ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS

Boussard & Gavaudan Holding Limited

For the year ended 31 December 2010

Contents

Directors

Christopher Fish
Sameer Sain
Nicolas Wirz

Advisers

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

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

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

Legal Advisers to the Company (as to Netherlands law)

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

Administrator and Registrar

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

Sub-Administrator

GlobeOp Financial Services LLC
One South Road
Harrison
NY 10528
USA

Advocates to the Company (as to Guernsey law)

Carey Olsen
7 New Street
St Peter Port
Guernsey GY1 4BZ

Auditors

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

Custodian

BNP Paribas Jersey Branch
PO Box 158
BNP House, Anley Street
St Helier
Jersey JE4 8RD

I am pleased to present to shareholders the Annual Report and Audited Financial Statements of the Company for the year ended 31 December 2010.

From 1 January to 31 December 2010 ("the Period"), European equity markets fell with the Dow Jones Eurostoxx 50 down 5.8%.

During the Period, prices of the Company's Euro shares and Sterling shares performed in line with equity indices such as the Stoxx 600 (up 8.63%) and the S&P 500 (up 12.78%).

The net asset value (NAV) of the Company's Euro share increased 11.49% while the share price went up 13.20%. The NAV of the Sterling share increased 9.57% while the share price went up 9.46%.

The discount of the share price to the NAV of the Euro share reduced slightly during the period from 20.4% to 19.2%. The discount of the share price to the NAV of the Sterling share was almost unchanged from 19.4% to 19.5%.

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

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

In order to offer sufficient liquidity to the investors, the Company has been buying back its own shares since early 2008. In 2010, the Company bought back 6,278,425 Euro shares (8,202,243 in 2009) and no Sterling shares (30,000 in 2009). As at 31st December 2010, 2,005,832 Euro shares were held in Treasury representing 3.91% of the total share capital issued.

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

On behalf of the Board I wish to thank the shareholders and advisors to the Company for their continued support.

Christopher Fish
Chairman
26 April 2011

The Directors present their annual report and financial statements for the year ended 31st December 2010.

Principal Activities

From 1 January 2010 to 31 October 2010, Boussard & Gavaudan Holding Limited (the "Company") had substantially all of its assets invested in Sark Fund Limited ("Sark"), a Europe-focused multi-strategy hedge fund which aimed primarily at arbitraging instruments with linear or non-linear pay-offs on equities and credit markets. The overall investment objective of Sark was to provide investors with consistent absolute returns primarily through investing and trading in financial instruments of companies incorporated in or whose principal operations are in Europe.

On 1st November 2010, the Company redeemed its investment in Sark and invested in Boussard & Gavaudan Fund Plc (the "Fund"), an Irish Qualified Investors Fund with the same investment policy as that which was pursued by Sark.

Additionally, the Company may enter into private equity investments and approximately 1.5% of its assets under management is currently so invested.

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

Review of Recent Developments

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

From 1 January to 31 October 2010, the NAV of Sark's Euro A share class posted a 7.73% return. From 1 November to 31 December 2010, the NAV of the Fund's Euro A share class posted a 1.70% return.

Over the five year period ended on 31 December 2010, the NAV of Sark's Euro A share posted an annualised return of 7.05% with an annualised volatility of 7.89%. This compares favourably with the Dow Jones Credit Suisse Convertible Arbitrage Hedge Fund Index (formerly branded "Credit Suisse/Tremont Hedge Fund / Convertible Bond Index") which posted an annualised return of 5.02% with an annualised volatility of 11.20%, with the Dow Jones Credit Suisse Multi-Strategy Hedge Fund Index (formerly branded "Credit Suisse/Tremont Hedge Fund / Multi Strategy Index") which posted an annualised return of 4.62% with an annualised volatility of 7.48%, with the HFRI RV Fixed Income-Convertible Bond Arbitrage Index (HFRICAI) which posted an annualised return of 7.26% with an annualised volatility of 12.32% and with the HFRI Fund Weighted Composite Index which posted an annualised return of 5.87% with an annualised volatility of 7.57% over the same period.

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

- Over the Period, European equity markets went down with the Dow Jones Eurostoxx 50 at -5.8%.
- Volatility on stock markets was stable with the VDAX index ending at 19.1% from 20.8% and the VStoxx index at 23.9% from 24.1%.
- Credit spreads were almost unchanged with the Itraxx Crossover finishing at 437bps from 432bps.

The Euro shares closed at the end of the period at €11.15, up 13.20% over the Period, and the Sterling shares saw a 9.46% increase, closing at £10.36. Whilst the NAV of the Euro shares went up 11.49% to €13.80 and the NAV of the Sterling shares went up 9.57% to £12.87, the discount to NAV reduced slightly from 20.4% to 19.2% for the Euro shares and went from 19.4% to 19.5% for the Sterling shares.

Finally, the Company continued to actively improve the liquidity of the shares in the market by continuing its share buy-backs and sales of treasury shares on Euronext Amsterdam and the London Stock Exchange.

The assets under management were €683m at 31 December 2010, down from €690 million at 31 December 2009.

Results for the year and State of Affairs at 31st December 2010

The Statement of Financial Position and the Statement of Comprehensive Income for the year ended 31st December 2010 are set out in the enclosed financial statements.

Directors

The Directors at the date of this report include:

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

As all of the Directors were re-elected at the last annual general meeting, none of them is required to stand for re-election at the forthcoming annual general meeting. However, as recommended at section A.7.1 of the Combined Code on Corporate Governance, the directors intend to retire by rotation and accordingly Mr Christopher Fish will at the forthcoming annual general meeting retire and, being eligible, stand for re-election.

Save as disclosed in these financial statements, the Company is not aware of any potential conflicts of interest between any duty of any of the Directors owed to it and their respective private interests. Each Director is paid an annual fee of €30,000, the Chairman is entitled to receive €50,000 per annum and the Chairman of the Audit Committee receives an additional fee of €7,500 per annum.

Directors' interests in shares

As of 31st December 2010, Christopher Fish had invested, directly or indirectly, in 8,631 ordinary Euro shares of the Company. Sameer Sain had invested, directly or indirectly, in 10,000 ordinary Euro shares of the Company and Nicolas Wirz had invested, directly or indirectly, in 16,168 ordinary Euro shares of the Company.

On 1 July 2010 the shareholders renewed the Company's authority to make market purchases of its shares . Under such authority the Company is allowed to purchase up to 14.99% of its own shares. Between 1 July 2010 and 31st December 2010 the Company purchased 2,475,845 Euro shares of the Company, representing 4.55% of the total shares in issue .

Corporate Governance

Since the revision in April 2010 of the listing rules of the London Stock Exchange, the company has been required to comply with the Combined Code on Corporate Governance (the "Code") published by the Financial Reporting Council. The Directors place a high degree of importance on ensuring that high standards of corporate governance are maintained and have adopted the Code which sets out principles of good governance and a code of best practice for listed companies. There are no significant requirements of the Code that the Company does not comply with.

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

The attendance record of the Directors is set out below:

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

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

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

Directors' Duties and Responsibilities

The Directors responsibilities are as follows:

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

Committees of the Board

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

Audit Committee

An Audit Committee, with defined terms of reference and duties, has been established and comprises the following as members: Nicolas Wirz (Chairman), Christopher Fish and Sameer Sain. The Committee meets at least twice a year when the Company's semi-annual and annual financial reports to Shareholders are to be considered by the Board and, where possible, the Audit Committee meetings precede the relevant Board meeting.

The Committee's responsibilities which were discharged during the year include *inter alia*:

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

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

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

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

Internal Controls

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

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

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

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

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

Audit Confirmation

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

Corporate Responsibility

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

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

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

Going Concern

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

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

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

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

Relations with Shareholders

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

By order of the Board

Christopher Fish	Nicolas Wirz
Chairman	Director

26 April 2011

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

In preparing those financial statements, the Directors should:

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

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

The Directors each confirm to the best of their knowledge that: the accounts have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union, give a true and fair view of the assets, Liabilities, financial position and profit of the Company and the Chairman's Statement, Investment Manager's report and note 4 (Financial instruments and associated risks) to the financial statements include a fair view of the developments and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces, as required by the Disclosure and Transparency Rules of the UK Listing Authority.

By order of the Board

Christopher Fish	Nicolas Wirz
Chairman	Director

26 April 2011

Background and Highlights

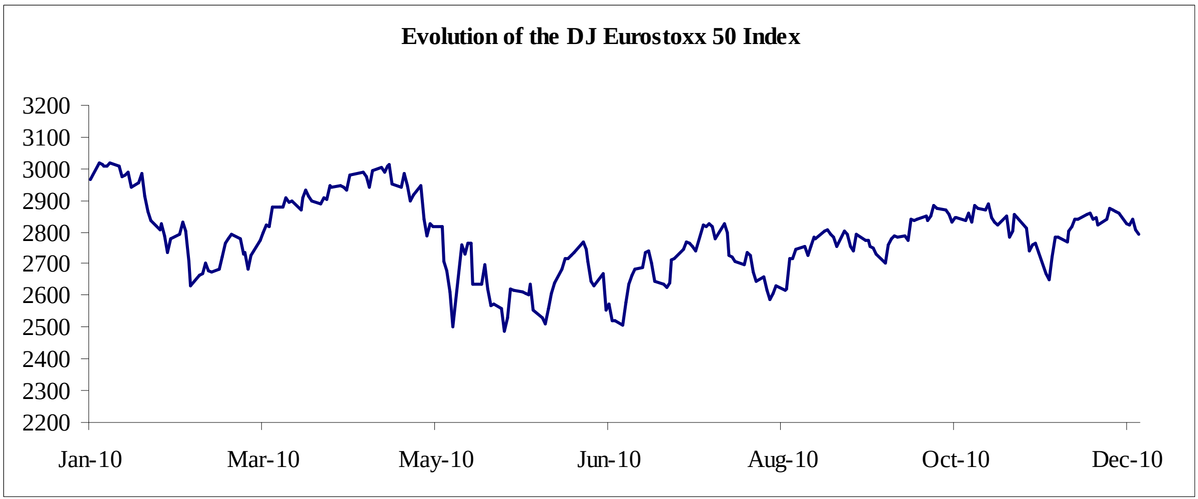
A.1 Background

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

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

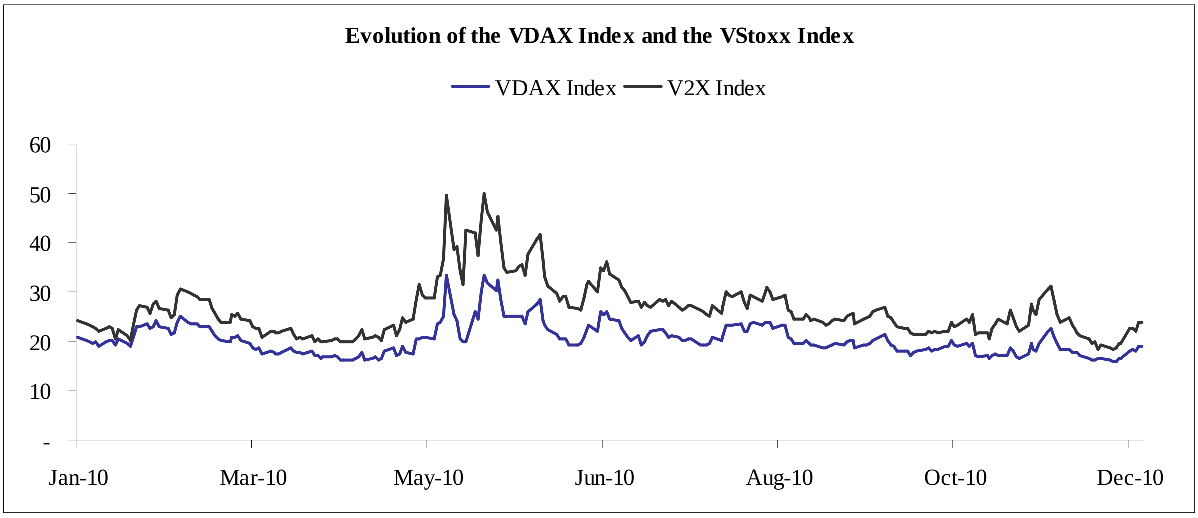
Through its investment in the flagship fund managed by Boussard & Gavaudan Asset Management, Sark Fund Limited until 31 October 2010 and BG Fund Plc there after which constitutes its main investment, the Company is sensitive to equity and volatility prices as well as to credit spreads. The Company is exposed to other market factors but to a lesser extent.

