ANNUAL REPORT AND FINANCIAL STATEMENTS

Boussard & Gavaudan Holding Limited

For the year ended 31 December 2008.

Contents

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Christopher Fish
Sameer Sain
Nicolas Wirz

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I am pleased to present to shareholders the yearly Report and Financial Statements of the Company for the year ended 31st December 2008.

Needless to say we have been facing extremely difficult and challenging market conditions reflecting the global economy crisis since summer 2007. Consequently the share price performance of the Company was disappointing. During the period from 1st January to 31st December 2008 the NAV of the Company's Euro share decreased 12.3% while the share price went down 45%. The GBP shares issued on 28th July 2008 did not suffer as much with a NAV decrease of 1.95% and a market price decrease of 24.4%.

During that same period, the discount of the share price to the NAV also widened which was unsatisfactory and led to the actions described below. Despite the difficult conditions and negative performance, the Board continues to have confidence in the underlying strategies deployed by the Investment Manager.

The determinants of share price are the Net Asset Value ("NAV") reflecting the performance of the underlying investment fund (Sark Fund Limited), and the degree of discount or premium to NAV at which the shares trade, which is driven by supply and demand in the market place, the liquidity of the underlying shares and general market sentiment. The massive deleveraging in which the financial world has entered, the consequences of the failure of Lehman Brothers and the regulatory measures taken subsequently such as the short selling ban are major factors, among others, which significantly affected arbitrage strategies which represent the core business of the Company's underlying fund's activity.

With regard to the NAV achieved by the Investment Manager 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.

The degree of discount or premium compared to NAV is largely driven by market forces and by the underlying liquidity of the shares themselves. From the end of 2007 on, it became apparent to the Board and the Investment Manager that the Company's share price was becoming subject to increasing pressure. In an effort to increase liquidity in the Company's shares, the Board decided to list the Company's shares on the London Stock Exchange thereby achieving a dual primary listing in London and Amsterdam. This took effect on 28th July 2008.

In addition, the Company has been actively buying back shares through the period totalling 23,973,889 Euro shares and 1,363,812 GBP shares. As at 31st December 2008 1,454,966 Euro shares and 412,750 GBP shares were held in Treasury representing 2.84% of the total share capital issued. The first months of 2009 have shown an evolution towards more stability in the share price and its discount together with a positive NAV performance of the underlying fund.

We believe the strengthening of the regulatory and supervisory environment that may emerge from the recent turmoil will bring back more stability to our industry and the financial markets to the benefit of the shareholders of the Company. We continue to view the discount to NAV with significant concern and we will continue to make every endeavour to seek a narrowing of such. The above plans, I believe, demonstrate that the Company, the Board and the Investment Manager are exploring all options to achieve optimum liquidity and transparency for the benefit of all shareholders.

On behalf of the Board I wish to thank the shareholders and advisors to the Company for their continued support and patience in these troubled times.

Nicolas Wirz

Chairman for and on

behalf of Christopher Fish

22 April 2009

The Directors present their annual report and financial statements for the year ended 31st December 2008.

Principal Activities

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

Additionally, BGHL may enter into illiquid side pocket investments and is currently invested for less than 2% of its net assets.

Boussard & Gavaudan Asset Management LP ("BGAM" or "the Investment Manager") is the investment manager for both The Company and The Fund.

Review of Recent Developments

The performance of BGHL is driven primarily by financial results of The Fund. In the circumstances, the Directors are satisfied with The Fund strategies since launch, particularly when taking into account the volatile market conditions.

The difficult market conditions since the middle of 2007 have led the Investment Manager to keep the leverage relatively low by maintaining the equity at risk around 50%. This is reflected by a close monitoring of the various strategies in consideration of the massive deleveraging by many market participants, especially in arbitrage strategies which are the core competence of the Investment Manager.

Thus, the Investment Manager has continued to make further enhancements to The Fund's investment process believing that these will assist in the delivery of consistent returns in the future. The Investment Manager is also working on all possible options aimed at achieving maximum liquidity and transparency for the benefit of shareholders of The Company.

These include the creation in July of 2008 of a sterling class of ordinary shares now listed and traded alongside the existing euro ordinary shares class on Euronext Amsterdam. In addition, BGHL has obtained the admission of its sterling and euro classes of shares to the Official List of the UK Listing Authority and to trading on the LSE, creating a dual primary listing for BGHL in London and Amsterdam since 28th July 2008. The sterling share class has been created through the conversion of existing euro shares into sterling shares at the prevailing net asset value per euro share at 30th June 2008. Thereafter each quarter shareholders will be offered the right to convert shares from one class into another at the prevailing net asset value per share at the conversion calculation date at the end of the relevant quarter.

Finally, following several General Meetings resolutions and various agreements, the Company actively improved the liquidity of the shares in the market by enabling share buy-backs and sales of treasury shares on Euronext Amsterdam and London Stock Exchange. As of 31st December 2008, The Company had purchased 23,973,889 Euro shares and 1,363,812 GBP shares at an average discount of respectively 28.02% and 42.76%. As a result, the Company held 2.84% of its issued share capital on 31st December 2008 in treasury shares.

The loan facility in place to finance private equity investments has been terminated on 14 April 2009. The decision has no significant impact given the size of private equity investments which represents around 1% of the net assets of the Company.

Results for the year and State of Affairs at 31st December 2008

The Balance Sheet and the Income Statement for the year ended 31st December 2008 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.

All of the Directors have been appointed for two Annual General Meetings. Therefore, they are all proposed to be re-elected at the forth coming Annual General Meeting..

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 will receive an additional fee of €7,500 per annum.

Directors' interests in shares

As of 31st December 2008, Christopher Fish had invested, directly or indirectly, in 8,631 BGHL ordinary € shares. Sameer Sain had invested, directly or indirectly, in 40,000 BGHL ordinary € shares. Nicolas Wirz had invested, directly or indirectly, in 18,631 BGHL ordinary € shares.

On 28th November 2008 the shareholders renewed the authority to make market purchase of the shares of the Company to the Directors. Under such authority the Company is allowed to purchase up to 14.99% of its own shares. From 28th November to 31st December 2008 the Company had purchased 1,959,931 shares of the Company representing 2.39% of the total 14.99% authorised by the shareholders.

Corporate Governance

As a Guernsey incorporated company, the Company is not, strictly speaking, required to comply with the Combined Code (the "Code") appended to the listing rules of the UK's Financial Services Authority. However, the Directors place a high degree of importance on ensuring that high standards of corporate governance are maintained and have adopted the spirit of 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 past 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 below:

	Quarterly Board Meeting	Ad hoc Board Meetings	Audit Committee
Number of Meetings	4	13	2
Meetings attended:			
Christopher Fish	4	13	2
Nicolas Wirz	4	12	2
Sameer Sain	3	7	-

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 Director's have decided to follow, where applicable, the Association of Investment Companies ("AIC") Code on Corporate Governance. A summary of their duties according to the AIC Code is set out below.

The Directors are responsible for:

- 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 to consider inter alia: (a) annual and semi-annual accounts, (b) auditors reports, and (c) terms of appointment and remuneration for the auditor (including overseeing the independence of the auditor particularly as it relates to non-audit services). In addition, the Audit Committee will ensure that the Company maintains high standards of integrity, financial reporting and internal controls. The Audit Committee comprises the following as members: Nicolas Wirz (Chairman), Christopher Fish and Sameer Sain.

Internal Controls

The Board is ultimately responsible for the Company's system of internal control 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 control, covering of controls, including financials, 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 Report and Financial Statements which are independently audited. The Board retains accountability for the functions it delegates and is responsible for the system of internal control. Formal contractual arrangements have been put in place between the Company and the Providers of these services.

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

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 will assess its performance on an annual basis based on the guidelines set out by the AIC and the Combined Code.

Going Concern

After making enquiries and given the nature of the Company and its investments, the Directors are satisfied that it is appropriate to continue to adopt the going concern basis in preparing the Financial Statements, and, after due consideration, the Directors consider that the Company will continue in business in the foreseeable future.

Concerning the loan termination mentioned above, the Company is financing the position by reducing the exposure to the Fund.

Relations with Shareholders

The Investment Manager maintains a regular dialogue with institutional shareholders, the feedback from which is reported to the Board.

The Company reports formally to Shareholders twice a year. Additionally, current information is provided to shareholders on an ongoing basis through the Company website (www.bgholdingltd.com) and monthly newsletter. Shareholders may contact the Directors via the Company Secretary.

The Directors are responsible for the preparation of financial statements for each financial period which give a true and fair view of the state of affairs of the company as at the end of the year and the results of operations for the period then ended.

In preparing those financial statements, the Directors are required to:

- 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. 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.

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.

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 loss of the Company; and the Chairman's Statement and Investment Manager's report 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 they face as required by the Disclosure and Transparency Rules of the UK Listing Authority.

By order of the Board

Nicolas Wirz	Nigel Govett
Director	Alternate Director for Christopher Fish

22nd April 2009

A- Background and Highlights

Background

Boussard & Gavaudan Holding Limited ("BGHL" or "the Company") is a closed-ended investment company incorporated under the laws of Guernsey on 3 October 2006.

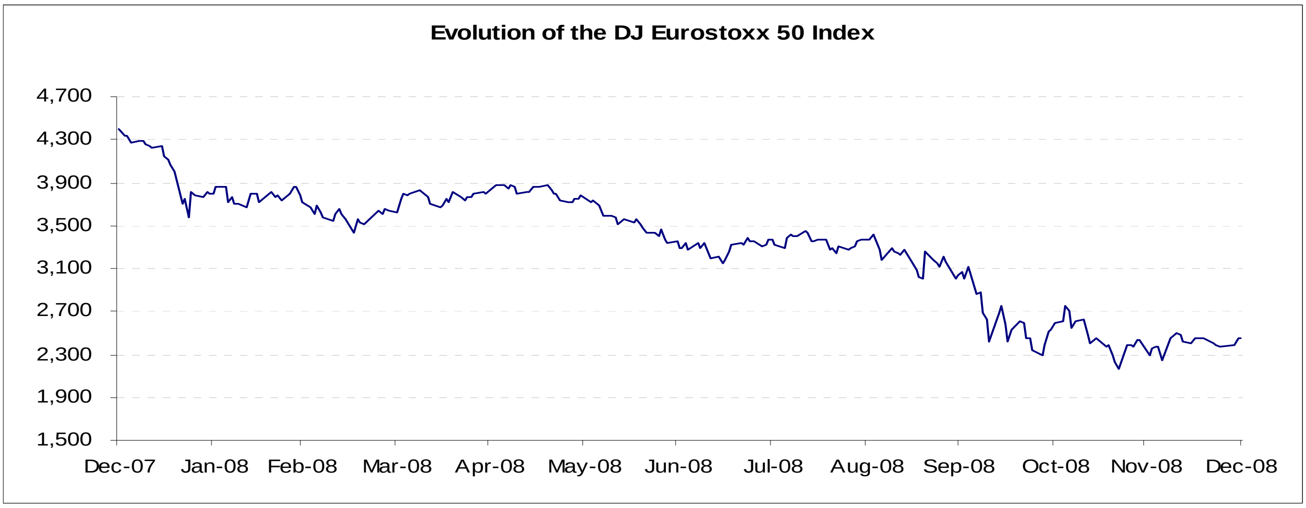
The Company is registered with the Dutch Authority for Financial Markets and listed on Euronext Amsterdam. Since 28 July 2008, BGHL has obtained the admission of its shares to the Official List of the UK Listing Authority and to trading on the London Stock Exchange ("LSE").

The Company has also created a sterling class of shares listed and traded alongside the existing euro share class on Euronext Amsterdam. The sterling share class has been created through the conversion of existing euro shares into sterling shares at the prevailing net asset value ("NAV") per euro share at 30 June 2008.

In addition, BGHL has obtained the admission of its sterling and euro classes of shares to the Official List of the UK Listing Authority and to trading on the LSE, creating a dual primary listing for BGHL in London and Amsterdam since 28 July 2008.

