Eurostoxx 50® options. At the end of the year, the Fund suffered from both low realised volatility and falling implied volatilities. A number of potential events (US macro data, central banks’ decisions, European policymakers’ meetings) kept implied volatilities at high levels. Unfortunately the market’s reaction was muted, making the long gamma expensive to carry. The Investment Manager decided to reduce the Fund’s gamma exposure mid-December to coincide with the imminent holiday season. With volatility levels continuing to adjust lower, the Investment Manager was progressively ramping up the gamma portfolio.

In the current uncertain environment, the Investment Manager remains vigilant with long gamma exposure and is continuously monitoring the situation.

Equity strategies

As described above, the market was extremely challenging and volatile over the Period with a high dispersion driven by macroeconomic and political newsflows rather than by corporates' fundamentals.

On the corporate activity side, few mergers and acquisitions were announced at the beginning of the year, raising the scope for a more active special situations part of the business but this was not the case, as corporates became reluctant to take any risk given the very uncertain environment. Whilst most of them had plenty of cash in their balance sheets, they preferred to use it for share buy backs rather than for acquisitions on the brink of a potential global recession with concerns regarding the future of the Eurozone. On that front, Q3 earnings season released some mitigated results and an extremely cautious outlook from all corporates. Whilst US corporates continued to report all in all better-than-expected results, European corporates published mixed results. The few times the market bounced back towards year-end, some placements occurred, in particular from private equity companies, which took these windows of opportunity to sell their stake in the market. Apart from that, the activity was subdued overall; the market was waiting for a solution for the banking sector and the sovereign crisis as well as some capital increases in the coming months.

Given this shaky environment, the Investment Manager decided to keep the portfolio as lean as possible during the first half of the year, protected by generalised use of options and to concentrate on high convictions where it saw short-term catalysts. From September, all moves were heavily correlated and, although the Investment Manager started to see value opportunities emerging in some specific names, it thought that it might not yet be the time to invest as it would not deploy capital until the macro environment looked brighter. In such a context, it maintained limited exposure in the equity book, having deployed some capital in credit towards the end of August. The Investment Manager believed that a slow deleveraging scenario would be good for credit – but less so for equity - despite triggering a recession. Corporates had very strong balance sheets with ample liquidity and ran tight working capital to avoid a repeat of 2008. Capex cuts were actually a way for the sovereign crisis to spread to the real economy in a self ful-filling prophecy. The Investment Manager saw corporates adapting to this crisis by running their balance sheets more conservatively, thus transferring value from shareholders to bondholders. The Investment Manager remains skeptical today on the equity side as, on the one hand, corporate fundamentals seem to be valued at attractive levels but, on the other hand, it wonders if the market has sufficiently priced in all the components of the macro (European uncertainties on GDPs, the slowdown in emerging countries, doubts about US macro which has so far remained resilient), especially when compared to the massive underperformance of the credit. As a consequence, the Investment Manager continues to prefer credit as an asset class.

During the Period, equity strategies posted a negative performance to the Fund, spread across the long/short trades with soft catalysts which did not perform well. On the positive side, the Investment Manager finally succeeded in coming to an agreement with Cinven in March on the Camaïeu situation, adding profits to the Fund while significantly decreasing the size of the Fund's illiquid positions. The Fund also benefited from a few risk arbitrage trades which evolved positively.

Credit strategies

Credit markets performed rather well until April despite macroeconomic and geopolitical tensions. However, the European sovereign issues came back to the forefront in May. For the Investment Manager, the sovereigns were simply part of a deeper malaise, which made it convinced that the correction had a little further to run. From July, weaker economic numbers in the US and Europe, which followed the US sovereign downgrade, magnified the repricing of all spreads in a major "flight-to-quality", which benefitted US Treasuries and German Bunds. Government spreads widened within core-Europe itself, between core and peripheral Europe, and by transition the Investment Manager saw the same effects in Financial and Corporate spreads within the Eurozone. Overall credit valuations were not far from pricing in a normal recession. Towards year-end, European credit and equities continued to move in line though credit spreads were back to 2008 levels, which was not the case for equities. With the increasing risk of sovereign default in Europe, banks holding government bonds on their balance sheets came under pressure from credit markets, and their spreads were closely linked to sovereign CDS. Conversely, non-financial companies were generally in a better position with regard to fundamentals than they were in 2008, and would be able to address the forthcoming economic downturn in a better fashion. Indeed, with a cash-to asset ratio of ~10%, European corporates enjoyed cash holdings that were close to levels seen in the mid-1990s. Over the past 3 years, banks have drastically reduced lending, leaving companies with no choice but to cut capex, and have reduced their working capital to preserve cash. What emerged from the EU Summit on 9 December was another step forward, building on past progress but leaving out important issues that would need to be clarified later (such as the meaning of "fiscal union"). The announcement by the ECB to provide broader, long-term funding to the banking industry was also a very significant development. The relaxation of rating requirements and the expansion to include corporate loans (as collateral), as well as the initiation of two 3-year

LTROs would have a significant impact on financial spreads, at least at the short end of the curve. For the first operation, the take up was €489bn higher than most estimates. The Investment Manager acknowledged the positive points of lowering "credit crunch" concerns and helping banks ride through the high redemption period of the first half of 2012. These positive points did not alter the sell-side research consensus that the outlook for the economy and for markets, in general, remained dark.

In this challenging context, credit strategies contributed positively for the first half of the year before giving back all gains and then posting a loss in the second part of the Period.

In the long / short portfolio, the Investment Manager decided to focus, during the first half of the period, on cash-flow generating companies and defensive credits on the long side, whilst buying CDS on what it viewed were "de-rating options" on expensive/tight spreads not only in the investment grade, but also in the high yield universe. Towards the end of the half, the Investment Manager decided to reduce the Fund's high yield exposure to two core positions, as it feared that the uncertainty around the peripheral sovereign issues would accelerate a flight-to-quality in core Europe, and potentially redemptions in European high yield.

In the second half of the Period, the performance was dragged down by the high-yield and bank subordinated debt investments. From July, the Investment Manager decided to monetize the Fund's shorts positions and hedges. With the flavor of panic in August and in September, the Investment Manager was getting closer to the point where it wanted to be outright long, and continued to approach the market with a view to scale in. The Investment Manager marginally increased the Fund's positions in subordinated financials and contingent capital bank (CoCo) securities, as well as high yield corporates at the beginning of October and intended to increase the long positions in non-financial credit on further widening in spreads. The Investment Manager believed more and more in its macro call that non-financial corporates, as an asset class, were cheap relative to equities. On the financial sector side, the activity was dominated during year-end by voluntary Liability Management Exercises (LMEs), allowing issuers to create capital gains by tendering or exchanging subordinated instruments at a discount to par. This new wave of LMEs was a support to the trading levels in the sector, as they were done at a premium to secondary levels. However, the most recent transactions were less generous to investors than the wave of LMEs observed in 2009. As a result, the Investment Manager preferred to focus on less volatile non Basel 3 compliant instruments with short-dated first call dates rather than targeting potential LME candidates. It believed that strong issuers would continue to call at par the subordinated instruments, which would no longer qualify as capital from January 2013 with the Basel 3 implementation. This has been profitable to the Fund.

In the capital structure arbitrage space, the Investment Manager found it very difficult at the beginning of the Period to identify interesting trades with strong and immediate catalysts. Towards the second half of the year, its internal model started to show increasingly recurrent and stronger signals that credit spreads were trading cheap relative to equities on specific micro cases across several sectors. A few positions were implemented which contributed slightly positively to the Fund's performance.

Trading

Trading posted a negative return for the Period spread across the board.

E - Review of important events since the period end

BG Umbrella Fund Plc was established in Ireland and authorised by the Irish Central Bank as a qualified investor fund (QIF) on 21 December 2011. It is structured as an umbrella (open-ended) investment company with variable capital and segregated liability between sub-funds. Its two sub-funds "BG Fund" and "BG ERISA Fund" were launched on 3 January 2012.On 3 January 2012 BG Fund and BG ERISA Fund invested substantially all of their respective assets in new shares in the Fund, which operates as a master fund. The terms of investment remain unchanged.

The Investment Manager continues to be fully committed to the strategies of the Company. Financial prospects will be linked to the level of opportunities created across the Company's strategies in the European corporate environment.

F - Principal Risks and Uncertainties

The equity at risk of the Fund, which is the main investment of the Company, is expected to be deployed in a very cautious way as the market environment remains uncertain. As the Company's liabilities are very low, the liquidity risk is limited. Investments other than the Fund are being financed through the Company's equity rather than using credit as there is currently no banking facility in place.

G - Related Party Transactions

There have been no related party transactions during the period except for transactions described under notes 7-9 of the financial statements.

Emmanuel Gavaudan, Director of BGPL
as General Partner of BGAM, the Investment Manager

Independent Auditor's report to the members of Boussard & Gavaudan Holding Limited

We have audited the financial statements of Boussard & Gavaudan Holding Limited for the year ended 31 December 2011 which comprise the Company Statement of Financial Position, Company Statement of Comprehensive Income, the Company Statement of Changes in Equity, the Company Statement of Cash Flows, the related notes 1 to 16, the Consolidated Statement of Financial Position, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flows, and the related notes 17 to 29. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the company's members, as a body, in accordance with Section 262 of the Companies (Guernsey) Law, 2008. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's and Group's affairs as at 31 December 2011 and of their total comprehensive income for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies (Guernsey) Law, 2008.

Matters on which we are required to report by exception

We have nothing to report in respect of the matters set out below:

Under the Companies (Guernsey) Law, 2008 we are required to report to you if, in our opinion:

- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review the part of the Corporate Governance Statement relating to the company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review.

Michael Bane
For and on behalf of Ernst & Young LLP
Guernsey, Channel Islands
29 April 2012

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

2. Legislation in Guernsey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Boussard & Gavaudan Holding Limited
Company Statement of Financial Position
31 December 2011

	Note	2011 Euro	2010 Euro
Assets			
Non-current Assets			
Investments at fair value through profit or loss	6	560,847,700	709,459,635
Current Assets			
Foreign exchange forward derivatives contracts	3	289,383	-
Due from brokers		682,398	1,467,702
Total assets		**561,819,481**	**710,927,337**
Equity and Liabilities			
Current Liabilities			
Short term loan	12	4,000,000	6,000,000
Forward foreign exchange derivatives contracts	3	-	438,047
Other liabilities		2,905,556	21,317,136
Total liabilities		**6,905,556**	**27,755,183**
Equity			
Share capital	10	4,115	4,934
Distributable reserve		59,746,046	150,726,170
Share premium		511,875,139	511,875,139
Treasury shares	11	(29,023,457)	(20,863,074)
Retained earnings		12,312,082	41,428,985
Total Equity		**554,913,925**	**683,172,154**
Total Equity and Liabilites		**561,819,481**	**710,927,337**
Net asset value per share:			
EURO shares outstanding 39,652,214 (2010: 47,411,855)		€13.4423	€13.7990
GBP shares outstanding 1,496,750 (2010: 1,932,543)		£12.2280	£12.8717

The company financial statements were approved by the Board of Directors on 27 April 2012 and signed on its behalf by:

Christopher Fish
Chairman

Andrew Henton
Director

The accompanying notes on pages 32 to 64 form an integral part of these financial statements.

