LEO CAPITAL GROWTH SPC Plc

(an umbrella investment company with variable capital and with segregated liability between sub-funds with one closed-ended sub-fund incorporated with limited liability in Ireland under the Companies Acts 1963 to 2009 with registration number 507790 authorised by the Central Bank of Ireland pursuant to Part XIII of the Companies Act 1990)

Annual Report and Audited Consolidated Financial Statements for the Year Ended 31 December 2011

CONTENTS

GENERAL INFORMATION

Directors
Mr. Ian Cooper (British)
Mr. Aogán Foley (Irish)*
Mr. Wolfgang Graebner (German)
Mr. Claus Helbig (German)
Mr. Pierre Kladny (Swiss)
Mr. Jonathan Schwartz (Chairman) (British)
Mr. Paul Sullivan (Irish)*

All serve as independent non-executive Directors
*Appointed on 30 November 2011

Registered Office (From 21 December 2011)
33 Sir John Rogerson's Quay
Dublin 2
Ireland

Registered Office (Prior to 21 December 2011)
Leo Capital Growth SPC
Ogier Fiduciary Services (Cayman) Limited
89 Nexus Way
Camana Bay
Grand Cayman
Cayman Islands KY1-9007

Investment Manager & Promoter*
(Appointed 21 December 2011)
Leo Fund Managers Limited
2nd Floor, Liscartan House
127 Sloane Street
London SW1X 9AS
United Kingdom

*Acted as Sub-Manager up to 21 December 2011

Investment Manager
(Prior to 21 December 2011)
Leonardo Capital Management Limited
20 Parliament Street
P.O. Box HM2826
Hamilton HM LX
Bermuda

Bankers
J.P. Morgan AG
Junghofstrasse 14
603110 Frankfurt
Germany

Prime Broker and Sub-Custodian
Goldman Sachs International Ltd
Peterborough Court
133 Fleet Street
London EC2Y 9AW
United Kingdom

Independent Auditors
PricewaterhouseCoopers
Chartered Accountants & Registered Auditors
One Spencer Dock
North Wall Quay
Dublin 1
Ireland

Listing Agent
ING Security Services
P.O. Box 1800
1000 BV Amsterdam
Netherlands

Custodian (Appointed 21 December 2011)
Daiwa Europe Trustees Ireland Limited
Block 5
Harcourt Road
Dublin 2
Ireland

Company Secretary
Tudor Trust Limited
33 Sir John Rogerson's Quay
Dublin 2
Ireland

Administrator
Quintillion Limited
24-26 City Quay
Dublin 2
Ireland

Legal Advisors on Dutch Law
Loyens & Loeff N.V.
Weena 690
3012 CN Rotterdam
The Netherlands

GENERAL INFORMATION (continued)

Legal Advisors on Irish Law
Dillon Eustace
33 Sir John Rogerson's Quay
Dublin 2
Ireland

Legal Advisors on Cayman Islands Law
Ogier
89 Nexus Way
Camana Bay
Grand Cayman
Cayman Islands KYI-9007

CHAIRMAN'S STATEMENT

For Leo Capital Growth 2011 was a difficult year. The firm was not able to withstand the difficult equity markets in Europe. There were losses of 10.94%, 14.69%, 16.95% and 5.55% for the MSCI Europe, DAX, CAC 40 and FTSE 100 indices.

Leo Capital Growth's performance was broadly in line with the performance of the major indices. Its full year performance was -14.87 percent.

It is hoped that the markets will enjoy a recovery in 2012. Leo Capital Growth is well positioned to participate when the markets recover. It has a pipeline of new investment proposals and sufficient liquidity to take advantage of them all the time retaining a culture of strong risk management.

Jonathan Schwartz
Chairman
18 April, 2012

Directors' Report and Statement of Directors' Responsibilities in respect of the Consolidated financial statements

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

Investment objective and policy

Leo Capital Growth SPC PLC (known as the "Company" or the "Parent") is a limited liability investment company with variable capital registered in Ireland on 21 December, 2011, under the Companies Acts 1963-2009. The Company was formed as a segregated portfolio company in the Cayman Islands and registered there on August 25, 2006 and was re-domiciled to Ireland on 21 December 2011. As at 31 December 2011 only one segregated portfolio has been created: the PS Segregated Portfolio (the "Fund"). The Company's investment objective is to achieve long-term appreciation of its assets. The Company for and on behalf of PS Segregated Portfolio seeks to achieve its objective by making significant equity investments either directly or indirectly primarily in European publicly traded companies which the Company believes are under-managed and under-valued. The strategy may require medium to longer-term commitment in order to unlock value. There may be at any point in time significant concentration exposures to individual issuers.

The Company has an investment Liscartan Investments S.a.r.l (the "Subsidiary") a Luxembourg SPV which is wholly owned by the Company.

The Company and the Subsidiary are collectively known as the Group (the "Group").

Financial risk management

The major risks to which the Fund is exposed are market, foreign currency, interest rate risk, credit and liquidity risk, summarised as follows:

Market risk represents the potential loss in value of portfolios and financial instruments caused by adverse movements in market variables. Foreign currency risk is the risk of loss resulting from exposure to movements on exchange rates on investments priced in currencies other than the base currency of the Fund. The Company maintains systems of control that it believes are reasonably designed to provide management and the Directors with timely and accurate information about the operations of the Company. A proportion of the Company's balance sheet is made up of assets and liabilities which may not be realisable as cash on demand. As a result an exposure to liquidity risk exists. Note 4 contains a detailed analysis of these risks.

Interests of Directors & Secretary

As at 31 December 2011 Ian Cooper held 5 Participating Shares in the Company. No other Director or the secretary held an interest in the Company as at 31 December 2011. Details of fees paid to the Directors and the secretary are detailed in Note 9.

Results for the year and state of affairs at 31 December 2011 and future developments

The Consolidated Statement of Financial Position and the Consolidated Statement of Comprehensive Income for the year ended 31 December 2011 are set out on pages 16 and 18, respectively. Please refer to the Investment Manager's Report on page 8 to 11 for further detail of the performance.

Dividends

The Directors do not recommend the payment of a dividend at year end.

Subsidiary

Liscartan Investments S.a.r.l, registered office 15 Rue Edward Steichen L-2540 Luxembourg, was set up as a Luxembourg SPV and is wholly owned by Leo Capital Growth SPC Plc. It holds investments in listed Italian real estate funds. Its financial statements are prepared on the 31 December each year and are consolidated into the annual report and audited consolidated Financial Statements of Leo Capital Growth SPC Plc.

Political Donations

The Fund made no political donations during the years ended 31 December 2011 or 31 December 2010.

Directors' Report and Statement of Directors' Responsibilities in respect of the Consolidated financial statements (Continued)

Significant events during the period

On 10 January 2011 the Directors wrote to shareholders advising them of a share buyback offer of up to 5% of the Company's shares. The offer was to be made in two tranches of 2.5% each. The first offer period began on 10 January 2011 and ended on 27 January 2011. The first offer was fully subscribed, resulting in 75 shares being repurchased by the Company.

On 21 December 2011 the Company re-domiciled from the Cayman Islands to Ireland by way of a continuation as a Qualifying Investor Fund named Leo Capital Growth SPC Plc.

The Directors believed this was in the best interests of the shareholders, and given this re-domiciliation took the form of a continuation, did not cause a change in the entity that constitutes the Company. The Company will continue to operate substantially on the same terms as was the case in the Cayman Islands.

As part of the re-domiciliation process Leonardo Capital Management Ltd were replaced as Investment Manager by Leo Fund Managers Limited.

Subsequent events

On 10 January 2012 the Directors wrote to shareholders advising them of the second tranche of the share buyback offer. The offer closed on 30 January 2012 with 73 shares (2.5% of share capital) being repurchased by the Fund.

Directors' responsibilities

The Directors of the Company are set out on page 1.

The Directors are responsible for preparing the annual report and the consolidated financial statements in accordance with applicable Irish law and International Financial Reporting Standards (IFRS) as adopted by the EU.

Irish company law requires the Directors to prepare consolidated financial statements for each financial year which give a true and fair view of the state of affairs of the Fund and of the profit or loss of the Fund for that year. In preparing the consolidated financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent; and
- prepare the consolidated financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors confirm that they have complied with the above requirements in preparing the consolidated financial statements.

The Directors are responsible for keeping proper books of account which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the consolidated financial statements are prepared in accordance with IFRS as adopted by the EU and comply with the Companies Acts 1963 to 2009. The Directors are also responsible for safeguarding the assets of the Company and in fulfilment of this responsibility they have entrusted the assets of the Company to Daiwa Europe Trustees Ireland Limited (the "Custodian") for safekeeping in accordance with the Memorandum and Articles of Association of the Company. The Directors are responsible for taking reasonable steps to prevent and detect fraud and other irregularities.

Books of account

The measures taken by the Directors to secure compliance with the Company's obligation to keep proper books of account are the use of appropriate systems and procedures and employment of competent persons. The books of account are kept at Quintillion Limited, 24 – 26 City Quay, Dublin 2, Ireland.

Directors' Report and Statement of Directors' Responsibilities in respect of the Consolidated financial statements (Continued)

Appointment of auditors

The auditors, PricewaterhouseCoopers, have indicated their willingness to continue in office. A resolution to reappoint PricewaterhouseCoopers as independent auditors to the Company will be proposed at the annual general meeting.

Other

The Board also direct your attention to note 9 for 'Related Party Transactions' for the year to 31 December 2011.

With regards to the additional disclosure requirements for closed end companies which flow from the EC (Takeover Bids) Regulations, please note the following:

Note 5, 'Shareholders' Interests' details the rights and obligations of the Participating Shares and the capital structure, including the total capital in the singular Share Class.

The Participating Shares of the Company were listed on the Euronext Amsterdam under the symbol "LEO" on 12 July 2007. Although there is a 7 year lock up period of Participating Shares in the Company, preventing redemption, these Participating Shares may be transferred in accordance with procedures established for this purpose by Euroclear Netherlands or alternatively through the Company's Share registrar. The rights of holders of Participating Shares will rank *pari passu* with each other.

Under the Articles of Association of the Company, the Board of Directors is authorised in its absolute discretion and subject to applicable laws, to effect repurchases of up to 20% of its aggregated issued Participating Shares in any one financial year of the Company at a price per Participating Share not being greater than the Net Asset Value per Participating Share as at the most recent Valuation Day. The Board of Directors will not, however, be obliged to repurchase Participating Shares and holders of Participating Shares will have no right to require such a repurchase. Repurchased Shares will automatically be cancelled.

Please refer to note 8 'Share Capital" with reference to Management Shares.

Corporate Governance Statement

The European Communities (2006/46 EC) Regulations (S.I 450 of 2009 and S.I 83 of 2010) was signed into law on 19 November 2009, introducing a requirement for the directors of all companies with securities admitted for trading on a regulated market to make an annual statement on corporate governance. The statement is required to include commentary on compliance with applicable codes of governance, systems of risk management and internal controls together with other details, including the operation of the Board of Directors (the "Board") and arrangements for shareholder meetings.

Relevant information on the Company's governance arrangements for the year ended 31 December 2011 are set out below. The Board is committed to providing shareholders with relevant and informative details of its approach to corporate governance, and proposes to further review, and where appropriate refine, its Corporate Governance Statement for the year ended 31 December 2011 in the light of experience of applying the new requirements and any relevant guidance or clarification of their requirements that may be issued.

A corporate governance code ("the IFIA Code") applicable to Irish domiciled collective investment schemes was issued by the Irish Funds Industry Association in September 2010. The Board has put in place a framework for corporate governance which it believes is suitable for an investment company and which enables the Company to comply voluntarily with the main requirements of the IFIA Code, which sets out principles of good governance and a code of best practice.