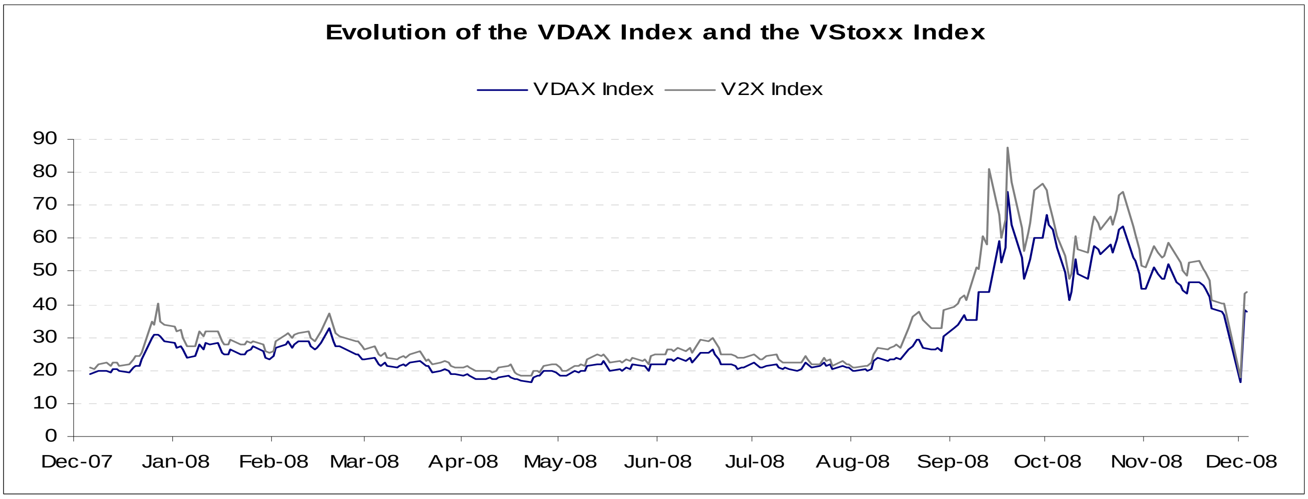
Through Sark Fund Limited, its main investment, BGHL is sensitive to equity and volatility prices as well as to credit spreads. BGHL is exposed to other markets but to a lesser extent.

From 1 January to 31 December 2008 ("the period"), European equity markets plunged sharply with the Dow Jones Eurostoxx 50 down 44.4%.



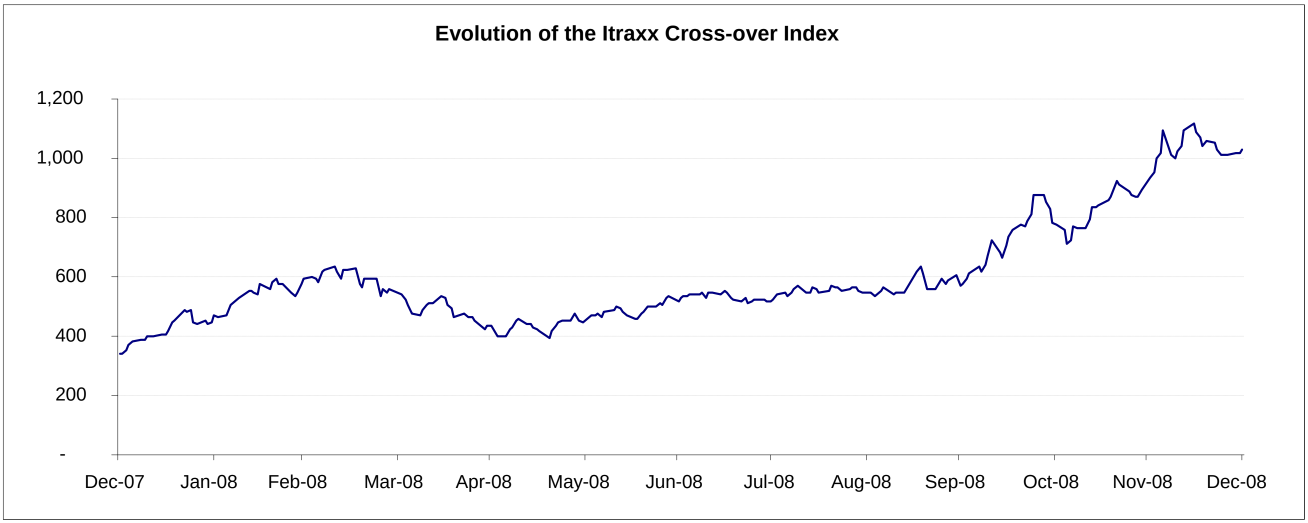
Graph 1 (source Bloomberg)

Volatilities on stock markets rose significantly with the VDAX index ending at 37.8% from 16.4% and the VStoxx index at 43.9% from 18.1%.



Graph 2 (source Bloomberg)

Credit spreads widened with the Itraxx Crossover finishing at 1,029bps from 339bps.



Graph 3 (source Bloomberg)

Highlights

As of 31 December 2008, the Company's assets under management were approximately €622 million, down from €1,000 million at 31 December 2007. Negative performance and cash allocated to the share buy back programme explain the decrease in the assets under management.

<u>BGHL performance and discount to NAV</u>

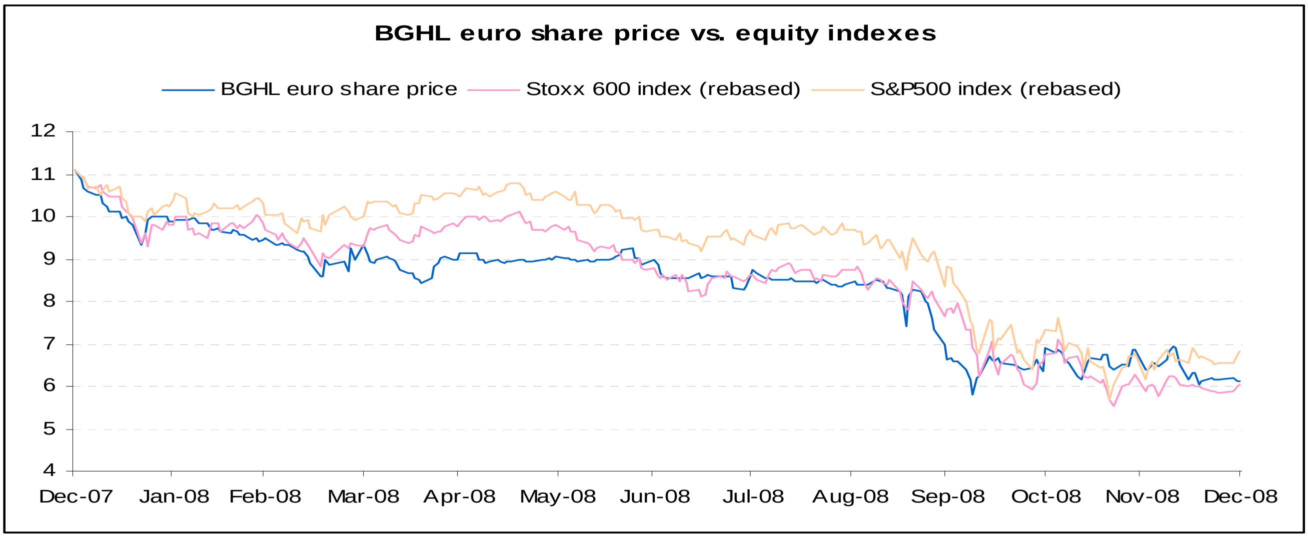
From 1 January to 31 December 2008, the euro share price[1] of the Company went down 45.00% at €6.10.

The sterling share has been listed on 28 July 2008. From this date to 31 December 2008, the sterling share price[2] of the Company went down 24.40% at £6.01.

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

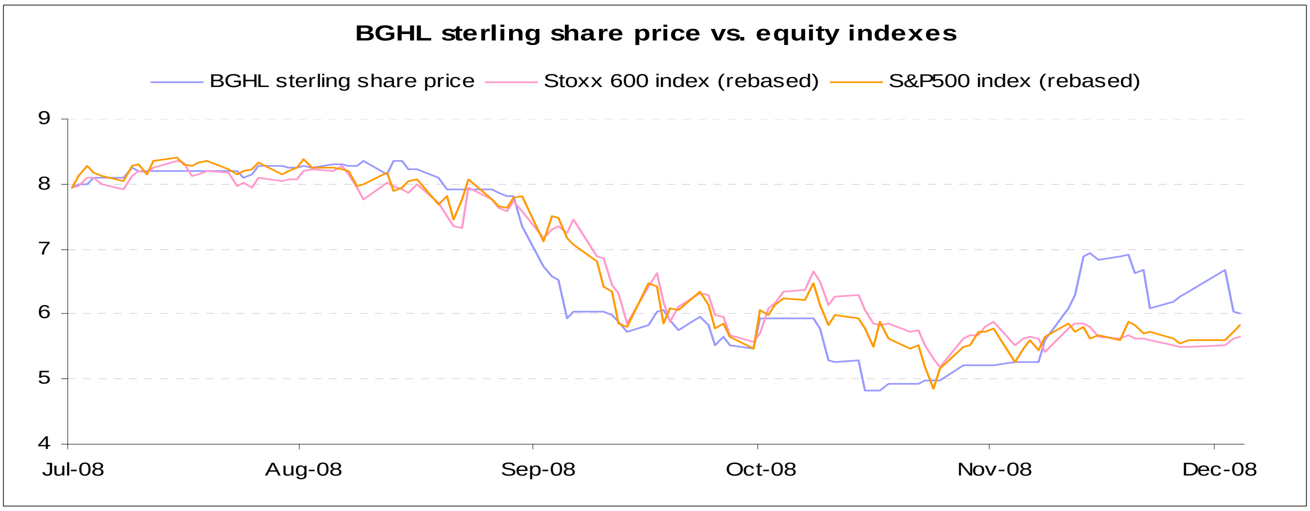
The performance of the share price has been in line with equity indexes such as the Stoxx 600 and the S&P 500.

Euro share:



Graph 4 (source Bloomberg)

Sterling share:

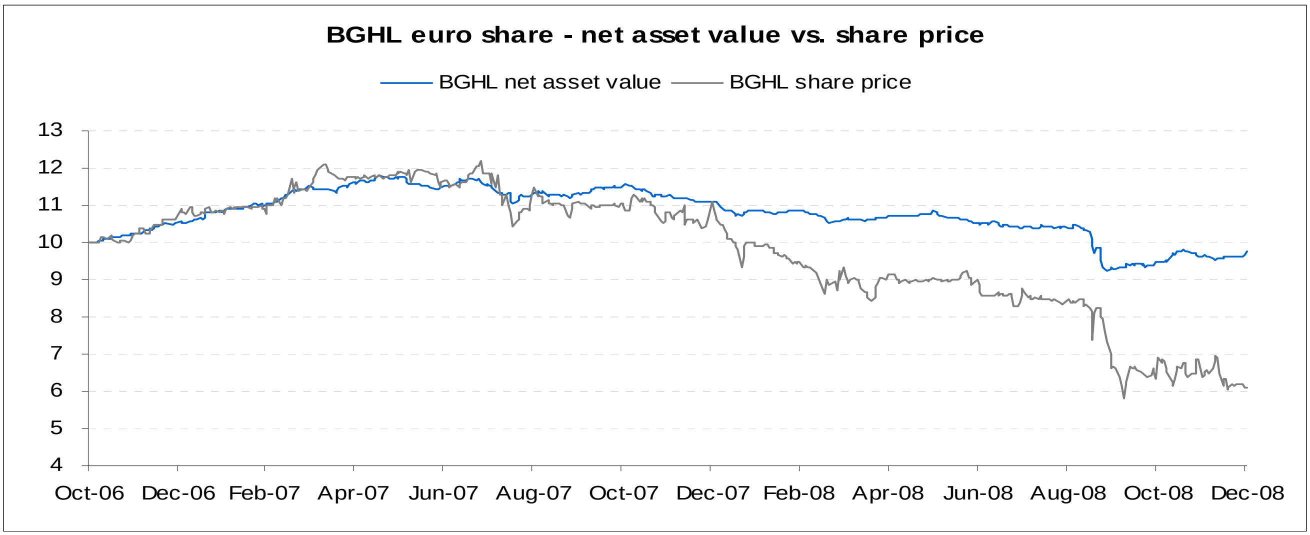


Graph 5 (source Bloomberg)

However the performance of the share price did not reflect the relative strength of the NAV under these extreme market conditions.