Boussard & Gavaudan Holding Limited
Company Statement of Comprehensive Income
31 December 2011

	Note	2011 Euro	2010 Euro
Income			
Net realised gain on financial instruments at fair value through profit or loss	6	6,357,688	112,508,135
Change in unrealised (loss) on financial instruments at fair value through profit or loss		(25,077,176)	(24,354,262)
Net (loss)/ gain on financial assets at fair value through profit or loss	6	(18,719,488)	88,153,873
Realised and unrealised foreign currency gain /(loss) on forward derivatives contracts	5	357,219	(2,783)
Other realised and unrealised foreign currency (loss)/gain		(1,053)	5,887
		(18,363,322)	88,156,977
Interest income		102,179	4,205
Total (loss)/income		(18,261,143)	88,161,182
Trading Expense			
Interest expense		184,460	42,129
Company expenses			
Performance fees	9	500,843	18,413,773
Management fees	9	9,708,077	10,393,016
Administrative fees	8	139,314	112,909
Directors fees	7	117,500	117,500
Professional fees		36,572	1,105
Audit fees		24,002	21,566
Other expenses		144,992	324,692
Total expenses		10,855,760	29,426,690
Net (loss)/profit / Total Comprehensive (Loss)/Income		**(29,116,903)**	**58,734,492**
Basic and diluted (loss)/earnings per share			
EURO €(28,330,843) / 43,639,182 shares (2010: €55,971,603 Profit / 50,714,974 shares)		€(0.6492)	€ 1.1037
GBP £(1,219,952) / 1,899,020 shares (2010: £2,001,885 Profit / 1,727,127 shares)		£(0.6424)	£1.1591

All activities are of a continuing nature.

The accompanying notes on pages 32 to 64 form an integral part of these financial statements.

Boussard & Gavaudan Holding Limited
Company Statement of Changes in Equity
For the year ended 31 December 2011

	Note	Share Capital Euro	Share Premium Euro	Distributable Reserve Euro	Treasury Shares Euro	Retained Gains Euro	Total Equity Euro
Balance as at 1 January 2011		4,934	511,875,139	150,726,170	(20,863,074)	41,428,985	683,172,154
Net loss attributable to ordinary shares		-	-	-	-	(29,116,903)	(29,116,903)
Treasury Shares acquired	11	-	-	-	(99,141,326)	-	(99,141,326)
Treasury Shares cancelled	11	(819)	-	(90,980,124)	90,980,943	-	-
Balance as at 31 December 2011		4,115	511,875,139	59,746,046	(29,023,457)	12,312,082	554,913,925

For the year ended 31 December 2010

	Note	Share Capital Euro	Share Premium Euro	Distributable Reserve Euro	Treasury Shares Euro	Retained Gains Euro	Total Equity Euro
Balance as at 1 January 2010		5,588	739,210,492	-	(31,477,788)	(17,305,504)	690,432,788
Net profit attributable to ordinary shares		-	-	-	-	58,734,489	58,734,489
Reclassification to Distributable reserve		-	(439,995,600)	439,995,600	-	-	-
Reclassification from Share premium linked to treasury shares		-	212,660,247	(212,660,247)	-	-	-
Treasury Shares acquired	11	-	-	-	(65,995,123)	-	(65,995,123)
Treasury Shares cancelled	11	(654)	-	(76,609,183)	76,609,837	-	-
Balance as at 31 December 2010		4,934	511,875,139	150,726,170	(20,863,074)	41,428,985	683,172,154

The accompanying notes on pages 32 to 64 form an integral part of these financial statements.

Boussard & Gavaudan Holding Limited
Company Statement of Cash Flows
For year ended 31 December 2011

	Note	2011 Euro	2010 Euro
Cash flows from operating activities			
Net loss		(29,116,903)	58,734,492
Adjustments to reconcile net profit to net cash used in operating activities:			
Unrealised loss on financial instruments at fair value through profit or loss		25,077,176	24,354,262
Realised gain on financial instruments at fair value through profit or loss		(6,357,688)	(112,508,135)
Realised and unrealised foreign currency loss/(gain) on forward derivative contracts		(357,219)	2,783
(Decrease)/increase in due from brokers		785,304	(1,155,560)
(Decrease) in due to brokers		(72,804)	(6,217)
(Decrease) in performance fee payable		(17,912,930)	(956,570)
(Decrease) in management fee payable		(406,654)	(76,709)
Decrease in interest payable		(502)	(48)
Increase /(decrease)/ in administrative fee payable		1667	(23,937)
Decrease in audit fees payable		(5,816)	(17,855)
(Decrease) in legal fees payable		(14,541)	14,541
Net cash used in operating activities		(28,380,910)	(31,638,953)
Cash flows from investing activities			
Purchase of investments at fair value through profit or loss	6	(26,074,039)	(689,528,451)
Sales of investments at fair value through profit or loss	6	155,966,487	786,057,913
Net cash provided by investing activities		129,892,448	96,529,462
Cash flows from financing activities			
Treasury shares acquired	11	(99,141,326)	(65,995,123)
Net cash flow from foreign exchange forward derivative contracts		(370,212)	604,616
Repayment of other short term financing	12	(101,950,000)	(56,800,000)
Proceeds from other short term financing	12	99,950,000	57,300,000
Net cash used in financing activities		(101,511,538)	(64,890,507)
Net movement in cash and cash equivalents		-	-
Cash and cash equivalents			
Beginning of the period		-	-
End of the period		-	-
Cash and cash equivalents at 31 December 2011		-	-

Supplementary information

		2011	2010
Interest received		102,179	4,205
Interest paid		184,962	42,177

The accompanying notes on pages 32 to 64 form an integral part of these financial statements.

1. General information

Company information

Boussard & Gavaudan Holding Limited (the "Company" or "BGHL") is a closed-ended investment company registered and incorporated on 3 October 2006, under the laws of Guernsey. Since 3 November 2006 the Company's shares are listed and traded on the Eurolist Market operated by Euronext Amsterdam by NYSE Euronext. Prior to the listing of the Company, there was not a public market for the shares. Upon listing and trading of the shares on Euronext Amsterdam and, as a result, the Company is subject to Dutch securities regulations and to supervision by the relevant Dutch authorities. The Company is registered with the Dutch Authority for the Financial Markets as a collective investment scheme.

On 28 July 2008, the Company's shares were also admitted to the Official List of the UK Listing Authority and to trading on the London Stock Exchange plc's main market for listed securities. Upon admission to the Official List of the UK Listing Authority and, as a result, the Company is subject to the UK Listing Authority's Listing, Prospectus, Disclosure and Transparency Rules, save where Dutch securities regulations take precedence.

At the time of this dual listing, the Company has created a class of shares denominated in Sterling (the "Sterling Shares") through the conversion of existing Euro shares into new Sterling shares at the prevailing net asset value ("NAV") per Euro share at 30 June 2008. From this date, shareholders have been able to convert their existing holding of shares in the Company from one class into another class first on a quarterly and now on an annual basis, provided that the procedure published on the company's website has been compiled with.

Investment policy

The Company will invest its assets in order to deliver an exposure to multiple alternative investment strategies. Boussard & Gavaudan Asset Management, LP (the "Investment Manager") is responsible for the day-to-day management of the Company's investments.

The Company will seek to achieve its investment objective by investing the proceeds of any fund raising, net of any amounts retained to be used for working capital requirements, into BG Master Fund Plc (formely Boussard & Gavaudan Fund Plc) ("the "Fund"), and by utilising its borrowing powers to make leveraged investments into private equity situations. The gross investment exposure of the Company at any time may represent a maximum of 200 percent of Net Asset Value at the time of investment.

The Company will invest in a separate class of Euro denominated shares of the Fund which will not be subject to management fees and performance fees at the Fund level, as the Investment Manager will receive management fees and performance fees in respect of its role as Investment Manager of the Company. Therefore, the Company will benefit from exposure to the multiple strategies offered by the Fund but with no multiple layering of fees.

Over time, a proportion of the net assets of the Company may, at the discretion of the Investment Manager, be invested in other hedge funds and/or other financial assets within the limits set out under the heading "Asset allocation " below and subject to the limit on the leverage set out under the heading "Gearing" below, provided that, where such hedge funds are managed by the Investment Manager, the Company will invest through a share class which will not be subject to management or performance fees at the level of the underlying hedge fund.

The Investment Manager may also use the Company's borrowing facilities to enable it to make private equity investments at its discretion within the limits set out under the heading "Asset allocation" below. The Investment Manager's ability to use borrowings for such purposes is subject to the limit on leverage set out under the heading "Gearing" below. Such investments may include the acquisition of minority or majority interests in unlisted companies or listed companies ("Direct Investments"). The Investment Manager may also make private equity investments through investing in funds that have a private equity investment focus ("Indirect Private Equity Investments").

With the possible application of leverage and when taken with the returns achieved from the Fund, investments other than the investment in the Fund as described above are intended to allow the Company to achieve its target annualised return. The Company's investments in assets other than the Fund are expected to consist of investment opportunities that are identified by the Investment Manager in connection with its and its affiliates current activities but which are not pursued by the Fund due to risk profiles or liquidity profiles inconsistent with those of the Fund.

1. General information (continued)

Gearing

As described above, the Company intends to make use of its borrowing facilities to allow it to have an investment exposure of up to 200 per cent. of Net Asset Value at the point of investment.

The Company has power under its Articles of Incorporation to borrow up to an amount equal to 100 per cent. of its Net Asset Value as at the time of borrowing.

It is intended that leverage will be used by the Company for the purposes of (i) managing day to day cash flow, i.e. for meeting expenses of the Company and for funding repurchases of Shares and (ii) leveraging investments made by the Company, including its investment in the Fund or in other hedge funds managed by the Investment Manager (hereafter, “Manager Funds”), provided that the Company complies with the exposure limitations set out under the heading “Asset allocation” below.

Asset allocation

Investments in Manager Funds
Substantially all of the net assets of the Company are currently invested in the Fund and it is anticipated that a significant proportion of the Company’s net assets will remain invested in the Fund.

Over time, no less than 90 per cent of the Net Asset Value and no more than 110 per cent of the Net Asset Value will be invested in Manager Funds, with at least 80 per cent. of the Net Asset Value invested in the Fund.

Investments in assets other than Manager Funds
In relation to those investments in assets other than Manager Funds, the Directors have determined that such investments shall not exceed certain limits:

<u>Direct Investments</u>
The aggregate value of Direct Investments may not exceed an amount equal to 50 per cent. of the Net Asset Value at the time of making any such investment.

<u>Indirect Private Equity Investments</u>
The aggregate value of Indirect Private Equity Investments may not exceed an amount equal to 25 per cent. of the Net Asset Value at the time of making any such investment. In addition, the Company will not make any single private equity investment representing in excess of an amount equal to 10 per cent. of its Net Asset Value as at the time that investment is made. Private equity investments made in linked transactions will be aggregated for the purposes of this calculation.

<u>Hedge fund investments (other than Manager Funds)</u>
The Directors have also determined that the Company’s investments in hedge funds (other than Manager Funds) when aggregated may not exceed an amount equal to 25 per cent. of the Net Asset Value at the time of making any such investment.

Diversification

The Company's investment policy is to achieve diversification by exposure to the investment strategies of the Fund through the Company's investment in the Fund and through the other investments made by the Investment Manager as described above.

Kleinwort Benson (Channel Islands) Fund Services Limited (the “Administrator”) arranges for the monthly publication of the NAV of the Company as at the end of the previous month and the Investment Manager provides daily estimates.

As of 31 December 2011 none of the Company and the Fund currently had any employees or owned any facilities.

2. Accounting policies

2.1 Statement of compliance

The financial statements of the Group (the Company and entities controlled by the Company) have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS") and with legislation and rules pertaining to Amsterdam Euronext and London Stock Exchange listed companies, as well as in accordance with The Companies (Guernsey) Law, 2008, as amended.