From 1 January to 31 December 2010 ("the Period"), European equity markets fell with the Dow Jones Eurostoxx 50 at -5.8%.



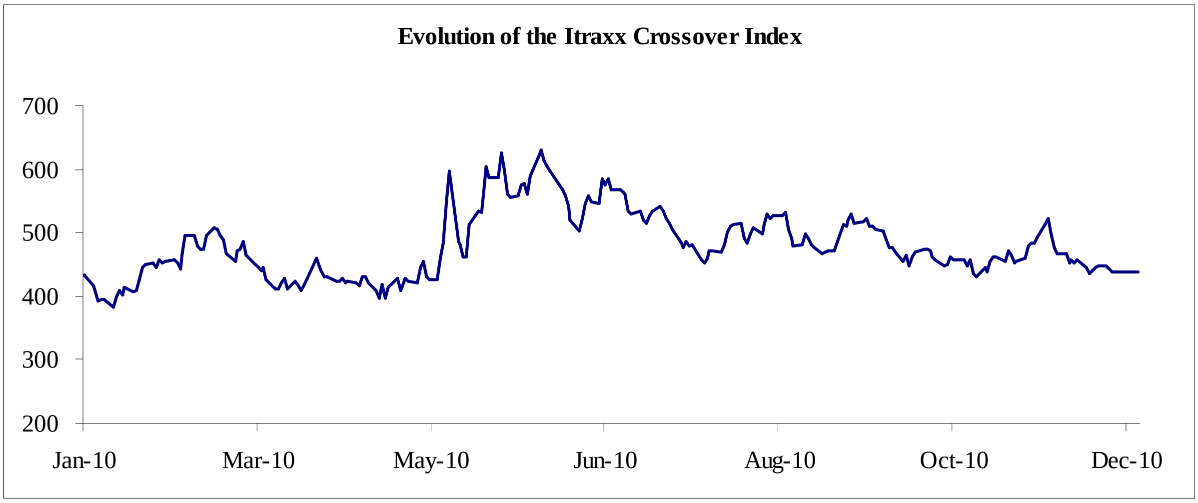
Graph 1 (source Bloomberg)

Volatility on stock markets was stable with the VDAX index ending at 19.1% from 20.8% and the VStoxx index at 23.9% from 24.1%.



Graph 2 (source Bloomberg)

Credit spreads were almost unchanged with the Itraxx Crossover finishing at 437bps from 432bps.



Graph 3 (source Bloomberg)

A.2 Highlights

As of 31 December 2010, the Company's assets under management were approximately €683 million, down from €690 million at 31 December 2009.

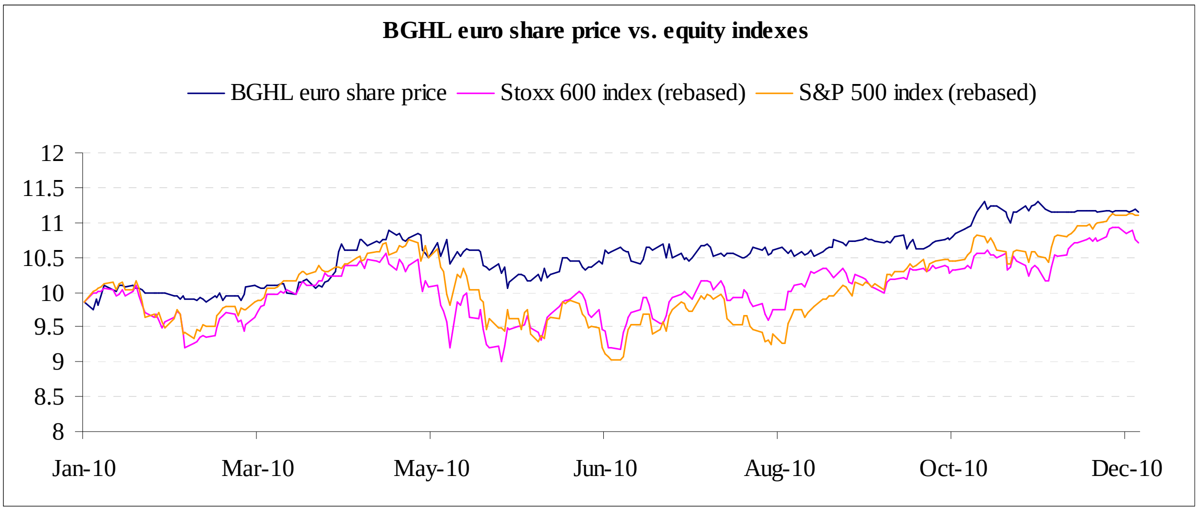
A.2.1 Performance

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

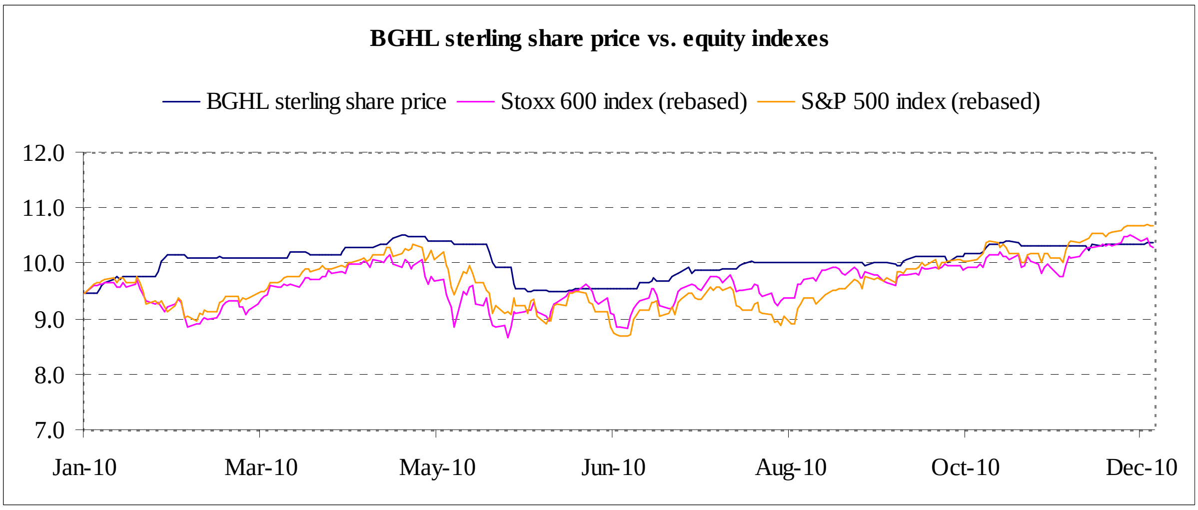
	31 December 2010	31 December 2009	Variation
Euro share price[1]	€11.15	€9.85	+13.20 %
Euro share NAV	€13.80	€12.38	+11.49%

	31 December 2010	31 December 2009	Variation
Sterling share price[2]	£10.36	£9.47	+9.46%
Sterling share NAV	£12.87	£11.75	+9.57%

Euro and Sterling share prices performed globally in line with global equity indexes such as the Stoxx 600 and the S&P 500.



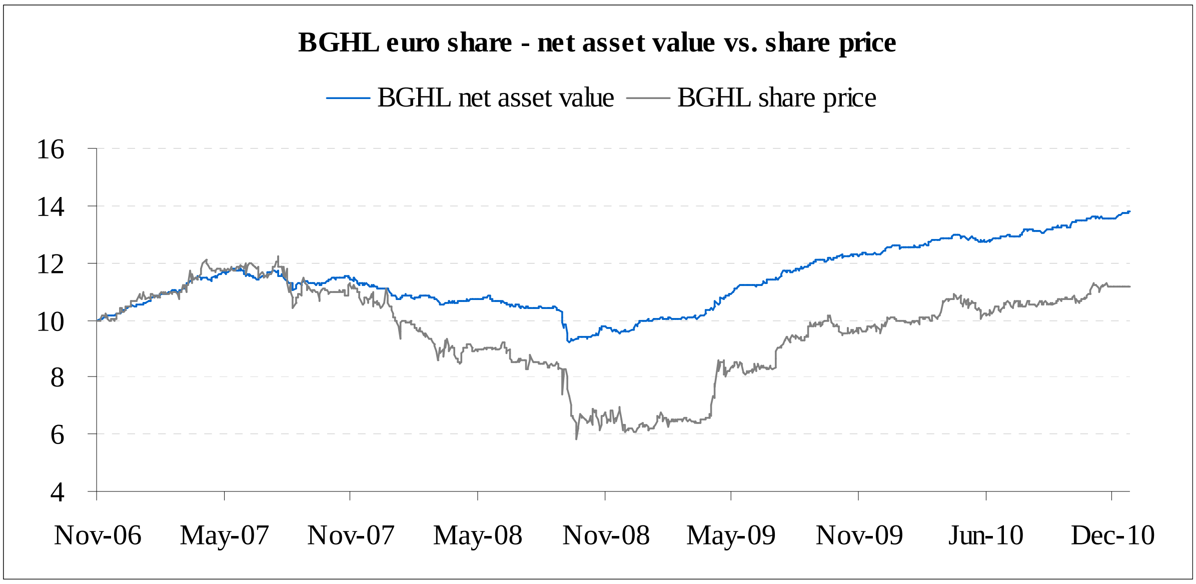
Graph 4 (source Bloomberg)



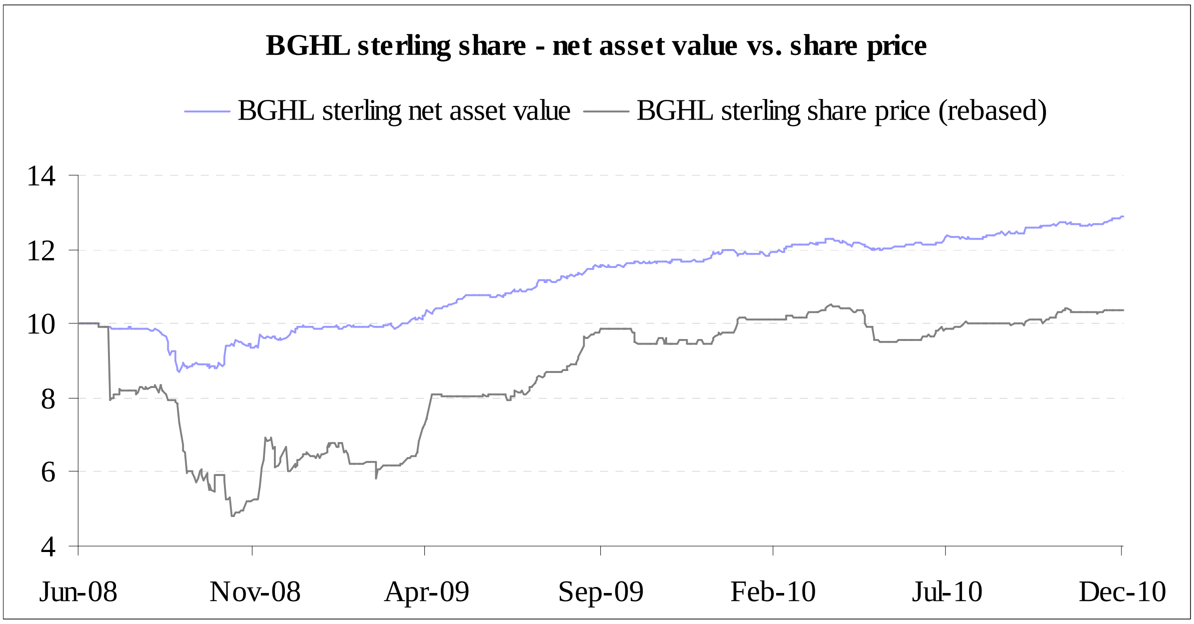
Graph 5 (source Bloomberg)

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

The Euro shares continued to outperform their NAV during this period reflecting an improvement on past underperformance. The Sterling share price performed in line with its NAV.