From 1 January to 31 December 2008, the NAV of the euro share went down 12.30% at €9.7345 while the price of the euro share went down 45.00% at €6.10

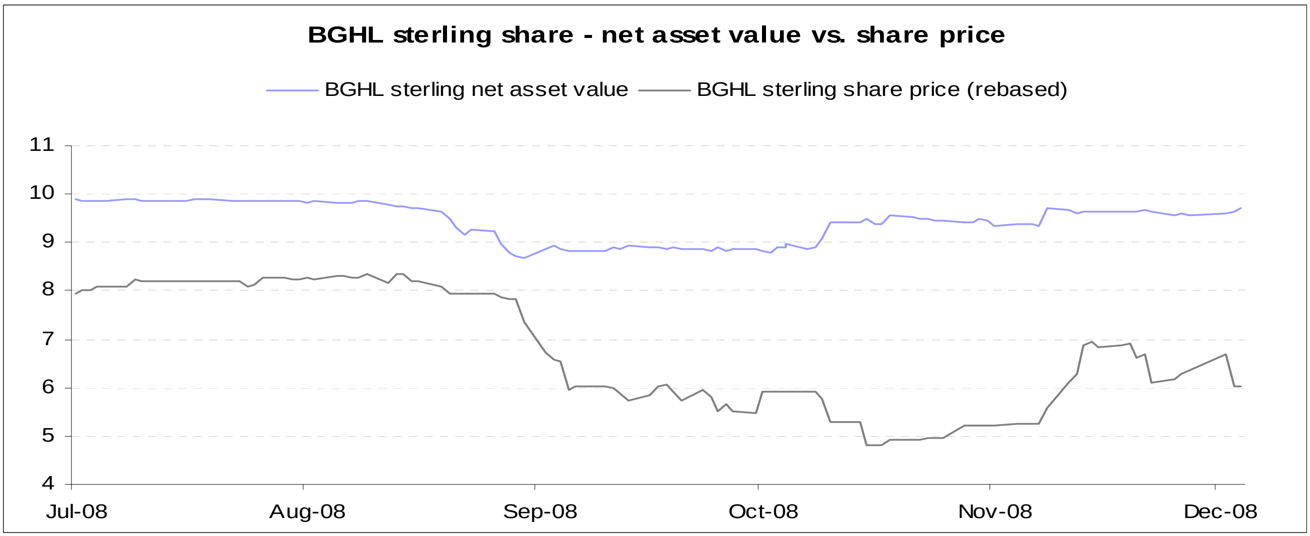
Euro share:



Graph 6 (source BGAM estimates / Bloomberg)

From 28 July to 31 December 2008, the NAV of the sterling share price went down 1.95% at £9.7161 while the price of the sterling share price went down 24.40% for at £6.01.

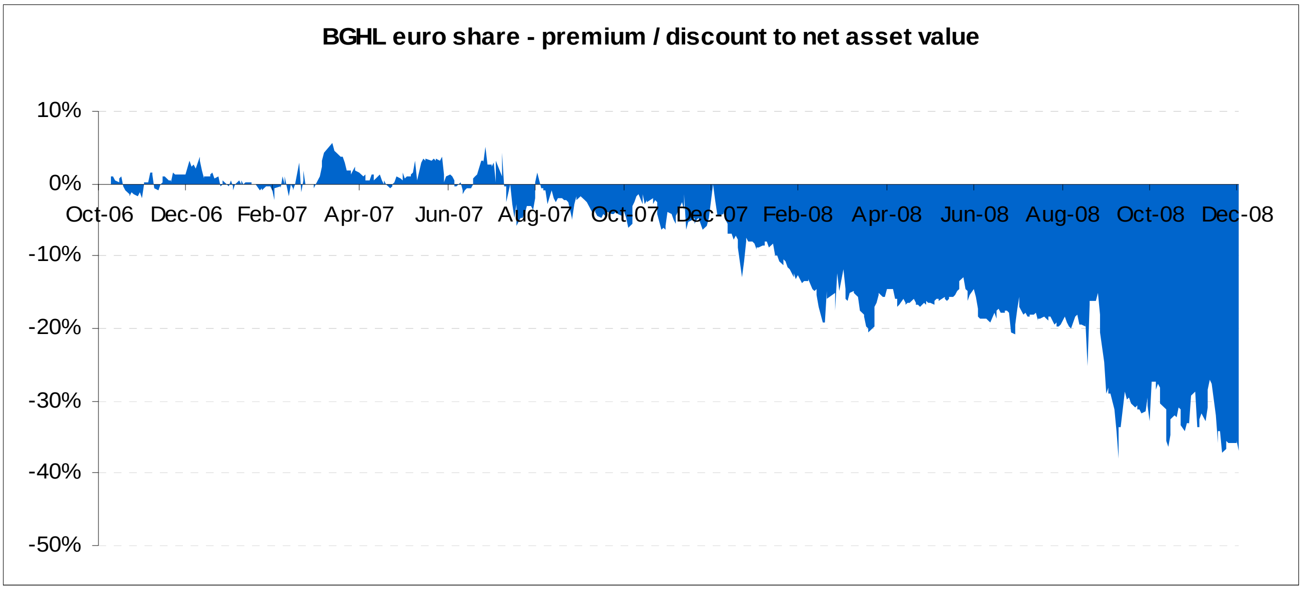
Sterling share:



Graph 7 (source BGAM estimates / Bloomberg)

As as consequence, the discount of the share price to the NAV widened.

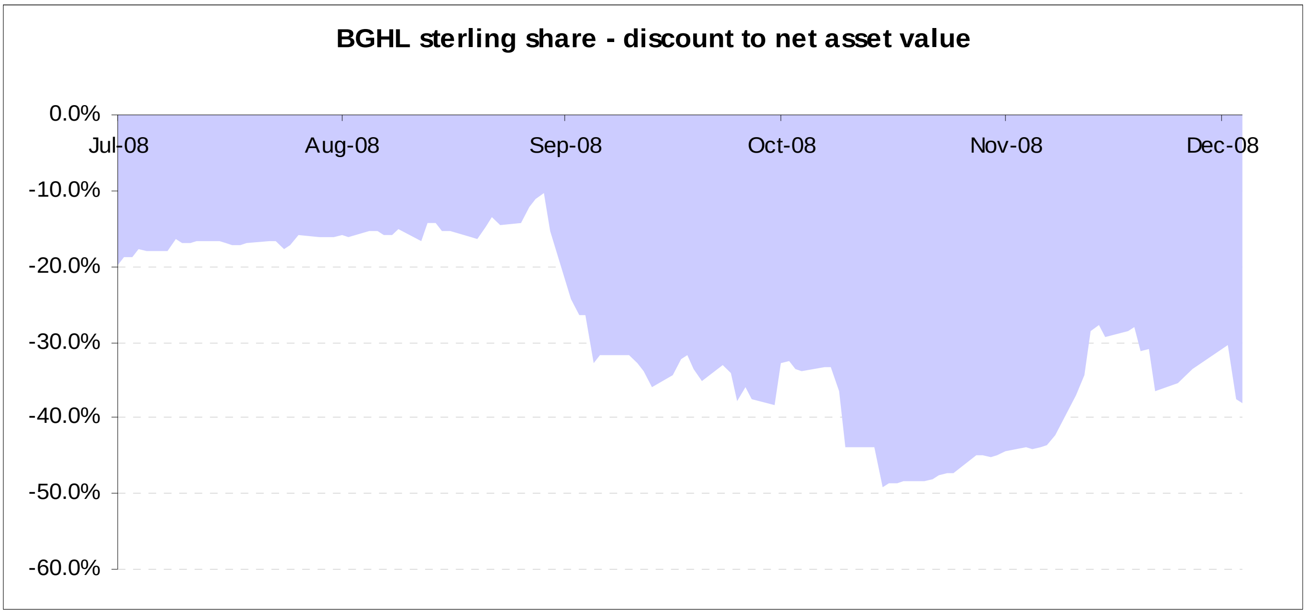
Euro share:



Graph 8 (source BGAM estimates / Bloomberg)

The average discount to NAV over the period was 19.5% for the euro share. Since inception of the Company, the average discount to NAV stood at 9.3%.

Sterling share:



Graph 9 (source BGAM estimates / Bloomberg)

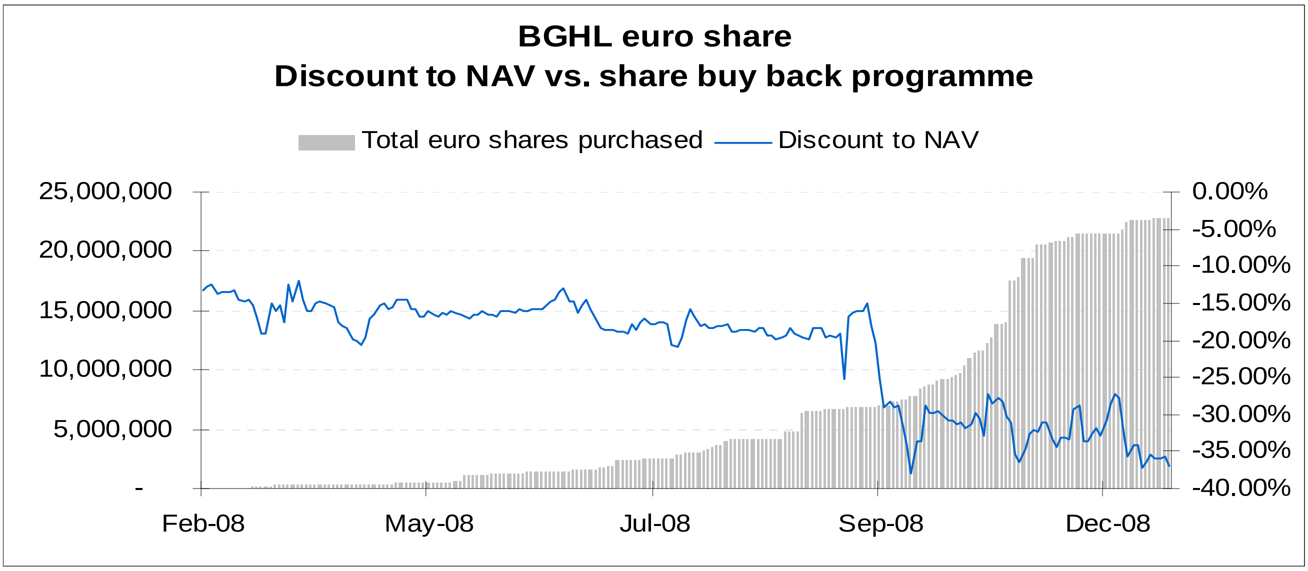
The average discount to NAV from 28 July to 31 December 2008 was 28.6% for the sterling share.