2.2.1 Standards and amendments to existing standards effective 1 January 2011

The amendment to IAS 24, 'Related party disclosures', clarifies the definitions of a related party. The new definition clarifies in which circumstances persons and key management personnel affect related party relationships of an entity. The amendment also introduces an exemption from the general related-party disclosure requirements for transactions with a government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The adoption of the amendment did not have any impact on the financial position or performance of the Company.

IFRS 7 (amendment) 'Financial instruments: Disclosures'. This amendment was part of the IASB's annual improvement project published in May 2010. The amendment emphasises the interaction between quantitative and qualitative disclosures about the nature and extent of risks associated with financial instruments. Adoption of this amendment did not have a significant impact on the Group's financial statements.

2.2.2 New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2011 and not early adopted

IFRS 9, 'Financial instruments', effective for annual periods beginning on or after 1 January 2015, specifies how an entity should classify and measure financial assets and liabilities, including some hybrid contracts. The standard improves and simplifies the approach for classification and measurement of financial assets compared with the requirements of IAS 39. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged. The standard applies a consistent approach to classifying financial assets and replaces the numerous categories of financial assets in IAS 39, each of which had its own classification criteria. The standard is not expected to have a significant impact on the Company's financial position or performance, as it is expected that the Company will continue to classify its financial assets and financial liabilities (both long and short) as being at fair value through profit or loss.

IFRS 10, 'Consolidated financial statements', effective for annual periods beginning on or after 1 January 2013, builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. Amendments have been proposed to IFRS10, the impact which could be that BGHL will not need to consolidate its subsidiary.

IFRS 12, 'Disclosures of interests in other entities', effective for annual periods beginning on or after 1 January 2013, includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The new standard is not expected to have any impact on the Company's financial position or performance.

2. Accounting policies (continued)

2.2.2 New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2011 and not early adopted (continued)

IFRS 13, 'Fair Value Measurement', effective for annual accounting periods beginning on or after 1 January. IFRS 13 explains how to measure fair value and aims to enhance fair value disclosures. The guidance includes enhanced disclosure requirements that could result in significantly more work for reporting entities. These requirements are similar to those in IFRS 7, 'Financial instruments: Disclosures', but apply to all assets and liabilities measured at fair value, not just financial ones. IFRS 13 will be adopted for the first time for the year ending 31 October 2014 and will be applied retrospectively, subject to certain transitional provisions. The Company is currently in the process of evaluating the potential effect of this standard. The standard is not expected to have a material impact on the financial statements of the Company.

Company notes

The below policy notes 2.3 to 2.15 as well as notes 3 – 17 relate to the Company and Group, with notes 18 to 29 relating specifically to the Group.

2.3 Basis of preparation

The financial statements have been prepared on a historical cost basis except for financial assets held at fair value through profit or loss that have been measured at fair value.

The same accounting policies, presentation and methods of computation are followed in these financial statements as those followed in the preparation of the Company's annual financial statements for previous years.

2.4 Estimates and judgements

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the amounts in the financial statements and accompanying notes. Management believes that the estimates utilised in preparing its financial statements particularly with reference to the valuation of unquoted investments based on the audited NAV or management judgement applied are reasonable. However, actual results could differ from these estimates.

2.5 Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which company operates ('the functional currency'). The functional currency is Euro, which reflects the Company's primary activity of investing in Euro denominated securities. The Company has adopted the Euro as its presentation currency. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income. Translation differences on non-monetary items held at fair value through profit or loss are reported as part of the fair value gain or loss.

2.6 Investments at fair value through profit or loss

Investments are designated by management at fair value through profit or loss at inception as the group of assets is managed and its performance is evaluated on a fair value basis in accordance with the company's investment strategy and information about the investments is provided to the board of Directors on that basis.

Investment transactions are accounted for on a trade date basis. Investments are initially recognised at fair value excluding attributable purchase costs. Investments are subsequently carried at fair value determined, by the Valuation Agent, GlobeOp Financial Services Limited, at the un-audited NAV of the Fund on a monthly basis.

Changes in the fair value of investments are recorded in the Statement of Comprehensive Income.

2. Accounting policies (continued)

2.6 Investments at fair value through profit or loss (continued)

Recognition/derecognition:
Purchases and sales of investments are recognised on the trade date - the date on which the Company commits to purchase or sell the investment. Investments are derecognised when the rights to receive cash flows from the investments have expired or the Company has transferred substantially all risks and rewards of ownership

2.7 Taxation

The Company has been granted exemption under the Income Tax (Exempt Bodies) (Guernsey) Ordinance, 1989 from Guernsey Income Tax, and is charged the annual fee of £600 (2010: £600).

2.8 Income and expenses

Other income is recognised in the Statement of Comprehensive Income as it occurs on an accrual basis.
Expenses are accounted for as they occur on an accrual basis. Expenses are charged to the Statement of Comprehensive Income.

2.9 Interest income and expense

Interest income, arising on cash and interest expense, arising on overdrafts and borrowed debt securities are recognised in the Statement of Comprehensive Income within interest income and interest expense using the effective interest method.

2.10 Basic earnings per share, and NAV per share

Basic earnings per share are calculated by dividing the net income by the weighted average number of registered shares in issue, during the period. There is no difference between the basic and diluted earnings per share.

Net Asset Value per share is calculated by dividing the net assets at the Statement of Financial Position date by the number of shares outstanding at the Statement of Financial Position date.

2.11 Share issue cost

Share issue costs have been borne by the Investment Manager.

2.12 Short term loan

Short term loans are carried at amortised cost. Interest paid on loans is recognised in the Statement of Comprehensive Income within interest expense using the effective interest method.

2.13 Treasury shares

When the Company purchases its own equity instruments (treasury shares), they are deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

2.14 Forward currency contracts

A forward currency contract involves an obligation to purchase or sell a specific currency at a future date, at a price set at the time the contract is made. Forward foreign exchange contracts are valued by reference to the forward price at which a new forward contract of the same size and maturity could be undertaken at the valuation date. The unrealised gain or loss on open forward currency contracts is calculated as the difference between the contract rate and this forward price, and is recognised in the Statement of Comprehensive Income.

2.15 Operating segments

The Board is of the view that the Company is engaged in single segment of business, being investments in financial instruments. The Board, as a whole, has been determined as constituting the chief operating decision maker of the Company. The key measure of performance used by the Board to assess the Company's performance and to allocate resources is the total return on the Company's net asset value, as calculated under IFRS, and therefore no reconciliation is required between the measure of profit or loss used by the Board and that contained in the financial statements.

2. Accounting policies (continued)

2.15 Operating segments (continued)

The majority of the Company's investments are in the Fund which is domiciled in the Republic of Ireland. The Company is domiciled in Guernsey.

3. Fair value of financial instruments

In accordance with IFRS, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e. the "exit price") in an orderly transaction between market participants. The three levels of the fair value hierarchy are described below:

Level 1 – quoted prices in active markets for identical investments that the Company has the ability to access.

Level 2 – valuations based on other significant observable inputs (including quoted prices for similar investments, interest rates, prepayment speeds, credit risk, etc.) or quotes from inactive exchanges.

Level 3 – valuations based on significant unobservable inputs (including the Company's own assumptions in determining the fair value of investments).

3. Fair value of financial instruments

The valuation techniques used by the Company to measure fair value during the year ended 31 December 2011 maximised the use of observable inputs and minimized the use of unobservable inputs.

The following is a summary of the inputs used to value the Company's net assets as of 31 December 2011:

Company: **Description**	**Total Fair Value**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
	€	**€**	**€**	**€**
Financial assets				
Investments in securities				
Investment in the Fund	529,455,817	-	-	529,455,817
Private equity	27,150,611	-	-	27,150,611
Listed equity	4,051,369	4,051,369	-	
Money market fund	189,903	189,903	-	-
	560,847,700	4,241,272	-	556,606,428
Derivative contracts, at fair value				
Forward currency contracts	289,383	-	289,383	-
Total	561,137,083	4,241,272	289,383	556,606,428

Fair Value Measurements at 31 December 2010

Description	**Total Fair Value**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
	€	**€**	**€**	**€**
Financial assets				
Investments in securities				
Investment in the Fund	698,306,497	-	-	698,306,497
Private equity	11,014,935	-	-	11,014,935
Money market fund	138,203	138,203	-	-
	709,459,635	138,203	-	709,321,432
Derivative contracts, at fair value				
Forward currency contracts	(438,047)	-	(438,047)	-
Total	709,021,588	138,203	(438,047)	709,321,432

3. Fair value of financial instruments (continued)

Changes in investments measured at fair value for which Level 3 inputs have been used

Financial assets	Non listed equities	Private equity deals	Total
	€	€	€
Balance as of 31 December 2010	698,306,497	11,014,935	709,321,432
Total gains and losses (realised and unrealised)	(17,150,680)	(173,900)	(17,324,580)
Purchases	-	20,480,253	20,480,253
Sales	(151,700,000)	(4,170,677)	(155,870,677)
Balance as of 31 December 2011	529,455,817	27,150,611	556,606,428

Changes in investments measured at fair value for which Level 3 inputs have been used

Financial assets	Non listed equities	Private equity deals	Total
	€	€	€
Balance as of 31 December 2009	708,929,113	8,166,332	717,095,445
Total gains and losses (realised and unrealised)	87,677,385	475,486	88,152,871
Purchases	687,155,334	2,373,117	689,528,451
Sales	(785,455,335)	-	(785,455,335)
Balance as of 31 December 2010	698,306,497	11,014,935	709,321,432

There were no transfers between levels during the year.

Level 3 investments both in the Company and the underlying Fund, are fair valued by the Investment Manager's portfolio management team using a variety of techniques including discounted cash flows and public/private company comparables. Instruments are valued in the risk management system which is fed by real time market data in order to price the portfolio. Some instruments such as, but not limited to, derivatives are priced by using in house plugged in models. The system calculates profits and losses as well as net asset values. Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, spot and volatility prices, interest rate, credit and foreign exchange levels, default probabilities, liquidity factors as well as other data.

Each level 3 valuation is documented. This documentation is updated and reviewed monthly by the Investment Manager's Valuations Committee. The Directors have reviewed the Level 3 valuations and are satisfied that they fairly represent the value of the assets held by the Company as at 31 December 2011.

The Investment Manager seeks to achieve the Company's investment objective principally by investing most of its net assets in the Fund and by investing its remaining net assets in other financial instruments. The Company is exposed to various types of risk which are associated with the financial instruments and markets in which it invests. As a consequence, an effective and rigorous risk management is central to the operation of the business.

Given the significance of the exposure to the Fund, the risk management principles applied by the Investment Manager when managing the Fund are described hereunder.

In August 2010, the Company had invested €5,100 in the capital of Compagnie des Minquiers and advanced a loan of €1,870,677. As at 31 December 2011, Compagnie des Minquiers has been consolidated in the Group's financial statements at year end.

4. Financial instruments and associated risks

(a) Risk management policy

The Investment Manager has established a separate Risk Management Unit which reports to the Chief Executive Officer ("CEO") of the Investment Manager. Risks and responsibilities are split between the Quantitative Risk Management team which is in charge of market risk and the Qualitative Risk Management team which is in charge of counterparty and operational risk.

A Risk Management Committee of the Investment Manager oversees the Risk Management Unit. The committee formally meets on a weekly basis to review the exposures of the Company and take decisions regarding risk and performance.

Exposures are calculated from a risk management system which is third party proprietary software provided by a leading risk & portfolio management solution provider. The system provides extensive real time information on the Company's as well as on the Fund's exposures and limits. The system provides sensitivities and calculates stress-tests scenarios. The open architecture of the system allows the Investment Manager to create specific in-house reports for risk management purposes.

Through a rigorous investment process the Investment Manager carefully identifies and assesses risks before investing.