Graph 6 (source BGAM estimates / Bloomberg)



Graph 7 (source BGAM estimates / Bloomberg)

A.2.2 Share buy back and discount to NAV

Share buy back programme

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

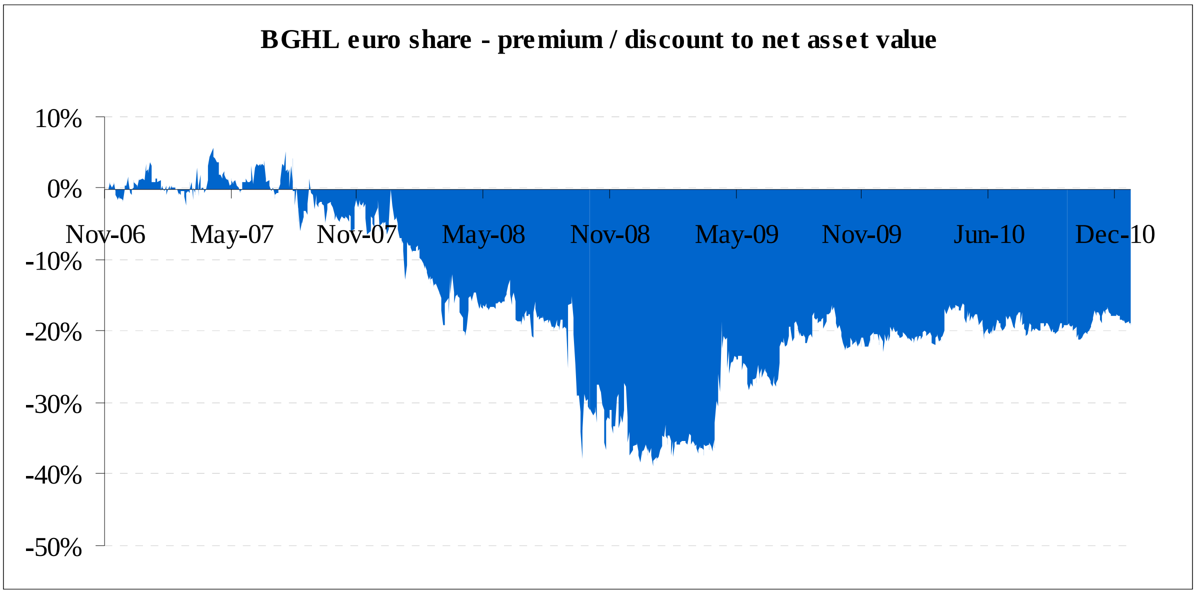
Liquidity enhancement agreement

To increase the liquidity of the Company's shares, the Company has set up a liquidity contract with Exane BNP Paribas on 14 August 2008. Exane BNP Paribas handles the execution of the liquidity enhancement agreement of the Company in accordance with the Dutch accepted market practice. The Company intends to limit the amount allocated to the execution of this contract to 1% of its market capitalisation per year.

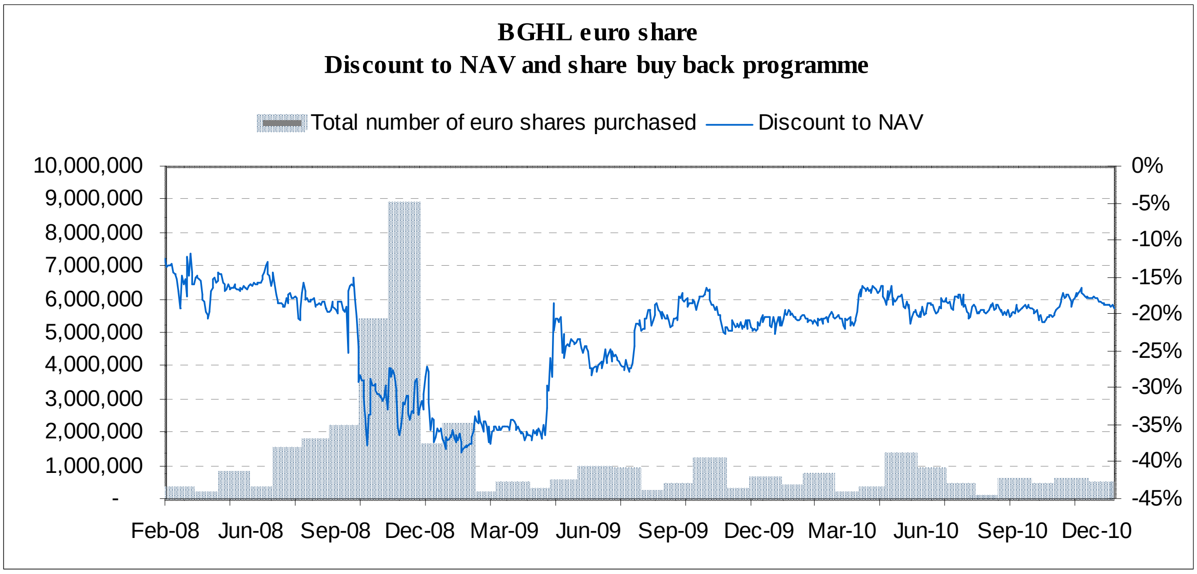
Share buy backs from both programmes are accretive to shareholders; they contribute to the outperformance of the Company's net asset value with respect to that of Sark Fund and BG Fund combined.

Discount to NAV	**31 December 2010**	**31 December 2009**
Euro share	-19.2%	-20.4%
Sterling share	-19.5%	-19.4%

Euro Share (discount and share buy back)

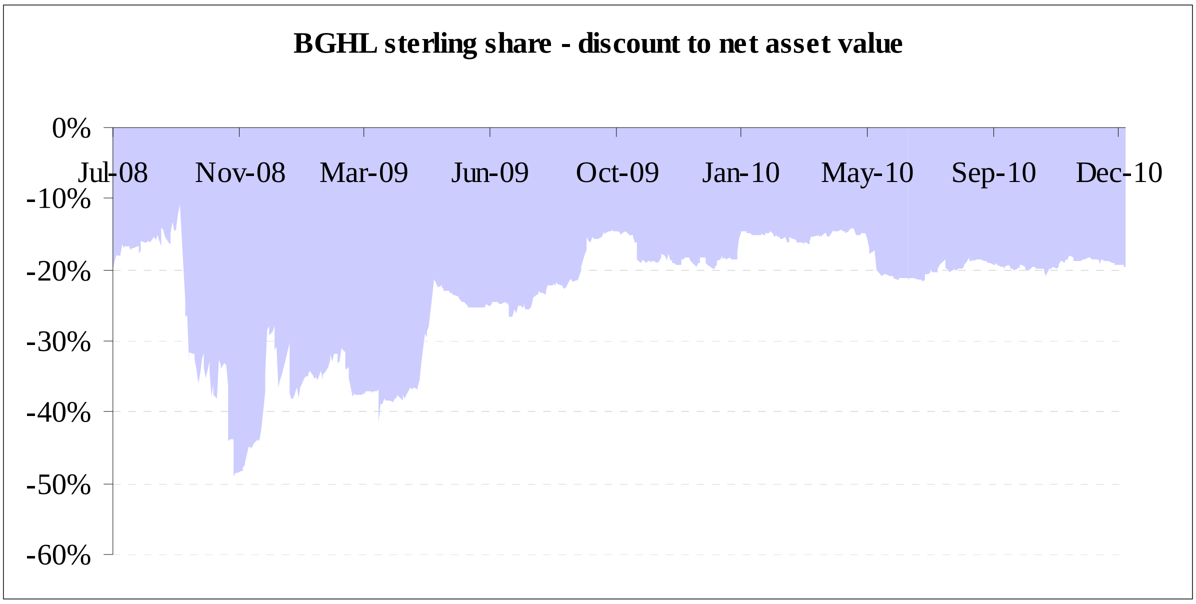


Graph 8 (source BGAM estimates / Bloomberg)

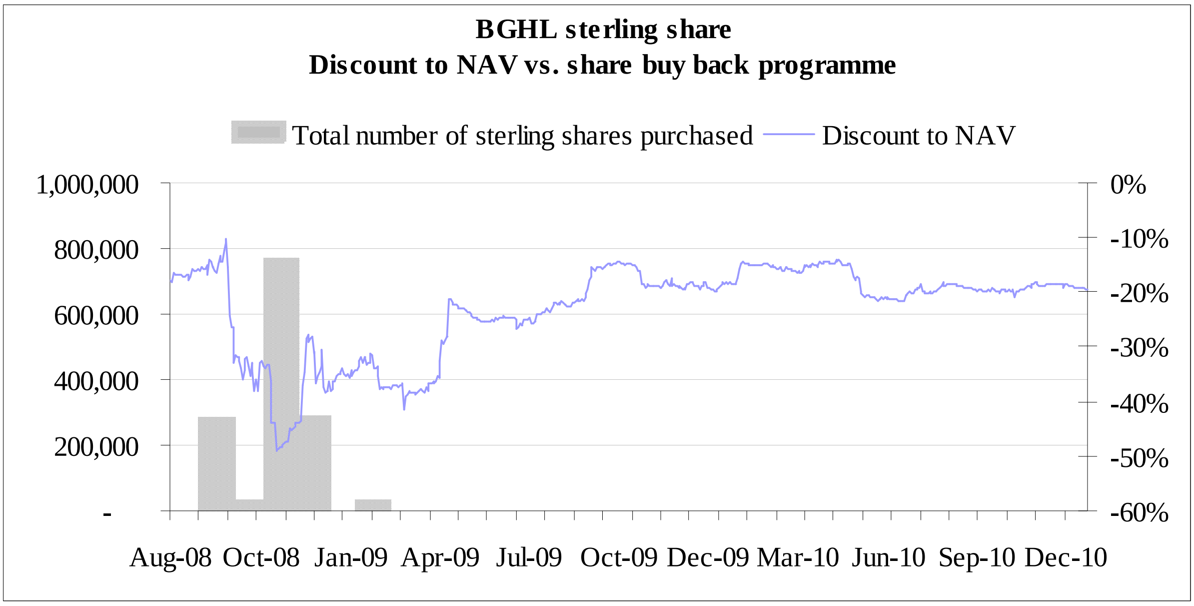


Graph 9 (source BGAM estimates)

Sterling Share (discount and share buy back)



Graph 10 (source BGAM estimates / Bloomberg)



Graph 11 (source BGAM estimates)

B- Review of the development of the business

From 1 January to 31 October 2010, the Company had approximately 99% of its total assets invested in the **Sark Fund Limited** ("Sark Fund"). Sark Fund, a Cayman based vehicle, is a Europe-focused multi-strategy fund, which aims primarily at arbitraging instruments with non-linear pay-offs in special situations. Sark Fund implements diversified investment strategies, including volatility, equity and credit strategies.

On 31 October 2010, the Company redeemed its investment in Sark Fund and subscribed for shares in **Boussard & Gavaudan Fund Plc** ("BG Fund"). From 1 November to 31 December 2010, the Company had approximately 99% of its assets invested in BG Fund which is an Irish Qualified Investor Fund following the same investment policy as that of the Sark Fund.

In addition to its investment in Sark Fund and then in BG Fund, and as described in the Company's offering memorandum, the Company may enter into **private equity investments.** Since the credit banking facility was terminated in early 2009, these investments have been financed through the Company's equity.

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

C- Risks

C.1 Investments other than BG Fund Plc

As at 31 December 2010, the Company had the following three investments in the portfolio which represent in aggregate approximately 1% of the asset under management.

Rasaland

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

DSO Interactive

On 9 December 2009 and 19 February 2010, BGHL acquired a minority stake in DSO Interactive for a total consideration of €1.7 million (6.18% of the share capital and 5.33% on a fully diluted basis). DSO Interactive is a private company incorporated in France and head quartered in Paris, where it employs over 122 people. DSO Interactive provides debt collection services to consumer creditors such as telecom operators, banks and specialised credit institutions.

Compagnie des Minquiers - Cofigeo

On March 3rd 2011, Compagnie des Minquiers, a newly-formed subsidiary of the company held jointly with the executive committee members of the Cofigeo Group, has acquired 100% of MPF. MPF is a holding company that owns 26,523 shares in Cofigeo, representing approximately 36% of the share capital and 45% of the voting rights of Cofigeo. On March 29th 2011, as a result of the MPF acquisition and in compliance with French securities laws, Compagnie des Minquiers, through MPF, has initiated a mandatory tender offer at 530€ for all the remaining shares of Cofigeo. In order to finance the MPF acquisition, the Company has subscribed for shares and convertible bonds issued by Compagnie des Minquiers. The cost of this investment for the Company is approximately 18,2m€, representing approximately 2.7% of the Company's net assets.