Set of measures to ease the discount to NAV and / or to increase the liquidity of the share

Share buy back programme

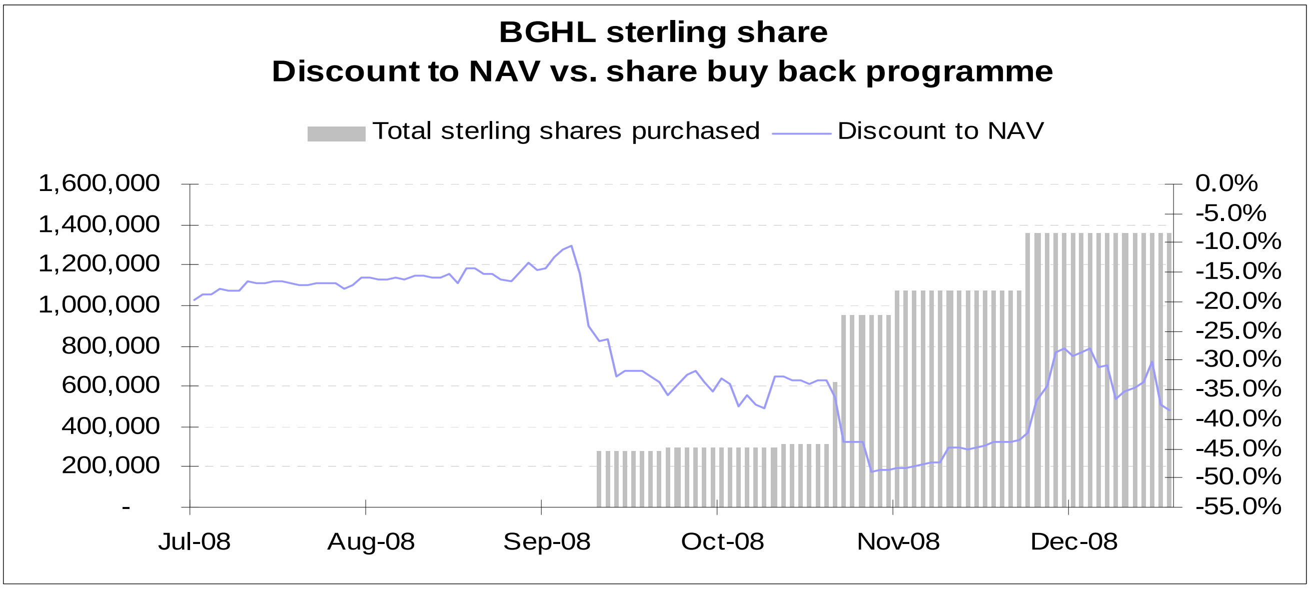
Since its listing, the Company has set up a share buy back programme voted by its shareholders. BGHL has been active from 27 February 2008 to 31 December 2008. As the discount to NAV widened significantly, the share buy back programme has been intensified gradually until the end of the period.

Euro share:



Graph 10 (source BGAM estimates)

Sterling share:



Graph 11 (source BGAM estimates)

The share buy back programme is accretive to the Company. Whilst the Sark Fund's NAV (euro share class) was down 18.58% during the period, the Company's NAV (euro share) which is almost 100% invested in the Sark Fund was down 12.30%.

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 decided to set up a liquidity contract with Exane BNP Paribas, which became effective from 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 to 1% of its market capitalisation per year the amount allocated to the execution of this contract.

Creation of a sterling share and dual listing

The Company announced on 28 July 2008 that the admission to listing and trading of the sterling shares on Euronext Amsterdam by NYSE Euronext took place on an "as-if-and-when-issued" basis. The Company also announced that the admission of the sterling shares and euro shares to the Official List of the UK Listing Authority and to trading on the London Stock Exchange plc's main market for listed securities occurred on 28 July 2008.

From this date, shareholders have been able to convert their existing holding of shares in the Company from one class into another class on a quaterly basis, subject to satisfying certain requirements.

B- Review of the development of the business

The Company had almost 100% of its assets invested in the **Sark Fund Limited** ("the Fund"): a Europe-focused multi-strategy fund which aims primarily at arbitraging instruments with non-linear pay-offs in special situations. It implements diversified investment strategies, including volatility, equity and credit strategies.

On top of its investment in the Fund, the Company had **private equity investments**, representing together approximately 1% of its assets under management.

C- Results for the year and state of affairs at 31 December 2008

Below is the Sark Fund limited's overview during the period followed by the private equity investments.

Sark Fund Limited

From 1 January to 31 December 2008, the Fund NAV (Euro A share class) went down 18.58% at €125.6905.

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

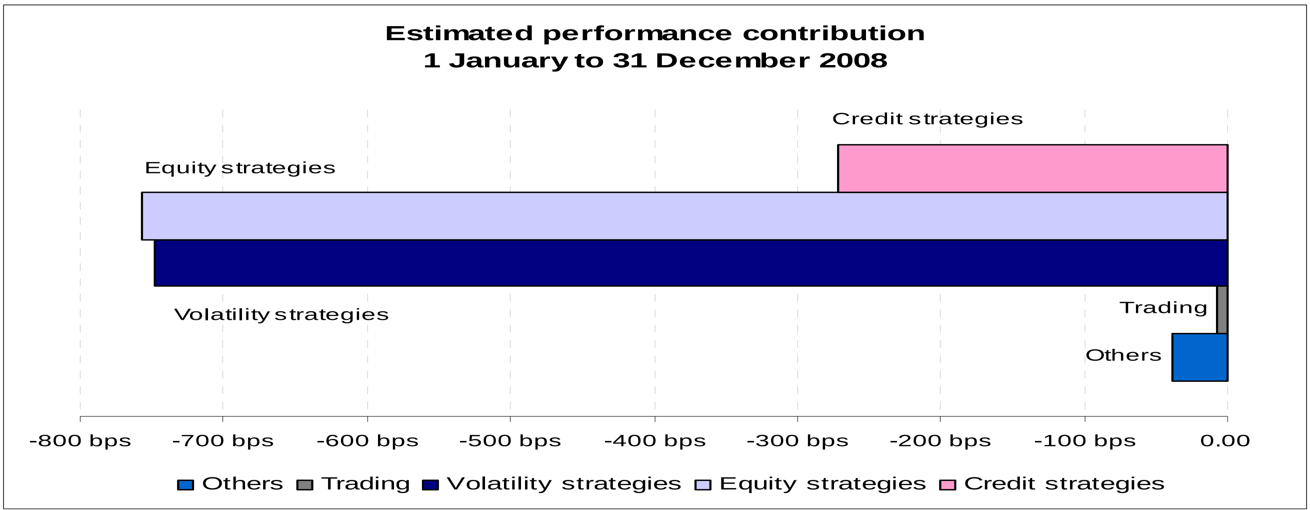
Volatility strategies include:
- Mandatory convertible bond arbitrage ("mandatories")
- Convertible bond arbitrage
- Gamma trading
- Corporate warrant arbitrage

Equity strategies include:
- Risk arbitrage
- Special situations
- Value with Catalyst

Credit strategies include:
- Capital structure arbitrage
- Credit long / short

In addition the Fund has a **Trading** strategy.

For the period, the contribution of each strategy to the performance of the Fund (Euro A share class) is as follows:



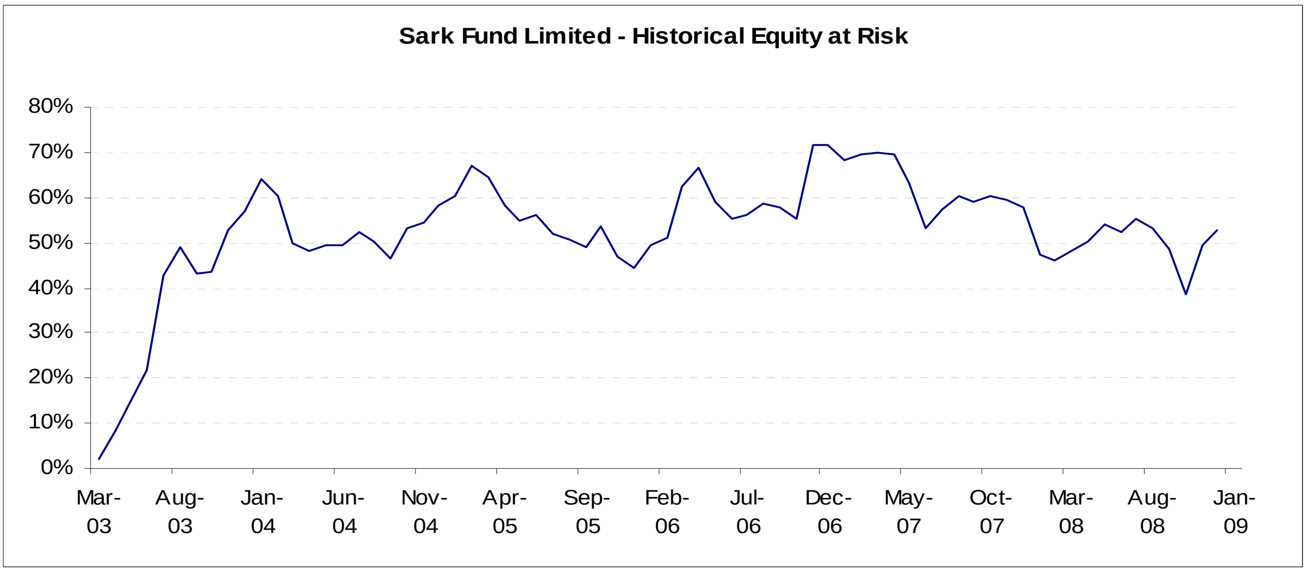
Graph 12 (source BGAM Estimates)

The Investment Manager faced a very challenging and difficult market environment from 1 January to 31 December 2008. The Fund posted a -18.58% return for the Euro A share class. All strategies contributed negatively to the performance of the Fund, equity strategies and volatility strategies being the main driver. Across all strategies, gamma trading, with a long volatility bias, has been the sole sub-strategy contributing positively to the performance.

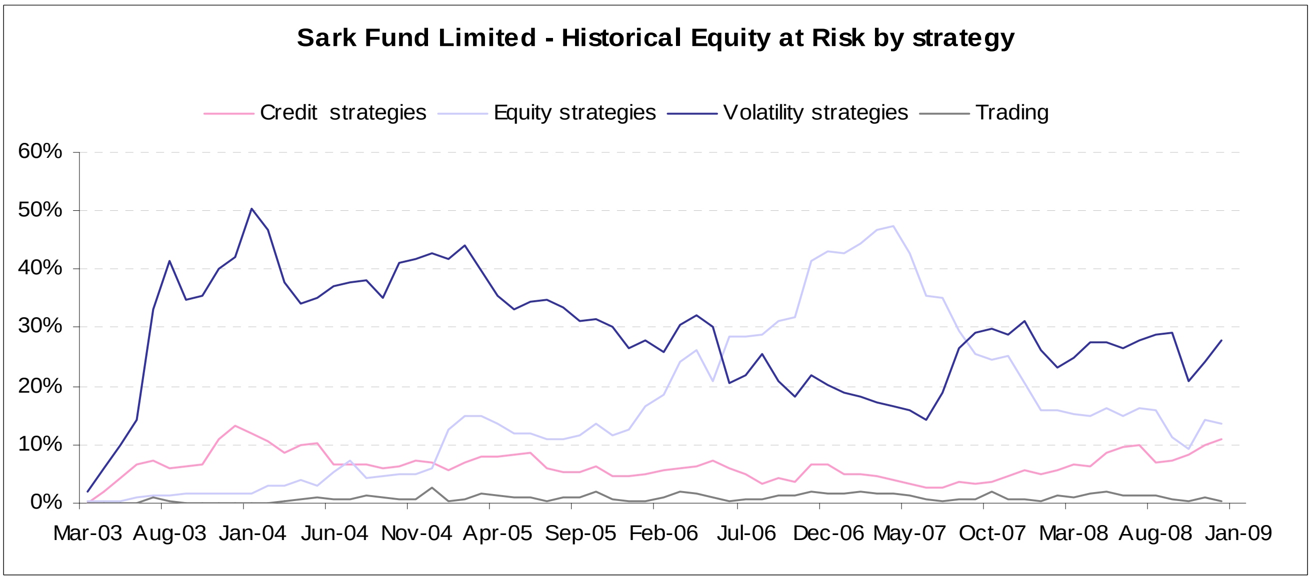
The Investment Manager monitors the risks of the Fund within the limits allocated by its prime brokers and custodians and has defined a model, named "equity at risk", whereby an amount of equity, considered at risk, is allocated to a specific asset class. The equity at risk also allows the Investment Manager to estimate the potential for additional leverage for the Fund with its prime brokers and custodians. The total equity at risk for the Fund is expected to be between 25% and 100%.