The Investment Manager seeks to achieve the investment objective of the Fund by arbitraging linear and non-linear instruments that can be exchange-traded or over-the-counter, derivatives or non derivatives. The Investment Manager may use derivative financial instruments for investment purposes or to hedge against fluctuations in the relative values of the Fund's portfolio positions. The investments of the Company as well as the investments of the Fund are subject to normal market fluctuations and to the risks inherent to investment in securities and there can be no assurances that appreciation will occur. The value of financial instruments can increase as well as decrease and investors may not realise their initial investment on the disposal of their investments.

The main types of financial risk to which the Company is exposed to are **market risk, credit risk and liquidity risk**.

The Company is - to a lesser extent - exposed to operational risk which is monitored by the Qualitative Risk Management team. As part of its corporate governance the Investment Manager has ensured strict separation of duties between finance, administration, operation, legal & compliance, internal control, technology and risk management functions. All the units report to the CEO. Some middle and back office functions are outsourced to the administrator.

(b) Market Risk

The Company is exposed to market risk directly from the investments it makes and indirectly as a result of the types of investments that the Fund makes. Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market variables.

Both the Company and the Fund take significant market risk exposure from the investments they make. When assessing market risks the Investment Manager always combines:

- a *macroeconomic, portfolio level* with a *microeconomic, position specific,* approach
- *quantitative* measures with *qualitative* assessments
- a *local risk* measurement which captures the impact of *limited market moves* with *stress scenarios* type measurements which captures *large market moves*

The Investment Manager has also replicated the model used by the prime brokers to apprehend the Fund's risk. Given that prime brokers are the financing and leverage providers of the Fund, their view of the risk is central to the Investment Manager and so is the consequence of any restriction they may take. Their measure constitutes an independent risk measurement.

Macroeconomic risk

Macroeconomic risk is defined as the risk having a wide ranging effect on the *entire portfolio* or on a significant portion of it. It results from exogenous events such as economic changes, geopolitical uncertainty or general market disruptions.

Quantitative analysis

For *limited market moves* the Investment Manager assesses exposure by using *Greek sensitivity factors* ("Greeks") mainly to equity, credit, interest rate and foreign exchange. Greeks are used for real time portfolio hedging.

4. Financial instruments and associated risks (continued)

(b) Market Risk (continued)

For *extreme market variations*, *stress scenarios* are run to measure the impact, on the portfolio, of a large panel of market situations. Scenarios, which stress all types of market data, are produced daily and can be generated on demand. To apprehend convexity, each scenario requires a full recalculation of the portfolio. The reports allow looking at risks from the portfolio level down into each strategy, sub-strategy, trade and finally individual instrument in order to identify the main contributors to losses. A "trade" generally means a combination of financial instruments which contribute to the same arbitrage. Scenarios are graduated from level 1 to 5 with level 5 scenarios bearing the largest shocks. Level 3 scenarios are tested against our tolerance limits and trigger adjustment of the portfolio when limits are breached.

Results are checked daily by the front office and the quantitative risk management. Given the non linear nature of the portfolio and the wide range of instruments and strategies used, stress scenarios calculations have been judged more accurate than value at risk calculations.

A wide range of reports are also produced to monitor exposures and concentrations of risk. "*What-if type scenarios"* as well as other *risk indicators* which aggregate all type of exposures in different ways are scrutinised.

A non aggregated vision, focusing on nominal and/or notional amounts, is also used to track excessive concentrations of risk.

Qualitative analysis

The qualitative assessment will focus on *hard to measure risks* such as potential changes in the *liquidity* of various underlying financial instruments. Small and mid caps, levered positions as well as speculative (crowded) positions entailing a hedge fund liquidation risk are examples of positions exposed to liquidity changes. The qualitative approach may require exchange of information with market participants to get a better feel of the general situation.

Microeconomic risk

Microeconomic risk is defined as the risk applying to a *specific "trade" position* in the portfolio and one of its main components is the *idiosyncratic risk* which measures the risks applying to *one single issuer* on whom the Company or the Fund have exposure. Idiosyncratic risk can assess events such as bankruptcy, takeovers, bond offers, credit rating changes or any other credit event. Idiosyncratic risks are identified in the decision-making phases before the investments takes place and during the investment's life.

Quantitative analysis

For *limited market moves* the Investment Manager assesses exposure by using the Greeks by issuer.

For *extreme market variations, crash tests* by issuer are run. The scenario which aims at assessing the bankruptcy of an issuer aggregates all the positions of the Company and of the Fund by issuer and then applies extreme shocks which magnitude depend on each financial instrument type contributing to the trade and on their recovery rate which themselves depend on the seniority of instruments.

Qualitative analysis

Qualitative analysis contemplates many events such as regulatory changes, changes in the management but also liquidity risk. Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. It also means the ability of the Company to unwind a specific trade in a reasonable timeframe. Liquidity has, by definition, an idiosyncratic component, but, as seen, it also varies according to macroeconomic conditions.

Independent risk measurement (Equity at risk)

Prime brokers, when providing financing to hedge funds, take a risk that they assess using their own methodologies. Even though each prime broker has its own risk measure, approaches tend to be quite similar across them. Risk measure is achieved by the use of haircuts. Haircuts reflect the level of risk attributed by a prime broker to a position. The higher the level, the higher the risk is. The models take into account, to a large extent, the benefits of hedging by applying specific haircut and netting effect to hedged positions. Under this model, an amount of equity, considered at risk, is allocated through the use of haircuts to each position. Each prime broker calculates its risk exposure to the sole portion of the Fund's portfolio it holds in custody.

The Investment Manager replicates the methodology applied by prime brokers through a model, named *Equity-at-risk.* The model, applied to the *entire portfolio*, is a proxy to the calculations of the prime brokers with a slight conservative bias. Equity-at-risk calculations are run every night and reconciled against the prime broker ones.

4. Financial instruments and associated risks (continued)

(b) Market Risk (continued)

Haircuts condition the level of *Excess Margin* which is the level of risk spare to increase positions or enter into additional ones. An Excess Margin of 25%, which corresponds to a 75% level of Equity-at-Risk, means that the Fund can theoretically increase all of the positions in portfolio by approximately 25% without having to raise further cash. The model allows estimating the Fund's potential for additional leverage across all its prime brokers. *Excess margin is a key indicator*, used by the Investment Manager to monitor the *solvency* of the Fund. A large level of excess is maintained at any time. The Investment Manager secures contractually the excess margin of the Fund by signing Term Margin Agreements with its prime brokers. These agreements allow freezing haircut levels over a pre-agreed period of time.

The Equity-at-risk allocated to each trade is used to calculate the return on equity which is the ratio used to assess the profitability of a trade.

(i) Equity price risk

Equity price risk is the risk of changes in the fair values of equities or equity-linked financial instruments as the result of changes in the levels of equity indices and the value of individual shares. Equity price risk exposure arises from the Company's investments in equity securities and in the Fund.

The Company takes significant equity price risk exposure from the investments it makes.
The table below shows the Company's exposure by class of financial assets:

Investments at fair value through profit or loss

Company:	**As at 31 December 2011 €**	**% of Investments**	**As at 31 December 2010 €**	**% of Investments**
Investments in the Fund Cost: 2011:€536,709,981 (2010:€682,054,502)	529,455,817	94.40%	698,306,497	98.43%
Investments in Listed equity Cost: 2011:€5,448,581	4,051,369	0.72%	-	-
Investments in Private equity Cost: 2011:€26,220,589 (2010: €9,911,013)	27,150,611	4.84%	11,014,935	1.55%
Investment in money market fund Cost: 2011:€187,542 (2010: €135,928)	189,903	0.04%	138,203	0.02%
Total	560,847,700	100.00%	709,459,635	100.00%

The Company invested in three private equity investments which are being valued at their estimated fair value. Overall, the weight of the private equity type investments in the portfolio has increased from 1.55% to 4.84%.

At 31 December 2011, should the price of the Fund and investments other than the Fund have increased/decreased by 10% with all other variables remaining constant, the effect on increase/decrease in profit or loss for the year and on net assets would result in an increase/decrease of approximately €56,084,771 (2010: €70,945,964).

(ii) Interest rate risk

The Company is exposed to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its Statement of Financial Position and Statement of Cash Flows. Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair value of financial instruments. Volatility in interest rates could make it more difficult or expensive for the Company to obtain debt financing, and could negatively cause the prices of long or short positions to move in directions not initially anticipated and could decrease the returns that the Company's investments generate.

The Company has entered into an intra month interest bearing advance agreement with the Fund for the purposes of financing its share buybacks. The Company borrows money under the advance agreement with maturities up to one month. As a consequence, the Company has exposure to short term interest rate risk and more specifically to an increase in short term rates.

Over the year, the Company has borrowed money in Euro at a rate that has ranged from 2.262% and 2.9618%. The Company has been benefited by the decrease of short term interest rates on the market.

4. Financial instruments and associated risks (continued)

(b) Market Risk (continued)

(ii) Interest rate risk (continued)

An increase by 1% of short term rates will increase the Company's cost of borrowing, and accordingly, the profit or loss for the year and the net assets, by EUR 40,000 based on the position at the end of 2011 compared to EUR 60,000 based on the position at the end of 2010.

(iii) Foreign currency risks

Foreign currency risk is the risk the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates.

The functional and presentational currency of the Company is Euro. As a result, the investments that are carried as assets in the respective financial statements are stated in Euros. When valuing investments that are denominated in currencies other than the Euro, the Company is required to convert the values of such investments into Euros based on prevailing exchange rates as of the end of the applicable accounting period. The Company is mainly invested in the Fund which is a fund denominated in Euro on which the Company has no direct exposure to the foreign exchange risk. However the Company has indirect foreign exchange exposure to the investments of the Fund.

The Company uses forward foreign exchange contracts with maturities of less than three months to hedge the sterling share class exposure in order to give to the sterling shareholders the Sterling equivalent of the Euro performance. The Company uses forward foreign exchange contracts with maturities up to three months to hedge its three private equity investments which are denominated in foreign currencies.

Forward contracts are commitments either to purchase or sell a designated financial instrument, currency, commodity or an index at a specified future date for a specific price and may settle in cash or another financial asset. Forwards are individually traded over-the-counter contracts. Forward contracts result in credit exposure to the counterparty. Forward contracts result in exposure to market risk based on changes in market prices relative to contracted amounts. Market risks arise due to the possible movement in foreign currency exchange rates, indices, and securities' values underlying these instruments. In addition, because of the low margin deposits normally required in relation to notional contract sizes, a high degree of leverage may be typical of forward trading account. As a result, a relatively small price movement in an underlying of a forward contract may result in substantial losses to the Company. Forward contracts are generally subject to liquidity risk. If prices fluctuate during a single day's trading beyond those limits, the Company could be prevented from promptly liquidating unfavourable positions and thus could be subject to substantial losses. Notional amounts are the underlying reference amounts to stock exchange indices equities and foreign currencies upon which the fair value of the forward contracts traded by the Company are based. While notional amounts do not represent the current fair value and are not necessarily indicative of the future cash flows of the Company's forward contracts, the underlying price changes in relation to the variables specified by the notional amounts affect the fair value of these derivative financial instruments.

Forward foreign exchange contracts settle on a net basis, the net amounts payable at 31 December 2011 were €293,836 (2010: €617,513 receivable).