C.2 Investment in BG Fund Plc

Strategies

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

Volatility strategies include:

- mandatory convertible bond arbitrage ("mandatories")
- convertible bond arbitrage (including credit convertible bonds)
- gamma trading
- warrant arbitrage

Equity strategies include:

- merger arbitrage
- special situations
- long / short trading

Credit strategies include:

- capital structure arbitrage
- credit long / short

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

Risk and Capital allocation

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

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

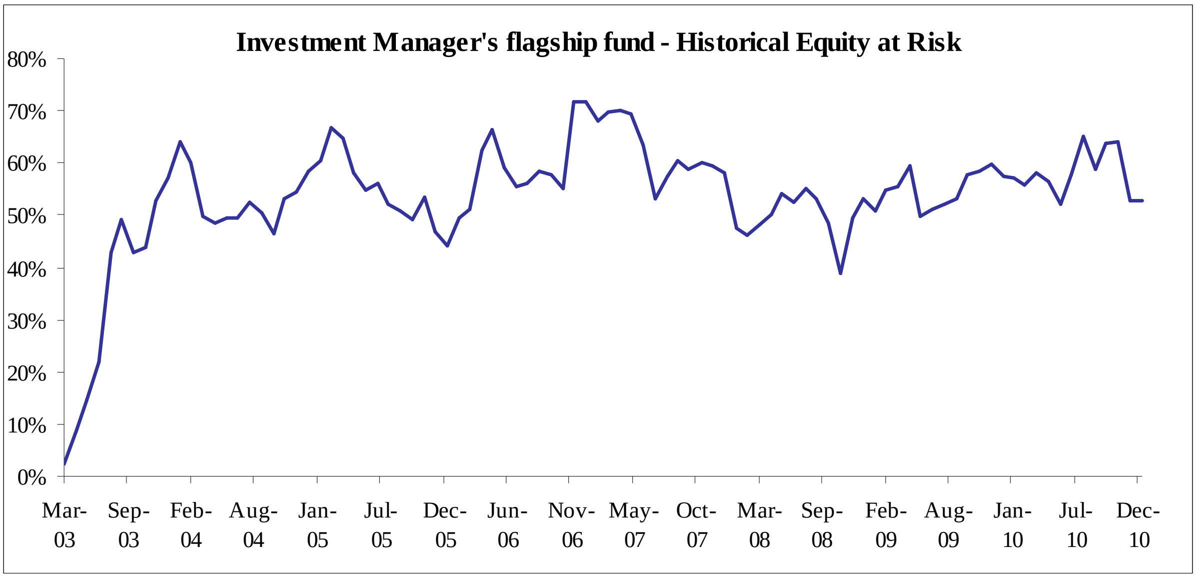
Haircuts condition the level of excess margin or unencumbered cash which is the level of risk left to increase positions or enter into additional ones. An excess margin of 25%, which corresponds to a 75% level of equity at risk, means that the flagship fund can theoretically increase all of the positions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

The "excess margin" corresponds to the remaining capacity the flagship fund can deploy without having to raise additional cash. The Investment Manager intends to be very selective when deploying equity at risk with a specific focus on liquid and short-term trades with catalysts.

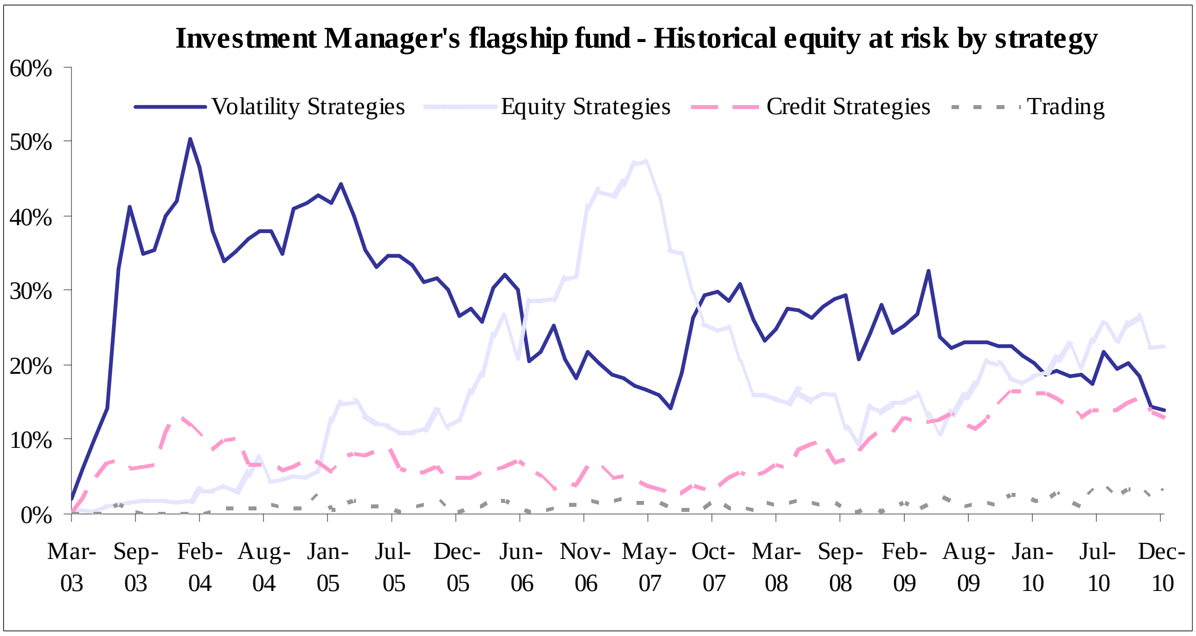
The flagship fund, which allocates its capital according to the equity at risk, currently has a fairly well-balanced allocation across the three main strategies.

At 31 December 2010, the equity at risk of the flagship fund stood at 52% of the capacity versus 57% at 31 December 2009.

The graphs below illustrate the evolution of the equity at risk of the flagship fund since inception and the allocation of the equity at risk of the flagship fund across strategies.

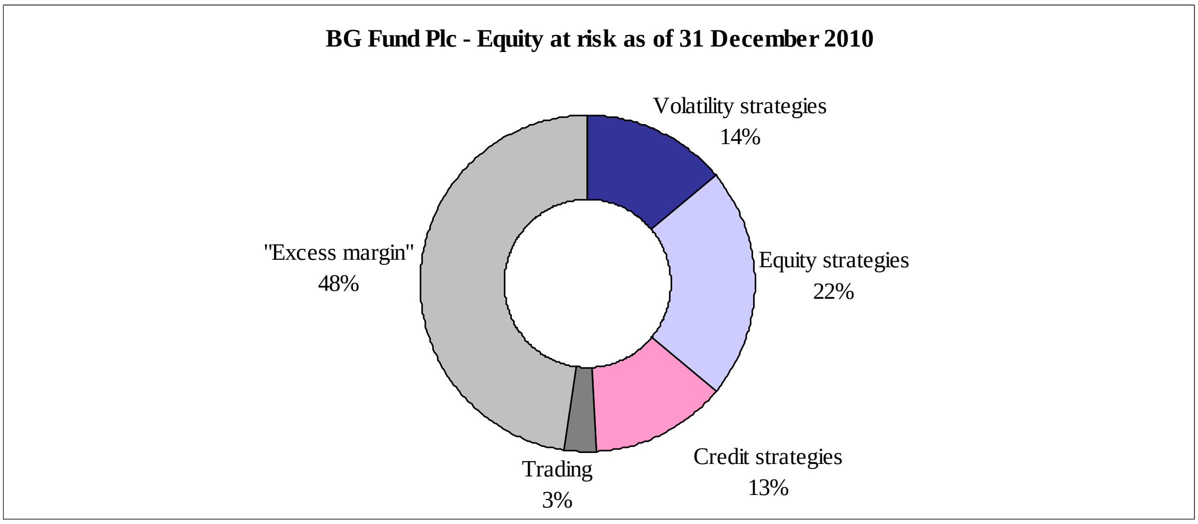


Graph 12 (source Investment Manager estimates)



Graph 13 (source Investment Manager estimates)

The equity at risk of the flagship fund (which was BG Fund as at 31 December 2010) was as follows:



Graph 14 (source Investment Manager estimates)

D. Results

D.1 Results in private equity investments from 1 January to 31 December 2010

At the end of December 2010, in accordance with International Financial Reporting Standards ("IFRS"), both investments were marked at acquisition prices which approximate their fair value at reporting date as adopted by the European Union.

Over the period, the contribution of private equity investment to the performance of the Fund has been marginal.

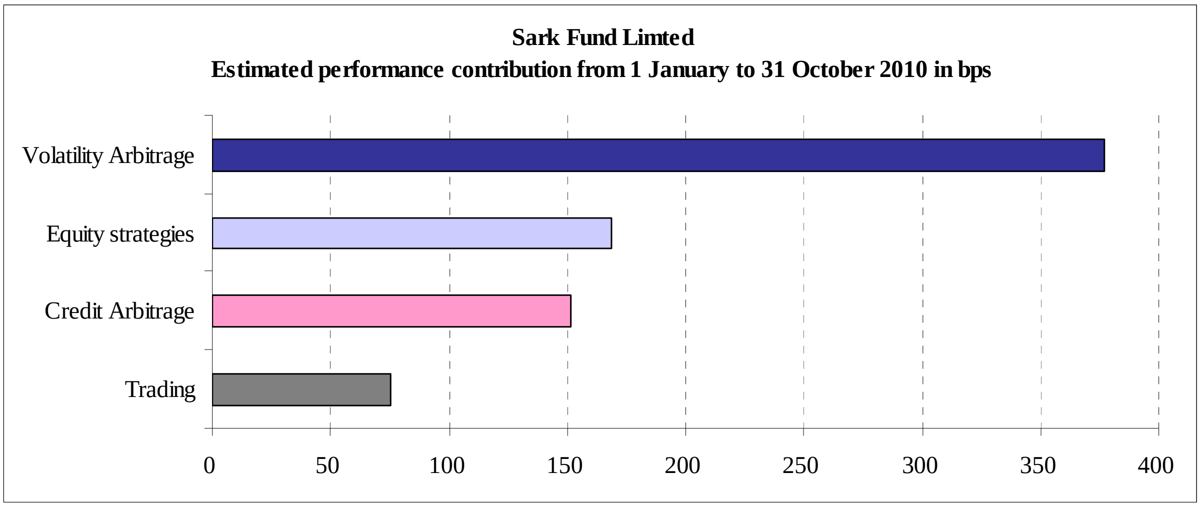
D.2 Results in Sark Fund from 1 January to 31 October 2010

The Company was 99% invested in Sark Fund from 1 January to 31 October 2010. The performance of Sark Fund was as follows:

Fund	31 October 2010	31 December 2009	Variation
NAV per share			
Euro Class A	€169.43	€157.27	+7.73%
US Dollar Class	$173.75	$160.81	+8.05%
Euro Class B[1]	€188.51	€169.78	+11.03%

All strategies contributed positively to the performance of Sark Fund, volatility strategies being the main driver, followed fairly evenly by equity strategies and credit strategies. To a lesser extent, trading also posted a positive performance.

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



Graph 15 (source Investment Manager estimates)

<u>Volatility strategies</u>

Convertible bond arbitrage
This sub-strategy was the largest contributor to the performance of Sark Fund, with gains primarily driven by Sark Fund's low delta and credit sensitive positions, including the positions in Jazztel, Theolia and Fortis CASHES.

[1] Euro Class B bears no management and performance fees which explains this over performance. Management and performance fees are charged at BGHL level.

The Investment Manager completed the debt restructuring of Jazztel in the course of 2009. The company, performing extremely well, released excellent Q3 results 2010. The bonds have strong covenants, are guaranteed at the operating company level, amortize and are due in 2013. They traded up in the market as a result.

On Theolia, the Investment Manager had a key role during all phases of the debt restructuring. The successful €60m capital increase, which closed the debt restructuring, was eventually 100% subscribed by shareholders and lifted the price of the company's convertible bonds; thus enabling the Investment Manager to exit the position.