The Board considers that the Company has complied with the main provisions contained in the IFIA Code throughout the accounting period. During the course of 2012 the Board of Directors will be addressing formal adoption of the IFIA Code

Shareholders' meetings and rights

The convening and conduct of shareholders' meetings are governed by the Articles of Association of the Company and the Companies Acts. Although the Directors may convene an extraordinary general meeting of the Company at any time, the Directors are required to convene an annual general meeting of the Company within eighteen months of incorporation and fifteen months of the date of the previous annual general meeting thereafter. Shareholders representing not less than one-tenth of the paid up share capital of the Company may also request the Directors to convene a shareholders' meeting. Not

Directors' Report and Statement of Directors' Responsibilities in respect of the Consolidated financial statements (Continued)

Shareholders' meetings and rights (continued)

less than twenty one days notice of every annual general meeting and any meeting convened for the passing of a special resolution must be given to shareholders and fourteen days' notice must be given in the case of any other general meeting unless the auditors of the Company and all the shareholders of the Company entitled to attend, vote and agree to shorter notice.

One third of the shares entitled to vote must be present by proxy or in person to constitute a quorum at a general meeting. The quorum for a general meeting convened to consider any alteration to the class rights of shares is two shareholders holding or representing by proxy at least one third of the issued shares of the relevant fund or class. Every holder of participating shares or non-participating shares present in person or by proxy who votes on a show of hands is entitled to one vote. On a poll, every holder of participating shares present in person or by proxy is entitled to one vote in respect of each share held by him and every holder of non-participating shares is entitled to one vote in respect of all non-participating shares held by him.

Shareholders may resolve to sanction an ordinary resolution or special resolution at a shareholders' meeting. An ordinary resolution of the Company requires a simple majority of the votes cast by the shareholders voting in person or by proxy at the meeting at which the resolution is proposed. A special resolution of the Company requires a majority of not less than 75% of the shareholders present in person or by proxy and voting in general meeting in order to pass a special resolution including a resolution to amend the Articles of Association.

Composition and operation of the Board of Directors

The business of the Company is managed by the Directors, who exercise all such powers of the Company as are not by the Companies Acts or by the Articles of Association of the Company required to be exercised by the Company in general meeting.

Unless otherwise determined by an ordinary resolution of the Company in general meeting, the number of Directors may not be less than two. Currently the Board of Directors of the Company is composed of seven Directors, being those listed in the Company Information on page 1 of these financial statements.

The general meeting of shareholders of the Company may by simple majority of the votes cast remove a Director from office and appoint a person who is willing to act to be a Director either to fill a vacancy or as an additional Director. The Board of Directors may also appoint new Directors, provided that the appointment does not cause the number of Directors to exceed any number fixed by or in accordance with the Articles of Association of the Company as the maximum number of Directors. The number of Directors (other than alternate Directors) is not subject to a maximum unless otherwise resolved by the general meeting of shareholders of the Company by simple majority of the votes cast.

Internal control and risk management systems relating to the financial reporting process

The Board is responsible for ensuring that appropriate internal control and risk management procedures relating to the financial reporting process are in place. Those systems are designed to manage, rather than eliminate, risks and can provide only reasonable, not absolute, assurance against material misstatement or loss.

The Company has procedures to ensure all relevant accounting records are properly maintained and are readily available, including production of annual and half-yearly financial statements. The annual and half yearly financial statements of the Company are required to be approved by the Board of Directors of the Company and filed with the Central Bank of Ireland.

The Company has appointed an independent administrator, Quintillion Limited (the "Administrator"), to maintain the accounting records. The Administrator is authorised and regulated by the Central Bank of Ireland and is required to comply with rules issued by the Central Bank of Ireland in the conduct of its business. The Board receives and considers reports from the Administrator on a regular basis. It also considers and evaluates reports by independent auditors concerning the operation of controls over its financial accounting and reporting process.

On behalf of the Board

Director
18 April 2012

Director
18 April 2012

INVESTMENT MANAGER'S REPORT
For the year ended 31 December 2011

The Leo Capital Growth Fund reported a 14.87% net loss for the year ended 31/12/2011. The fund's performance compares to losses of 10.94%, 14.69%, 16.95% and 5.55% in the MSCI Europe, DAX, CAC 40 and FTSE 100 indices respectively over the equivalent period.

Monthly Performances – FY 2011

LCG Performance	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	FY 2011
Return	-2.46%	-1.42%	-2.83%	2.37%	-1.56%	1.60%	-4.40%	-3.21%	-1.13%	-0.31%	-4.22%	1.88%	**-14.87%**
NAV (Closing)	90,481	89,200	86,673	88,726	87,342	88,739	84,833	82,106	81,182	80,933	77,516	78,972	**78,972**

Market Review:
Equities started 2011 positively continuing to ride the QE2 wave initiated in August 2010 and further boosted by subsiding European sovereign debt fears as well as encouraging macro data from both sides of the Atlantic. However, investor sentiment was swift to change as a number of events including tension in the North Africa region and a catastrophic earthquake in Japan shook their confidence towards risk assets. The Japanese earthquake brought fear to the market as a result of its real impact on global supply chains. The backdrop of the Arab spring sparked concerns of potentially rising oil prices and risk to global growth. European sovereign debt concerns also resurfaced in May and June with the focus shifting towards larger European countries such as Spain and Italy. Consequently, equities drifted lower in Q2 neutralising gains early in the year and ending the first half of 2011 flat. Matters got significantly worse in Q3 with markets correcting sharply in August and September as investors made a major reassessment of risk and global economic growth prospects after S&P downgraded the US sovereign debt rating and as events surrounding Europe's sovereign debt crisis intensified. The DJ Stoxx 600 posted its worst quarterly performance since 2008 in the Q3. The DAX, CAC 40 and FTSE 100 declined significantly in Q3 and all had their worst quarterly performance since 2002. Volatile bank equity movements were evident in Q3 as capital markets' stress signals drove a self-perpetuating downward spiral and eroded confidence led to funding instability that reduced the franchise value of weaker banks. The final quarter of the year closed higher in a flurry of political events that included various EU summits targeted at solving the European sovereign debt crisis - as Italian and Spanish bond spreads vs. German bunds reached unsustainable levels threatening not only these countries' solvency, but also the survival of the Euro. While the summits generated no panacea to solve the European debt crisis, widespread austerity measures were agreed by numerous countries in an attempt to restore public finances and reduce budget deficits. Italy and Greece also saw government changes as previous majorities failed in the wake of the debt crisis and inability to pass austerity measures. Markets continued to exhibit high volatility throughout the final quarter as investors reacted to summit outcomes – which never convincingly restored confidence.

Sector wise, defensives outperformed cyclicals as investors sought refuge from the uncertain economic outlook. Of the Eurostoxx 600 sectors, Health Care, Food & Beverage, and Personal & Household Goods were among the period's best performers while Banks, Basic Resources and Auto & Parts were among the worse.

On the macro front, data was mixed with releases early in the year generally supportive although they deteriorated as the year progressed and bottoming in the third quarter. The Federal Reserve and Bank of England left rates on hold at 0.25% and 0.5% respectively throughout the year. The European Central Bank raised rates in April and June but successively cut them in November and December thus restoring the 1.0% rate where it had started the year.

Fund Commentary
The fund generated a disappointing performance for the year which was principally attributable to the poor performance of a number of our core positions. Three quarters of the yearly loss was generated in roughly equal parts by Alpha Immobiliare, Beta Immobiliare and Forsys Metals. Alpha and Beta had a rather uneventful year in terms of operational developments –except for Beta's wind up slipping slightly, yet the stocks were down 37.4% and 26.4% respectively during the period. Forsys had a very difficult year ending the year down 76%. The slide was triggered by the Japanese nuclear crisis at the Fukushima power plant which had profound repercussions on the nuclear industry. Other legacy positions including Infigen Energy and Mitchells and Butlers were also in negative territory as both stocks faced operational headwinds and failed to find catalysts to unlock value. On a brighter note, investments in Norilsk Nickel, Actelion and Synthes were closed at a profit in the first part of the year as the positions had reached our target price or the investment rationale had played out. Furthermore, a number of new investments including positions in Northumbrian Water, Misys and Hermes were made and swiftly exited as the positions quickly reached target levels generating healthy profits. Ultimately though, these gains were not enough to offset losses in legacy positions and the fund closed the year with a disappointing result. Overleaf we review the fund's investments.

INVESTMENT MANAGER'S REPORT (Continued)
For the year ended 31 December 2011

Exited Positions:
Throughout the year investments in Norilsk Nickel, Actelion, Synthes, Northumbrian Water, Misys and Hermes were closed at a profit as the positions had reached our target price or the investment rationale had played out. Among them, Northumbrian Water and Synthes were the best performers as the stocks advanced significantly following takeover offers. Misys and Hermes were also up on M&A speculation whilst Norilsk Nickel advanced on solid operational performance and a significant share buy-back. LCG took advantage of these price rises to exit profitably.

Current Positions:
Apart from investments mentioned above, throughout the year LCG entered into a number of new investments which are reviewed below along with legacy positions.

Alpha Immobiliare:
Alpha's share price dropped 37.4% throughout the period although there was no specific negative news on the company hence the decline was more a function of overall market conditions. Additionally, we should remind that the stock trades very thinly, thus the market price is hardly a reflection of the company's intrinsic value. At the operational level, both FY10 and H1 11 results revealed no major surprises with the NAV very fractionally changed over the period. The fund sold one of its properties in the Milan area at a profit in June and paid income dividends in both March and September totalling €111.2. This corresponds to a dividend yield of ~4% based on our average purchase price. In the early part of the year Alpha's manager FIMIT announced that it would merge with First Atlantic SGR (part of the DeAgostini Group) with the latter taking control of the newly formed entity. This had no particular implication for Alpha nor our activist strategy. We remain confident that there is deep unrecognised value in Alpha's portfolio that will emerge as properties are sold and cash returned. We will continue to exert pressure on management for this to occur.

Beta Immobiliare:
Beta had a poor year with the stock dropping 26.4% (22.5% adjusted for capital return dividends). As in Alpha, we remind that also Beta is rather illiquid and therefore market prices are not very indicative of the company's intrinsic value. With regards to operations, the company should have finalised the portfolio divestment during the year however, due to adverse market conditions the procedure is taking more time than expected. The fund sold only two properties during the year and has 7 more to sell. In November the company announced an open tender process for its residual portfolio, inviting interested parties to bid for its properties. This was a significant step forward in the finalisation of the liquidation process, with results of the tender expected in the early part of 2012. Yet Beta also announced that it would make full use of the grace period granted in its statutes (3 years) in order to ensure the remaining assets would be liquidated in an orderly manner, this effectively implies the duration of the Fund will be extended up to February 2014 latest. While we do not expect the process will take this long, the more illiquid portions of Beta's balance sheet (such as participations in property companies) might prove more time consuming to recover and therefore might hamper the wind-down process marginally. In any case we expect whatever cash generated from asset sales to be returned to shareholders as it becomes available in a timely fashion. The actual underlying operational results were in line with expectations and relatively unchanged from previous periods. During the year the fund paid capital return dividends totalling €25 and an ordinary income dividend amounting to €48.3.The merger between First Atlantic and FIMIT should not have a significant impact on Beta, nor on our activist strategy. We are confident of the underlying value in Beta's assets and will continue to monitor developments and exert pressure in order to crystallise it.

Forsys Metals:
Forsys closed the year 76% down, a performance which primarily reflects the negative sentiment surrounding the nuclear sector following the unfortunate Japanese earthquake in March and the resulting Fukushima crisis. The effect was particularly harsh for the Company as it is still in the project phase. Since then, although uranium price has staged only a modest recovery, there has been significantly high interest in acquiring promising undeveloped mines by majors as well as sovereign entities. During the year, Forsys continued its discussions with various interested parties with a view to generate potential strategic and financial alternatives to maximize shareholders' value. In addition, it furthered exploratory drilling for its Namibplaas uranium project that can significantly increase its inferred resource base. Additionally, towards the end of the year, different Leo Funds, including Leo Capital Growth, entered into a share subscription agreement to invest a total amount of CAD 8 million in the Company to augment its financial resources. Forsys also agreed to buy the remaining 30% of Namibplaas that it didn't own from the current minority owner. We believe that uranium prices should see a significant jump as demand increases to meet the growing energy needs of the world in the medium and long term and therefore, Forsys continues to be an attractive asset to own by strategic investors.