The table below summarises the Companies' exposure to foreign currency risks:

	Amount Stated in EURO	
	31 December 2011	
	GBP	**USD**
Investments at fair value through profit or loss	-	7,701,466
Due from brokers	(362)	-
Foreign exchange forward derivatives contracts	-	(7,701,490)
Net FX exposure of the portfolio	(362)	(24)
- Foreign exchange forward to hedge the GBP share class	21,973,860	-
Net FX Exposure of the Company including hedge of the GBP class	21,973,498	(24)

4. Financial instruments and associated risks (continued)

(b) Market Risk (continued)

(iii) Foreign currency risks (continued)

	Amount Stated in EURO 31 December 2010	
	GBP	**USD**
Investments at fair value through profit or loss	-	7,454,318
Due from brokers	953	-
Foreign exchange forward derivatives contracts	-	(7,454,342)
Net FX exposure of the portfolio	953	(24)
Foreign exchange forward to hedge the GBP share class	28,590,695	-
Net FX exposure of the Company including hedge of the GBP class	28,591,648	(24)

The following table provides an analysis of the effect of a 5% strengthening in the reporting currency against each of the relevant foreign exchange currencies, assuming all the other variables remain constant. A negative amount in the table reflects a potential net reduction in the profit or loss for the year and on its net assets, while a positive amount reflects a net potential increase. If the reporting currency weakened by 5% it would have had the equal but opposite effect, on the basis that all other variables remain the same.

31 December 2011	GBP	USD
Change in currency rate in %	5%	5%
Effect on profit or loss and net assets	(18)	(1)

31 December 2010	GBP	USD
Change in currency rate in %	5%	5%
Effect on profit or loss and net assets	48	(1)

(c) Credit risk

Credit risk is the risk that an issuer or counterparty will be unable or unwilling to meet a commitment that it has entered into with the Company.

The Qualitative Risk Management team is in charge of measuring and monitoring counterparty risk. A Counterparty Risk Committee oversees the activity of the team. The Company is exposed to the credit risk of the counterparties with which, or to the brokers, dealers and exchanges through which, it deals, whether they engage in exchange-traded or off-exchange transactions. The Company may be subject to the risk of loss of assets placed on deposit with a broker in the event of the broker's bankruptcy, the bankruptcy of any clearing broker through which the broker executes and clears transactions, or the bankruptcy of an exchange clearing house.The Company is exposed to the credit risk of the counterparties with which, or to the brokers, dealers and exchanges through which, it deals, whether they engage in exchange-traded or off-exchange transactions. The Company may be subject to the risk of loss of assets placed on deposit with a broker in the event of the broker's bankruptcy, the bankruptcy of any clearing broker through which the broker executes and clears transactions, or the bankruptcy of an exchange clearing house.

The Company's exposure to brokers-dealers is with reputable broker-dealers. The Company's principal trading activities are primarily with brokers and other financial institutions located in Europe. At the end of the period, substantially all the investments in securities owned and securities sold, not yet purchased, due from brokers and due to brokers, are positions with and amounts due to or from these brokers. All securities transactions of the Company are cleared by major securities firms pursuant to customer agreements. The Company had substantially all its individual counterparty concentrations with these brokers and their affiliates.

Amounts appearing in the Company Statements of Financial Position as due from and due to brokers reflect gross maximum exposures which contribute to credit risk and which are detailed by main categories in the following table:

4. Financial instruments and associated risks (continued)

(c) Credit Risk (continued)

	31 December 2011		
	Due from Brokers	Due to Brokers	Net
	€	€	€
Unsettled trades	-	(209,099)	(209,099)
Cash held with custodians	682,398	(362)	682,036
Gain on forward contract	289,383	-	289,383
	971,781	(209,461)	762,320

	31 December 2010		
	Due from Brokers	Due to Brokers	Net
	€	€	€
Unsettled trades	-	(282,265)	(282,265)
Cash held with custodians	1,467,702	-	1,467,702
Loss on forward contract	-	(438,047)	(438,047)
	1,467,702	(720,312)	747,390

Unsettled trades
Amounts receivable or payable for securities transactions that have not settled at the year end are reflected under the line unsettled trade. The nominal amount is the maximum exposure. Most of the transactions settle on a delivery versus payment basis. The risk on unsettled trades is the difference between the contractual price and the replacement price of the transaction would the broker default. Dividends receivable from brokers are at risk for their full nominal amount. All securities transactions of the Company are cleared by major securities firms pursuant to customer agreements.

Cash held with custodian
BNP Paribas Securities Services has been appointed as the Company's Custodian pursuant to a custodian agreement, under which it is appointed to act as a custodian of the Company's investments, cash and other assets and accepts responsibility for the safe custody of the property of the Company, which is delivered to and accepted by the Custodian. The Custodian is entitled to receive a fee from the Company based on an agreed percentage per annum of the assets held in custody.

BNP Paribas is a large financial institution having investment grade ratings from the major rating agencies of Aa3 (Moody's) and AA$^-$ (Standard & Poors and Fitch).

The Company has entered into a liquidity enhancement agreement with Exane BNP Paribas SA ("Exane") on 14 August 2008. Under the agreement, Exane, acting independently but on behalf and in the name of the Company, effects purchases and sales of euro shares of the Company on Euronext Amsterdam. To enable Exane to operate the Company has opened a cash account and a securities account with BNP Paribas Securities Services. BNP Paribas Securities Services SA is a wholly-owned subsidiary of BNP Paribas SA. Any shares of the Company purchased by Exane on behalf of the Company and not cancelled are held on this securities account in the name of the Company. The cash account is being credited from time to time by the Company with the necessary amount in order to fund further purchases of shares. This agreement is tacitly renewed for one year every 31 December. Because the assets in custody (other than cash) are segregated from the assets of the custodian, the credit risk exposure of the Company to BNP Paribas and BNP Paribas Securities Services SA is limited to the amount of cash deposited by the Company with these banks. As of 31 December 2011 the net credit exposure was €682,037 (2010: 1,185,437).

Off balance sheet risk in relation to over-the-counter derivatives
Some of the markets in which the Company operates are "over-the counter" markets. Participants in these markets are typically not subject to credit valuation and regulatory oversight as are members of "exchange-based" markets. To the extent that the Company invests in over-the-counter transactions in these markets, it may take a credit risk with regard to parties with which it trades and also may bear the risk of settlement default. These risks may differ materially from those involved in exchange-traded transactions described above.

Transactions entered into directly between two counterparties generally do not benefit from these protections, which in turn may subject the Company to the risk that counterparty will not settle a transaction in accordance with agreed terms and conditions because of a dispute over the terms of the contract or because of a credit or

4. Financial instruments and associated risks (continued)

(c) Credit risk (continued)

liquidity problem. Counterparty risk is increased for contracts with longer maturities when events may intervene to prevent settlement. The ability of the Company to transact business with any one or any number of counterparties, the lack of any independent evaluation of the counterparties or their financial capabilities, and the absence of a regulated market to facilitate settlement, may increase the potential for losses to the Company. All of the Company's exposures to counterparties are with reputable financial institutions which are at least single A investment grade rated from the major rating agencies. Counterparty risk exposure is monitored daily.

The risk management system gives real time marked to market position, collateral and risk exposure.

The Company's exposure to counterparty risk associated with counterparty non-performance on over-the-counter derivatives is generally limited to the fair value of over the counter contracts reported as assets which are not covered by an equivalent collateral amount and to the independent amounts requested by counterparties to cover the risk of a derivative contract.

Exposure to investments other than on BG Master Fund Plc (formely Boussard & Gavaudan Fund Plc) ("the Fund").

Part of the cash allocated to the liquidity enhancement programme, which has still not been used to buy back the shares of the Company, is invested by the liquidity provider in "BNP Paribas Cash Invest" a pure money market fund distributed by a subsidiary of the BNP Paribas SA group. The Company enters forward foreign currency contracts with Credit Suisse London which is a well known and large financial institution which is investment grade and at least single A rated by the major rating agencies. On 31 December 2011, the Company had a credit exposure relative to these derivative instruments of € NIL. There is no collateral agreement to protect this exposure and consequently no collateral amount paid.

Open forward currency contracts
At 31 December 2011, the Company had contracted to buy and sell the following amounts:

Purchase Currency	**Unit**	**Sale Currency**	**Unit**	**Settlement Date**	**Unrealised gain/(loss) (Euro)**
GBP	18,366,243	EUR	(21,972,581)	2/3/2012	1,279
GBP	18,590,000	EUR	(21,667,677)	1/4/2012	573,892
EUR	22,249,617	GBP	(18,590,000)	1/4/2012	8,048
Net unrealised Gain					**583,219**
EUR	7,407,654	USD	(10,000,000)	1/5/2012	(293,836)
Net unrealised Loss					**(293,836)**
					289,383

At 31 December 2010, the Company had contracted to buy and sell the following amounts:

Purchase Currency	**Unit**	**Sale Currency**	**Unit**	**Settlement Date**	**Unrealised gain/(loss) (Euro)**
GBP	17,500	EUR	(20,341)	1/4/2011	16
EUR	(10,000,000)	USD	7,633,792	3/3/2011	179,450
Net unrealised Gain					**179,466**
GBP	24,560,000	EUR	(29,187,850)	1/5/2011	(617,513)
Net unrealised Loss					**(617,513)**
					(438,047)

Exposure to the Fund

As 94.28% (2010: 98.43%) of the Company's investments are in the Fund (as per Investments at fair value through profit or loss), there is a risk that the Fund will be unable to pay amounts in full when due. The Company has indirect credit risk exposure through its investment in the Fund.

4. Financial instruments and associated risks (continued)

(d) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in realising assets or otherwise raising funds to meet financial commitments.

The Company's financial commitments are represented from time to time by:
- fees and other expenses payable
- amounts payable for the share buy backs
- repayment of short term borrowing contracted to finance the share buy backs until the proceeds of the redemption from the Fund are received and to finance non BG Master Fund Plc/ Fund investments
- interests on loans and other expenses and amounts payable
- amounts due under forward foreign exchange contracts

The Company manages its ability to fulfil these commitments by combining:
- the use of the working capital
- redemptions in the Fund
- the use of intra-month bridge facility agreement (see note 12).

The Company retains an amount of cash with its custodian which is used as working capital in order to manage day to day expenses such as fees and expenses payable.

The Company may redeem its units, shares or interests in the Fund on a monthly basis and does not have any special or preferential rights in the Fund. This may limit the Company's ability to realise its investments at an optimal price. Redemptions and subscriptions in the Fund are used to ensure that the exposure of the Company to the Fund is in adequacy with the offering memorandum. The impact of the Sterling versus Euro due to the sterling shares will also require such adjustments. Share buy backs are financed by redemptions in the Fund which permit the repayment of the money borrowed under short term bridge facility. The timing and ability in redeeming the Fund's shares may expose the Company if the bridge facility agreement is recalled by the Fund.

All financial liabilities of the Company at 31 December 2011 and 31 December 2010 were due to settle in one month.

	Less than 1 month	
In EURO	**2011**	**2010**
Other short term loan	(4,000,000)	(6,000,000)
Due to brokers	(209,461)	(282,265)
Performance fees payable	(500,843)	(18,413,773)
Management fee payable	(2,189,073)	(2,595,727)
Interest payable	(4,512)	(5,014)
Audit fees payable	-	(5,816)
Legal fees payable	-	(14,541)
Administrative Fee Payable	(1,667)	-
Unrealised loss on forward derivative contract	-	(438,047)
Total financial liabilities	**(6,905,556)**	**(27,755,183)**

In managing the capital of the Company the Investment Manager seeks to provide consistent absolute returns in accordance with the Company's investment objectives and policies, for example those related to gearing. The Company operated a share buy-back programme designed to reduce its capital, which has had the favorable effect of increasing the net asset value per share since the shares bought back have been purchased at a discount to their net asset value. Transactions under the programme are disclosed in Note 11.