The Fortis CASHES position benefited on the one hand from the global performance of the European Tier 1 market and on the other hand from the significant outperformance of beta products as investor demand for higher spreads rose with a softer rates market. The Investment Manager took advantage of this to reduce the position, as it was felt they were exhibiting too high a beta. The Investment Manager remains convinced by the investment case and is happy to reduce the position in times of (relative) euphoria in order to increase it should a market stress appear.

The other credit sensitive convertible positions did as well as the high delta convertibles.

Whilst Sark Fund has had a lot of dry powder to seize new opportunities, it was the Investment Manager's perception that outright interest going forward would not be comparable with the extremely strong demand witnessed in 2009 on the back of large inflows for directional convertible investments. The Investment Manager therefore decided to take some profits and reduce some of Sark Fund's positions. The Investment Manager decided to favour high delta convertibles (80%-85% delta). To better hedge the credit risk of these positions, CDS' have been bought allowing the Investment Manager to capture all the gamma on the downside.

The European convertibles primary market was active but in a less lively fashion than the previous year. Total issuance for the period amounted to approximately €13bn compared with €22.7bn for the full year 2009. The Investment Manager remained very selective and participated in very few deals as most of them were designed and priced for outright accounts on less attractive credit names. On the whole, the Investment Manager did not deem there to be significant value (on an arbitrage basis) in these new deals.

Mandatory convertible bond arbitrage
The mandatory convertible bond arbitrage sub-strategy was the second main contributor to the performance of Sark Fund, with almost all of the positions contributing positively.

The UBS/BBVA mandatory exchangeable gained the most within this sub-strategy as the bond's discount to fair value significantly reduced in a context of declining volatility in the BBVA shares. Sark Fund also benefited from the dividend pass-through in the mandatory, as BBVA announced a slightly higher dividend than expected by the market. The Investment Manager believes this position is still very attractive. The Fortis mandatory was also an important contributor as the bond traded closer to and at times even above fair value; the Investment Manager therefore took the opportunity to progressively exit the position with profit. The rest of the performance broke down evenly.

Even though prime brokerage conditions continued to ease, the Investment Manager remained rigorous and selected trades with returns on equity based on conservative funding costs and haircuts which were assumed to remain sustainable.

There was no mandatory convertible bond issue over the period. However, the European primary pipeline may increase on the back of renewed M&A, with the mandatory product used to partly fund acquisitions with equity-like funding. In addition financials and to a lesser extent corporates still need to deleverage, and may therefore turn to the mandatories market to source quasi-equity funding. Many European banks in particular looking to improve their capital ratios are considered as likely potential issuers.

Gamma trading
Despite the market continuing to react negatively to the news flow on uncertainties linked to sovereign risk and a potential double dip scenario, short-term realised volatility did underperform the implied levels, and earnings surprises were not very common. The Investment Manager positioned the book in order not to suffer too much from the absence of perceived or realised volatility in the market with one of the lowest gamma positions for the portfolio towards the end of March.

Entering into April, the Investment Manager believed that the sovereign uncertainty and contagion risks would result in a longer period of stress and volatility. The gamma profile was progressively increased to be well positioned to benefit from market volatility. During the summer season, the Investment Manager decided to run the books marginally long gamma as that period of the year is often quiet. Long gamma was then ramped up a little in September in the hope of a more volatile environment.

At the end of the period, talk and anticipation of QE2 largely prevailed sending implied volatilities to historically low levels. In this environment, realised volatilities were extremely low, keeping the markets range bound and leaving little opportunities. In spite of the earnings season, anticipated moves across the board were high. Therefore the Investment Manager decided to keep the long gamma bias to a minimum.

This sub-strategy managed to post a positive contribution to the performance of Sark Fund.

Corporate warrant arbitrage
This sub-strategy was almost flat during this period.

Equity strategies

Equity strategies were the second strategy driving the performance of Sark Fund. Equity markets were particularly volatile during the period. In this constricted market environment, Sark Fund was active but no major position was initiated. The Investment Manager continued to be very selective with investments, the focus being on liquid trades with short maturities and catalysts.

At the start of the period, the market became driven more by fundamentals with improved liquidity, therefore offering more attractive investment opportunities. This enabled the Investment Manager to deploy capital on some long / short equity trades focused on large and liquid names. But in May, increasing concerns regarding the sovereign risk and the economic recovery made the Investment Manager more cautious. As a result, it was decided to significantly increase the use of options to leverage positions around catalysts and to reduce the risk of the book.

Towards the end of the period, the Investment Manager decided to redeploy capital selectively. Concerns about macroeconomic data and the risk of a double dip scenario abated. On the micro side, the earnings season started with corporates reporting all in all very good results. In the meantime, corporate activity grew across Europe with some attractive opportunities arising such as hostile bids, special situations, companies' restructurings, primary and secondary placements. This enabled the Investment Manager to position Sark Fund on a few conviction trades on the one hand and to continue benefiting from equity long/short trades with short-term catalysts on the other hand.

The majority of the investors were out of equities as an asset class during this period. As a consequence any negative news had a marginal impact and volatility on the downside looked floored. On the other hand, positive news drove the market up as investors who were underinvested chased it. Investors' appetite seemed to progressively pick up at the end of the period. Overall, uncertainties still prevailed; the market was waiting for the US mid-term elections to gain visibility at the beginning of November.

Going forward, the Investment Manager is looking for some stronger catalysts and opportunities to occur to size up trades with strict control of liquidity.

Credit strategies

Credit strategies returned a positive contribution to the performance of Sark Fund, mostly driven by the credit long/short portfolio.

This period was eventful, with the fallout from the Greek debt crisis having significant long-run implications for European markets. The Q1 earnings season for crossover and high yield issuers started with corporates generally reporting better than expected results, and a marked effort by many to generate cash out of working capital and reduce their indebtedness further. There were then no intrinsic reasons to turn very bearish on this part of the asset class. However, after the announcement of the Greece bailout, global markets turned into downswing mode in a very volatile environment. This occurred despite excellent earnings and an improving economic environment in the US. The Investment Manager was convinced that credit was not a screaming "buy". Investors were likely to continue reducing their exposure to the asset class as a whole, as its risk/return profile was still not particularly compelling despite investment grade and high yield spreads being back to Q3 2009 levels. Uncertainty over financial reform in the US and in Europe, selling of Euro assets, and hedging of European sovereign tail risk continued to weigh on European corporate bonds with more or less discrimination.

As a consequence, the Investment Manager remained on the cautious side over the period. It did not diverge from its stance of being theta neutral and having Sark Fund's core investments hedged by longer duration single-name and index shorts (away from restructuring strategies). The credit long/short book benefited from the repricing of special situations throughout the summer.

To a lesser extent, the capital structure book performed well too. This sub-strategy benefited from a macro call at the beginning of September that credit was attractively valued vs. equities. At one point, the Investment Manager increased the number of positions reflecting that view. Indeed, after the "European Sovereign Crisis" in the spring, the book was focused on very specific long credit/short equity micro situations. This macro call has since been almost fully monetized.

In October, the Investment Manager remained broadly positive for the very short term, as it was believed then that the market would continue to run with the trends from early September. In the medium term, there were fears that investors could become concerned that the policy settings (mainly QE2) would not deliver immediate improvements (both on the sustainable real economy growth and real estate appreciation fronts in the US). The fear of potential contagion of peripheral sovereign issues within EMU weighed in favor of further trade reductions within capital structure arbitrage as well as long/short strategies.

Trading

Trading posted a positive performance across the board during the period.

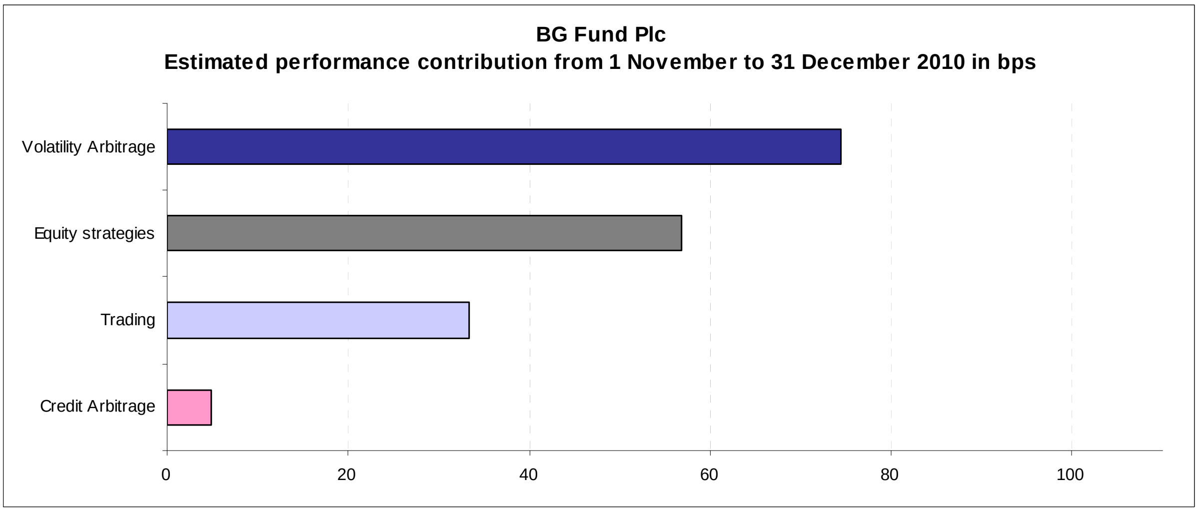
D.3 Results in BG Fund from 1 November to 31 December 2010

The Company was 99% invested in BG Fund from 1 November to 31 December 2010. The performance of BG Fund was as follows:

Fund	1 November 2010	31 December 2010	Variation
NAV per share			
Euro Class A	€100.00	€101.7016	+1.70%
US Dollar Class	$100.00	$101.7362	+1.74%
Euro Class B[1]	€100.00	€102.3828	+2.38%

All strategies contributed positively to the performance of BG Fund, volatility strategies being the main driver, followed by equity strategies, trading and credit strategies.

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



Graph 16 (source Investment Manager estimates)

Volatility strategies

Convertible bond arbitrage

[1] Euro Class B bears no management and performance fees which explains this over performance. Management and performance fees are charged at BGHL level.

This sub-strategy posted a positive return during the period. November was a difficult month for European convertibles, in a context of rising risk aversion and investor fears with regards to mounting sovereign issues, but BG Fund's portfolio behaved very well since the Investment Manager had proactively reduced the highest beta positions. In December, market sentiment reversed and BG Fund gained from its positions in balanced convertibles which benefited from the strong support of long-only funds and the tightening in corporate credit across the board.

Overall convertibles performed reasonably well in Europe last year on an arbitrage basis, as outright buying interest pushed valuations higher, especially for investment grade issuers or non-rated issuers perceived as such. The calendar actually provided limited gains on an arbitrage basis as issuers took advantage of the thirst for new deals from long-only funds and therefore managed to price many new issues at the expensive end of terms. Whilst a key theme amongst market participants was M&A activity, which was expected to result in additional performance thanks to the convertibles' change-of-control protections (the 'ratchets'), only one transaction in Europe actually triggered such a ratchet with the acquisition of Dana Petroleum by Korea National Oil Corp. Other transactions disappointed as the ratchets were not triggered (eg. Subsea, International Power).

Despite interest rates at record low levels, the European convertibles market actually achieved positive net supply in 2010. Primary issuance was relatively modest with approx. €15bn (through around 40 new issues priced in Europe) compared with redemptions of around €13bn. By comparison, new issuance amounted to around €23bn in Europe in 2009, up from around €11bn in 2008. In 2011, the European convertibles market is expected to have fairly limited redemptions of approx. €10bn, which should ensure some growth in the size of the European market, even assuming limited (as per past standards) primary issuance. As was already seen in 2010, the Investment Manager also expects the gradual shift in the profile of European CB issuers towards non-investment grade companies to continue.

In 2011 the Investment Manager also anticipates very interesting developments in the contingent conversion feature which was first introduced by Lloyds at the end of 2009 (the so-called 'CoCos'). There are currently many discussions and workshops on the CoCo structure which is also the subject of lively debates with banking regulators. The Investment Manager does not expect such CoCos to be issued in size before the second half of 2011, as it is believed most potential issuers will want to wait for the release of final guidelines and regulations by the Basel Committee on Banking Supervison and for regulations to be enacted by local bodies. Eventually, this CoCo market could be much larger in size than the European (classic) convertibles market.