As of 31 December 2008, the Fund's total equity at risk was at 53% compared to 58% on 31 December 2007 (-5%). The benefits of reducing drastically the size of Sark Fund's positions in the portfolio have been offset to some extent by the increase in the risk measures applied by the Prime Brokers to the portfolio. Overall, the cautious risk approach and current equity at risk level leave the possibility to the Fund to almost double its positions without the need to raise any capital.

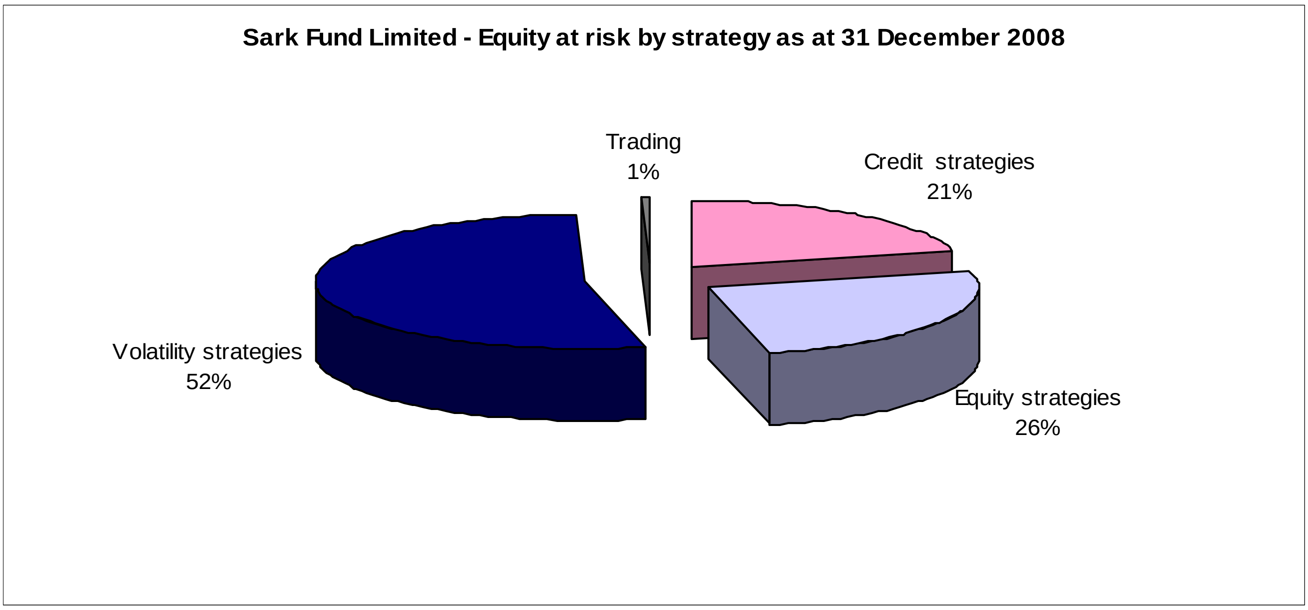
The graphs below illustrate the evolution of the equity at risk of the Fund as a whole and by strategy since its inception.



Graph 13 (source BGAM Estimates)



Graph 14 (source BGAM estimates)



Graph 15 (source BGAM estimates)

During the period, volatility strategies were the main strategies using the equity at risk of the Fund. Arbitrage is the core competence of the Investment Manager. It is reflected in the shift of the Fund's strategy in 2007 away from equity strategies in favour of volatility strategies, in particular mandatories arbitrage. The Investment Manager believes that the arbitrage space (and namely mandatories arbitrage) has become more and more attractive and that it offers the most attractive risk/reward opportunities in the medium term.

Below is an overview of each strategy during the period.

Credit strategies
Credit strategies contributed negatively to the performance of the Fund. Within credit strategies, capital structure arbitrage sub-strategy was almost flat whilst credit long/short sub-strategy posted a negative return.

During the period, the Investment Manager faced waves of liquidations and deleveraging by many market participants. Everyone accepted that the global economy was on the verge of spiraling lower as funding evaporated for many types of entities. Even if credit spreads found temporary relief through the announcements and political discussions around the TARP plan ("Troubled Assets Relief Program"), this did not prevent large-scale liquidations that were only accelerated after the Lehman bankruptcy in September. The fact that the US government has approved the use of public funds to purchase distressed assets was a positive move towards addressing this crisis. It also sanctioned the fact that this was not only a funding crisis, but mostly an asset quality/valuation and solvency crisis.

In this context, in the first half of the period, the Investment Manager only parsimoniously allocated capital to very specific situations. Nevertheless, this strategy suffered from the re-pricing of stressed positions as liquidations drove price action. BWICs ("Bids Wanted In Competition") and redemptions weighed heavily on the market. From mid September onwards with the Lehman collapse, valuations were even less driven by credit fundamentals. Hence, the Investment Manager started reducing positions that did not have short term appreciation catalysts. Long credit positions in bonds and loans were cut by 34% and this trend was continued opportunistically until the end of the period.

In addition, the Investment Manager took the opportunity to trade around the short pocket. Some of the core short positions were fully monetised. But cyclical short positions were kept, as the Investment Manager was expecting the combination of slower growth, earnings downgrades, and, until October 2008, input cost inflation to push overall spreads wider. In the same move as in the long credit book, short positions with a lack of short term catalysts were reduced.

In this constricted market environment, the Investment Manager believes that refunding needs may continue to outweigh asset quality and other fundamental measures and will look to reinvest in the market when accretive restructurings and/or capital increases are carried out.

Equity strategies
Equity markets were particularly difficult as increased risks of recession were sharply priced in and the implications of the subprime and liquidity difficulties continued to worry investors.

During the period, this strategy has been reduced further, continuing the trend started mid 2007. No major position was initiated and very few investments in special situations were kept. However, equity strategies still suffered. The bulk of the loss came mostly from some long-term and core positions the Fund has had for a while (Camaïeu, the French clothing retailer, and Seat Pagine Gialle, the Italian yellow pages). To a lesser extent, holding trades also contributed negatively as holding discount widened significantly following market dislocation and players deleveraging massively. Starting mid September with tensions arising across the board, most of the remaining equity trades were cut as the Investment Manager thought the environment was too uncertain for these strategies and did not provide good enough relative risk rewards. On the positive side, equity strategies benefited to some extent from hedges put in place through gamma trades.

Volatility strategies
Mandatory Convertible Bond Arbitrage
With the Fund's largest positions in mandatory convertible bond arbitrage, this sub-strategy has been the main driver of the negative performance during the period. This sub-strategy suffered from the dislocation of valuations in a context of volatile equity markets, reduced risk appetite and widening credit markets. In addition, as equity markets fell, mandatories were under even more pressure as most of the liquid European mandatory convertible bonds had a negative gamma profile. The Investment Manager believes that most competitors did not hedge properly and dynamically and some investors preferred to sell their bonds rather than hedging them.

The book has been mostly penalised by its position in the UBS / BBVA mandatory exchangeable bond which suffered from:

- the sharp widening of UBS' credit spread as investors fears over the strength of the Swiss bank exacerbated particularly after the Lehman collapse,
- arbitrageurs who faced tougher lending conditions,
- the long dividend exposure embedded in the mandatory.

Overall the Investment Manager was extremely disappointed by the performance of this bond which was marked down during the period at the voluntary conversion value, a level where there was no more downside on mark-to-market risk since at this level the bonds could be converted at no cost. As assets under management decreased and in order to free up equity for the Fund, the Investment Manager decided to reduce the size of the position.

On the positive side, the Investment Manager succeeded in getting long gamma through options before bonds entered into negative gamma territory. The Fund hence benefited from the overall long gamma position on several of its bonds. In addition, some positions were redeemed, such as the Swiss Re mandatory.

Against a difficult backdrop driven by liquidity and investor sentiment, most of the bonds in the European mandatory convertible universe offered at the end of the period extremely compelling returns on equity, whilst at the same time offering a good level of diversity in terms of risks, and a gradual redemption schedule providing for a clear and defined horizon for extracting the cheapness of these bonds. In addition, most of the mandatory convertible bonds currently trade very close to their early conversion values, providing a very solid floor for future valuations. Therefore, the Investment Manager is more than ever convinced that mandatory arbitrage represents the most interesting area of opportunities for the Fund.

Convertible Bond Arbitrage
According to Hedge Fund Research Inc., the convertible bond arbitrage strategy was down for the year 58.4% as measured by the HFRX Convertible Arbitrage Index. European convertibles suffered harshly from continued selling and book reduction across the board and extremely low liquidity which led to sharp moves in the valuation of some bonds. Part of the selling pressure was also the result of increased reluctance from prime brokers to fund positions, in particular as the convertible bonds rehypothecation became extremely difficult in the wake of the Lehman liquidation. In that context, the convertible bond arbitrage sub-strategy contributed negatively to the performance of the Fund. The bulk of the loss came mostly from the position in the Fortis Convertible And Subordinated Hybrid Equity-linked Securities ('Cashes') that had been bought on the primary market in December 2007.

The bonds particularly suffered from:
- the general market turmoil experienced by financials and renewed fears of subprime-related writedowns,
- investors concerns over Fortis capital base and the company's ability to pay coupons on its Tier-one instruments,
- legal and technical uncertainties on the whole issue which needs to be restructured following BNP Paribas purchase.

The Investment Manager firmly believes that the Fortis Cashes exhibit an extremely attractive profile. Nevertheless since September, this position has been reduced by one third as the Investment Manager has decided to cut the risk of the Fund in the name, among others, in accordance with the risk reduction in assets under management.

To a lesser extent, the Fund also experienced losses in low delta / credit sensitive convertibles on the back of widening credit spreads, liquidation of positions held as collateral against Lehman claims, and a total lack of buying interest in such convertible profiles. The very few names that are in the portfolio now offer yields in excess of 30% for durations below 2 years.

Overall, bonds which were perceived to be the most vulnerable to the market environment were sold. The Fund hence focused on the higher delta, shorter dated instruments in order to take advantage of the market dynamics. At the end of the period, the book was very concentrated, with most of the high delta positions trading very close to their early conversion values, which drastically reduced the risk of the positions.

Gamma trading
Gamma trading was the only sub-strategy to post a positive performance. With a large correction taking place throughout 2008, all sectors were hit badly, especially on financial shares, and therefore implied volatilities remained firm to reach a peak in October.

What made the performance easier to manage was the drop in implied volatilities in April-May and August, thus offering the opportunity to "reload" long gamma positions.

The year started with volatile moves exacerbated by the Kerviel fraud and that culminated early March with the Bear Stearns bankruptcy. Implied volatilities started easing after the latter until mid May. Markets became volatile again with fresh worries on GSAs that abated in the summer. And September was the emergence of many notorious financial matters that caused the market to crash and implied volatilities to reach historical highs. Scarce liquidity on single stock options led the Investment Manager to increase long gamma positions on the liquid Eurostoxx 50. Towards the end of the year, markets calmed down with volatilities decreasing progressively. Liquidity on single stocks was still not available and levels remained high despite the drop of the Eurostoxx 50 volatility.

Corporate Warrant Arbitrage
This sub-strategy was almost flat for the period.

Trading
Trading also posted a small negative return this period spread across the board.

Private equity investments

On top of its investment in the Fund, and as described in the offering memorandum, the Company may enter into private equity investments. At the end of the period, the Company had the following investments in the portfolio.

Castle Holding Company Ltd
This investment, entered into in May 2007, is in the unlisted securities resulting from the public offer made by Apollo on Countrywide Plc, the largest network of UK real estate agents. The investment in Castle Holding Company Ltd has been marked to zero as a result of the collapse of the UK real estate market and highly leveraged capital structure.