INVESTMENT MANAGER'S REPORT (Continued)
For the year ended 31 December 2011

Infigen Energy:
The year saw Infigen's stock price down by nearly 50% as it suffered somewhat exaggerated concerns on its financial leverage. Also, in a global context of declining subsidies for alternative energy sources, renewable energy stocks have been significant underperformers. Operationally, the Company executed satisfactorily as its June ending full year production and revenue came at the upper end of the previously guided range. Although, the operating costs showed a jump, they were better than previously anticipated by the Company. Further, during the year, Infigen carried on its strategy of selling assets as it exited from German wind farms and continued to explore strategic options for the rest of its portfolio. Good news is also expected from better Australian power prices in the future as the country embraces carbon tax from the middle of 2012. In 2011, the Company's largest shareholder, The Children's Investment Fund, increased its position from ~23% to ~29%. At the current price, the stock trades at a steep discount to its replacement costs and even to its peers. Therefore, we attribute significantly higher fair value for the stock price.

Inmarsat:
During the year LCG initiated a position in Inmarsat: a UK-based satellite telecommunications provider. The company is a well-managed satellite communication provider that has grown at impressive rates for the past several years. It also enjoys a high share in satellite mobile services and is a leader in its core divisions. We believe that the current stock price reflects a very negative stance from the investment community and therefore see significant upside for this investment.

Kabel Deutschland Holding:
In 2011 the Fund also made an investment in Kabel Deutschland, the largest German cable operator. The investment rationale is driven by the Company's strong underlying defensive fundamentals with new offerings driving growth. Further, despite the company having been listed relatively recently, the potential for M&A is high. Valuation is not stretched even on a standalone basis and the risk reward profile is attractive. This fact was tested in the recent turmoil in the equitymarkets as the stock significantly outperformed. We believe that there is considerable upside for this investment.

Mitchells & Butlers:
The Fund's position in Mitchells & Butlers closed the year nearly one-third down driven mostly by market concerns regarding the health of the UK consumer as well as negative sentiment surrounding stocks with relatively high financial debt. Mitchells' stock performance was especially marred by frequent changes in its top management and the Board of directors. Further, the year was characterized by a lowball cash bid from the company's largest single shareholder that was rejected by the Board and thereafter withdrawn. As in the previous years, Mitchells continued to perform better than the rest of the industry, although its operating profits came marginally lower than the previous year. This was mostly due to higher raw material, energy and regulatory costs. The Company is taking appropriate measures to mitigate these cost pressures. The stock trades at a discount to the sector and we believe that its value is significantly higher than what is reflected in the current market price.

OC Oerlikon:
During the year, the Fund initiated a position in OC Oerlikon, a Swiss industrial conglomerate which is active in various businesses that have leading global positions. Almost all the Company's divisions are displaying robust recovery and are therefore increasing their profitability considerably. The Company has addressed its high leverage through last year's rights issue and therefore the net financial leverage is currently manageable. In fact it is expected to improve further as profitability increases. Under the leadership of a new CEO (since mid 2010) the company is also undertaking significant restructuring efforts. Oerlikon's last results confirmed that the Company was performing better than expectations. We believe that the stock price has sizeable upside from its current level.

INVESTMENT MANAGER'S REPORT (Continued)
For the year ended 31 December 2011

Symphony International:
Symphony retreated 11.48% during the year, largely driven by a poor performance in Q4 in which it retreated 18.6%. The underlying operational performance of the company's investments was good throughout the year. However, Symphony's NAV suffered in the latter part of the year as the rout in equities in H2 dragged down the value of its listed investments and ultimately impacting its own share price. In April the company held its AGM where it sought authorization to undertake share buybacks at the discretion of their Directors. We voted against this due to unfavourable conditions of the resolution, and the resolution was withdrawn. In May the company's listed investment, Minor International Pcl ("MINT") succeeded in a takeover battle for a majority (65%) stake of Australian apartment hotel operator Oaks Hotels & Resorts. This acquisition doubled the size of MINT's hotel and serviced apartment portfolio. In December Symphony's largest unlisted investment (Minuet) finalised the sale of part of its land in Thailand. The sale concerned an 11.2 hectares plot at a price which was 26.3% above Minuet's cost and 4.9% above the latest valuation. Following the transaction, Minuet still holds 67.4 hectares of land in the same area. We continue to envisage substantial value embedded in Symphony's unlisted assets and will continue to work on strategies to unlock this.

Leo Fund Managers Limited
18 April, 2012

Statement of Custodian's Responsibilities
For the period 21 December 2011 (date of re-domiciliation) to 31 December 2011

Part XIII of the Companies Act, 1990 ("the Act") requires the Custodian to take reasonable care so as to ensure that the Company is managed in accordance with the Act and the Memorandum and Articles of Association. In particular, the Custodian must:

- satisfy itself on a continuing basis on reasonable grounds and report that the Company has been managed in all material respects in accordance with the limitations imposed on the investment and borrowing powers of the Company by the Memorandum and Articles of Association and the Act;

- take into its custody or under its control, all the assets of the Company and hold them in safekeeping for the shareholders in accordance with the Act and the Memorandum and Articles of Association;

- satisfy itself that the valuation of the shares of the Company and that the sale, issue, repurchase, redemption and cancellation of shares of the Company are being carried out in accordance with the Act and the Memorandum and Articles of Association.

- fulfil its responsibilities under the Act and the Memorandum and Articles of Association by keeping proper records.

Custodian's Report
For the period 21 December 2011 (date of re-domiciliation) to 31 December 2011

Daiwa Europe Trustees Ireland Limited, as Custodian for Leo Capital Growth SPC Plc (the "Company"), has enquired into the conduct of the Company during the period 21 December 2011 (date of re-domiciliation) to 31 December 2011.

In the Custodian's opinion the Company has, in all material respects, been managed:

- in accordance with the limitations imposed on the investment and borrowing powers of the Company by the Company's Memorandum and Articles of Association and the Central Bank of Ireland under the powers granted to Central Bank of Ireland by Part XIII of the Companies Act 1990; and

- otherwise in accordance with the provisions of the Memorandum and Articles of Association and Part XIII of the Companies Act 1990.

David Duffy Conor Curry

Daiwa Europe Trustees Ireland Limited
Date: 18 April 2012

Independent Auditors' report to the Shareholders of Leo Capital Growth SPC Plc (the "Company")
For the year ended 31 December 2011

We have audited the Group and Parent Company financial statements (the "financial statements") of Leo Capital Growth SPC Plc for the year ended 31 December 2011 which comprise the Consolidated and Parent Company Statements of Financial Position, the Consolidated Statement of Comprehensive Income, the Consolidated and Parent Company Statements of Changes in Net Assets Attributable to Holders of Participating Shares, the Consolidated and Parent Company Statements of Cash Flows, the Consolidated Schedule of Investments and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of Directors and auditors

The Directors' responsibilities for preparing the Annual report and financial statements, in accordance with applicable Irish law and International Financial Reporting Standards (IFRS) as adopted by the European Union, are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Company's shareholders as a body in accordance with Section 193 of the Companies Act, 1990 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the consolidated financial statements give a true and fair view, in accordance with IFRS as adopted by the European Union. We report to you our opinion as to whether the parent company financial statements give a true and fair view, in accordance with IFRS as adopted by the European Union as applied in accordance with the provisions of the Companies Acts 1963 to 2009. We also report to you whether the financial statements have been properly prepared in accordance with Irish statute comprising the Companies Acts, 1963 to 2009 and, regarding the Group Financial Statements, Article 4 of the IAS Regulation. We state whether we have obtained all the information and explanations we consider necessary for the purposes of our audit, and whether the Parent Company's Statement of Financial Position is in agreement with the books of account. We also report to you our opinion as to:

- whether the Parent Company has kept proper books of account; and
- whether the Directors' report is consistent with the financial statements.

We also report to you if, in our opinion, any information specified by law regarding Directors' remuneration and Directors' transactions is not disclosed and, where practicable, include such information in our report.

We are required by law to report to you our opinion as to whether the description in the Corporate Governance Statement set out in the Directors' report of the main features of the internal control and risk management systems in relation to the process for preparing the consolidated financial statements is consistent with the consolidated financial statements. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and Parent Company's circumstances, consistently applied and adequately disclosed.

Independent Auditors' report to the Shareholders of Leo Capital Fund Growth Plc (the "Company") (Continued)
For the year ended 31 December 2011

Basis of audit opinion (continued)
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion
In our opinion:

- the consolidated financial statements give a true and fair view, in accordance with IFRS as adopted by the European Union, of the state of the Group's affairs as at 31 December 2011 and of its results and cash flows for the year then ended;
- the Parent Company financial statements give a true and fair view, in accordance with IFRS as adopted by the European Union as applied in accordance with the provisions of the Companies Acts 1963 to 2009, of the state of the Parent Company's affairs as at 31 December 2011 and cash flows for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Acts, 1963 to 2009 and, regarding the Group Financial Statements, Article 4 of the IAS Regulation.

We have obtained all the information and explanations which we consider necessary for the purposes of our audit. In our opinion proper books of account have been kept by the Parent Company. The Parent Company's financial statements are in agreement with the books of account.

In our opinion the information given in the Directors' report is consistent with the financial statements and the description in the Corporate Governance Statement of the main features of the internal control and risk management systems in relation to the process for preparing the Group financial statements are consistent with the Group financial statements.

Patricia Johnston

Patricia Johnston
For and on behalf of
PricewaterhouseCoopers
Chartered Accountants and Statutory Audit Firm
Dublin
Date 24 April 2012

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Leo Capital Growth SPC Plc and Liscartan Investments S.a.r.l)
As at 31 December 2011
(Expressed in Euros)

	Note	2011 €	2010 €
Assets			
Current Assets			
Financial assets at fair value through profit or loss	2, 3	127,855,285	199,583,990
Cash and cash equivalents	2	99,537,147	76,076,383
Margin cash at broker	2	1,533,763	3,958,600
Interest and dividends receivable		58,894	388,529
Due from Broker	2	-	4,246
Other assets and prepaid expenses		7,990	9,971
Total Assets		**228,993,079**	**280,021,719**
Liabilities			
Current Liabilities			
Financial liabilities at fair value through profit or loss	2, 3	2,402,531	1,868,081
Due to broker		9,394	2,510,747
Investment management fee payable	9	191,806	346,667
Directors' fee payable	9	125,000	-
Administration fee payable	10	14,265	16,615
Audit fee payable		34,500	36,750
Accrued expenses and interest payable	2	557,966	17,030
Liabilities (excluding net assets attributable to holders of Participating Shares)		**3,335,462**	**4,795,890**
Net Assets attributable to holders of Participating Shares on a bid/ask basis	12	**225,657,617**	**275,225,829**

Net Asset Value per Share per published NAV		**2011**	**2010**
Euro Class Shares		2,911	2,986
NAV per Share	12	€78,972.4270	€92,761.8058

On behalf of the Board

Director
18 April 2012

Director
18 April 2012

See notes to the financial statements

PARENT COMPANY STATEMENT OF FINANCIAL POSITION (Leo Capital Growth SPC Plc)
As at 31 December 2011
(Expressed in Euros)

	Note	2011 €	2010 €
Assets			
Current Assets			
Financial assets at fair value through profit or loss	2, 3	70,744,857	119,324,833
Investment in subsidiary (Liscartan)	2	12,500	12,500
Interest free loans to subsidiary (Liscartan)		4,266,154	11,145,647
Non-interest bearing convertible loans to subsidiary (Liscartan)		52,788,858	69,098,061
Cash and cash equivalents		99,466,464	76,030,971
Margin cash at broker	2	1,533,763	3,958,600
Interest and dividends receivable		58,894	388,529
Due from Broker	2	-	4,246
Other assets and prepaid expenses		7,990	9,971
Total Assets		**228,879,480**	**279,973,358**
Liabilities			
Current Liabilities			
Financial liabilities at fair value through profit or loss	2, 3	2,402,531	1,868,081
Due to broker		-	2,462,386
Investment management fee payable	9	191,806	346,667
Directors' fee payable	9	125,000	-
Administration fee payable	10	14,265	16,615
Audit fee payable		34,500	36,750
Accrued expenses and interest payable	2	453,761	17,030
Liabilities (excluding net assets attributable to holders of Participating Shares)		**3,221,863**	**4,747,529**
Net Assets attributable to holders of Participating Shares on a bid/ask basis	12	**225,657,617**	**275,225,829**

See notes to the financial statements

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Leo Capital Growth SPC Plc and Liscartan Investments S.a.r.l)
For the year ended 31 December 2011
(Expressed in Euros)

	Note	2011 €	2010 €
Investment income			
Interest income	2	782,413	833,490
Dividend income	2	5,734,505	2,966,477
Net loss on financial assets and liabilities at fair value through profit or loss	5	(41,247,288)	(12,833,558)
Total loss		**(34,730,370)**	**(9,033,591)**
Expenses			
Management fees	9	3,522,690	4,107,477
Management termination fee	9, 12	2,786,639	-
Legal fee		343,855	318,352
Directors' fees	9	250,000	249,000
Administration fee	10	186,089	197,390
Gross dividend expense	2	-	134,920
Prime broker fees		10,741	42,784
Audit fee		42,250	27,750
Other operating expenses		241,537	200,795
Total expenses		**7,383,801**	**5,278,468**
Loss before tax and finance costs		**(42,114,171)**	**(14,312,059)**
Finance cost			
Interest expense on margin cash	2	(108,165)	(1,759,816)
Total finance cost		**(108,165)**	**(1,759,816)**
Loss before tax		**(42,222,336)**	**(16,071,875)**
Tax			
Witholding taxes	2	(94,368)	-
Other taxes		(642,229)	-
Total tax		**(736,597)**	**-**
Decrease in net assets attributable to holders of Participating Shares resulting from operations		**(42,958,933)**	**(16,071,875)**

Gains and losses arose solely from continuing operations, There were no gains or losses other than those dealt with in the consolidated Statement of Comprehensive Income

As permitted by section 148(8) of the Companies Act 1963, no separate profit and loss account is presented in respect of the Company. The Company recorded a profit/loss for the year of (€42,958,933) ((2010: €16,071,875)).