Mandatory convertible bond arbitrage

This sub-strategy was the main driver in the performance of BG Fund. The bulk of the gains came from the long-standing position in the UBS BBVA mandatory exchangeable after the Spanish bank successfully closed its €5.0bn rights issue. Whilst this triggered renewed investor interest in that name, which supported the price of the mandatory, BG Fund also gained on its hedges. At current level, this bond remains attractive from both a risk-reward and a return-on-equity standpoint.

There was no new mandatory convertible bond issue in Europe during this period and more generally in 2010. 2011 may be more interesting in terms of new issuance, as M&A transactions in the corporate space may be funded with mandatories, and as developments in the financials space may also include mandatory convertible instruments as a complement or alternative to CoCos.

Gamma trading

Gamma trading contributed positively to the performance of BG Fund. November has been a month of two halves in the volatility space. While realised volatilities remained relatively subdued and below implied in the first half of the month, the picture could not have been more different after the November expiry. After renewed European macro and sovereign worries resurfaced on the back of the Irish crisis, the European equity markets corrected by roughly 10% in two weeks and implied vols spiked, especially in Financials. The correction has been rather orderly with smaller moves and hence realised vol did not spike as much as the Investment Manager might have expected given the absolute spot move over the period or the implied skew.

December was a "short" month and, in spite of the quarterly expiry, interest was low and volumes – putting rolls aside – were pretty thin. Leading market topics were as usual driven by China (luxury, cars, capital goods, commodities) and German names perceived as a safe haven on the back of the European sovereign debt weakness. Both realized and implied volatilities drifted lower during the month, with very few prints and low activity due to the holiday season. The Investment Manager kept the long gamma bias to a minimum in anticipation of this typical trend which occurred earlier than usual this year.

Corporate warrant arbitrage

This sub-strategy was flat during this period.

<u>Equity strategies</u>
At the beginning of the period, the Investment Manager continued to be active on trades around results which remained globally positive and decorrelated from the macro picture. Immediately at the end of the earnings season, it was decided to significantly reduce the risk of the portfolio by either hedging or reducing positions. This move has been profitable to BG Fund as, shortly after, the sovereign risk on peripheral European countries resurfaced with Ireland and drove the market down. In this constricted market, BG Fund did not lose money and even had the dry powder to deploy capital on a few opportunities.

The market then rallied in December following the resolution of the Irish debt crisis. This rally was driven by the continuation of the trends witnessed earlier in the year: luxury companies, German auto and more generally cyclicals focusing on emerging market exposure did very well whilst utilities performed poorly. In this context, the Investment Manager continued to ride along these trends whilst special situations were much lighter than previous months. All in all, the Investment Manager kept limited risk in the equity book. With the trends mostly driven by the macro and sector views, it was occasionally difficult to have appropriate hedges for the positions with comparables in each sector and therefore more options were used to take directional bets.

The Investment Manager expects the stress on sovereign risk to continue into the beginning of 2011. However, in a context of low interest rates and tight credit spreads, the Investment Manager also anticipates renewed interest in equity markets, especially the European markets, which have been largely neglected in the recent inflows received by emerging and American equity markets.

Until the macro environment stabilises somewhat, he will continue to use options in order have more flexibility on the one hand and to protect the book when needed on the other.

<u>Credit strategies</u>
This sub-strategy contributed positively to the performance of BG Fund. Long/short positions and capital structure arbitrage performed equally during this period.

2010 was all about European sovereign risk, and its implications on the European financial sector. The majority of 2011 could well be spent in a highly volatile state, until concerns about peripheral European sovereign debt and bank recapitalizations die down.

Macro drivers continued to dominate through to the end of the year. Cash bonds significantly underperformed CDS indices and single names. Given funding tensions over year end, the Investment Manager saw a risk that bond-CDS basis could move further into negative territory (i.e. bonds cheapen vs. CDS curves). Overall risk/reward in credit, both core and periphery still looks unfavorable to BG Fund.

In this context, the Investment Manager continued to increase the liquidity of the book and monetize several situations where possible at attractive levels. However, several shorts were kept as the Investment Manager was of the opinion that the entire 1st quarter of 2011 may not be as rosy as the majority of market participants expected it to be.

<u>Trading</u>
Trading contributed positively to the performance of BG Fund.

E - Review of important events since the period end

Acquisition of MPF by Compagnie des Minquiers

On March 3rd 2011, Compagnie des Minquiers, a newly-formed subsidiary of the company held jointly with the executive committee members of the Cofigeo Group, has acquired 100% of MPF. MPF is a holding company that owns 26,523 shares in Cofigeo, representing approximately 36% of the share capital and 45% of the voting rights of Cofigeo. As a result of the MPF acquisition and in compliance with French securities laws, Compagnie des Minquiers, through MPF, will initiate a mandatory tender offer for all the remaining shares of Cofigeo in the first half of 2011. In order to finance the MPF acquisition, the Company has subscribed for shares and convertible bonds issued by Compagnie des Minquiers. The cost of this investment for the Company is approximately 13.8m€, representing approximately 2% of the Company's net assets.

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

F - Principal Risks and Uncertainties

The equity at risk of BG Fund, which is the main investment of the Company, is expected to be deployed in a very cautious way as the market environment remains uncertain described under the note 4 of financial statements As the Company's liabilities are very low, the liquidity risk is limited. Investments other than BG Fund are being financed through the Company's equity rather than using credit as there is currently no banking facility in place.

G Related Party Transactions

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

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

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

We have audited the financial statements of Boussard & Gavaudan Holding Limited for the year ended 31 December 2010 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Equity and the related notes 1 to 16. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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

Respective responsibilities of directors and auditor

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- Give a true and fair view of the state of the company's affairs as at 31 December 2010 and of its total comprehensive income for the year then ended;
- Have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- Have been prepared in accordance with the requirements of the Companies (Guernsey) Law, 2008.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

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

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

Under the Listing Rules we are required to review the part of the Corporate Governance Statement relating to the company's compliance with the nine provisions of the June 2008 Combined Code specified for our review.

Andrew J Offen FCA
For and on behalf of Ernst & Young LLP
Guernsey, Channel Islands
26 April 2011

Boussard & Gavaudan Holding Limited
Statement of Financial Position
31 December 2010

	Note	2010 Euro	2009 Euro
Assets			
Non-current Assets			
Investments at fair value through profit	6	709,459,635	717,835,226
Current Assets			
Foreign exchange forward derivatives contracts	3	-	169,351
Due from brokers		1,467,702	312,142
Total assets		**710,927,337**	**718,316,719**
Equity and Liabilities			
Current Liabilities			
Short Term Loan	12	6,000,000	5,500,000
Foreign exchange forward derivatives contracts	3	438,047	-
Due to brokers		282,265	288,482
Performance fees payable	9	18,413,773	19,370,343
Management fee payable	9	2,595,727	2,672,436
Interest payable	12	5,014	5,062
Administrative fee payable		-	23,937
Audit fees payable		5,816	23,671
Legal fees payable		14,541	-
Total liabilities		**27,755,183**	**27,883,931**
Equity			
Share Capital	10	4,934	5,588
Distributable reserve		150,726,170	-
Share premium		511,875,139	739,210,492
Treasury Shares	11	(20,863,074)	(31,477,788)
Retained Earnings		41,428,985	(17,305,504)
Total Equity		**683,172,154**	**690,432,788**
Total Equity and Liabilites		**710,927,337**	**718,316,719**
Net asset value per share:			
Class A EURO shares outstanding 47,411,855 (2009: 53,978,004)		€ 13.7990	€ 12.3770
Class A GBP shares outstanding 1,932,543 (2009: 1,688,474)		£12.8717	£11.7479

The financial statements were approved by the Board of Directors on 26 April 2011 and signed on behalf by:

Christopher Fish
Chairman

Nicolas Wirz
Director

The accompanying notes on pages 31 to 49 form an integral part of these financial statements

Boussard & Gavaudan Holding Limited
Statement of Comprehensive Income
For the year ended 31 December 2010

	Note	2010 Euro	2009 Euro
Income			
Net realised gain/(loss) on financial instruments at fair value through profit or loss	6	112,508,135	(12,626,950)
Change in unrealised (loss)/gain on financial instruments at fair value through profit or loss	6	(24,354,262)	174,682,040
Net gain on financials assets at fair value through profit or loss		88,153,873	162,055,090
Realised and unrealised foreign currency (loss) on bank loan		-	(355,738)
Realised and unrealised foreign currency (loss)/gain on forward derivatives contracts	5	(2,783)	2,468,072
Other realised and unrealised foreign currency gain/(loss)		5,887	(4,708)
		88,156,977	164,162,716
Interest income		4,205	15,481
Total income		88,161,182	164,178,197
Trading Expense			
Interest expense		42,129	121,694
Company expenses			
Performance fees	9	18,413,773	19,370,343
Management fees	9	10,393,016	9,980,154
Administrative fees	8	112,909	119,980
Directors fees	7	117,500	117,500
Professional fees		1,105	98,341
Audit fees		21,566	(3,948)
Other expenses		324,692	229,567
Total expenses		29,426,690	30,033,631
Net profit / Total Comprehensive Income		58,734,492	134,144,566
Basic and diluted earnings per share			
Class A EURO €55,971,603 / 50,714,974 shares(2009: €128,035,848 Profit / 57,221,522 shares)		€ 1.1037	€ 2.2375
Class A GBP £2,001,885 / 1,727,127 shares,(2009: £3,722,576 Profit / 2,063,858 shares)		£1.1591	£ 1.8037

All activities are of a continuing nature.

The accompanying notes on pages 31 to 49 form an integral part of these financial statements

Boussard & Gavaudan Holding Limited
Statement of Changes in Equity
For the year ended 31 December 2010

	Share Capital	Share Premium	Distributable Reserve	Treasury Shares	Retained Earnings	Total Equity
	Euro	Euro	Euro	Euro	Euro	Euro
Balance as at 1st January 2010	5,588	739,210,492	-	(31,477,788)	(17,305,504)	690,432,788
Reclassification to Distributable reserve *(note 10)*	-	(439,995,600)	439,995,600	-	-	-
Reclassification from Share premium linked to treasury shares	-	212,660,247	(212,660,247)	-	-	-
Net gain attributable to ordinary shares					58,734,489	58,734,489
Treasury Shares acquired	-	-	-	(65,995,123)	-	(65,995,123)
Treasury Shares cancelled	(654)	-	(76,609,183)	76,609,837	-	-
Balance as at 31st Dec 2010	4,934	511,875,139	150,726,170	(20,863,074)	41,428,985	683,172,154

From 1st January 2009 to 31st December 2009

	Share Capital	Share Premium	Treasury Shares	Retained Earnings	Total Equity
	Euro	Euro	Euro	Euro	Euro
Balance as at 1 st January 2009	6,394	785,523,000	(11,714,342)	(151,450,070)	622,364,982
Net gain attributable to ordinary shares/Total Comprehensive Income	-	-	-	134,144,566	134,144,566
Treasury shares acquired	-	-	(66,076,760)	-	(66,076,760)
Shares cancelled	(806)	(46,312,508)	46,313,314	-	-
Balance as at 31st Dec 2009	5,588	739,210,492	(31,477,788)	(17,305,504)	690,432,788

The accompanying notes on pages 31 to 49 form an integral part of these financial statements

Boussard & Gavaudan Holding Limited
Statement of Cash Flows
For the year ended 31 December 2010

	2010	2009
	Euro	Euro
Cash flows from operating activities		
Net profit	58,734,492	134,144,566
Adjustments to reconcile net profit to net cash used in operating activities:		
Unrealised (gain)/loss on financial instruments at fair value through profit and loss	24,354,262	(174,682,040)
Realised loss/(gain) on financial instruments at fair value through profit and loss	(112,508,135)	12,626,950
Realised and unrealised foreign currency (loss)/gain on forward derivatives contracts	2,783	(2,468,072)
Increase in due from brokers	(1,155,560)	(16,295)
Decrease in due to brokers	(6,217)	(442,297)
(Decrease)/increase in performance fee payable	(956,570)	19,370,343
(Decrease)/increase in management fee payable	(76,709)	7,367
Decrease in interest payable	(48)	(9,421)
(Decrease)/increase in administrative fee payable	(23,937)	23,937
Decrease in audit fees payable	(17,855)	(46,329)
Increase/(decrease) in legal fees payable	14,541	(133,997)
Realised foreign currency loss on bank loan	-	512,011
Unrealised foreign currency (gain) on bank loan	-	(160,532)
Net cash used in operating activities	(31,638,953)	(11,273,809)
Cash flows from investing activities		
Purchase of investments at fair value through profit or loss	(689,528,451)	(1,187,500)
Sales of investments at fair value	786,057,913	101,762,027
Net cash provided by investing activities	96,529,462	100,574,527
Cash flows from financing activities		
Treasury shares acquired	(65,995,123)	(66,076,760)
Net cash flow from foreign exchange forward derivative contracts	604,616	(3,446,488)
Repayment of other short term loan	(56,800,000)	(48,950,000)
Proceeds from other short term loan	57,300,000	54,450,000
Proceeds from bank loan	-	17,956,875
Repayment of bank loan	-	(43,234,345)
Net cash used in financing activities	(64,890,507)	(89,300,718)
Net movement in cash and cash equivalents	-	-
Cash and cash equivalents		
Beginning of the period	-	-
End of the period	-	-
Cash and cash equivalents at December 2010	-	-
Supplementary information		
Interest received	4,205	15,481
Interest paid	42,177	131,115

The accompanying notes on pages 31 to 49 form an integral part of these financial statements

1. General information

Company information

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

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

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

Investment policy

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

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

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

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

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

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

1. General information (continued)

Gearing

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

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

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

Asset allocation

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

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

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

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

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

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

Diversification

The Company's investment policy will be diversified by exposure to the investment strategies of the Fund through the Company's investment in the Fund and through the other leveraged investments made by the Investment Manager as described above.