4. Financial instruments and associated risks (continued)

(e) Capital management

	Fair value at 31 December 2011	Fair value at 31 December 2010
	Euro	**Euro**
External Debt	**4,000,000**	**6,000,000**
Equity	**554,913,925**	**683,172,154**
Ratio = External Debt / Equity	**0.72%**	**0.88%**

Over the year the indebtedness of the Company has decreased from 0.88% to 0.72% which is all comprised of short-term commitments. As explained more in detail in note 12 (Other short term loan), short-term commitments are being used in order to finance the share-buy back programme on a monthly basis, until the Company receives the proceeds from its monthly redemptions in the Fund.

Long term commitments like private equity investments are currently being financed through equity share capital. The Company is not subject to any externally imposed capital requirements.

5. Net gain from financial assets and liabilities held for trading

	2011 Euro	2010 Euro
Net realised loss on forward contracts	(370,212)	(607,399)
Net unrealised gain on forward contracts	727,431	604,616
Net gain/(loss)	357,219	(2,783)

6. Investments in financial instruments designated at fair value through profit or loss

	2011 Euro	2010 Euro
Investments		
Beginning cost	692,101,443	676,122,772
Additions	26,074,039	689,528,451
Disposals	(155,966,487)	(786,057,915)
Realised gain	6,357,688	112,508,135
Ending Cost	568,566,683	692,101,443
Unrealised (loss)/gain on investments at fair value through profit or loss	(7,718,983)	17,358,192
Investments at fair value through profit or loss:	560,847,700	709,459,635

Net gain on financial assets and liabilities at fair value through profit or loss

	2011 Euro	2010 Euro
Net (loss)/gain (Realised & unrealised gains)	(18,719,488)	88,153,873

7. Related Party transactions

There have been related party transactions as set out below over the period and as disclosed in notes 8 and 9. The Directors are paid an annual fee of €30,000; the Chairman is entitled to receive €50,000 per annum and the Chairman of the audit committee receives on additional fee of €7,500 per annum.

8. Administration fees

Kleinwort Benson (Channel Islands) Fund Services Limited, the Administrator, is entitled to an annual fee. In addition, the Administrator outsources the accounting to GlobeOp Financial Services LLC for an annual service fee payable monthly.

8. Administration fees (continued)

Following the acquisition of the Close Offshore Group by Kleinwort Benson, the Fund’s Administrator, Close Fund Services Limited, was amalgamated with Kleinwort Benson (Channel Islands) Fund Services Limited with effect from 30 September 2011, resulting in the amalgamated entity taking the name Kleinwort Benson (Channel Islands) Fund Services Limited. All the obligations and rights to which these two companies were subject or entitled to, immediately prior to the amalgamations, became the obligations and rights of Kleinwort Benson (Channel Islands) Fund Services Limited upon amalgamation.

9. Management fees and Performance fees

The Company has appointed Boussard & Gavaudan Asset Management, LP as investment manager pursuant to an investment management agreement entered into on 13 October 2006.

Under the Investment Management Agreement, the Investment Manager has been given responsibility for the day-to-day discretionary management of the Company’s assets in accordance with the Company’s investment objective and policy, subject to the overall supervision of the Directors.

The Investment Management Agreement is terminable by either party giving to the other not less than twelve months' notice in writing, such notice not to expire before the third anniversary of admission of the Company’s existing Shares to Euronext Amsterdam, except in certain circumstances where, inter alia, the Investment Manager ceases to have all necessary regulatory permissions, becomes insolvent or is in material breach of the Investment Management Agreement, in which case the Investment Management Agreement may be terminated forthwith.

In the event that the Investment Management Agreement is terminated before the third anniversary of admission of the Company’s existing Shares to Euronext Amsterdam other than, inter alia, as a result of the material breach or insolvency of the Investment Manager, the Company would, nonetheless, be obliged to pay the Investment Manager any management fee or performance fee that would otherwise be payable in respect of the period to such third anniversary.

This has been agreed on the basis of the Investment Manager bearing all the costs and expenses of establishing the Company.

If the Investment Management Agreement is terminated before 31 December in any year, the performance fee in respect of the then current Calculation Period will be calculated and paid as though the date of termination were the end of the relevant Calculation Period.

The Investment Manager receives a management fee, accrued monthly and payable quarterly, calculated at the annual rate of 1.5 per cent of the Net Asset Value. The Investment Manager is also entitled to receive a performance fee.

The Performance Fee will be calculated in respect of each Calculation Period. The Performance Fee shall be deemed to accrue on a monthly basis as at each Valuation Day. For each Calculation Period, the Performance Fee will be equal to 20 per cent. of the appreciation in the Net Asset Value per share during that Calculation Period above the net asset value per Share of the relevant class (the “Base Net Asset Value per Share”). The Base Net Asset Value per Share is the highest Net Asset Value per Share achieved as at the end of any previous Calculation Period (if any).

The Performance Fee in respect of each Calculation Period will be calculated by reference to the Net Asset Value per Share before deduction for any accrued Performance Fee. The Performance Fee attributable to each class of Shares shall be paid solely from the relevant Pool underlying each class of Shares such that no class of Share shall bear any part of the Performance Fee attributable to any other class of Shares. The effect of hedging the currency exposure of a class of Shares on the relevant Pool will be included when the Performance Fee is calculated. For the purposes of calculating the Performance Fee and for the avoidance of doubt, the Net Asset Value per Share of a class will include in full any increase in the Net Asset Value per Share of that class attributable to any repurchase by the Company of that class of Shares.

9. Management fees and Performance fees (continued)

On 17 July 2009, the Company and the Investment Manager agreed to apply a different method to calculate the performance fee payable by the Company to the Investment Manager other than the method set out in the Management Agreement. The objective was to avoid a potential inequitable treatment of shareholders which would have resulted from overpayment of performance fee on a per share basis.

Under the original method performance fee could become payable based on the full year performance in relation to shares that were no longer in existence at year end, leading to the remaining shares in issue paying too much performance fees on a per share basis. This situation could arise because the number of shares in issue varies over time, either because of (i) conversions between the two share classes, or (ii) buy back of shares by the Company.

Under the revised method performance fee is calculated on each share based on the performance attributable to that share until such time as that share no longer exists.

At the time of adoption, the Board together with its advisers concluded that the new method was fair and reasonable and the Financial Services Authority was duly notified.

Any benefit to the Company in terms of a decrease in the performance fee payable under the new methodology is unrestricted. Any benefit to the Investment Manager in terms of an increase in the performance fee payable under the new methodology is restricted to no more than 5 per cent. of the Company's net asset value.

For the year ended 31 December 2011 the Management fees were €9,708,077 (for year ended 31 December 2010: 10,393,016), at 31 December 2011 €2,189,073 (31 December 2010: €2,595,727) was payable.

For the year ended 31 December 2011, the Performance fees were €500,843 (for year ended 31 December 2010: €18,413,773), at 31 December 2011 €500,843 (31 December 2010: €18,413,773) was payable.

10. Share Capital and other reserves

Authorised Shares

On incorporation, the authorised share capital of the Company was represented by 100,000,000 shares of €0.0001 par value. At incorporation, two shares were subscribed by CO1 Limited and CO2 Limited of 7 New Street, St Peter Port, Guernsey, the subscribers to the Memorandum of Association. On 13 October 2006 the holders of the two subscriber shares in the Company, CO1 Limited and CO2 Limited, passed a written special resolution approving the cancellation of the entire amount standing to the credit of the share premium account immediately after the initial public offering of the Company's existing shares, conditionally upon the issue of such shares and the payment in full thereof. An application was made to the Royal Court of Guernsey to confirm the reduction of the share premium account.

This cancellation was confirmed by the Royal Court on 10 November 2006, enabling the Company to effect purchases of its own shares and/or C shares.

On 1 November 2006, 43,999,998 Class A shares were issued fully paid for cash at a price of €10 each. By a resolution of shareholders passed on 30 April 2007, the authorised share capital of the Company was increased from €10,000 to €1,010,000 by the creation of 5,000,000,000 shares of €0.0001 each and 5,000,000,000 C shares of €0.0001 each.

Allotted, issued and fully paid

As on 31 December 2011	**Shares**	**Euro**
Class A EURO of €0.0001	39,652,214	3,965
Class A GBP of €0.0001	1,496,750	150
		4,115

As on 31 December 2010	**Shares**	**Euro**
Class A EURO of €0.0001	47,411,855	4,741
Class A GBP of €0.0001	1,932,543	193
		4,934

10. Share Capital (continued)

Voting
The shareholders shall have the right to receive notice of and to attend and vote at general meetings of the Company and each holder of shares being present in person or by proxy or corporate representtive at a meeting shall upon a show of hands have one vote and upon a poll each such holder present in person or by proxy or by corporate representative shall have one vote in respect of each share held by him.

Without prejudice to any special rights previously conferred on the holders of any existing shares or class of shares, any share in the Company may be issued with such preferred, deferred or other special rights or restrictions whether as to dividend, voting, return of capital or otherwise as the Company at any time by ordinary resolution may determine and subject to and in default of such determination as the Board may determine. Subject to the provisions of the Companies (Guernsey) Laws 2008, the terms and rights attaching to any class of shares, the Articles and any guidelines established from time to time by the Directors, the Company may from time to time purchase or enter into a contract under which it will or may purchase any of its own shares.

The making and timing of any buy back will be at the absolute discretion of the Directors. If at any time the share capital is divided into further classes of shares the rights attached to any class (unless otherwise provided by the terms of issue) may whether or not the Company is being wound up be varied with the consent in writing of the holders of three-fourths of the issued shares of that class or with the sanction of a special resolution of the holders of the shares of that class.

On a winding-up, the shareholders are entitled to the surplus assets remaining after payment of all the creditors of the Company. All of the Company's reserves are distributable subject to meeting the solvency test in the Company (Guernsey) Law, 2008.

11. Treasury shares

The acquisition of treasury shares started on 27 February 2008. The Company holds 6% (2010: 3.91%) of its issued share capital in treasury shares which represents 2,628,763 shares on 31 December 2011.

The Company shall not hold more than 10% of its issued share capital in treasury.

Company's allotted, issued and fully paid share capital

Prior to the effect of the treasury shares held at €0.0001 each

	Nominal Euro	Shares Euro	Nominal GBP	Shares GBP
31 December 2011	€4,228.0976	42,280,976	£149.6750	1,496,750
31 December 2010	€4,941.7686	49,417,686	£193.2543	1,932,543

After the effect of the treasury shares acquired at €0.0001 each

	Nominal Euro	Shares Euro	Nominal GBP	Shares GBP
31 December 2011	€3,965.2214	39,652,214	£149.6750	1,496,750
31 December 2010	€4,741.1855	47,411,855	£193.2543	1,932,543

The Company has bought back the following shares during the period

	Number of EUR shares	EUR amount	Average Price	Number of GBP shares	GBP amount	Average Price
31 December 2011	8,222,931	€99,141,326	€12.0567	-	-	-
31 December 2010	6,278,425	€65,995,123	€10.5114	-	-	-

The Company has cancelled the following shares during the period

	Number of EUR shares	EUR amount	Average Price	Number of GBP shares	GBP amount	Average Price
31 December 2011	7,600,000	€90,980,943	€11.9712	-	-	-
31 December 2010	7,642,425	€76,609,837	€ 10.0243	-	-	-

12. Other short term financing

The share buy-back programme is financed by redemptions of the Fund shares. The Fund has a monthly liquidity, which means that redemptions are payable at most once in every calendar month. The Company does not know in advance the amounts and frequency of share buy-backs for any given month. As a result, every month the Company needs a short-term financing, which it meets by issuing variable funding notes.