On behalf of the Board

Director
18 April 2012

Director
18 April 2012

See notes to the financial statements

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF PARTICIPATING SHARES (Leo Capital Growth SPC Plc and Liscartan Investments S.a.r.l)
For the year ended 31 December 2011
(Expressed in Euros)

	2011 €	2010 €
Euro Class		
Net assets attributable to holders of Participating Shares at 31 December 2010	275,225,829	291,297,704
Share buy back	(6,609,279)	-
Decrease in net assets attributable to holders of Participating Shares resulting from operations	(42,958,933)	(16,071,875)
Net assets attributable to holders of Participating Shares at 31 December 2011	**225,657,617**	**275,225,829**

See notes to the financial statements

PARENT COMPANY STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF PARTICIPATING SHARES (Leo Capital Growth SPC Plc)
For the year ended 31 December 2011
(Expressed in Euros)

	2011	2010
	€	€
Euro Class		
Net assets attributable to holders of Participating Shares at 31 December 2010	275,225,829	291,297,704
Share buy back	(6,609,279)	-
Decrease in net assets attributable to holders of Participating Shares resulting from operations	(42,958,933)	(16,071,875)
Net assets attributable to holders of Participating Shares at 31 December 2011	**225,657,617**	**275,225,829**

See notes to the financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS (Leo Capital Growth SPC Plc and Liscartan Investments S.a.r.l)
For the year ended 31 December 2011
(Expressed in Euros)

	Note	2011 €	2010 €
Cash flow from operating activities			
Decrease in net assets attributable to holders of redeemable Participating Shares from operations		(42,958,933)	(16,071,875)
Adjustments to reconcile net decrease in net assets from from operations to net cash generated/ (used in) operating activities			
Purchase of financial assets and settlement of financial liabilities		(60,348,424)	(148,594,284)
Proceeds from sale of investments		87,591,282	108,936,569
Adjustment for net loss on financial assets and liabilities at fair value through profit or loss		45,020,297	5,013,751
Decrease / (Increase) in cash at broker		2,424,837	(3,163,313)
Decrease / (Increase) in interest and dividends receivable		329,635	(287,480)
Decrease in other receivables and prepayments		1,981	126,694
Decrease / (Increase) in due from brokers		4,246	(4,246)
(Decrease) / Increase in due to brokers		(2,501,353)	1,715,975
Increase / (Decrease) in accrued expenses		506,475	(647,985)
Net cash generated from / (used in) operating activities		**30,070,043**	**(52,976,194)**
Cashflow (used in) financing activities			
Share buy back		(6,609,279)	-
Net cash used in financing activities		(6,609,279)	-
Net increase / (decrease) in cash and cash equivalents		**23,460,764**	**(52,976,194)**
Cash and cash equivalents at beginning of the year		76,076,383	129,052,577
Cash and cash equivalents at end of the year	**2**	**99,537,147**	**76,076,383**
Supplementary disclosures of cash flow information			
Net cash received during the year for dividends		5,734,505	2,685,883
Net cash received during the year for interest		822,080	825,050
Net cash paid during the year for interest		(108,165)	(1,759,816)
Net cash paid during the year for tax		312,074	-

PARENT COMPANY STATEMENT OF CASH FLOWS (Leo Capital Growth SPC Plc)
For the year ended 31 December 2011
(Expressed in Euros)

	Note	2011 €	2010 €
Cash flow from operating activities			
Decrease in net assets attributable to holders of redeemable Participating Shares from operations		(42,958,933)	(16,071,875)
Adjustments to reconcile net decrease in net assets from from operations to net cash generated/ (used in) operating activities			
Purchase of financial assets and settlement of financial liabilities		(60,142,552)	(147,724,662)
Proceeds from sale of investments		87,591,282	108,936,569
Adjustment for net loss on financial assets and liabilities at fair value through profit or loss		37,989,392	2,919,785
Decrease / (Increase) in cash at broker		2,424,837	(3,163,313)
Decrease / (increase) in interest and dividends receivable		329,635	(287,480)
Decrease in other receivables and prepayments		1,981	126,694
Decrease / (Increase) in due from brokers		4,246	(4,246)
(Decrease) / Increase in due to brokers		(2,462,386)	1,667,614
Increase / (decrease) in accrued expenses		402,270	(647,985)
Cash received from subsidiary		1,620,000	-
Provision of interest free loans		(1,755,000)	(513,047)
Repayment of interest free loans		7,000,000	1,740,507
Net cash generated from / (used in) operating activities		**30,044,772**	**(53,021,439)**
Cash flows from financing activities			
Payments on redemption of shares		(6,609,279)	-
Net cash (used in) financing activities		(6,609,279)	-
Net increase / (decrease) in cash and cash equivalents		**23,435,493**	**(53,021,439)**
Cash and cash equivalents at beginning of the year		76,030,971	129,052,410
Cash and cash equivalents at end of the year	2	**99,466,464**	**76,030,971**
Supplementary disclosures of cash flow information			
Net cash received during the year for dividends		5,734,505	2,685,883
Net cash received during the year for interest		822,080	825,050
Net cash paid during the year for interest		(108,165)	(1,759,816)
Net cash paid during the year for tax		312,074	-

See notes to the financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

1. General information

Leo Capital Growth SPC Plc (the "Company") is an umbrella investment company with variable capital and with segregated liability between sub-funds incorporated with limited liability in Ireland under the Companies Acts 1963 to 2009 with registration number 507790 authorised by the Central Bank of Ireland pursuant to Part XIII of the Companies Act 1990. As at 31 December 2011 the Company has established one segregated portfolio, the PS Segregated Portfolio (the "Fund").

On 21 December 2011 the Company re-domiciled from the Cayman Islands to Ireland by way of a continuation as a Qualifying Investor Fund named Leo Capital Growth SPC Plc.

The process necessitated the replacement of the Investment Manager from the unregulated Bermudan based Investment Manager (Leonardo Capital Management Limited) to a UK based FSA regulated Investment Manager (Leo Fund Managers Ltd). In addition the board was enlarged to include two Irish Directors as detailed in the general information page of this document. The Company was also required to appoint a Custodian (Daiwa Europe Trustees Ireland Limited) and has now come under the regulation of the Central Bank of Ireland.

In addition to the above, amendments were made to the Company Shareholder Information Memorandum (formerly the Prospectus) and Memorandum and Articles of Association. These amendments were detailed in the shareholder circular sent to shareholders on 3 November 2011.

On or prior to the seventh anniversary of the first issue of the Participating Shares (being 31 March 2014), the Board of Directors will convene a general meeting of shareholders at which a resolution will be put to all holders of Participating Shares to continue the existence of the Company beyond that date for a period of up to two years. Initially, only one segregated portfolio has been created: the PS Segregated Portfolio. The PS Segregated Portfolio has only one Class of Shares: the Euro Class. The Participating Shares were listed on Euronext Amsterdam on 12 July 2007.

Liscartan Investments S.a.r.l (the "Subsidiary") registered office 15 Rue Edward Steichen L-2540 Luxembourg, was set up as a Luxembourg SPV wholly owned by the Company. It holds investments in listed Italian real estate funds. Its financial statements are prepared on the 31 December each year and are consolidated into the annual report and audited consolidated Financial Statements of Leo Capital Growth SPC.

The Company's investment activities are managed by Leo Fund Managers Limited (the "Manager") with administration delegated to Quintillion Limited (the "Administrator").

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below.

2.1 Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and with the Companies Acts 1963 to 2009. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative financial instruments) at fair value through profit or loss.

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the Board of Directors to exercise its judgement in the process of applying the accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 2.5 (d).

Changes to accounting policy are detailed in note 16.

NOTES THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

2. Summary of significant accounting policies (continued)

2.2 Basis of Consolidation (continued)

These consolidated financial statements combine the financial statements of Leo Capital Growth SPC Plc and Liscartan Investments S.a.r.l for the years ended 31 December 2011 and 31 December 2010 on a line by line basis by adding together like items of assets, liabilities, equity, income and expenses, Intragroup balances and any unrealised gains and losses or income and expenses arising from intragroup transactions are eliminated in preparing the consolidated financial statements.

The investment in the subsidiary, Liscartan Investments S.a.r.l (Liscartan) has been made by way of subscribed capital which amounted to €12,500 and through a series of loans to Liscartan. The loans are made up of two types, interest free loans and non-interest bearing convertible loans.

2.3 Investment in Subsidiary

The Subscribed capital in Liscartan is €12,500. This is made up of 500 Shares fully paid up with a nominal value per unit of €25.

The interest free loans made to the subsidiary are classified as loans and receivables in accordance with IAS 39 and are stated on the balance sheet of the Company at cost less any impairment applicable. As at 31 December 2011 and 31 December 2010 no impairment has been applied to the interest free loans.

The non-interest bearing convertible loans are classified as financial assets at fair value through profit and loss in accordance with IAS 39. The value of these loans is linked to the residual net asset value of the Subsidiary. Gains and losses on the convertible loans are included in the Statement of Comprehensive Income.

Non-interest bearing convertible loans have a maturity date of 31 December 2050. They are convertible into ordinary shares of Liscartan Investments S.A.R.L at a price of €25 per ordinary share.

Interest free loans mature 10 years after issuance. Each loan can be repaid early, without penalty, in full or in part.

Since the fair value of the investments in Liscartan is lower than the cost value of the non-interest bearing loans outstanding, the unrealised loss at Liscartan have been recognised in the Statement of Comprehensive Income. As at 31 December 2011 the interest free loans outstanding amounted to €4,266,154 (2010: €11,145,647) and non-interest bearing convertible loans were valued at €52,788,858 (2010: €69,098,061).

2.4 Foreign currency translation

(a) Functional and presentation currency
The Fund's investors are mainly from the eurozone, with the subscriptions and redemptions of the redeemable shares in Euro. The performance of the Fund is measured in Euro and reported to the investors in Euro. The Board of Directors considers the Euro as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions. The consolidated financial statements are presented in Euro, which is the Fund's functional and presentation currency.

(b) Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign 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 Consolidated Statement of Comprehensive Income. Translation differences on non-monetary financial assets and liabilities at fair value through profit or loss are recognised in the Consolidated Statement of Comprehensive Income within the fair value net gain or loss.

NOTES THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

2. Summary of significant accounting policies (continued)

2.5 Financial assets and financial liabilities at fair value through profit or loss

(a) Classification

The Fund classifies its investments as financial assets or financial liabilities at fair value through profit or loss. These financial assets and financial liabilities are classified as held for trading or designated by the Board of Directors at fair value through profit or loss at inception.