Close Fund Services (the "Administrator") arranges for the monthly publication of the NAV of the Company as at the end of the previous month and the Investment Manager provides daily estimates.

As of 31 December 2010 none of the Company and the Fund currently had any employees or owned any facilities.

2. Accounting policies

Statement of compliance

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

Standards and interpretations effective for annual periods beginning on or after 1 July 2009 not having material impact on the Company Financial Statements

IAS 1: Presentation of Financial Statements (Revised)
IFRS 3: Revised - Business Comninations
IAS 27: Consolidated and Separate Financial Statements (Amendment)
IAS 28: Investments in Associates (amendment)
IAS 31: Interest in Joint Ventures (Amendment)
IAS 38: Intangible Assets (Amendment)
IAS 39: Financial Instruments: Recognition and Measurement-Eligible Hedged Items (Amendment)
IFRIC 17: Distribuitions of Non-cash Assets to Owners

Standards and interpretations effective for annual periods beginning on or after 1 January 2010 not having material impact on the Company Financial Statements

IFRS 2: Share-based payments (Amendment)
IFRS 5: Non-current Assets Held for Sale and Discontinued Operations (Amendment)
IAS 1: Presentation of Financial Statements (Revised)
IAS 7: Statement of Cash Flows
IAS 17: Leases (Amendment)
IAS 36: Impairment of Assets (Amendment)
IAS 39: Financial instruments: Recognition and measurement (Amendment)

Standards and interpretations effective for annual periods beginning on or after 1 February 2010 not having material impact on the Company Financial Statements

IAS 32: Presentation (Amendment)
IFRIC 19: Extinguishing Financial Liabilities with Equity Instruments

Standards and interpretations effective for annual periods beginning on or after 1 January 2011 not having material impact on the Company Financial Statements

IFRS 1: First time Adoption of International Financial Reporting Standards
IFRIC 14: Prepayments of a minimum Funding Requirement (Amendment)

Basis of preparation

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

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

Use of estimates and judgement

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

2. Accounting policies (continued)

Functional and presentation currency

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

Investments at fair value through profit and loss

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

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

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

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

Taxation

The Company has been granted exemption under the Income Tax (Exempt Bodies) (Guernsey) Ordinance, 1989 from Guernsey Income Tax, and is charged the annual fee of £600 (2009: £600) As a result, no provision for income taxes has been made in the financial statements.

Income and expenses

Other income is recognised in the Statement of Comprehensive Income as it occurs on an accrual basis.

Expenses are accounted for as they occur on an accrual basis. Expenses are charged to the Statement of Comprehensive Income.

Interest income and expense

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

Basic earnings per share, and NAV per share

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

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

Share issue cost

Share issue costs have been borne by the Investment Manager.

2. Accounting policies (continued)

Short term loan

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

Treasury shares

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

Forward currency contracts

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

Operating segments

The Company has adopted IFRS 8, ‘Operating segments’ as of 1 January 2009. The new standard requires a ‘management approach’, under which segment information is presented on the same basis as that used for internal reporting purposes. The Board is of the view that the Company is engaged in a single segment of business, being investment in financial instruments.

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

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

3. Fair value of financial instruments

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

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

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

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

The valuation techniques used by the Company to measure fair value during the year ended December 31, 2010 maximized the use of observable inputs and minimized the use of unobservable inputs.

3. Fair value of financial instruments (continued)

The following is a summary of the inputs used to value the Company's net assets as of December 31, 2010:

Fair Value Measurements at December 31,2010

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

Fair Value Measurements at December 31, 2009

Description	Total Fair Value €	Quoted Prices in Active Markets for Identical Assets (Level 1) €	Significant Other Observable Inputs (Level 2) €	Significant Unobservable Inputs (Level 3) €
Financial assets				
Investments in securities				
Investment in Sarkfund	708,929,113	-	-	708,929,113
Private equity deals	8,166,332	-	-	8,166,332
Money market fund	739,781	739,781	-	-
	717,835,226	739,781	-	717,095,445
Derivative contracts, at fair value				
Forward currency contracts	169,351	-	169,351	-
Total	718,004,577	739,781	169,351	717,095,445

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

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

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

Financial assets	**Non listed equities** €	**Private equity deals** €	**Total** €
Balance as of December 31, 2008	647,842,523	7,180,042	655,022,565
Total gains and losses (realized and unrealized)	162,245,357	(201,210)	162,044,147
Purchases	-	1,187,500	1,187,500
Sales	(101,158,767)	-	(101,158,767)
Balance as of December 31, 2009	708,929,113	8,166,332	717,095,445

There were no transfers between levels in the period.

3. Fair value of financial instruments (continued)

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

Each level 3 valuation is documented. This documentation is updated and reviewed monthly by the Investment Manager's Valuations Committee. The Directors have reviewed the Level 3 valuations and are satisfied that they fairly represent the value of the assets held by the Company as at 31 December 2010.

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

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

In August 2010, the Company had invested €5,100 in the capital of Compagnie des Minquiers and advanced a loan of €1,870,677. As at 31 December 2010, the constitution of Compagnie des Minquiers had not yet been finalised. Compagnie des Minquiers has not been consolidated in the Company's financial statements at year end as the impact would not have been material.

4. Financial instruments and associated risks

(a) Risk management policy

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

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

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

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

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

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

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

4. Financial instruments and associated risks (continued)

(b) Market Risk

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

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

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

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

Macroeconomic risk

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

Quantitative analysis

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

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

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

A wide range of reports are also produced to monitor exposures and concentrations of risk. *"What-if type scenarios"* as well as other *risk indicators* which aggregate all type of exposures in different ways are scrutinised. A non aggregated vision, focusing on nominal and/or notional amounts, is also used to track excessive concentrations of risk.

Qualitative analysis

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

Microeconomic risk

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

Quantitative analysis

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

4. Financial instruments and associated risks (continued)

(b) Market Risk (continued)

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

Qualitative analysis

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

Independent risk measurement (Equity at risk and Unencumbered cash)

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

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

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

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

(i) Equity price risk

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

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

Investments at fair value through profit or loss

	As at December 31, 2010 €	% of Investments	As at December 31, 2009 €	% of Investments
Investments in BG Fund Cost: 2010:€682,054,502	698,306,497	98.43%	-	-
Investments in SARK Fund Cost: (2009:€667,853,983)	-	-	708,929,113	98.76%
Investments in Private equity deals Cost: 2010:€9,911,013 (2009: €7,537,896)	11,014,935	1.55%	8,166,332	1.14%
Investment in money market fund Cost: 2010:€135,928 (2009: €730,893)	138,203	0.02%	739,781	0.10%
Total	709,459,635	100.00%	717,835,226	100.00%

4. Financial instruments and associated risks (continued)

(b) Market Risk (continued)

The Company invested in three private equity investments which are being valued at their estimated fair value. Overall, the weight of the private equity type investments in the portfolio has increased from 1.14% to 1.55%.

At 31 December 2010, should the price of the Fund and investments other than the Fund have increased/decreased by 10% with all other variables remaining constant, the effect on increase/decrease in profit and loss for the year and on net assets would result in an increase/decrease of approximately €70,945,964 (2009: €71,783,523).

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

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

(ii) Interest rate risk

Over the year, the Company has borrowed money in Euro at a rate that has ranged from 1.904% and 2.35%.

The Company has been benefited by the decrease of short term interest rates on the market.

An increase by 1% of short term rates will increase the Company's cost of borrowing, and accordingly, the profit and loss for the year and the net assets, by EUR 60,000 based on the position at the end of 2010 compared to EUR 55,000 based on the position at the end of 2009.

(iii) Foreign currency risks

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

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

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

Forward contracts are commitments either to purchase or sell a designated financial instrument, currency, commodity or an index at a specified future date for a specific price and may settle in cash or another financial asset. Forwards are individually traded over-the-counter contracts. Forward contracts result in credit exposure to the counterparty. Forward contracts result in exposure to market risk based on changes in market prices relative to contracted amounts. Market risks arise due to the possible movement in foreign currency exchange rates, indices, and securities' values underlying these instruments. In addition, because of the low margin deposits normally required in relation to notional contract sizes, a high degree of leverage may be typical of forward trading account. As a result, a relatively small price movement in an underlying of a forward contract may result in substantial losses to the Company. Forward contracts are generally subject to liquidity risk. If prices fluctuate during a single day's trading beyond those limits, the Company could be prevented from promptly liquidating unfavourable positions and thus could be subject to substantial losses. Notional amounts

4. Financial instruments and associated risks (continued)

(b) Market Risk (continued)

(iii) Foreign currency risks (continued)

are the underlying reference amounts to stock exchange indices equities and foreign currencies upon which the fair value of the forward contracts traded by the Company are based. While notional amounts do not represent the current fair value and are not necessarily indicative of the future cash flows of the Company's forward contracts, the underlying price changes in relation to the variables specified by the notional amounts affect the fair value of these derivative financial instruments.

Forward foreign exchange contracts settle on a net basis, the net amounts payable at 31 December 2010 were €617,513 (2009: €345,572 receivable).

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

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

	Amount Stated in EURO 31 December 2009	
	GBP	**USD**
Investments at fair value through profit or loss	-	6,978,832
Due from brokers	83	-
Foreign exchange forward derivatives contracts	-	(6,978,854)
Administrative Fee Payable	(23,937)	-
Net FX exposure of the portfolio	(23,854)	(22)
Foreign exchange forward to hedge the GBP share class	19,773,459	-
Net FX exposure of the Company including hedge of the GBP class	19,749,605	(22)

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

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

31 December 2009	GBP	USD
Change in currency rate in %	5%	5%
Effect on profit and loss and net assets	(1,193)	(1)

(c) Credit risk

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

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

4. Financial instruments and associated risks (continued)

(c) Credit risk (continued)

broker through which the broker executes and clears transactions, or the bankruptcy of an exchange clearing house.The Company is exposed to the credit risk of the counterparties with which, or to the brokers, dealers and exchanges through which, it deals, whether they engage in exchange-traded or off-exchange transactions. The Company may be subject to the risk of loss of assets placed on deposit with a broker in the event of the broker's bankruptcy, the bankruptcy of any clearing broker through which the broker executes and clears transactions, or the bankruptcy of an exchange clearing house.

The Company's exposure to brokers-dealers is with reputable broker-dealers. The Company's principal trading activities are primarily with brokers and other financial institutions located in Europe. At the end of the period, substantially all the investments in securities owned and securities sold, not yet purchased, due from brokers and due to brokers, are positions with and amounts due to or from these brokers. All securities transactions of the Company are cleared by major securities firms pursuant to customer agreements. The Company had substantially all its individual counterparty concentrations with these brokers and their affiliates.
Amounts appearing in the Statement of Financial Position as due from and due to brokers reflect gross maximum exposures which contribute to credit risk and which are detailed by main categories in the following table.