Rasaland
The Company entered into a second private equity investment in Rasaland on 27 June 2008 for $10 million.

As at 31 December, 2008, both investments represent in aggregate approximately 1% of the assets under management.

D- Review of important events since the period end

The loan facility in place to finance private equity investments has been terminated on 14 April 2009. The decision has no significant impact given the size of private equity investments which represents around 1% of the net assets of the Company. The Company is financing the position by reducing the exposure to the Fund.

E- Principal Risks and Uncertainties

Market conditions are still particularly challenging. Even though market opportunities are starting to be identified, the equity at risk is expected to be deployed in a very cautious way as this trend may go on for the next year. The Investment Manager continues to be fully committed to the strategies of the Fund.

Given the current market conditions and credit crunch, the Investment Manager monitors carefully the Company and the Fund's liquidity. Financing conditions are still tense and as a consequence the indebtedness is kept at a reasonable level. Exposure is monitored actively on a daily basis.

F- Related Party Transactions

There have been no related party transactions during the period.

Emmanuel Gavaudan, Director of BGPL
as General Partner of BGAM, the Investment Manager
22nd April 2009

Report of the Independent Auditors to the members of Boussard & Gavaudan Holding Limited

We have audited the Company's financial statements for the year ended 31 December 2008 which comprise the Balance Sheet, the Income Statement, the Statement of Changes in Equity, the Cash Flow Statement and the related notes 1 to 12. These financial statements have been prepared under the accounting policies set out therein.

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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors
The Directors are responsible for the preparation of the financial statements in accordance with applicable Guernsey law and International Financial Reporting Standards as adopted by the European Union, as set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies (Guernsey) Law, 2008. We also report to you if, in our opinion, the Company has not kept proper accounting records, if the company's financial statements are not in agreement with the accounting records or if we have not received all the information and explanations we require for our audit.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises the Company Information, Chairman's Statement, Directors' Report, Statement of Directors' Responsibilities and the Investment Manager's Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

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

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

Opinion
In our opinion the financial statements give a true and fair view, in accordance with International Financial Reporting Standards as adopted by the European Union, of the state of the Company's affairs as at 31 December 2008 and of its loss for the year then ended and have been properly prepared in accordance with the Companies (Guernsey) Law, 2008.

Ernst & Young LLP
Guernsey, Channel Islands
22nd April 2009

	Note	As at 31 December 2008 Euro	As at 31 December 2007 Euro
Assets			
Non-current Assets			
Investments at fair value through profit or loss (Cost:2008 €789,324,249 : 2007: €978,887,037)	3,6	656,354,663	1,027,853,718
Current Assets			
Due from brokers		295,847	2,819
Total assets		**656,650,510**	**1,027,856,537**
Equity and Liabilities			
Current Liabilities			
Bank Loan	13	24,925,991	17,135,925
Foreign exchange forward derivatives contracts	4	5,745,209	-
Due to brokers		730,779	15,272
Performance fees payable	10	-	6,433,656
Management fee payable	10	2,665,069	3,881,087
Interest payable		14,483	35,077
Administrative fee payable		-	35,008
Audit fees payable		70,000	34,739
Legal fees payable		133,997	-
Total liabilities		**34,285,528**	**27,570,764**
Equity			
Share capital	11	6,394	9,743
Share premium		785,523,000	951,870,007
Treasury shares	12	(11,714,342)	-
(Revenue deficit) / Retained earnings		(151,450,070)	48,406,023
Total equity		622,364,982	1,000,285,773
Total Equity and Liabilites		**656,650,510**	**1,027,856,537**
Net asset value per share:			
Class A EURO shares (shares outstanding 2008: 60,335,176 2007: 44,000,000)		€ 9.7345	€ 11.1001
Class A GBP shares (shares outstanding 2008: 3,464,566)		£9.7161	£ 0.0000
Class C EURO shares (shares outstanding 2007: 53,427,338)		€0.0000	€ 9.5809

The financial statements were approved by the Board of Directors on ____ _____2009 and signed on behalf by:

Nicolas Wirz,
Director

Nigel Govett
Alternate Director for Christopher Fish:

The accompanying notes in pages 29 to 47 form an integral part of these financial statements

	Note	2008 Euro	Period from 3 October 2006 to 31 December 2007 Euro
Income			
Net realised gain on financial instruments at fair value through profit or loss		5,838,980	1,708,116
Change in unrealised (loss)/gain on financial instruments at fair value through profit or loss		(181,934,989)	48,966,681
Net (loss)/gain on financials instruments at fair value through profit or loss	6	(176,096,009)	50,674,797
Realised and unrealised foreign currency (loss)/gain on Bank Loan		(689,409)	703,760
Realized and unrealized foreign currency (loss)/gain on forward derivatives contracts	5	(7,805,156)	-
Other realised foreign currency (loss)/gain		(226,496)	808
		(184,817,070)	51,379,365
Interest income		131,308	486,192
Total (loss)/income		(184,685,762)	51,865,557
Company Expenses			
Performance fees		-	12,101,506
Management fees	10	13,325,092	12,683,636
Interest expense		20,965	506,512
Administrative fees	9	151,183	186,345
Directors fees		117,500	137,500
Professional fees		1,174,841	119,931
Audit fees		46,934	49,448
Other expenses		333,816	68,286
Total expenses		15,170,331	25,853,164
Net (loss)/ profit before change in fair value of the Class C shares		(199,856,093)	26,012,393
Decrease in fair value of Class C shares		-	22,393,630
Net (loss)/profit		**(199,856,093)**	**48,406,023**
Basic and diluted earnings per share			
Class A EURO 2008: (€182,538,545/60,335,176 shares) : 2007: (€48,406,023/44,000,000 shares)		€ (3.0254)	€ 1.1001
Class GBP : 2008: (£7,555,335/3,464,566 shares)		£(2.1807)	-
Class C EURO : 2007: (€22,393,630/53,427,338 shares)		-	€ 0.4191

All activities are of a continuing nature.

The accompanying notes in pages 29 to 47 form an integral part of these financial statements

Boussard & Gavaudan Holding Limited
Statement Of Changes in Equity
For the year ended 31 December 2008

	Share Capital	Share Premium	Treasury Shares	(Revenue Deficit)/ Retained Earnings	Total Equity
	Euro	Euro	Euro	Euro	Euro
Balance as at 1 January 2008	9,743	951,870,007	-	48,406,023	1,000,285,773
Effect of conversion of C shares	(732)	732	-	-	-
Net loss attributable to ordinary shares	-	-	-	(199,856,093)	(199,856,093)
Treasury shares acquired	-	-	(178,064,698)	-	(178,064,698)
Shares cancelled	(2,617)	(166,347,739)	166,350,356	-	-
Balance as at 31 December 2008	6,394	785,523,000	(11,714,342)	(151,450,070)	622,364,982

For the period from 3 October 2006 (date of incorporation) to 31 December 2007

	Share Capital	Share Premium	Retained Earnings	Total Equity
	Euro	Euro	Euro	Euro
Balance as at 3 October 2006	-	-	-	-
Issuance of Class A shares	4,400	439,995,600	-	440,000,000
Net Profit attributable to Class A	-	-	48,406,023	48,406,023
Reclassification of Class C shares	5,343	511,874,407	-	511,879,750
Balance as at 31 December 2007	9,743	951,870,007	48,406,023	1,000,285,773

Boussard & Gavaudan Holding Limited
Cash Flow Statement
For the year ended 31 December 2008

	2008 Euro	2007 Euro
Cash flows from operating activities		
Net (loss)/profit	(199,856,093)	48,406,023
Adjustments to reconcile net profit to net cash used in operating activities:		
Net decrease in fair value of Class C shares	-	(22,393,630)
Unrealised loss/(gain) on financial instruments at fair value through profit and loss	181,934,989	(48,966,681)
Realised gain on financial instruments at fair value through profit and loss	(5,838,980)	(1,708,116)
Realized and unrealized foreign currency loss on forward derivatives contracts	(7,805,156)	
Increase in due from brokers	(293,028)	(2,819)
Increase in due to brokers	715,507	15,272
(Decrease)/increase in performance fee payable	(6,433,656)	6,433,656
(Decrease)/increase in management fee payable	(1,216,018)	3,881,087
(Decrease)/increase in interest payable	(20,594)	35,077
(Decrease)/increase in administrative fee payable	(35,008)	35,008
Increase in audit fees payable	35,261	34,739
Increase in legal fees payable	133,997	
Realised foreign currency loss/(gain) on bank loan	300,461	(475,343)
Unrealised foreign currency loss/(gain) on bank loan	388,949	(228,417)
Net cash used in operating activities	(22,379,057)	(14,934,144)
Cash flows from investing activities		
Purchase of investments at fair value through profit or loss	(965,827,861)	(992,013,063)
Sales of investments at fair value	1,161,230,907	14,834,142
Net cash provided by/(used in) investing activities	195,403,046	(977,178,921)
Cash flows from financing activities		
Subscription of Class A shares	-	440,000,000
Subscription of Class C shares	-	534,273,380
Treasury shares acquired	(178,064,698)	-
Net purchases of foreign exchange forward derivative contracts	(2,059,947)	
Proceeds from bank loan	274,021,212	88,700,641
Repayment of bank loan	(266,920,556)	(70,860,956)
Net cash (used in)/ provided by financing activities	(173,023,989)	992,113,065
Net movement in cash and cash equivalents	-	-
Cash and cash equivalents		
Beginning of the year	-	-
End of the year	-	-
Cash and cash equivalents at 31 December 2008	-	-
Supplementary information		
Interest received	131,308	486,192
Interest paid	55,973	471,435

The accompanying notes in pages 29 to 47 form an integral part of these financial statements

1. General information

Company information

Boussard & Gavaudan Holding Limited is a closed-ended investment company incorporated on 3 October 2006, under the laws of Guernsey. The Company was listed on the Euronext Amsterdam on 3 November 2006. Prior to the listing of the Company, there has not been a public market for the shares. Upon listing and trading of the shares on Eurolist by Euronext and, as a result, the Company is subject to Dutch securities regulations and supervision by the relevant Dutch authority

The Company has also created a sterling class of shares listed and traded alongside the existing euro share class on Euronext Amsterdam. The sterling share class has been created through the conversion of existing euro shares into sterling shares at the prevailing net asset value ("NAV") per euro share at 30 June 2008.

In addition, BGHL has obtained the admission of its sterling and euro classes of shares to the Official List of the UK Listing Authority and to trading on the LSE, creating a dual primary listing for BGHL in London and Amsterdam since 28 July 2008.

Investment policy (The following information is required pursuant to Chapter 15 of the Listing Rules of the United Kingdom Listing Authority).

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 Sark Fund, which is a feeder fund of Sark Master 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 per cent. of Net Asset Value at the time of investment.

The Company will invest in a separate class of Euro denominated shares of the Sark Fund which will not be subject to management fees and performance fees at the Sark 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 Sark 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[3]" below and subject to the limit on

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[3] ***Asset allocation***
Investments in the Sark Fund or other hedge funds managed by the Investment Manager
Substantially all of the gross assets of the Company are currently invested in the Sark Fund and it is anticipated that a significant proportion of the Company's gross assets will remain invested in the Sark Fund. Save for any amounts retained by the Company for working capital requirements, 100% of the Company's Net Asset Value will be invested in the Sark Fund or in other hedge funds managed by the Investment Manager (hereafter, "Investment Manager Funds"), with at least 80% of the Company's Net Asset Value invested in the Sark Fund and a maximum of 20% of the Company's Net Asset Value invested in other Investment Manager Funds.
Investments in non-Investment Manager Funds In relation to those investments into assets other than (i) the Sark Fund and (ii) other Investment Manager Funds, which the Company may undertake using borrowings, the

1. General information (continued)

Company information (continued)

the leverage set out under the heading "Gearing[4]", 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. During the year no investments in other hedge funds were made and a further description of how the investment manager manages the asset allocation and gearing is given in note 3.