Financial assets or financial liabilities held for trading are those acquired or incurred principally for the purposes of selling or repurchasing in the short term. Derivatives are also categorised as financial assets or financial liabilities held for trading. The Fund does not classify any derivatives as hedges in a hedging relationship.

Financial assets and financial liabilities designated at fair value through profit or loss at inception are those that are managed and their performance evaluated on a fair value basis in accordance with the Company's documented investment strategy.

(b) Recognition/derecognitio

Regular-way purchases and sales of investments are recognised on the trade date, the date on which the Fund commits to purchase or sell the investment. Investments are derecognised when the rights to receive cash flows from the investments have expired or the Fund has transferred substantially all risks and rewards of ownership.

Realised surpluses and deficits on the partial sale of investments are arrived at by deducting the cost of such investments from the sales proceeds. Realised gains and losses on investments are calculated by reference to the net proceeds received on disposal and on a first in first out cost basis attributable to those investments. The purchase and sales of investments are accounted for on the trade date.

(c) Measurement

Financial assets and financial liabilities at fair value through profit or loss are initially recognised at fair value. Transaction costs are expensed in the Consolidated Statement of Comprehensive Income. Subsequent to initial recognition, all financial assets and financial liabilities at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of the 'financial assets or financial liabilities at fair value through profit or loss' category are presented in the Consolidated Statement of Comprehensive Income in the period in which they arise.

Interest income from financial assets at fair value through profit or loss is recognised in the Consolidated Statement of Comprehensive Income within interest income using the effective interest method.

(d) Fair value estimation

The fair value of financial instruments traded in active markets (such as publicly traded securities) is based on quoted market prices at the Consolidated Statement of Financial Position date. The quoted market price used for financial assets held by the Fund is the current bid price; the appropriate quoted market price for financial liabilities is the current asking price. When the Fund holds derivatives with offsetting market risks, it uses mid-market prices as a basis for establishing fair values for the offsetting risk positions and applies the bid or asking price to the net open position, as appropriate.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The fair value of these financial instruments will be valued in a manner determined by the Directors as advised by the Investment Manager. As at 31 December 2011 the market value of the Fund's securities priced by the Investment Manager at fair value is € Nil (2010: € Nil).

Realised surpluses and deficits on the partial sale of investments are arrived at by deducting the cost of such investments from the sales proceeds. The purchase and sales of investments are accounted for on the trade date.

Realised and unrealised gains and losses on investments are included in the Consolidated Statement of Comprehensive Income.

NOTES THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

2. Summary of significant accounting policies (continued)

2.6 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the Consolidated Statement of Financial Position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

2.7 Cash and cash equivalents

Cash and cash equivalents include cash in hand, demand deposits, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Credit ratings are discussed in Note 4.4

	Consolidated 2011 €	Company 2011 €	Consolidated 2010 €	Company 2010 €
J.P. Morgan Chase	944,309	944,309	944,186	944,186
Citi deposit accounts	20,025,333	20,025,333	68,232,442	68,232,442
Goldman Sachs Funds PLC - Euro Liquid Reserve Fund *	73,397,105	73,397,105	60,994	60,994
Goldman Sachs International	5,134,463	5,099,717	6,831,871	6,793,349
ING Bank	35,937	-	6,890	-
	99,537,147	99,466,464	76,076,383	76,030,971

* Goldman Sachs Funds PLC- Euro Liquid Reserves Fund is a UCITS certified open-end fund incorporated in Ireland. The objective of the fund is to maximise current income to the extent that it is consistent with the preservation of capital. The Fund will invest in a diversified portfolio of high quality money market securities with remaining maturities of 13 months or less.

2.8 Margin cash at broker

Amounts receivable from or payable to brokers include cash balances with the Company's clearing broker. Under a revolving facility with the Prime Broker, Goldman Sachs International, the Company is able to borrow amounts in various currencies collateralised by the cash and securities held on its behalf by Goldman Sachs International.

	Consolidated 2011 €	Company 2011 €	Consolidated 2010 €	Company 2010 €
Goldman Sachs International	1,533,763	1,533,763	3,958,600	3,958,600
	1,533,763	1,533,763	3,958,600	3,958,600

2.9 Accrued expenses

Accrued expenses are recognised initially at fair value and subsequently stated at amortised cost using the effective interest method.

	Consolidated 2011 €	Company 2011 €	Consolidated 2010 €	Company 2010 €
Administration out of pocket fees	837	837	692	692
Company Secretary fee	9,112	9,112	4,250	4,250
Investment committee fees	10,000	10,000	-	-
Liscartan board fees	6,000	6,000	-	-
Directors out of pocket fees	2,168	2,168	3,125	3,125
Listing fees	15,647	15,647	8,963	8,963
Interest payable	5,670	5,670	-	-
Legal fees	102,090	102,090	-	-
Accrued tax liability	406,442	302,237	-	-
	557,966	453,761	17,030	17,030

NOTES THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

2. Summary of significant accounting policies (continued)

2.10 Due from and due to brokers

Amounts due from and to brokers represents receivables for securities sold and payables for securities purchased that have been contracted for but not yet settled or delivered on the Consolidated Statement of Financial Position date, respectively.

2.11 Interest income

Interest income is recognised on a time-proportionate basis using the effective interest method and includes interest income from debt securities.

2.12 Dividend income and expense

Dividend income is recognised when the right to receive a payment is established. Dividend expense is recognised when the obligation to pay is established.

2.13 Taxation

Under current law and practice, the Company qualifies as an investment undertaking as defined in Section 739B of the Taxes Consolidation Act, 1997, as amended (the "TCA"). On that basis, it is not chargeable to Irish tax on its income or capital gains.

However, Irish tax can arise on the happening of a chargeable event in the Company. A chargeable event includes any distribution payments to shareholders or any encashment, redemption, transfer or cancellation of shares and any deemed disposal of shares for Irish tax purposes arising as a result of holding shares in the Company for a period of eight years or more. No Irish tax will arise in respect of chargeable events in respect of a shareholder who is an Exempt Irish Investor (as defined in Section 739D of the TCA) or who is neither Irish resident nor ordinarily resident in Ireland for tax purposes at the time of the chargeable event, provided, in each case, that an appropriate valid declaration in accordance with Schedule 2B of the TCA is held by the Company or where the Company has been authorised by Irish Revenue to make gross payments in absence of appropriate declarations.

Capital gains, dividends, and interest received on investments made by the Company may be subject to withholding taxes imposed by the country of origin and such taxes may not be recoverable by the Company or its shareholders.

As at 31 December 2011 accrued tax liabilities amounted to €300,147 (2010: Nil). In addition an amount of €106,295 (2010: Nil) has been accrued for in relation to the Subsidiaries property investments.

The board considers the Company's tax position on a annual basis.

2.14 Derivatives

Derivatives are recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models and options pricing models, as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

3. Fair Value of Financial Instruments

In determining fair value, the Fund uses various valuation approaches. IFRS 7 establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. 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, volatility statistics, specific and broad credit data, liquidity statistics, and other factors. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. However, the determination of what constitutes "observable" requires significant judgment by the Investment Manager. The Investment Manager considers observable data to be that market data which is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

NOTES THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

3. Fair Value of Financial Instruments (continued)

The categorisation of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to the Investment Manager's perceived risk of that instrument. The hierarchy is broken down into three levels based on the observability of inputs as follows:

Level 1 valuation methodology is based on quoted prices in active markets for identical assets or liabilities that the Fund has the ability to access. Valuation adjustments and block discounts are not applied to Level 1 instruments. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment.

Examples of assets and liabilities utilizing Level 1 inputs are: certain other sovereign government obligations and exchange traded equity securities and listed derivatives that are actively traded. For the Fund, exchange traded funds and exchange traded equity securities are classified in Level 1.

Level 2 valuation methodology is based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly. Examples of assets and liabilities utilizing Level 2 inputs are: exchange-traded equity securities and listed derivatives that are not actively traded; most over-the counter derivatives; restricted stock; corporate and municipal bonds. For the Fund, forward exchange contracts, exchange traded funds and CFD’s are classified in Level 2.

Level 3 valuation methodology is based on inputs that are unobservable and significant to the overall fair value measurement. Examples of assets and liabilities utilizing Level 3 inputs are: certain mortgage-backed and asset-backed securities, retained interests in certain securitization transactions and private equity positions. As at 31 December 2011 and 31 December 2010 the Fund held no Level 3 investments.

Fair value is a market-based measure considered from the perspective of a particular market participant rather than an aggregation of participants such as an exchange based measure.

Therefore, even when market assumptions are not readily available, the Fund’s own assumptions are set to reflect those that market participants would use in pricing the asset or liability at the measurement date. The Fund uses prices and inputs that are current as of the measurement date, including during periods of market dislocation. In periods of market dislocation, the observability of prices and inputs may be reduced for many instruments. This condition could cause an instrument to be reclassified from Level 1 to Level 2 or Level 2 to Level 3.

The availability of observable inputs can vary from product to product and is affected by a wide variety of factors, including, for example, the type of product, whether the product is new and not yet established in the marketplace, and other characteristics particular to the transaction. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. The level of the valuation is not based on the risks associated with the valuation, but with the transparency of the inputs used for the valuation of that financial instrument.

Accordingly, the degree of judgment exercised by the Investment Manager in determining fair value is greatest for instruments categorized in Level 3. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes the level in the fair value hierarchy is determined based on the lowest level input that is significant to the fair value measurement. Level 3 investments may also be adjusted to reflect illiquidity and/or non-transferability, with the amount of such discount estimated by the Investment Manager in the absence of market information. Assumptions used by the Investment Manager due to the lack of observable inputs may significantly impact the resulting fair value and therefore the Fund's results of operations.

NOTES THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

3. Fair Value of Financial Instruments (continued)

Set forth below are the Fund's assets at 31 December 2011 and 2010 categorized based on the hierarchy set out in IFRS 7:

Consolidated 31 December 2011	Level 1	Level 2	Level 3	Total Balance
	€	€	€	€
Assets				
Financial assets at fair value through profit or loss				
Equity securities	64,409,729	6,335,128	-	70,744,857
Exchange traded funds	-	57,110,428	-	57,110,428
Total Assets	**64,409,729**	**63,445,556**	**-**	**127,855,285**
Liabilities				
Financial liabilities at fair value through profit or loss				
Contracts for Difference	-	941,171	-	941,171
Forward contracts	-	1,461,360	-	1,461,360
Total Liabilities	**-**	**2,402,531**	**-**	**2,402,531**

Consolidated 31 December 2010	Level 1	Level 2	Level 3	Total Balance
	€	€	€	€
Assets				
Financial assets at fair value through profit or loss				
Equity securities	118,818,984	-	-	118,818,984
Exchange traded funds	80,259,157	-	-	80,259,157
Forward contracts	-	505,849	-	505,849
Total Assets	**199,078,141**	**505,849**	**-**	**199,583,990**
Liabilities				
Financial liabilities at fair value through profit or loss				
Forward contracts	-	1,771,178	-	1,771,178
Options	96,903	-	-	96,903
Total Liabilities	**96,903**	**1,771,178**	**-**	**1,868,081**

There were no movements on level 3 investment during the year.

Forsys Metals was moved from a Level 1 to a Level 2 investment during the year ended 31 December 2011. As per note 4.6 the Fund has significantly increased its position in Forsys Metals during the year and the monthly trading volumes have decreased therefore increasing the potential time horizon required for the Fund to unwind its position.

Exchange traded funds were also moved from Level 1 to Level 2 during the year period due to a decrease in liquidity for their shares.