In compliance with its investment policy, the Fund agreed, from 2 November 2010, to subscribe for such interest-bearing variable funding notes issued by the Company up to a principal amount of €25 million. Although the stated maturity of the notes is 18 months from their issue date, the Company has the option to redeem at any time the notes at par on a 2 business days' notice, which it does every month by applying the proceeds of the Fund shares redemptions.

The terms of the notes are at arm's length and have been approved by the Board of the Company. The Company pays interest at an annual rate equal to a 1.5 percent spread over the 1 month Euribor. In addition, the Fund may at any time, on a 90 calendar days notice, require the Company to redeem all notes at par.

As of 31 December 2011, the total amount due under the notes was €4,004,512 (2010: €6,005,014); outstanding principal: €4,000,000 (2010: €6,000,000); interest accrued: €4,512 (2010: €5,014).

	31 December 2011	31 December 2010
	€	€
Beginning cost	(6,000,000)	(5,500,000)
Repayments	101,950,000	56,800,000
Drawdown	(99,950,000)	(57,300,000)
Ending cost	(4,000,000)	(6,000,000)
Accrued interest	(4,512)	(5,014)
Other short term loan at fair value	(4,004,512)	(6,005,014)

13. Segment information

For management purposes, the Company is engaged in one main operating segment, which invests in financial instruments. All of the Company's activities are interrelated, and each activity is dependent on the others. Accordingly, all significant operating decisions are based upon analysis of the Company as one segment. The financial results from this segment are equivalent to the financial statements of the Company as a whole.

The following table analyses the Company's operating income per geographical location. The basis for attributing the operating income is the place of incorporation of the instrument's counterparty.

	2011	2010
Ireland	(18,172,693)	87,678,215
France	(1,720,037)	-
United Kingdom	1,384,440	-
Rest of the world	247,147	482,967
Total	(18,261,143)	88,161,182

	2011	2010
Equity securities	(18,719,488)	88,153,872
Derivative financial instruments	357,219	(2,782)
Foreign exchange gains on financial instruments not at fair value through profit or loss	101,126	10,092
Total	(18,261,143)	88,161,182

14. Total Expense Ratio

Total expense ratios for year ended 2011 is as below:

	Total Expense Ratio
Total Operating Expense	1.68%
Total Operating Expenses excluding Management fees and Performance fees	0.07%
Total Operating Expense excluding Management fees and Performance fees, administrator and trustee fee	0.05%

15. Comparatives

Comparative information has been provided for the year ended 31 December 2010. Certain comparative figures have been reclassified in order to conform to the presentation.

16. Post balance sheet events

There were no material post balance sheet events to year end.

17. Approval of financial statements

The financial statements were approved by the Company on 24 April 2012 at which date these financial statements were considered final.

	Note	2011 Euro	2010 Euro
Assets			
Non-current Assets			
Investments at fair value through profit or loss		542,662,347	709,459,635
Property, plant and equipment	20	23,009,689	-
Other assets	22	68,181	-
		565,740,217	709,459,635
Current Assets			
Inventory	21	21,197,140	-
Forward foreign exchange derivatives contracts	3	289,383	-
Other assets	22	27,225,617	1,467,702
Cash and cash equivalents	23	14,118,092	-
Total assets		**628,570,449**	**710,927,337**
Equity and Liabilities			
Non-current Liabilities			
Borrowings and long-term financial liabilities	24	14,363,606	-
Long-term provisions		2,675,643	-
Deferred tax	25	1,841,070	-
Other liabilities	26	161,013	-
		19,041,332	-
Current Liabilities			
Short term loan	12	4,000,000	6,000,000
Current portion of long-term borrowings and financial liabilities	24	2,378,443	-
Forward foreign exchange derivatives contracts	3	-	438,047
Other liabilities	26	7,034,206	307,636
Accounts payable		24,747,889	-
Management fee payable		2,189,073	2,595,727
Tax payable	25	2,967,909	-
Performance fee payable		500,843	18,413,773
Bank overdraft	23	5,585	-
Total liabilities		**62,865,280**	**27,755,183**
Equity			
Share capital	10	4,115	4,934
Distributable reserve		59,746,046	150,726,170
Share premium		511,875,139	511,875,139
Treasury shares	11	(29,023,457)	(20,863,074)
Retained earnings		20,175,719	41,428,985
Equity excluding non-controlling interest		**562,777,562**	**683,172,154**
Non-controlling interest		2,927,607	-
Total equity including non-controlling interest		**565,705,169**	**683,172,154**
Total Equity and Liabilities		**628,570,449**	**710,927,337**

The consolidated financial statements were approved by the Board of Directors on 27 April 2012 and signed on its behalf by:

Christopher Fish
Chairman

Andrew Henton
Director

The accompanying notes on pages 32 to 64 form an integral part of these consolidated financial statements.

Boussard & Gavaudan Holding Limited
Consolidated Statement of Comprehensive Income
For the year ended 31 December 2011

	Note	2011 Euro	2010 Euro
Income			
Net realised gain on financial instruments at fair value through profit or loss	6	6,357,688	112,508,135
Change in unrealised loss on financial instruments at fair value through profit or loss		(25,077,176)	(24,354,262)
Net (loss)/ gain on financials assets at fair value through profit or loss	6	(18,719,488)	88,153,873
Realised and unrealised foreign currency gain /(loss) on forward derivatives contracts	5	357,219	(2,783)
Other realised and unrealised foreign currency (loss)/gain		(1,053)	5,887
		(18,363,322)	88,156,977
Interest income		208,570	4,205
		(18,154,752)	**88,161,182**
Operating income and expense from wholly owned subsidiary			
Revenue	28	113,699,362	-
Operating expenses	29	(110,758,269)	-
Negative goodwill on acquisition	19	8,419,395	
		11,360,488	-
Total (loss)/income		**(6,794,264)**	**88,161,182**
Trading Expense			
Interest expense		1,655,887	42,129
Company expenses			
Performance fees	9	500,843	18,413,773
Management fees	9	9,708,077	10,393,016
Administrative fees	8	139,314	112,909
Directors fees	7	117,500	117,500
Professional fees		36,572	1,105
Audit fees		24,002	21,566
Other expenses		144,992	324,692
Total expenses		**12,327,187**	**29,426,690**
Net (loss)/income before tax		**(19,121,451)**	**58,734,492**
Income tax expense	25	(611,008)	-
Net (loss)/profit / Total Comprehensive (Loss)/Income		**(19,732,459)**	**58,734,492**
Attributable to:			
Owners of the Company		(21,253,266)	58,734,492
Non-controlling interest		1,520,807	-
		(19,732,459)	**58,734,492**
Basic and diluted (loss)/earnings per share			
EURO €(18,378,193) / 43,639,182 shares (2010: €55,971,603 Profit / 50,714,974 shares)		-€ 0.4211	€ 1.1037
GBP £(857,943) / 1,899,020 shares (2010: £2,001,885 Profit / 1,727,127 shares)		-£0.4518	£1.1591

All activities are of a continuing nature.

The accompanying notes on pages 32 to 64 form an integral part of these consolidated financial statements.

Boussard & Gavaudan Holding Limited
Consolidated Statement of Changes in Equity
For the year ended 31 December 2011

	Note	Share Capital	Share Premium	Distributable Reserve	Treasury Shares	Retained Earnings	Total Equity excluding non-controlling interest	Non-controlling interest	Total Equity
		Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro
Balance as at 1 January 2011		4,934	511,875,139	150,726,170	(20,863,074)	41,428,985	683,172,154	-	683,172,154
Acquisition of subsidiaries	19	-	-	-	-	-	-	1,406,800	1,406,800
Net loss attributable to ordinary shares		-	-	-	-	(21,253,266)	(21,253,266)	1,520,807	(19,732,459)
Treasury Shares acquired		-	-	-	(99,141,326)	-	(99,141,326)	-	(99,141,326)
Treasury Shares cancelled		(819)	-	(90,980,124)	90,980,943	-	-	-	-
Balance as at 31 December 2011		4,115	511,875,139	59,746,046	(29,023,457)	20,127,105	562,777,562	2,927,607	565,705,169

For the year ended 31 December 2010

	Note	Share Capital	Share Premium	Distributable Reserve	Treasury Shares	Retained Earnings	Total Equity excluding non-controlling interest	Non-controlling interest	Total Equity
		Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro
Balance as at 1 January 2010		5,588	739,210,492	-	(31,477,788)	(17,305,504)	690,432,788	-	690,432,788
Reclassification to Distributable reserve		-	(439,995,600)	439,995,600	-	-	-	-	-
Reclassification from Share premium linked to treasury shares		-	212,660,247	(212,660,247)	-	-	-	-	-
Net profit attributable to ordinary shares		-	-	-	-	58,734,489	58,734,489	-	58,734,489
Treasury Shares acquired		-	-	-	(65,995,123)	-	(65,995,123)	-	(65,995,123)
Treasury Shares cancelled		(654)	-	(76,609,183)	76,609,837	-	-	-	-
Balance as at 31 December 2010		4,934	511,875,139	150,726,170	(20,863,074)	41,428,985	683,172,154	-	683,172,154

The accompanying notes on pages 32 to 64 form an integral part of these consolidated financial statements.

Boussard & Gavaudan Holding Limited
Consolidated Statement of Cash Flows
For the year ended 31 December 2011

	Note	2011 Euro	2010 Euro
Net cash used in operating activities	27	(19,157,627)	(31,638,953)
Cash flows from investing activities			
Purchase of investments at fair value through profit or loss		(7,888,686)	(689,528,451)
Sales of investments at fair value		155,966,487	786,057,913
Purchase of property, plant and equipment		(3,237,931)	-
Disposal of property, plant and equipment and intangible assets		7,915,082	-
Purchase of subsidiary	19	(24,607,391)	-
Net cash provided by investing activities		128,147,561	96,529,462
Cash flows from financing activities			
Treasury shares acquired		(99,282,979)	(65,995,123)
Purchase of subsidiary shares by non-controlling interest		1,460,800	-
Net cash flow from foreign exchange forward derivative contracts		(370,212)	604,616
Repayment of other short term financing	12	(101,950,000)	(56,800,000)
Proceeds from other short term financing	12	99,950,000	57,300,000
Repayment of long term borrowings		(15,826,164)	-
Proceeds from long term borrowings		22,588,899	-
Net financial interest paid		(1,447,819)	
Net cash used in financing activities		(94,877,475)	(64,890,507)
Net movement in cash and cash equivalents		14,112,459	-
Cash and cash equivalents			
Beginning of the period		48	-
End of the period		14,112,507	-
Cash and cash equivalents at 31 December 2011	23	14,112,507	-
Cash and cash equivalents			
Short term bank balances	23	14,118,092	-
Bank overdraft	23	(5,585)	-
Cash and cash equivalents at 31 December 2011		14,112,507	-

The accompanying notes on pages 32 to 64 form an integral part of these consolidated financial statements.

18. Accounting policies for the group

The Group's accounting policies are consistent with the Company's and as further described below:

18.1 Accounting for business combinations

The Group has applied the acquisition method for the business combination disclosed in note 19.

Consideration includes the fair values of the assets transferred, liabilities incurred by the Group to the previous owners of the acquiree, and equity interests issued by the Group.

A contingent liability of the acquiree is assumed in a business combination only if such a liability represents a present obligation and arises from a past event, and its fair value can be measured reliably.

The Group measures any non-controlling interest at its proportionate interest in the identifiable net assets of the acquiree.

Transaction costs that the Group incurs in connection with a business combination, such as finder's fees, legal fees, due diligence fees, and other professional and consulting fees are expensed as incurred.

18.2 Basis of consolidation

18.2.1 Subsidiaries

The consolidated financial statements incorporate the financial statements of the Company and any entities controlled by the Company (the "Group") as at the balance sheet date for each accounting period. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are currently exercisable are taken into account.