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". 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 Sark Fund, non-Sark Fund investments as described above are intended to allow the Company to achieve its target annualised return. The Company's investments in non-Sark Fund assets 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 Sark Master Fund due to risk profiles or liquidity profiles inconsistent with those of the Sark Fund and the Sark Master Fund.

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.

Directors have determined that such investments shall not exceed certain limits. Accordingly, the aggregate value of Direct Investments made through the use of borrowings may not exceed an amount equal to 50 per cent. of the Net Asset Value at the time of making any such investment.
Similarly, the aggregate value of Indirect Private Equity Investments made through the use of borrowings 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.
The Directors have also determined that the Company's investments in hedge funds (other than Investment 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.

[4] ***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 Association to borrow up to an amount equal to 100 per cent. of its Net Asset Value as at the time of borrowing. The Company's investment in the Sark Fund will not be leveraged and therefore borrowings will only be taken out to fund acquisitions of non-Sark Fund investments.
It is intended that leverage will continue to 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 possible non-Sark Fund investments made by the Company.

1. General information (continued)

Company information (continued)

As of 31 December 2008 none of the Company, the Sark Fund or the Sark Master Fund currently has any employees or owns any facilities.

Accounts are stated for a period of twelve months, ended 31 December of each year with the first audited financial statements prepared for the 15 months ended 31 December 2007.

2. Accounting policies

Statement of compliance

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

Standards issued but not yet effective

At the date of authorisation of these financial statements the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective:

IFRS 2 (revised 2008) Share-based Payment effective for annual periods beginning on or after 1 January 2009

IFRS 3 (revised 2008) Business Combinations effective for annual periods beginning on or after 1 July 2009

IFRS 8 Operating Segments effective for annual periods beginning on or after 1 January 2009

IAS 1 (revised 2007) Presentation of financial statements effective for annual periods beginning on or after 1 January 2009

IAS 23 (revised 2008) Borrowing Costs effective for annual periods beginning on or after 1 January 2009

IAS 27 (revised 2008) Consolidated and Separate Financial Statements effective for annual periods beginning on or after 1 July 2009

Amendments to IAS 32 and IAS 1 Puttable Financial Instruments effective for annual periods beginning on or after 1 January 2009

IFRS 1 and IAS 27 Cost of an Investment in a Subsidiary, Jointly Contrrolled Entity or Associate effective for annual period beginning on or after 1 January 2009

IAS 39 Eligible Hedged Items effective for annual periods beginning on or after 1 July 2009

IFRS 7 Reclassification of Financial Assets: Effective Date and Transition Annual Improvements to IFRS effective for annual periods beginning on or after 1 July 2009

IFRS7 Disclosures about Financial Instruments for annual periods beginning on or after 1 January 2009.

2. Accounting policies (continued)

Standards issued but not yet effective (continued)

The Company is still evaluating the impact that these standards will have on its financial statements, if any, but expect that there will be no material impact when implemented.

These Standards and Interpretations are expected to require additional disclosure in future financial statements.

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.

Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments. The Directors consider that the Company operates in a single business and geographical segment.

Use of estimates

The preparation of financial statements in conformity with IFRS requires management to make 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 capitalised earnings methods and the related earnings multiples applied are reasonable and prudent. However, actual results could differ from these estimates.

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 income statement. 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 Sark Fund on a monthly basis except for the year end NAV which is based on the audited NAV.

2. Accounting policies (continued)

Investments at fair value through profit and loss (continued)

Changes in the fair value of investments are recorded in the income statement.

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. As a result, no provision for income taxes has been made in the financial statements.

Income and Expenses

Other income is recognised in the income statement as it occurs on an accrual basis.

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

Interest income and expense

Interest income, arising on cash and interest expense, arising on overdrafts, borrowed debt securities are recognised in the income statement 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 Balance Sheet date by the number of shares outstanding at the Balance Sheet date.

Share issue cost

Share issue costs have been borne by the Investment Manager.

Bank Loan

Bank loans are carried at amortised cost. Interests paid on loans are recognised in the income statement 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.

2. Accounting policies (continued)

Class C Shares

The share premium reserve relates to the ordinary euro shares issued on 1 November 2006, and C shares reclassified at 31 December 2007.

On 12 February 2008, C shares were converted into new ordinary euro shares in the Company on the basis of the net assets attributable to the C shares at 31 December 2007. 46,113,135 new ordinary euro shares of the Company arose from the Conversion.

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 Income Statement.

3. Financial instruments and associated risks

The investment objective of the Company is described under General information/ Investment Policy page 29. Consistent with this objective, the Company's financial instruments comprise of cash, hedge funds, equity and debt securities and derivative instruments.

The main risks arising from the Company's financial instruments are credit risk, currency risk, market price risk and liquidity risk.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices and includes risks such as market price risk, interest rate risk, foreign currency risk.

The Company has invested substantially all of its net assets in the Sark Fund ("Sark"). The Company also has two non hedge fund investments, Castle Holding Company Ltd and Rasaland, which are private equity investments.

The Company is exposed to market price risk directly on the investments made by the Company and indirectly as a result of the types of investments that Sark makes.

Exposure to non Sark investments

For its non Sark investments, the Company is directly exposed to a variety of financial risks such as market risk, credit risk and liquidity risk. The market price risk exposure is managed, through diversification, and within the limits set in the Offering Memorandum.

The Company has created a Private Equity Valuation Committee to review the marking of private equity investments. The Company operates under strict governance rules which are detailed in the Private Equity Valuation Policy. Decisions on investments are made by the Investment Manager and submitted to this committee for approval and are in accordance with the policy.

3. Financial instruments and associated risks (continued)

Market risk (continued)

Exposure to Sark

Through its investment in Sark, a diversified multi-strategy fund, the Company is indirectly exposed to a variety of financial risks such as market risk, credit risk and liquidity risk. These risks are managed at the Sark level. The Investment Manager carefully identifies and assesses the risks before investing through a rigorous investment process.

At the macro Sark portfolio level, the Investment Manager measures, in real time, market risks exposure and limits using sensitivity factors to equities, interest rate, commodities, credit and foreign exchange. On a daily basis stress scenarii are run to measure the impact of extreme market variations on the portfolio. At the micro and macro level, the Investment Manager assesses idiosyncratic risk which is the risk related to investments on one single company (issuer risk). The Investment Manager also assesses the exogenous risk which comprises risks such as the liquidity risk, geopolitical risks and the systemic risk.

On a weekly basis, in a formal way, a Risk Management Committee meets to review exposures and limits, for example asset allocation. The Risk Management Committee of the Investment Manager comprises at least two of the Chief Investment Officer, Head of volatility strategies, and Head of quantitative risk management and at least one of the Chief Executive Officer and the Head of operations & qualitative risk. This committee reviews the risk reports and takes the required decisions regarding risk and performance.

Risk figures for the Sark fund are calculated by the Investment Manager with a risk management system which is a third party proprietary software provided by a leading risk & portfolio management solution provider. Through the use of secured user profiles and access rights, risk managers monitor risk exposures and limits in real time and carry out independent valuation. As these are at the Sark fund level they have not been disclosed.

The table below shows the Company's exposure by class of financial assets:

Investments at fair value through profit or loss

	As at 31 December 2008	**% of Investments**	**As at 31 December 2007**	**% of Investments**
	EURO		**EURO**	
Investments in Sark (Cost: 2008:€763,803,839 2007:€961,047,357)	647,842,523	98.70%	1,013,186,970	98.57%
Investments in Private equity deals (Cost: 2008:€25,520,410 2007:€17,839,683)	8,512,140	1.30%	14,666,748	1.43%
Total	656,354,663	100%	1,027,853,718	100%

3. Financial instruments and associated risks (continued)

Market risk (continued)

During the year, the Company acquired a private equity investment in Rasaland, which is being valued at its estimated fair value. The investment in Castle Holding Company Ltd has been marked to zero as a result of the collapse of the UK real estate market and highly leveraged capital structure. Overall, the weight of the private equity type investments in the portfolio has decreased from 1.43% to 1.30%.

At 31 December 2008, should the price of Sark and non Sark investments have increased/decreased by 10% with all other variables remaining constant, the effect on increase/decrease in profit and loss for the year would result in an increase/decrease of approximately €65,635,466 (2007: €102,785,372).

Interest rate risks

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments.

The Company has entered into a loan facility agreement for the purposes of financing its private equity investments, its share buybacks and in order to meet its liquidity needs. The Company borrows money under the loan facility with maturities varying from one to three months. As a consequence The Company has exposure to short term interest rate risk and more specifically to an increase in short term rates when an amount borrowed needs to be rolled over. Over the year, the company has borrowed money in Euro at a rate that has ranged from 3.44% to 5.84% in GBP at a rate between 6.10% and GBP 6.90% and in USD at a rate between 1.21% and 3.23% and has been benefited by the decrease of short term interest rates on the market.

The company was borrowing EUR 24,925,991 on 31 December 2008 compared to EUR 17,135,925 on 31 December 2007. An increase by 1% of short term rates will increase the Company's cost of borrow by EUR 249,259 over 2009 compared to EUR 171 359 over 2008. As only EUR 7,311,764 out of EUR 24,925,991 are long term commitments which need to be rolled over, the real impact of a 1% increase in short term rates for 2009 would be limited to EUR 73,117 which is a decreased compared to 2008.

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.

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.

3. Financial instruments and associated risks (continued)

Foreign currency risks (continued)

The Company is mainly invested in Sark 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 Sark.

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.

For its non Sark investments the Company hedges its foreign exchange exposure by:

- financing its assets by borrowing money in the same currency and for a size equivalent to the one of the asset financed
- entering foreign currency swaps or forwards

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

Amount Stated in EURO		
31 December 2008		
	GBP	**USD**
Investments at fair value through profit or loss	-	7,183,391
Due from brokers	62,768	381
Bank loan		(7,311,764)
Asset leg related to open foreign exchange forward derivatives contracts	26,179,602	-
Due to brokers	(22,099)	
Interest payable	-	(744)
Legal fees Payable	(103,997)	-
Net exposure	26,116,273	(128,736)

Amount Stated in EURO	
31 December 2007	
	GBP
Investments at fair value through profit or loss	14,666,748
Bank loan	(17,135,925)
Interest payable	(35,077)
Administrative fee payable	(33,341)
Net exposure	(2,537,595)

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, 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.

3. Financial instruments and associated risks (continued)

Foreign currency risks (continued)

31 December 2008	GBP	USD
Change in currency rate in %	5%	5%
Effect on profit and loss	1,305,814	(6,437)

31 December 2007	GBP
Change in currency rate in %	5%
Effect on profit and loss	(126,880)

The notional exposure to foreign exchange forward derivative contracts reflected under GBP is due to the contract entered in order to hedge the exposure of the sterling share. After reallocation of this contract, the exposure of the Company to the EUR/GBP exchange rate is limited.

Forward foreign exchange contracts settle on a net basis, the gross amounts payable at 31 December 2008 were €5,986,504.

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 Company has entered two custodian agreements:

- a general custody agreement with BNP Paribas Securities Services SA, Jersey Branch. BNP Paribas Securities Services SA is a wholly-owned subsidiary of BNP Paribas SA. BNP Paribas SA is a large financial institution having investment grade ratings from the major rating agencies of Aa1 (Moody's), AA (Standard & Poors) et AA (Fitch), and
- a second custody agreement with BNP Paribas Securities Services SA. This agreement relates to a cash account and a securities account, which is specifically used for the Liquidity Enhancement Agreement with Exane BNP Paribas SA.

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 Securities Services SA (including its Jersey Branch) is limited to the amount of cash deposited by the Company with BNP Paribas Securities Services SA. As of 31 December 2008 and 2007, as the net cash balance was negative, the Company had no credit exposure.

Exposure to non Sark investment

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 2008, the Company had no credit exposure relative to these derivative instruments.