NOTES THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

3. Fair Value of Financial Instruments (continued)

Set forth below are the Fund's assets at 31 December 2011 and 2010 categorized based on the hierarchy set out in IFRS 7:

Parent Company 31 December 2011	**Level 1**	**Level 2**	**Level 3**	**Total Balance**
	€	**€**	**€**	**€**
Assets				
Financial assets at fair value through profit or loss				
Equity securities	70,744,857	-	-	70,744,857
Convertible loans to subsidiary (Liscartan)	-	-	52,788,858	52,788,858
Total Assets	**70,744,857**	**-**	**52,788,858**	**123,533,715**
Liabilities				
Financial liabilities at fair value through profit or loss				
Contracts for Difference	-	941,171	-	941,171
Forward contracts	-	1,461,360	-	1,461,360
Total Liabilities	**-**	**2,402,531**	**-**	**2,402,531**

Parent Company 31 December 2010	**Level 1**	**Level 2**	**Level 3**	**Total Balance**
	€	**€**	**€**	**€**
Assets				
Financial assets at fair value through profit or loss				
Equity securities	118,818,984	-	-	118,818,984
Forward contracts	-	505,849	-	505,849
Convertible loans to subsidiary (Liscartan)	-	-	69,098,061	69,098,061
Total Assets	**118,818,984**	**505,849**	**69,098,061**	**188,422,894**
Liabilities				
Financial liabilities at fair value through profit or loss				
Forward contracts	-	1,771,178	-	1,771,178
Options	96,903	-	-	96,903
Total Liabilities	**96,903**	**1,771,178**	**-**	**1,868,081**

The below table shows the level 3 movements for the Company

	2011	**2010**
	US$	**US$**
Opening balance	69,098,061	66,733,321
Provision of interest free loans	1,755,000	513,047
Repayment of interest free loans	(7,000,000)	(1,740,507)
Decrease /Increase in fair value of non interest bearing convertible loans	(11,064,203)	3,592,200
Closing balance 31 December 2011	**52,788,858**	**69,098,061**

NOTES THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

4. Financial risk management

4.1 Strategy in using financial instruments

In pursuing its investment objective set out on the Directors' Report on page 4, the Fund holds a number of financial instruments principally comprising:

- Listed Equities
- Equity Swaps
- Investment Funds
- Listed Futures
- Listed Options

The Company and its Subsidiary are managed as one investment entity (the "Group"). The main risks arising from the Fund's financial instruments are market price, foreign currency risk, liquidity risks, credit risk and interest rate risk. The board reviews and agrees with the Investment Manager policies for managing each of these risks and they are summarised below.

Market Risk

Market risk embodies the potential for both losses and gains and includes price risk, currency risk and interest rate risk. The Fund's strategy on the management of investment risk is driven by the Fund's investment objective as outlined in Note 1 to the consolidated financial statements. Details of the Fund's financial instruments outstanding at the Consolidated Statement of Financial Position date can be seen in the Consolidated Schedule of Investments on page 44 and 45.

Market risk is managed on a daily basis by the Investment Manager in accordance with policies and guidelines as outlined in the Fund's Prospectus. The Investment Manager recognises the interdependency between price, interest and currency risk. As such the investment manager employs historical simulation in the calculation of Value at Risk (VAR) analysis to measure its market risk on a daily basis. The Investment Manager monitors Value at Risk ("VaR") on a monthly basis using LeoPos. The system uses a historical covariance model based upon a one day time horizon and a 95% confidence limit. At the end of each month the figure is compared to a number produced by downloading portfolio data into the standard Bloomberg VaR model. It is the process that the quarterly average VaR and quarterly closing VaR figures are provided to the Directors of the Company at the quarterly Company board meetings. The VaR figure provided is calculated by taking the EUR Value at Risk figure calculated by the standard Bloomberg VaR model and dividing this by the prior month end confirmed Assets Under Management.

(Monthly) VaR at 31 December 2011	1.23% (2010: 0.72%)
Average (Monthly) VaR for year	1.03% (2010: 0.71%)

Some limitations of VAR/sensitivity analysis are;

- the models are based on historical data and cannot take account of the fact that future market price movements, correlations between markets and levels of market liquidity in conditions of market stress may bear no relation to historical patterns;

- the market price risk information is a relative estimate of risk rather than a precise and accurate number;

- the market price information represents a hypothetical outcome and is not intended to be predictive (in the case of probability-based methods, such as VAR, profits and losses are almost certain to exceed the reported amount with a frequency depending on the confidence interval chosen); and

- future market conditions could vary significantly from those experienced in the past.

NOTES THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

4. Financial risk management (continued)

4.2 Market price risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, other than those arising from currency risk or interest rate risk. Price movements are influenced by, among other things, changing supply and demand relationships, monetary and exchange control programs, policies of governments, political and economic events, and policies and emotions of the marketplace.

The Fund's investments are susceptible to market price risk arising from uncertainties about future prices of the financial instruments. All securities invested in present a risk of loss of capital. The Investment Manager may seek to mitigate risk by diversification across sectors, countries and companies and opportunities from across the market capitalisation spectrum. The Company currently pursues an activist strategy and therefore diversification is naturally limited by the need to hold concentrated positions.

The investment objective of the Fund is long-term capital appreciation, which the Fund seeks to achieve by investing primarily in European securities. Investments may be in the form of shares (including shares in European publicly traded companies which subsequently cease to be traded on a public market and shares in private companies having investments in European publicly traded companies), convertible debt, contracts for differences, exchange traded and OTC options, warrants, futures and other instruments through which exposure to underlying companies may be achieved. It is anticipated that at any point in time there may be significant concentration exposures to individual issuers.

The Fund's overall market positions are monitored on a daily basis by the Investment Manager through use of its bespoke real time P/L software ("LeoPos"). The overall market exposure at 31 December 2011 is disclosed in the Consolidated Schedule of Investments.

4.3 Currency risk

The Fund's principal exposure to foreign currency risk comprises its investments priced in currencies other than the functional currency of the Fund.

The Fund may enter into derivative transactions for the purposes of hedging against currency or other risks on behalf of the Fund and also to generate profit.

A proportion of the net assets of the Fund are denominated in currencies other than Euro, the Fund's functional currency, with the effect that the Consolidated Statement of Financial Position and Consolidated Statement of Comprehensive Income can be significantly affected by currency movements.

The foreign currency exposure as at 31 December 2011is as follows:

	Net Monetary Assets and Liabilities €	Net Non-Monetary Assets and Liabilities €	FX Forwards €	2011 Total net assets €	2011 Total net assets %
AUD	(3,270)	8,119,217	(11,094,019)	(2,978,072)	(1.32%)
CAD	3,725	6,335,128	(15,078,025)	(8,739,172)	(3.87%)
CHF	533	12,562,813	(16,486,118)	(3,922,772)	(1.74%)
GBP	(912,368)	22,363,046	(6,040,309)	15,410,369	6.83%
USD	10,768	4,885,953	(6,158,559)	(1,261,838)	(0.56%)
	(900,612)	54,266,157	(54,857,030)	(1,491,485)	(0.66%)

NOTES THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

4. Financial risk management (continued)

4.3 Currency risk (continued)

The foreign currency exposure as at 31 December 2010 is as follows:

	Net Monetary Assets and Liabilities	Net Non-Monetary Assets and Liabilities	FX Forwards	2010 Total net assets	2010 Total net assets
	€	€	€	€	%
AUD	148,697	15,903,576	(16,372,156)	(319,883)	(0.12%)
CAD	1	14,295,390	(14,199,324)	96,067	0.03%
CHF	(17,607,328)	36,578,575	(17,466,813)	1,504,434	0.55%
GBP	37,010	32,602,585	(30,846,705)	1,792,890	0.65%
USD	(14,087,633)	19,438,858	(4,767,655)	583,570	0.21%
	(31,509,253)	118,818,984	(83,652,653)	3,657,078	1.32%

These cash amounts are netted above for presentation on the consolidated statement of financial position. This is due to the right of offset which exists at the Prime Broker Goldman Sachs International. A margining agreement exists with Goldman Sachs International which allows the Company to go overdrawn on cash. Interest is charged for negative margin cash.

4.4 Credit risk

The Fund takes on exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Impairment provisions are provided for losses that have been incurred by the Consolidated Statement of Financial Position date, if any. All transactions in listed securities are settled/paid for upon delivery using approved brokers.

The risk of default is considered minimal, as delivery of securities is only made once the broker has received payment. Payment is made on a purchase once the securities have been received by the broker. The trade will fail if either party fails to meet its obligation.

The Company's money will not be segregated from the money of the Prime Broker and will be used by the Prime Broker in the course of the Prime Broker's business. The credit risk associated with favourable contracts is reduced by a master netting arrangement to the extent that if an event of default occurs, all amounts with the counterparty are terminated and settled on a net basis. Rehypothecation (the use of client securities by the Prime Broker for its own purposes) is restricted to a maximum of 140% of liabilities owed to the Prime Broker from time to time.

Credit risk on liquid funds and derivative financial instruments may be reduced where the counterparties are banks with high credit ratings assigned by international credit rating agencies. The Investment Manager assesses the risk associated with investments by performing financial analysis on the issuing companies as part of its normal scrutiny of prospective investments.

The Investment Manager monitors the credit rating and financial positions of the brokers used to further mitigate this risk and also ensures the Fund's counterparty credit exposure (other than the Prime Broker) is limited to 40% of net assets. The Investment manager also ensures any "over-the-counter" counterparty has a credit rating or an implied credit rating of A2/P2 as rated by Standard & Poor's/IBCA or Moody's or an equivalent rating provided by an internationally recognised rating agency.

NOTES THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

4. Financial risk management (continued)

4.4 Credit risk (continued)

The below tables shows the credit ratings as of 31 December 2011 and 31 December 2010.

Custodian/ Primebroker/Broker	% of assets held 2011	% of assets held 2010	2011 rating	2010 rating	Rating agency
Goldman Sachs International	90.69%	74.86%	A-2	A-1	Standard and Poors
JP Morgan Securities Limited	0.42%	0.34%	P-1	P-1	Moodys
ING Bank	0.02%	0.003%	A-1	A-1	Standard and Poors
Citibank	8.87%	24.79%	A-2	A-1	Standard and Poors

The Fund may enter into forward foreign exchange contracts. Transactions in forward foreign exchange contracts are not regulated by any regulatory authority nor are they guaranteed by an exchange or clearing house. The Fund will be subject to the risk of the inability or refusal of its counterparties to perform with respect to such contracts. Any such default would eliminate any potential profit and compel the Fund to cover its commitments for re-sale or repurchase, if any, at the then current market price.

For exchange traded option contracts, the stock exchange acts as the counterparty to specific transactions and therefore, bears the risk of delivery to and from counterparties of specific positions. Over-the-counter option contracts are not guaranteed by any regulated stock exchange. The risk in writing a call option is that the Fund may incur a loss if the market price of the security increases and the option is exercised.

The risk in buying an option is that the Fund pays a premium regardless of whether the option is exercised. The Fund also has the additional risk of not being able to enter into a closing transaction if a liquid secondary market does not exist.

All contracts for difference are transacted with the Prime Broker. Collateral and margin management is the process of managing assets pledged by one party to another to mitigate credit risk between the parties and to minimize the effects of potential default.

As at 31 December 2011 and 31 December 2010 the Fund had open contracts for difference with Goldman Sachs. The investment Manager monitors the credit/counterparty exposure to the Fund on a daily basis.

As security for the payment and discharge of all liabilities of the Fund to the Prime Broker, its affiliated companies and of the Fund to its broker JP Morgan Securities Limited together the brokers (the "Broker's"), all investments and cash held by the Broker's and their affiliates will be charged by the Fund in their favour and will therefore constitute collateral for the purposes of the FSA rules.

Investments and cash may also be deposited by the Fund with the Broker's as margin and will also constitute collateral for the purposes of the FSA rules. Investments which constitute collateral for the purposes of the FSA rules may not be segregated from the Broker's own investments and may be available to creditors of the Broker's. Any part of the Funds property may be commingled with cash and securities of the same description of other customers of the Broker's and accordingly the Fund shall not necessarily have the right to any specific security issues, but will instead be entitled, to the transfer or delivery of an amount of securities of any issue that is of the same description and in the same amount.

Daiwa Europe Trustees Ireland Limited acts as Custodian to the Fund. In the event that the Company fails to honour any or all of its obligations and liabilities to the Custodian for an unpaid amount (including interest) owed to the Custodian which the Custodian has incurred in the performance of its obligations under the terms of the agreement between the Custodian and the Company dated 22 December 2011 (the "Custodian Agreement") or as a result of it relying on Proper Instructions (as defined therein). The Custodian shall have the right to retain or set-off against such obligations of the Company, any Assets (as defined therein) that it may hold directly for the account of the Company.