On acquisition the assets and liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired (i.e. discount on acquisition) is credited to the profit or loss in the period of acquisition.

The results of subsidiaries acquired during the period are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

182.2 Goodwill

The Group measures goodwill as the fair value of the consideration transferred including the recognised amount of any non-controlling interest in the acquiree, less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

Goodwill which is recognised as an asset is reviewed for impairment at least annually. Any impairment is recognised immediately in profit or loss and is not subsequently reversed.

The negative goodwill of €8,419,395 recognized in the accounts at 31 December 2011 has been recognized in profit or loss.

18.3 Property, plant and equipment

Property, plant and equipment is measured using the depreciated cost method. This corresponds to the cost at initial recognition of the asset less any accumulated depreciation and impairment losses or, if necessary, at a revalued amount in accordance with legal requirements.

18. Accounting policies for the group (continued)

18.3 Property, plant and equipment (continued)

Property, plant and equipment acquired on acquisition of a subsidiary is recognised at its fair value at the date of acquisition.

Depreciation is based on economic depreciable amounts calculated using the straight-line method or the diminishing balance method, depending on the nature of the assets concerned. This corresponds to a breakdown of the asset's cost at initial recognition less its residual value over its useful life.

Average depreciable lives used for the main types of capital assets are as follows:

- Industrial buildings	30 years
- Refurbishments	15 years
- Technical facilities	5 to 10 years
- Other capital assets	4 to 10 years

Leases are accounted for in accordance with IAS 17, except for acquisitions of movable assets under leasing contracts for private cars and equipment costing under €15,000, which are capitalized when the repurchase option can be exercised at the value of the option.

18.4 Impairment of assets

Assets are impaired only if there is any objective evidence that the result of one or more events that have occurred after initial recognition of the asset have had an impact on the estimated value-in-use of the asset. Value in use is calculated using the discounted future cash flows method for a group of assets represented by the cash-generating unit. The way the group is structured has naturally led it to recognize each of its subsidiaries as a cash-generating unit.

With regard to assets with an indefinite life, this is tested at least once a year, even if there is no evidence of an impairment loss.

18.5 Inventories

Inventories are measured at weighted average cost price. A provision for impairment is recognized for the difference between the gross value and the probable net realisable value if the latter is lower.

18.6 Financial liabilities

Financial liabilities include borrowings, other financing and bank overdrafts and operating liabilities, they are measured at amortised cost.

18.7 Tax

Income taxes are recognised at prevailing rates enacted or substantially enacted in the relevant jurisdiction.
Deferred income taxes are determined using the variable deferment method based on known tax conditions at the end of the reporting period. They reflect timing differences between expenses recognized in the consolidated income statement and those recognized to calculate the corporate income tax of the Group. Most of this deferred tax arises from the cancellation in the consolidated financial statements of certain regulated provisions of a purely fiscal nature, cancellation of the provision for the personnel profit-sharing plan, of the provision for severance benefits, the restatement of lease financing, and tax deficits and long-term capital losses that will in all likelihood be offset against future profits. In accordance with IAS 12, deferred income taxes are not discounted to present value.

18.8 Cash and cash equivalents

Cash held with banks and short term deposits that are held to maturity are carried at amortised cost. Cash and cash equivalents consist of cash on hand and short term deposits in banks with an original maturity of three months or less.

18. Accounting policies for the group (continued)

18.9 Revenue

Sales of products and services are measured at the fair value of the consideration received or receivable, net of any trade discounts. Sales of assets are recognized in profit or loss when the asset is handed over and ownership transferred to the buyer, who bears the risks and benefits thereof. Revenue from the rendering of services is recognized in profit or loss according to the stage of completion of the service at the end of the reporting period, measured by reference to the amount of work completed.

19. Acquisition of subsidiaries

During the year to 31 December 2011 the Company acquired an 83.28% holding in Compagnie Des Miniquiers ("CDM"). The Company purchased a total of 7,274,141 shares at a price of €1 each. Substantially all of the purchase price was used for seed capital and finance for CDM to acquire Financière des Minquiers ("FDM"). Through this acquisition CDM took control of the whole Cofigeo group and made a mandatory offer of purchase for the remaining non-controlling interest. Details for the acquisition of 100% of Cofigeo are below.

Cofigeo	**Fair value at acquisition on 25 February 2011 €'000**
Non-current assets	
Property, plant and equipment	22,368
Investment property	1,094
Other financial assets	42
	23,504
Current assets	
Inventory	24,577
Trade and other receivables	24,685
Cash and cash equivalents	13,392
	62,654
Non-current liabilities	
Loans payable	(7,395)
Provisions	(2,026)
Deferred tax	(2,749)
Other	(144)
	(12,314)
Current liabilities	
Loans payable	(2,529)
Trade and other payables	(23,966)
	(26,495)
Net asset value at 25 February 2011	**47,349**
Negative goodwill on acquisition	(8,419)
Fair Value of assets acquired on 25 February 2011	**38,930**
Less cash received on acquisition	(14,323)
Consideration transferred comprising cash	**24,607**

Compagnie Des Minquiers ("CDM") a subsidiary of the Group acquired a controlling interest in Cofigeo on 25 February 2011.

20. Property, plant and equipment

Group

	Land	Buildings	Technical installation and equipment	Other fixed assets	Work in Progress, advances and down payments	Total tangible assets
Opening cost	-	-	-	-	-	-
Acquisition of a subsidiary (note 19)	2,359,610	7,050,723	12,038,985	281,467	636,890	22,367,675
Additions	-	1,751,452	1,243,757	185,079	57,643	3,237,931
Disposals	-	(391,176)	(397,042)	-	-	(788,218)
Transfer	-	462,100	174,790	-	(636,890)	-
Closing cost	**2,359,610**	**8,873,099**	**13,060,490**	**466,546**	**57,643**	**24,817,388**
Opening amortisation and depreciation	-	-	-	-	-	-
Depreciation for the year	(46,602)	(976,687)	(1,403,363)	(125,615)	-	(2,552,267)
Disposals	-	347,529	397,039	-	-	744,568
Closing amortisation and depreciation	**(46,602)**	**(629,158)**	**(1,006,324)**	**(125,615)**	**-**	**(1,807,699)**
Net book value at 31 December 2011	**2,313,008**	**8,243,941**	**12,054,166**	**340,931**	**57,643**	**23,009,689**
Net book value at 31 December 2010	-	-	-	-	-	-

21. Inventory

Group	2011 Euro	2010 Euro
Raw materials and supplies	5,345,516	-
Partly finished goods	38,490	-
Semi-finished and finished products	15,428,558	-
Finished goods	650,631	-
Reserve for inventory losses	(266,055)	-
	21,197,140	**-**

22. Other assets

Group	2011 Euro	2010 Euro
Trade notes and accounts receivable	21,993,217	-
Due from brokers	682,398	1,467,702
Other assets	4,618,183	-
	27,293,798	**1,467,702**

23. Cash and cash equivalents

Group	2011 Euro	2010 Euro
Cash at bank	2,487,078	-
Short term investments	11,631,014	-
	14,118,092	**-**
Bank overdraft	(5,585)	-
	14,112,507	**-**

24. Borrowings and long-term financial liabilities

For the year ended 31 December 2011:

Group	Current Euro	Non-current Euro
Less than 1 year	2,378,443	-
Between 1 and 5 years	-	8,977,006
Greater than 5 years	-	5,386,600
Total	**2,378,443**	**14,363,606**

There were no borrowings and long-term financial liabilities for the year ended 31 December 2010.

24.1 Bank loan

Financiere Des Minquiers took out a bank loan of €21.5 million on 29 March 2011. An advance repayment of €6.5m was made on 30 June 2011, the balance (€15m) is repayable in equal instalments on 31 July of every year until 31 July 2018. The interest rate is the 3-month EURIBOR or interpolated with a variable margin payable quarterly.

The loan issue costs have been spread over the initial term of the loan, namely 7 years.
The loan is subject to standard covenants. There were no breaches during the year.

24. Borrowings and long-term financial liabilities (continued)

24.2 Other borrowings

The Group's executive officers own 1,220,000 share warrants each worth €0.10.
The exercise price of the share purchase warrants will be equal to the nominal value of the company's shares.
CDM issued bonds, which have a maturity date of March 2021, and an interest rate of 10% per annum, capitalised annually.

25. Taxation

	2011	**2010**
	Euro	**Euro**
Corporation tax	4,314,584	-
Deferred tax	(3,703,576)	-
	611,008	-

€9,384,000 of the Group's results represent profits attributable to French taxation implying a tax charge of €3,125,000. The reason for the difference between this amount and the actual tax charge is negative goodwill of €8,419,000 not being subject to tax. The rest of the Group's loss arises in Guernsey at a nil rate of tax.

Analysis of tax charge:
Deferred income taxes correspond to
- non-deductible expenses at the time of recognition;
- unutilised tax losses, the allocation of which is probable;
- accelerated capital allowances;
- the difference between the tax and accountancy bases of leasing contracts.

26. Other liabilities

Group	**2011**	**2010**
	Euro	**Euro**
Due to brokers	209,461	282,265
Employee welfare liabilities	5,731,332	-
Miscellaneous loans	776,739	-
Suppliers of capital assets	215,149	-
Other liabilities	202,538	25,371
Provisions	60,000	-
	7,195,219	**307,636**

Split as follows:

Group	**2011**	**2010**
	Euro	**Euro**
Current	7,034,206	307,363
Non-current: other liabilities	161,013	-

27. Net cash used in operating activities

Group	**2011 Euro**	**2010 Euro**
Net (loss)/profit	(19,732,459)	58,734,492
Adjustments to reconcile net profit to net cash used in operating activities:		
Unrealised gain on financial instruments at fair value through profit or loss	25,077,176	24,354,262
Realised loss on financial instruments at fair value through profit or loss	(6,357,688)	(112,508,135)
Realised and unrealised foreign currency (loss)/gain on forward derivatives contracts	(357,219)	2,783
Increase in net allowances for amortization and provisions	3,080,559	-
Increase in other calculated income and expenses	(8,445,415)	-
Income tax expense	610,994	-
Net interest cost	1,447,317	
(Decrease)/Increase in due from brokers	785,304	(1,155,560)
Decrease in due to brokers	(72,804)	(6,217)
Decrease in performance fee payable	(17,912,930)	(956,570)
Decrease in management fee payable	(406,654)	(76,709)
Decrease in interest payable	-	(48)
Increase /(Decrease) in administrative fee payable	1,667	(23,937)
Decrease in audit fees payable	(5,816)	(17,855)
(Decrease)/Increase in legal fees payable	(14,541)	14,541
Decrease in trade notes and accounts receivable	(2,254,448)	-
Increase in trade notes and accounts payable	3,201,260	-
Change in other net current assets / liabilities	1,725,772	-
Decrease in inventory	3,379,579	-
Tax paid	(2,907,281)	-
Net cash used in operating activities	(19,157,627)	(31,638,953)

28. Operating income from wholly owned subsidiary

Group	**2011 Euro**	**2010 Euro**
Sales of manufactured products	137,696,132	-
Services rendered	658,249	-
Trade co-operation agreements	(24,655,019)	-
	113,699,362	**-**

29. Operating expenses of wholly owned subsidiary

Group	**2011 Euro**	**2010 Euro**
Purchases consumed	60,136,801	-
Changes in inventory of goods in process and finished products	1,357,229	-
Employee compensation	21,726,074	-
External charges	21,828,200	-
Indirect taxes	1,647,181	-
Depreciation allowances	2,552,267	-
Provisions	163,387	-
Other operating income and expenses	1,347,130	-
	110,758,269	**-**