Exposure to Sark

As 98.70% of the Company's investments are in Sark (as per Investments at fair value through profit or loss), there is a risk that Sark will be unable to pay amounts in full when due. The company has indirect credit risk exposure through its investment in Sark.

3. Financial instruments and associated risks (continued)

Credit risk (continued)

Sark's exposure to credit risk associated with counterparty nonperformance 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.

Exchange traded derivatives generally do not give rise to significant credit exposure because of the margin requirements of the individual exchanges. The Fund exposure to brokers-dealers is with reputable broker-dealers.
Sark's principal trading activities are primarily with brokers, prime brokers and other financial institutions located in North America and Europe.

Prime brokers and financial institutions used by Sark are large counterparties which have at least a single A investment grade rated by the major rating agencies. All securities transactions of Sark are cleared by major securities firms pursuant to customer agreements. At 31 December 2008, 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.

Liquidity risk

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

The Company's financial commitments are represented from time to time by:
- fees and other expenses payable
- amounts payable for the share buy backs
- repayment of short term borrowing contracted to finance the share buy backs until the proceeds of the redemption from Sark are received and to finance non Sark 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 Sark Fund
- the use of a short-term secured loan facility (see note 10).

Working capital:

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.

Redemptions from Sark:

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

3. Financial instruments and associated risks (continued)

Liquidity risk (continued)

Secured Loan Facility:

The Company contracted a loan facility to finance its non Sark investments. The loan facility is also used to finance the Company's Liquidity Enhancement Agreement and Share Buy Back Programme until the proceeds from redemption in Sark are received.

The Company bears a liquidity risk on its non Sark investments which are unlisted and illiquid investments with a 3 to 5 years time horizon financed by a 5-year facility but which gives the ability to the bank to recall the loan under 3 month notice. The size of these investments as of 31 December 2008 was €8,512,140.

All financial liabilities of the Company at 31 December 2008 were due to settle in one month.

	Less than 1 month	
In EURO	**At 31 December 2008**	**At 31 December 2007**
Foreign exchange forward derivatives contracts	(5,745,209)	-
Bank loan	(24,925,991)	(17,135,925)
Due to brokers	(730,779)	(15,272)
Performance fees Payable	-	(6,433,656)
Management fee payable	(2,665,069)	(3,881,087)
Interest payable	(14,483)	(35,077)
Administrative Fee Payable	-	(35,008)
Audit fees payable	(70,000)	(34,739)
Legal fees payable	(133,997)	-
Total financial liabilities	(34,285,528)	(27,570,764)

The increase in the liabilities over the period is mainly due to the money borrowed under the loan facility in order to finance the share buy back activity.

Capital management

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 manage the discount of share price to net asset value. Transactions under the programme are disclosed in Note 12.

3. Financial instruments and associated risks (continued)

Capital management (continued)

	31 December 2008	31 December 2007
Trades and other payables	€ 3,614,328	€ 10,434,839
Debt	24,925,991	17,135,925
Total debt	28,540,319	27,570,764
Equity	622,364,982	1,000,285,773
Less: unrealised gain on equities and bank loan	834,761	49,195,098
Total capital	623,199,743	1,049,480,871
Gearing	4.58%	2.63%

Over the year the gearing of the company has increased from 2.63% to 4.58%. These numbers are the combination of two factors. On the one side, the leverage of the company on long term exposure has decreased from 2.63% to 1.17% along with the size of private equity investments. On the other side, very short term commitments used to finance the redemptions in Sark has increased from 0% to 3.41%.

4. Forward contracts

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 settled in cash or another financial asset. Forwards are individually traded over-the-counter contracts. Forward contracts result in credit exposure to the counterparty.

Forward contracts result in exposure to market risk based on changes in market prices relative to contracted amounts. Market risks arise due to the possible movement in foreign currency exchange rates, indices, and securities' values underlying these instruments. In addition, because of the low margin deposits normally required in relation to notional contract sizes, a high degree of leverage may be typical of forward trading account. As a result, a relatively small price movement in an underlying of a forward contract may result in substantial losses to the Company. Forward contracts are generally subject to liquidity risk.

If prices fluctuate during a single day's trading beyond those limits, the Company could be prevented from promptly liquidating unfavourable positions and thus could be subject to substantial losses.

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

4. Forward contracts (continued)

Open forward currency contracts

At 31 December 2008, the Company had contracted to buy and sell the following amounts:

Purchase Currency	Unit	Sale Currency	Settlement Date	Unrealised gain/(loss) (Euro)
GBP	(42,801,863)	EUR	01/17/2009	(5,986,504)
Net unrealised loss				**(5,986,504)**
EUR	10,877,052	GBP	01/17/2009	241,295
Net unrealised gain				**241,295**
				(5,745,209)

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

	31 December 2008 EURO	31 December 2007 EURO
Held for trading		
Net realised gain on forward contracts	(2,059,947)	-
Net unrealised gain on forward contracts	(5,745,209)	-
Net gain from financial assets and liabilities designated as held for trading	**(7,805,156)**	**-**

6. Investments in financial instruments through profit or loss

	31 December 2008 EURO	31 December 2007 EURO
Investments		
Beginning cost	978,887,037	-
Additions	965,827,861	992,013,063
Disposals	(1,161,230,907)	(14,834,142)
Realised gain	5,840,258	1,708,116
Ending cost	789,324,249	978,887,037
Unrealised (losses)/gains on investments at fair value through profit and loss	(132,969,586)	48,966,681
Investments at fair value through profit or loss:	656,354,663	1,027,853,718

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

	31 December 2008 EURO	31 December 2007 EURO
Net (loss)/gain on financial instruments at fair value through profit or loss (Realised & unrealised gains)	(176,096,009)	50,674,797

7. Related Party transactions

There have been related party transactions as set out below over the period and as disclosed in notes 9 and 10.

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. Prime broker and 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.

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. Any shares of the Company purchased by Exane on behalf of the Company and not cancelled are held on this securities account in the name of the Company. The cash account is being credited from time to time by the Company with the necessary amount in order to fund further purchases of shares. This agreement has been tacitly renewed on 31 December 2008 for one year.

9. Administration fees

Close Fund Services Limited, the Administrator, is entitled to a fee of £85,000 per annum. In addition, the Administrator outsources the accounting to GlobeOp Financial Services LLC for an annual service fee equal to €20,000 payable monthly.

10. Management fees and Performance fees

The Company has appointed Boussard & Gavaudan Asset Management, LP as investment manager (the "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.

10. Management fees and Performance fees (continued)

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 is calculated on an annual basis ending on 31 December in each year (the ''Calculation Period'' and 31 December being the "Settlement Date"). The performance fee is deemed to accrue on a monthly basis as at each Valuation Day. For each Calculation Period, the performance fee is equal to 20 per cent of the appreciation in the Net Asset Value per Share during that Calculation Period above the Base Net Asset Value. The Base Net Asset Value 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 is calculated by reference to the Net Asset Value per Share before deduction for any accrued performance fee.

During the year ended 31 December 2008, the Management fees were €13,325,092; (2007: €12,683,636) of which €2,665,069 (2007: €3,881,087) amount was payable at 31 December 2008.

During the year ended December 31, 2008, no Performance fees were due (2007: €12, 101,506 of which €6,433,656 were due at 31 December 2007).

11. 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 2008

	Shares	**€**
Class A EURO of €0.0001	60,335,176	6,034
Class GBP of €0.0001	3,464,566	360
		6,394

Allotted, issued and fully paid as on 31December 2007

	Shares	**€**
Class A of €0.0001	44,000,000	4,400
Class C of €0.0001	53,427,338	5,343
		9,743

Share transactions for the year ended 31 December 2008 are as follows:

	Class A EURO	**Class A GBP**
Shares outstanding as on 31 December 2007	44,000,000	-
Conversion of C Shares	46,113,135	
Shares Transferred	(5,804,070)	4,828,378
Treasury shares transactions	(23,973,889)	(1,363,812)
Shares outstanding as on 31 December 2008	60,335,176	3,464,566

Share transactions for the year ended 31 December 2007 are as follows:

	Class A EURO	**Class C**
Shares Issued	44,000,000	-
Reclassification of C Shares	-	53,427,338
Shares outstanding as on 31 December 2007	44,000,000	53,427,338

11. Share Capital (continued)

Voting
The shareholders shall have the right to receive notice of and to attend and vote at general meetings of the Company and each holder of shares being present in person or by attorney 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 attorney 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 Laws, the terms and rights attaching to any class of shares, the Articles and any guidelines established from time to time by the Directors, the Company may from time to time purchase or enter into a contract under which it will or may purchase any of its own shares. The making and timing of any buy back will be at the absolute discretion of the Directors. If at any time the share capital is divided into further classes of shares the rights attached to any class (unless otherwise provided by the terms of issue) may whether or not the Company is being wound up be varied with the consent in writing of the holders of three-fourths of the issued shares of that class or with the sanction of a special resolution of the holders of the shares of that class.

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

12. Treasury shares

As on 31 December 2008, the Company's issued and fully paid share capital prior to the effect of treasury shares held is €6179.0142 and £403.4439 and it has allotted 61,790,142 euro shares and 3,877,316 sterling shares of €0.0001 each. After the effect of treasury shares acquired, issued and fully paid share capital comes to €6033.5176 and £360.4963 and 60,335,176 euro shares and 3,464,566 sterling shares allotted at €0.0001 each.

During the year, the Company has bought back 23,973,889 euro shares of €168,990,174 with an average share price of €7.0489 per share and 1,363,812 sterling shares of £7,631,526 with an average share price of £5.5957. During the year the Company has cancelled 22,518,923 euro shares of €159,953,207 with an average share price of €7.1031 and 951,062 sterling shares of £5,450,384 with an average share price of £5.7308

The acquisition of treasury shares commenced on 27 February 2008. The company holds 2.84% of its issued share capital in treasury on 31 December 2008. The company shall not hold more than 10% of its issued share capital in treasury.

13. Bank loan

The Company contracted a loan facility with Natixis SA, for €40,000,000. The loan is a multi currency facility with repayments made in the currency drawn.

The loan facility is secured by a first priority security interest granted by the Company in favour of Natixis SA over certain of the shares in the Sark Fund held by the Company. On 31 December 2008, an equivalent of €133,069,533 (2007: €93,014,304) in Sark Fund EUR B Class Shares was pledged as collateral.

	31 December 2008	31 December 2007
Bank Loan		
Beginning cost	(17,364,342)	-
Drawdown	266,920,556	(88,700,641)
Repayments	(274,021,212)	70,860,956
Foreign currency realised gain	(300,461)	475,343
Ending cost	(24,765,459)	(17,364,342)
Change in unrealised foreign currency gains on bank loan	(160,532)	228,417
Bank loan	(24,925,991)	(17,135,925)

Under the terms of the agreement, the Company has the option to early terminate the loan facility with Natixis SA, before the expiry of the five years final maturity period. In circumstances where, inter alia, the portion of interest payments relating to the spread made over the life of the loan facility are in an aggregate amount of less than €450,000, the Company would be obliged to pay a fee representing the difference between such aggregate interest payments and €450,000.The remaining off balance sheet commitment of the Company on 31 December 2008 was €218,629 (2007: €367,040).

The Investment Manager believes that the fair value of this option is negligible since:
- the option on this minimum amount of fee can be exercised only by the Company,
- the Company would exercise this option if and only if it can borrow at a margin significantly lower than the margin offered by the bank,
- the margin offered by the bank is at a significant discount compared to current market practice.

At 31 December 2008, amounts of €24,925,991 (2007: €17,135,925) were due to Natixis SA, under the loan facility agreement.

14. Post balance sheet events

The loan facility in place to finance private equity investments has been terminated on 14 April 2009. The decision has no significant impact given the size of private equity investments which represents around 1% of the net assets of the Company. The Company is financing the position by reducing the exposure to the Fund.

15. Approval of financial statements

The financial statements were approved by the Company on 22nd April, 2009 at which date these financial statements were considered final.