NOTES THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

4. Financial risk management (continued)

4.5 Interest rate risk

The majority of the Fund's financial assets and liabilities are either non-interest bearing or held as cash and cash equivalents or cash at broker. As a result, the Fund was not subject to significant amounts of risk due to fluctuations in the prevailing levels of market interest rates at 31 December 2011 or 31 December 2010.

4.6 Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations associated with financial liabilities as they fall due. Not all securities or instruments invested in by the Fund will be listed or rated and consequently liquidity may be low. The accumulation and disposal of holdings in some investments may be time consuming and may need to be conducted at unfavourable prices.

The Fund may also encounter difficulties in disposing of assets at their fair price due to adverse market conditions leading to limited liquidity. In some circumstances, investments may be relatively illiquid making it difficult to acquire or dispose of them. The majority of the Fund's portfolio is invested in listed securities which are considered to be readily realisable as they are all listed on major European or North American stock exchanges. The Fund's liquidity risk is managed on a daily basis by the Investment Manager in accordance with policies and procedures in place. The Investment Manager imposes limits on the portion of the portfolio that may be invested in positions with reduced liquidity as well as limits on the size of individual positions.

The Board considers the securities listed below to be relatively illiquid and as a result the Fund may not be able to liquidate its interest in these securities at an amount close to fair value. The table below shows the bid and ask valuations of the securities as at 31 December 2011 and 31 December 2010. In addition the table discloses the average monthly trading volume for the security during the year 2011 and 2010.

As at 31 December 2011	Fund Holding	Average trades per month 2011	Bid valuation 2011	Ask valuation 2011
			€	€
Forsys Metals	13,292,116	1,760,000	6,335,128	7,340,704
Fimit SGR Alpha Immobiliare Fund	11,746	288	17,619,000	18,441,220
Beta Immobiliare Closed Fund	83,245	155	34,963,732	39,491,428
Total assets			58,917,860	65,273,352

As at 31 December 2010	Fund Holding	Average trades per month 2010	Bid valuation 2010	Ask valuation 2010
			€	€
Assets				
Forsys Metals	6,310,000	2,770,000	14,295,390	14,484,733
Fimit SGR Alpha Immobiliare Fund	11,746	975	28,190,400	28,707,224
Beta Immobiliare Closed Fund	82,883	1,252	52,068,758	53,873,950
Total assets			94,554,549	97,065,907

Forsys Metals is classified as Level 2 in Note 3 of the financial statements, The position is highlighted as illiquid due to the fact that the Fund holds a significant position in Forsys Metals and the monthly trading turnover for the year ended 2011 was approximately 13.24% (2010: 43.89%) of the Funds holding.

Fimit SGR Alpha Immobiliare and Beta Immobiliare are classified as Level 2 investments.

As the Company is closed ended there is no requirement to provide funding for capital redemptions. At 31 December 2011 all current liabilities that are stated in the Statement of Financial Position are payable within one month. In short selling and creating leverage the Prime broker – Goldman Sachs International provide borrowing facilities to the Fund. The Investment Manager monitors this stock loan and leverage on a daily basis.

NOTES THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

4. Financial risk management (continued)

4.6 Liquidity risk (continued)

Short sale transactions are subject to the terms of the Prime Brokerage agreement save for certain jurisdictions which may require a market standard securities lending agreement. Under the terms of the Prime Brokerage agreement the Fund will be required to post cash or other collateral as security for loans and to pay lenders of the securities a lending fee together with any dividend or interest payments on the securities until they are returned.

Normally the value of cash or securities posted as collateral exceeds the market value of the securities borrowed and is adjusted to reflect market movements. The lending fee may be factored into the rate of interest paid to the Fund on any cash pledged as collateral.

The table below analyses the Fund's gross settled derivatives into relevant maturity groupings based on the remaining period from the Statement of Financial Position date to the contractual maturity date.

	1-30 days	**30-60 days**	**60 + days**	**Total**
	€	**€**	**€**	**€**
As at 31 December 2011				
Assets				
FX forward contracts:				
Inflow	53,395,670	-	-	53,395,670
Outflow	(54,857,030)	-	-	(54,857,030)
Total assets	(1,461,360)	-	-	(1,461,360)

	1-30 days	**30-60 days**	**60 + days**	**Total**
	€	**€**	**€**	**€**
As at 31 December 2010				
Assets				
FX forward contracts				
Inflow	82,387,324	-	-	82,387,324
Outflow	(83,652,655)	-	-	(83,652,655)
Total assets	(1,265,331)	-	-	(1,265,331)

NOTES THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

5. Financial assets and liabilities at fair value through profit or loss

	2011	2010
	€	€
Net gain on financial assets and financial liabilities at fair value through profit or loss during the year comprises of:		
Realised gain on investments at fair value through profit or loss	20,765,468	1,616,331
Change in unrealised loss on investments at fair value through profit or loss	(63,511,637)	(5,364,752)
Net realised and change in unrealised loss on investments at fair value through profit or loss	(42,746,169)	(3,748,421)
Realised gain/(loss) on foreign exchange	1,533,452	(9,486,933)
Change in unrealised (loss)/gain on foreign exchange	(34,571)	401,796
Net realised and change in unrealised gain/(loss) on foreign currency	1,498,881	(9,085,137)
Net loss on financial assets and financial liabilities at fair value through profit or loss	(41,247,288)	(12,833,558)

6. Derivative financial instruments

The best evidence of the fair value of a derivative at initial recognition is the transaction price (i.e. the fair value of the consideration given or received). Subsequent changes in the fair value of any derivative instrument are recognised immediately in the Consolidated Statement of Comprehensive Income.

The Company may hold the following derivative instruments:

Contracts for difference (CFDs)

Contracts for difference (CFDs) represent agreements that obligate two parties to exchange cash flows at specified intervals based upon or calculated by reference to changes in specified prices or rates for a specified amount of an underlying asset or otherwise deemed notional amount. The payment flows are usually netted against each other, with the difference been paid by one party to the other. Therefore amounts required for the future satisfaction of the CFD may be greater or less than the amount recorded.

The ultimate gain or loss depends upon the prices at which the underlying financial instruments of the CFD is valued at on the CFDs settlement date and is included in the Statement of Comprehensive Income. Contracts for difference are exposed to market risk of the underlying security. Accordingly, a relatively small price movement in a contract may result in a significant profits or substantial losses to the Fund. As at 31 December 2011 the market value of open CFD contracts was (€-941,171) (2010: (€Nil)).

Options

The Company purchases or sells put and call options through listed exchanges and the OTC markets. Options purchased by the Company provide the Company with the opportunity to purchase (call options) or sell (put options) the underlying asset at an agreed-upon value either on or before the expiration of the option. The Company is exposed to credit risk on purchased options only to the extent of their carrying amount, which is their fair value.

Premiums received from writing options are marked to market and the resulting gains or losses are recorded in the Consolidated Statement of Comprehensive Income. As at 31 December all options were exchange traded and the fair value of open option contracts was €Nil (2010: €96,903).

NOTES THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

6. **Derivative financial instruments (continued)**

Forward foreign currency contracts

Forward foreign currency contracts entered into by the Fund represent a firm commitment to buy or sell an underlying asset, or currency at a specified value and point in time based upon an agreed or contracted quantity. The realised / unrealised gain or loss is equal to the difference between the value of the contract at the onset and the value of the contract at settlement date and are included in the Statement of Comprehensive Income. As at 31 December 2011 the market value of open forward foreign currency contracts was (€1,461,360) (2010: €1,265,329).

7. Exchange Rates

The consolidated financial statements are presented in Euro. The following exchange rates at 31 December 2011 have been used to translate assets and liabilities in other currencies to Euro.

	2011	**2010**
AUD	1.2661	1.3088
CAD	1.3218	1.3330
CHF	1.2135	1.2505
GBP	0.8363	0.8569
USD	1.2984	1.3416

8. Share capital

Authorised share capital
The authorized share capital of the Company is €250,000,001 divided into 100 Management Shares with no par value and 5,000 Participating Shares with no par value. The Participating Shares of the Company have equal dividend, distribution and liquidation rights.

The holders of Management Shares shall be entitled to vote on all matters in general meetings of shareholders of the Company except on a resolution to change the Investment Manager. The Management Shares do not entitle the holders to participate in the Company's profits and losses and they are not redeemable. Upon the winding up of the Company the holders of Management Shares are entitled to receive their paid in capital of €0.01 per Share after payment of the amounts due to holders of Participating Shares.

The holders of Participating Shares (the "Shareholders") shall be entitled to receive notice and to attend, in person or by proxy, at each general meeting of shareholders of the Company. Participating Shareholders shall be entitled to speak or vote at any such meeting as contemplated by the Memorandum and Articles of Association, and Irish law, including voting in respect of a resolution which proposes to vary the special rights attaching to the Participating Shares, to amend the Memorandum or Articles of Association of the Company, to remove and appoint Directors of the Company, to vote on the winding-up/continuation of the Company at the end of its seven year planned life and to change the Investment Manager (see the section below entitled "General Meetings of Shareholders"). They are entitled to receive, to the exclusion of the holders of the Management Shares, any dividends that may be declared by the Company on behalf of the PS Segregated Portfolio and, upon the winding up of the Company, the full amount of the assets of the PS Segregated Portfolio available for the distribution will be distributed to registered holders of Participating Shares in accordance with the Articles of Association.

Shares are not redeemable at the option of the Shareholder. On or prior to the seventh anniversary of the first issue of the Participating Shares (being June 27, 2014), the Board of Directors will convene a general meeting of shareholders at which a resolution will be put to all holders of Participating Shares to continue the existence of the Company beyond that date for a period of up to two years. The approval of the holders of 75% of Participating Shares held by such Shareholders attending and voting at such meeting will be required for the resolution to extend the Company's life to be passed. Unless the resolution is passed, the Company will be placed into liquidation in accordance with the Articles of Association and the Participating Shares will be redeemed. Participating Shareholders shall not be entitled to request the repurchase of Shares.

NOTES THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

8. Share capital (continued)

On 10 January 2011 the Directors wrote to shareholders advising them of a share buyback offer of up to 5% of the Company's shares. The offer was to be made in two tranches of 2.5% each. The first offer period began on 10 January 2011 and ended on 27 January 2011. The first offer was fully subscribed, resulting in 75 shares being repurchased by the Company.

	As at 31 December 2010	Issued in the year	Redeemed in the year	As at 31 December 2011
Number of participating shares	2,986	-	(75)	2,911

	As at 31 December 2009	Issued in the year	Redeemed in the year	As at 31 December 2010
Number of participating shares	2,986	-	-	2,986

9. Related party transaction

Investment management fee

Pursuant to the investment management agreement dated 21 December 2011, the Company pays the Manager a monthly investment management fee at an annual rate of 1% of the Net Asset Value of the PS Segregated Portfolio (payable in arrears every month).

Investment management fees incurred during the year amounted to €3,522,690, of which €2,348,460 was paid to Leo Fund Managers Ltd and €1,174,230 was paid to Leonardo Capital Management Limited (2010: €4,107,477, of which €2,738,318 was paid to Leo Fund Managers Ltd and €1,369,159 was paid to Leonardo Capital Management Limited) and investment management fees payable at 31 December 2011 amounted to €191,806 (2010: €346,667).

Investment management termination fee

As part of the re-domiciliation process Leonardo Capital Management Limited were replaced as Investment Manager by Leo Fund Managers Limited, In that regard Leonardo Capital Management Limited were paid a one off discounted management fee, under the provision of the Investment Management agreement dated 12 January 2007, of €2,786,639 which is the equivalent of 0.5% management fee based on the August net assets discounted by 7.5% for the remainder of the term of the Company until 27 June 2014. This amount was paid by the Fund on 5 December 2011.

Performance fee
On the winding-up of the Company or on the redemption of all of the Participating Shares of the PS Segregated Portfolio, the Company shall pay a performance fee to the Manager pursuant to terms of the investment management agreement equivalent to 20% of the appreciation in the Net Asset Value of the PS Segregated Portfolio over the period since a performance fee was last paid or, if no performance fee has been paid, since the date of the first issue of Participating Shares.