	31 December 2010		
	Due from Brokers	**Due to Brokers**	**Net**
	€	**€**	**€**
Unsettled trades	-	(282,265)	(282,265)
Cash held with custodians	1,467,701	-	1,467,701
Loss on forward contract	-	(438,407)	(438,407)
	1,467,701	(720,312)	747,389

	31 December 2009		
	Due from Brokers	**Due to Brokers**	**Net**
	€	**€**	**€**
Unsettled trades	-	(288,482)	(288,482)
Cash held with custodians	312,142	-	312,142
Gain on forward contract	169,351	-	169,351
	481,493	(288,482)	193,011

Unsettled trades

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

Cash held with custodian

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

BNP Paribas is a large financial institution having investment grade ratings from the major rating agencies of Aa2 (Moody's) and AA (Standard & Poors and Fitch).

The Company has entered into a liquidity enhancement agreement with Exane BNP Paribas SA ("Exane") on 14 August 2008. Under the agreement, Exane, acting independently but on behalf and in the name of the Company, effects purchases and sales of euro shares of the Company on Euronext Amsterdam. To enable Exane to operate the Company has opened a cash account and a securities account with BNP Paribas Securities Services. BNP Paribas Securities Services SA is a wholly-owned subsidiary of BNP Paribas SA. Any shares of the Company purchased by Exane on behalf of the Company and not cancelled are held on this securities account in the name of the Company. The cash account is being credited from time to time by the Company with the necessary

4. Financial instruments and associated risks (continued)

(c) Credit risk (continued)

amount in order to fund further purchases of shares. This agreement is tacitly renewed for one year every 31 December. Because the assets in custody (other than cash) are segregated from the assets of the custodian, the credit risk exposure of the Company to BNP Paribas and BNP Paribas Securities Services SA is limited to the amount of cash deposited by the Company with these banks. As of 31 December 2010 the net credit exposure was €1,185,437 (2009:23,660).

Off balance sheet risk in relation to over-the-counter derivatives

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

Transactions entered into directly between two counterparties generally do not benefit from these protections, which in turn may subject the Company to the risk that counterparty will not settle a transaction in accordance with agreed terms and conditions because of a dispute over the terms of the contract or because of a credit or liquidity problem. Counterparty risk is increased for contracts with longer maturities when events may intervene to prevent settlement. The ability of the Company to transact business with any one or any number of counterparties, the lack of any independent evaluation of the counterparties or their financial capabilities, and the absence of a regulated market to facilitate settlement, may increase the potential for losses to the Company. All of the Company's exposures to counterparties are with reputable financial institutions which are at least single A investment grade rated from the major rating agencies. Counterparty risk exposure is monitored daily. The risk management system gives real time marked to market position, collateral and risk exposure.

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

Exposure to investment other than on Boussard & Gavaudan Fund Plc.

Part of the cash allocated to the liquidity enhancement programme, which has still not been used to buy back the shares of the Company, is invested by the liquidity provider in "BNP Paribas Cash Invest" a pure money market fund distributed by a subsidiary of the BNP Paribas SA group.The Company enters forward foreign currency contracts with Credit Suisse London which is a well known and large financial institution which is investment grade and at least single A rated by the major rating agencies. On 31 December 2010, the Company had a credit exposure relative to these derivative instruments of € NIL. There is no collateral agreement to protect this exposure and consequently no collateral amount paid.

Open forward currency contracts

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

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

At 31 December 2009, the Company had contracted to buy and sell the following amounts:

Purchase Currency	Unit	Sale Currency	Unit	Settlement Date	Unrealised gain/(loss) (Euro)
GBP	(21,912,833)	EUR	19,910,000	1/6/2010	514,923
Net unrealised gain					**514,923**
EUR	2,651,857	GBP	(2,356,323)	1/6/2010	(2,440)
EUR	6,635,722	USD	(10,000,000)	3/3/2010	(343,132)
Net unrealised Loss					**(345,572)**
					169,351

4. Financial instruments and associated risks (continued)

(c) Credit risk (continued)

Exposure to Boussard & Gavaudan Fund Plc

As 98.43% (2009:98.76%) of the Company's investments are in the Fund (as per Investments at fair value through profit or loss), there is a risk that the Fund will be unable to pay amounts in full when due. The Company has indirect credit risk exposure through its investment in the Fund.
Liquidity risk is the risk that the Company will encounter difficulty in realising assets or otherwise raising funds to meet financial commitments.

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

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

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

(d) Liquidity risk

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

All financial liabilities of the Company at 31 December 2010 were due to settle in one month. All these liabilities, except for the audit fees did settle in January 2011.

	Less than 1 month	
In EURO	**At 31 December 2010**	**At 31 December 2009**
Other Short Term Loan	(6,000,000)	(5,500,000)
Due to brokers	(282,265)	(288,482)
Performance fees Payable	(18,413,773)	(19,370,343)
Management fee payable	(2,595,727)	(2,672,436)
Interest Payable	(5,014)	(5,062)
Audit Fees Payable	(5,816)	(23,671)
Legal Fees Payable	(14,541)	-
Administrative Fee Payable	-	(23,937)
Unrealised loss on forward derivative contract	(438,047)	-
Total financial liabilities	**(27,755,183)**	**(27,883,931)**

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

4. Financial instruments and associated risks (continued)

(e) Capital management

	Fair value at 31 December 2010	Fair value at 31 December 2009
External Debt	6,000,000	5,500,000
Equity	683,172,154	690,432,788
Ratio = External Debt / Equity	0.88%	0.80%

Over the year the indebtedness of the company has increased from 0.80% to 0.88% which is all comprised of short-term commitments. As explained more in details in note 12 (Other short term loan), short-term commitments are being used in order to finance the share-buy back programme on a monthly basis, until the Company receives the proceeds from its monthly redemptions in the Fund.

Long term commitments like Private equity investments are currently being financed through equity share capital.

The Company is not subject to any externally imposed capital requirements.

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

	At 31 December 2010 €	At 31 December 2009 €
Held for trading		
Net realised loss on forward contracts	(607,399)	(3,446,488)
Net unrealised gain on forward contracts	604,616	5,914,560
Net Loss/ gain from financial assets and liabilities	**(2,783)**	**2,468,072**

6. Investments in financial instruments through profit or loss

	31 December 2010 €	31 December 2009 €
Investments		
Opening Cost	676,122,772	789,324,249
Additions	689,528,451	1,187,500
Disposals	(786,057,915)	(101,762,027)
Realized gain	112,508,135	(12,626,950)
Ending Cost	692,101,443	676,122,772
Unrealised gains on investments at fair value	17,358,192	41,712,454
Investments at fair value through profit or loss:	709,459,635	717,835,226

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

	31 December 2010 €	31 December 2009 €
Net gain /(loss) (Realised & unrealised gains)	88,153,873	162,055,090

7. Related Party transactions

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

8. Administration fees

Close Fund Services Limited, the Administrator, is entitled to an annual fee. In addition, the Administrator outsources the accounting to GlobeOp Financial Services LLC for an annual service fee payable monthly.

9. Management fees and Performance fees

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

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

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

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

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

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

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

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

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

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

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

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

9. Management fees and Performance fees (continued)

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

To the year ended 31 December 2009, the revised method has resulted in less performance fee being paid by the Company than would have been payable to the Investment Manager under the existing method set out in the Management Agreement, the benefit to the Company being approximately 2009: €300,000.

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

For the year ended December 31, 2010 the Management fees were €10,393,016 (for year ended December 31, 2009: 9,980,154), at December 31, 2010 €2,595,727 (December 31, 2009: €2,672,436) was payable.

For the year ended December 31, 2010, the Performance fees were €18,413,773 (for year ended December 31, 2009: €19,370,343), at December 31, 2010 €18,413,773 (December 31, 2009: €19,370,343) was payable.

10. Share Capital

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

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

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

Allotted, issued and fully paid

As on 31 December 2010	**Shares**	**Euro**
Class A EURO of € 0.0001	47,411,855	4,741
Class A GBP of € 0.0001	1,932,543	193
As on 31 December 2009	**Shares**	**Euro**
Class A EURO of € 0.0001	53,978,004	5,398
Class A GBP of € 0.0001	1,688,474	190

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

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

10. Share Capital (continued)

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

On a winding-up, the shareholders shall be entitled to the surplus assets remaining after payment of all the creditors of the Company.

11. Treasury shares

The acquisition of treasury shares started on 27 February 2008. The Company holds 3.91% (2009: 5.71%) of its issued share capital in treasury shares which represents 2,005,832 shares on 31 December 2010.

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

Situation

Company's allotted, issued and fully paid share capital

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

	Nominal Euro	Shares Euro	Nominal GBP	Shares GBP
31 December 2010	€ 4,941.7686	49,417,686	€ 193.2543	1,932,543
31 December 2009	€ 5,734.7836	57,347,836	€ 190.1933	1,688,474

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

	Nominal Euro	Shares Euro	Nominal GBP	Shares GBP
31 December 2010	€ 4,741.1855	47,411,855	€ 193.2543	1,932,543
31 December 2009	€ 5,397.8004	53,978,004	€ 190.1933	1,688,474

Activity

The Company has bought back the following shares during the period

	Number of EUR shares	EUR amount	Average Price	Number of GBP shares	GBP amount	Average Price
31 December 2010	6,278,425	€ 65,995,123	€ 10.5114	-	-	-
31 December 2009	8,202,243	€ 65,869,535	€ 8.0307	30,000	£184,684.50	£6.1562

The Company has cancelled the following shares during the period

	Number of EUR shares	EUR amount	Average Price	Number of GBP shares	GBP amount	Average Price
31 December 2010	7,642,425	€ 76,609,837	€ 10.0243	-	-	-
31 December 2009	6,287,377	€ 43,428,714	€ 6.9073	442,750	£2,365,826.67	£5.3435

12. Other short term financing

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

In compliance with its investment policy, BG Fund agreed, from 2 November 2010, to subscribe for such interest-bearing variable funding notes issued by the Company up to a principal amount of €20 million. Although the stated maturity of the notes is 18 months from their issue date, the Company has the option to redeem at any time the notes at par on a 2 business days' notice, which it does every month by applying the proceeds of BG Fund shares redemptions.

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

12. Other short term financing (continued)

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

	31 December 2010	31 December 2009
	€	€
Beginning cost	(5,500,000)	-
Repayments	56,800,000	48,950,000
Drawdown	(57,300,000)	(54,450,000)
Ending Cost	(6,000,000)	(5,500,000)
Accrued Interest	(5,014)	(5,062)
Other short term loan at fair value	(6,005,014)	(5,505,062)

13. Segment information

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

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

	2010	2009
Cayman Islands	-	162,245,358
Ireland	87,678,215	-
Rest of the world	482,967	1,932,839
Total	88,161,182	164,178,197

The following table analyses the Company's operating income per investment type.

	2010	2009
Equity securities	88,153,872	162,055,090
Debt instruments	-	(355,739)
Derivative financial instruments	(2,782)	2,468,072
Foreign exchange gains on financial instruments not at fair value through profit or loss	10,092	10,774
Total	88,161,182	164,178,197

14. Comparatives

Comparative information has been provided for the year ended 31 December 2009. Certain comparative figures have been reclassified in order to conform to the presentation.

15. Post balance sheet events

Acquisition of MPF by Compagnie des Minquiers
On March 3rd 2011, Compagnie des Minquiers, a newly-formed subsidiary of the company held jointly with the executive committee members of the Cofigeo Group, has acquired 100% of MPF. MPF is a holding company that owns 26,523 shares in Cofigeo, representing approximately 36% of the share capital and 45% of the voting rights of Cofigeo. On March 29th 2011, as a result of the MPF acquisition and in compliance with French securities laws, Compagnie des Minquiers, through MPF, has initiated a mandatory tender offer at 530€ for all the remaining shares of Cofigeo. In order to finance the MPF acquisition, the Company has subscribed for shares and convertible bonds issued by Compagnie des Minquiers. The cost of this investment for the Company is approximately €18.2m, representing approximately 2.7% of the Company's net assets.

16. Approval of financial statements

The financial statements were approved by the Company on 26 April 2011 at which date these financial statements were considered final.