NOTES THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

9. Related party transaction (continued)

Performance fee (continued)

In the event that the Manager's appointment is terminated by the Company prior to the winding-up of the Company or the redemption of all of the Participating Shares of the PS Segregated Portfolio for any reason, the Company shall pay a performance fee to the Manager equivalent to 20% of the appreciation in the Net Asset Value of the PS Segregated Portfolio over the period since a performance fee was last paid or, if no performance fee has been paid, since the date of the first issue of Participating Shares to the last Business Day on the month immediately prior to which such termination becomes effective. For the year ended 31 December 2011, the performance fee accrued amounted to €Nil (2010: €Nil).

Directors' fees
The listing of the members of the Board of Directors is shown on page 2 of the annual report.

Each non Irish Director is paid a fee of €50,000 per annum by the Company. Each Irish Director is paid a fee of €15,000 per annum by the Company. The Directors will also be entitled to payment of all reasonable expenses incurred in connection with their appointment as Directors of the Company.

Directors' fees incurred during the year amounted to €250,000 (2010: €249,000) and Directors' fees payable at 31 December 2011 amounted to €125,000 (2010: €Nil).

Jonathan Schwartz receives €12,000 in directorship fees from Liscartan Investments S.a.r.l and €20,000 in investment committee fees from the Company.

Jonathan Schwartz received €25,000 consulting fee in relation to the re-domiciliation of the Fund.

At 31 December 2011:
- Ian Cooper, a Director of the Company held 5 Participating Shares.

The above share holdings were the same as at 31 December 2010.

Other fees

Richard Parkhouse, the Chief Operating Officer and Director of the Manager received a consulting fee of €50,000 in relation to the re-domiciliation of the Fund.

10 Service Providers

Administration fee
Quintillion Limited (the "Administrator") serves as the Company's administrator, registrar, and transfer agent and performs certain administrative duties, including accounting and clerical functions. The Company pays from the assets attributable to the redeemable participating shares of the Company a monthly administration fee equal to an amount falling between one-twelfth of between 0.06% and 0.08% of the month end net assets, depending on the level of assets under management. The minimum monthly fee for such services will be equal to €10,000.

The Administrator also charges an annual fee of €6,000 for audit assistance and is entitled to be reimbursed for reasonable out-of-pocket expenses. As at 31 December 2011, total administration fees for the year amounted to €186,089 (2010: €197,390) with €14,265 (2010: 16,615) payable at year end.

Custodian

Daiwa Europe Trustees Ireland Limited were appointed as Custodian to the Companyon 21 December 2011.

The Custodian shall be entitled to a custody fee of 0.03% per annum on the first US$200 million of the Net Asset Value of the Portfolio, 0.0275 % per annum on the next US$200 million, 0.025 % per annum on the next US$200 million and 0.02 % per annum on the balance, subject to a minimum of €3,250. As at 31 December 2011, total Custodian fees for the year amounted to €Nil (2010: €Nil) with €Nil (2010: €Nil) payable at year end.

NOTES THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

11. Re-Domiciliation expenses

The Company was formed as a segregated portfolio company in the Cayman Islands and registered there on August 25, 2006 and was re-domiciled to Ireland on 21 December 2011 where it is regulated by the Central Bank as a Qualifying Investor Fund pursuant to the provisions of Part XIII of the Companies Act, 1990.

The costs incurred by the Company in respect of re-domiciling the Company to Ireland were €72,656 in legal fees and €75,000 in consulting fees.

12. Reconciliation to published Net Asset Value

The Fund's Net Asset Value as represented by the monthly valuation differs to the Net Asset Value reported in the financial statements as a result of adjustments required to satisfy International Financial Reporting Standards.

	2011	**2010**
	€	**€**
Net asset value per financial statements	225,657,617	275,225,829
Revaluation gain on investments from bid prices to last traded prices	1,618,644	1,760,923
Capitalised termination management fee *	2,612,474	-
Net asset value per December valuation	229,888,735	276,986,752

* As per note 9 a termination management fee of €2,786,639 was paid on 5 December 2011. For the calculation of the monthly Net Asset Value this amount is being amortised at a rate of €87,082 per month in order for the expense to be fully written off by the end of the Fund's life on 27 June 2014. For the purpose of the preparation of the financial statements International Financial Reporting Standards does not allow for the amortisation of this fee and the full amount of the fee has been written off in the current year.

13. Events since the year end

On 10 January 2012 the Directors wrote to shareholders advising them of the second tranche of the share buyback offer. The offer closed on 30 January 2012 with 73 shares (2.5% of share capital) having been repurchased by the Fund.

There have been no further subsequent events.

14. Statement of portfolio changes

A complete statement of portfolio changes will be made available to shareholders on request free of charge.

15. Soft commission arrangements

There were no soft commission arrangements in the year ended 31 December 2011 or 31 December 2010.

NOTES THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

16. Changes in accounting standards

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 Fund.

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 Fund's consolidated financial statements.

There are no other standards, interpretations or amendments to existing standards that are effective that would be expected to have a significant impact on the Fund. 'Improvements to IFRS' were issued in May 2010 and contain several amendments to IFRS, which the IASB considers non-urgent but necessary. 'Improvements to IFRS' comprise amendments that result in accounting changes for presentation, recognition or measurement purposes, as well as terminology or editorial amendments related to a variety of individual standards. Most of the amendments are effective for annual periods beginning on or after 1 January 2011. No material changes to accounting policies are expected as a result of these amendments.

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 Fund's financial position or performance, as it is expected that the Fund will continue to classify its financial assets and financial liabilities (both long and short) as being at fair value through profit or loss.

IFRS 13, 'Fair value measurement', effective for annual periods beginning on or after 1 January 2013, has not been early adopted. The standard improves consistency and reduces complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs.

The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRS. If an asset or a liability measured at fair value has a bid price and an ask price, the standard requires valuation to be based on a price within the bid-ask spread that is most representative of fair value and allows the use of mid-market pricing or other pricing conventions that are used by market participants as a practical expedient for fair value measurement within a bid-ask spread. On adoption of the standard, the Fund changed its valuation inputs for listed financial assets and liabilities to last traded prices to be consistent with the inputs prescribed in the Fund's offering document for the calculation of its per share trading value for subscriptions and redemptions. The use of last traded prices is recognised as a standard pricing convention within the industry. In the prior year, the Fund utilised bid and ask prices for its listed financial assets and liabilities in accordance with IAS 39. The change in valuation inputs is considered to be a change in estimate in accordance with IAS 8.1

NOTES THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

16. Changes in accounting standards (continued)

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. The new standard is not expected to have any impact on the Fund's financial position or performance.

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 Fund's financial position or performance.

There are no other standards, interpretations or amendments to existing standards that are not yet effective that would be expected to have a significant impact on the Fund

17. Approval

The consolidated financial statements were prepared by Quintillion Limited and approved by the Board of Directors on 18 April 2012.

CONSOLIDATED SCHEDULE OF INVESTMENTS
As at 31 December 2011

Equity Securities

Description	Holding	Issuing Country	Local Currency	Fair Value Euro	% Net asset value
Forsys Metals	13,292,116	Canada	CAD	6,335,128	2.81%
Infigen Energy	39,541,859	Australia	AUD	8,119,217	3.60%
Kabel Deutschland	420,000	Germany	EUR	16,478,700	7.30%
Mitchells & Butler	8,000,000	Great Britain	GBP	22,363,046	9.91%
OC Oerlikon AG	3,050,000	Switzerland	CHF	12,562,813	5.57%
Symphony International	10,660,000	Singapore	USD	4,885,953	2.17%
				70,744,857	**31.35%**

Investment Funds

Description	Holding	Issuing Country	Local Currency	Fair Value Euro	% Net asset value
Fimit SGR Alpha Immobiliare Fund	11,746	Italy	EUR	17,619,000	7.81%
Beta Immobiliare Closed Fund	83,245	Italy	EUR	39,491,428	17.50%
				57,110,428	**25.31%**
Total financial assets at fair value through profit or loss				**127,855,285**	**56.66%**

Financial liabilities at fair value through profit or loss

Contracts for Difference

Description	Holding	Local Initial notional	Local current notional	Counterparty	Fair Value Euro	% Net asset value
Inmarsat	1,000,000	4 ,826,167	4,040,000	Goldman Sachs	(941,171)	(0.42%)
					(941,171)	**(0.42%)**

Forward contracts

Maturity Date	Contract	Buy amount	Sell amount	Counterparty	Fair Value EUR	% Net Asset Value
04/01/12	Buy EUR Sell CAD @1.3792	9,381,672	12,940,000	Goldman Sachs	(406,271)	(0.18%)
04/01/12	Buy EUR Sell GBP@0.8577	5,882,523	5,045,922	Goldman Sachs	(157,786)	(0.07%)
04/01/12	Buy EUR Sell AUD @1.3227	10,627,300	14,056,911	Goldman Sachs	(466,719)	(0.21%)
04/01/12	Buy EUR Sell USD @1.3477	5,932,017	7,995,000	Goldman Sachs	(226,542)	(0.10%)
04/01/12	Buy EUR Sell CHF@1.2268	16,310,642	20,011,527	Goldman Sachs	(175,476)	(0.08%)
26/01/12	Buy EUR Sell CAD @1.3301	5,261,516	6,998,174	Goldman Sachs	(28,566)	(0.01%)
					(1,461,360)	**(0.65%)**
	Total financial liabilities at fair value through profit or loss				**(2,402,531)**	**(1.06%)**

	Fair Value Euro	% Net asset value
Total Investments	125,452,754	55.59%
Other net assets	100,204,863	44.41%
Net Assets	**225,657,617**	**100.00%**

CONSOLIDATED SCHEDULE OF INVESTMENTS
As at 31 December 2010

Financial assets at fair value through profit or loss

Equity Securities

Description	Holding	Issuing Country	Local Currency	Fair Value Euro	% Net asset value
Forsys Metals	6,310,000	Canada	CAD	14,295,390	5.16%
Infigen Energy	38,904,767	Australia	AUD	15,903,576	5.74%
Synthes	200,000	Switzerland	CHF	20,200,586	7.29%
Mitchells & Butler	8,000,000	Great Britain	GBP	32,602,585	11.77%
Actelion Ord Shs	400,000	Switzerland	CHF	16,377,989	5.92%
Norilskiy Nikel Depository Receipt	800,000	Russia	USD	14,115,016	5.10%
Symphony International	10,660,000	Singapore	USD	5,323,842	1.92%
				118,818,984	**42.92%**

Investment Funds

Description	Holding	Issuing Country	Local Currency	Fair Value Euro	% Net asset value
Fimit SGR Alpha Immobiliare Fund	11,746	Italy	EUR	28,190,401	10.18%
Beta Immobiliare Closed Fund	82,883	Italy	EUR	52,068,756	18.80%
				80,259,157	**28.98%**

Forward contracts

Maturity Date	Contract	Buy amount	Sell amount	Counterparty	Fair Value EUR	% Net Asset Value
05/01/11	Buy EUR Sell GBP@0.8455	31,260,765	26,432,321	Goldman Sachs	414,060	0.15%
05/01/11	Buy EUR Sell USD@1.3162	4,859,444	6,396,000	Goldman Sachs	91,789	0.03%
					505,849	**0.18%**
	Total financial assets at fair value through profit or loss				**199,583,990**	**72.08%**

CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)
As at 31 December 2010

Forward contracts

Maturity Date	Contract	Buy amount	Sell amount	Counterparty	Fair Value EUR	% Net Asset Value
05/01/11	Buy EUR Sell CHF @1.3180	15,620,959	21,441,750	Goldman Sachs	(751,197)	(0.28%)
05/01/11	Buy EUR Sell CAD @1.3448	14,075,595	18,930,000	Goldman Sachs	(123,729)	(0.04%)
05/01/11	Buy EUR Sell AUD @1.3726	15,620,959	21,441,750	Goldman Sachs	(896,252)	(0.32%)
					(1,771,178)	**(0.65%)**
	Total financial liabilities at fair value through profit or loss				**(1,868,081)**	**(1.07%)**
Total Investments					197,715,909	54.05%
Other net assets					77,509,920	45.95%
Net Assets					**275,225,829**	**100.00%**