# MW TOPS Limited

Half -Yearly Financial Report
for the period from 1 October 2009
to 31 March 2010 (Unaudited)

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## BACKGROUND TO THE COMPANY

MW TOPS Limited (the "Company") is a closed-ended investment company registered and incorporated in Guernsey on 25 October 2006.

The Company's share capital comprises three classes of shares: Euro shares, Sterling shares and US$ shares. Each of these share classes were initially admitted to listing on the Euronext Amsterdam stock market. On 18 June 2008, these shares were admitted to listing on the Official List of the UK Listing Authority and admitted to trading on the main market of the London Stock Exchange. On 1 July 2009 the shares were de-listed from Euronext Amsterdam.

### Investment Objective of the Company

The investment objective of the Company is to provide consistent absolute returns primarily derived through trading in equities of companies incorporated in or whose principal operations are in Europe (including Eastern Europe).

### Investment Policy of the Company

The investment policy of the Company is to invest its assets primarily in European equity markets both by utilising the TOPS investment process and investing in opportunities chosen by the Company's investment manager Marshall Wace LLP (the "Investment Manager"). TOPS is a framework of proprietary Marshall Wace applications and models which seek to capture, appraise, optimise and act upon securities trading ideas received from the Investment Manager's extensive network of contributors within the brokerage community.

The Company pursues its investment policy indirectly through investment in the sub-trusts of Marshall Wace TOPS Trust (an umbrella unit trust) or in other funds managed by the Investment Manager (the "Underlying Funds"), the assets of which are used to trade systematically on the basis of those ideas of the brokerage community selected by TOPS and to invest in opportunities chosen by the Investment Manager. The investment policy of each of the Underlying Funds is therefore consistent with the Company's investment policy.

The Company may also retain amounts in cash or cash equivalents, pending reinvestment, if this is considered appropriate to the objective of seeking consistent absolute returns.

The Underlying Funds may invest in a wide range of instruments including listed and unlisted equities, futures, other derivatives and debt securities and will take long and short positions over a variety of time periods. The Company will only enter into derivative transactions for the purposes of efficient portfolio management and not for speculative purposes.

The Company may employ direct borrowings up to a maximum of 20 per cent of the NAV at the time of borrowing in order to fund share buy backs and the payment of fees and expenses by the Company.

## BACKGROUND TO THE COMPANY (CONTINUED)

The Company has adopted the following investment restrictions for so long as they remain requirements of the UK Listing Authority:

- the Company will avoid cross-financing between business forming part of its investment portfolio;
- the Company will avoid the operation of common treasury functions as between the Company and investee companies;
- neither the Company nor any subsidiary (other than business forming part of the investment portfolio) will conduct any trading activity which is significant in the context of the group as a whole; and
- the Company does not intend to invest in other closed-ended investment funds, and in any case, will not invest more than 10 per cent of the total assets of the Company in other closed-ended investment funds except for those which themselves have stated investment policies to invest no more than 15 per cent of their gross assets in other closed-ended investment funds.

The investment policy of the Company may only be amended with the consent of a simple majority of shareholders.

### The Portfolio

As at 30 September 2009 the Company's portfolio was invested in the following Euro denominated Sub-Trusts:

| | |
|---|---|
| Sub-Trust H (Balanced Europe) | 10% |
| Sub-Trust European TOPS | 70% |
| Sub-Trust N (Market Neutral) | 20% |

In December 2009 the Board announced a change in the underlying sub-trusts in which the Company invests. All, or substantially all, of its holdings in each of Sub-Trust H (Balanced Europe), Sub-Trust European TOPS and Sub-Trust N (Market Neutral) (each a sub-trust of the Marshall Wace TOPS Trust) were redeemed and the Company re-invested all, or substantially all, of its assets in equivalent units of the Balanced TOPS Fund, the European TOPS Fund and the Market Neutral TOPS Fund respectively, each of which is a sub-trust of Marshall Wace Investment Strategies, an umbrella unit trust established under the laws of Ireland (each, a "Sub-Trust"). The investment objective and policy of each of the Sub-Trusts is the same as of the respective sub-trust of Marshall Wace TOPS Trust in which the Company previously invested.

As a result in December 2009 the Company's assets were invested in the following Euro-denominated Sub-Trusts in the following proportions:

| | |
|---|---|
| Balanced TOPS Fund | 10% |
| European TOPS Fund | 70% |
| Market Neutral TOPS Fund | 20% |

As at 31 March 2010 the Company's assets were invested in the following Euro-denominated Sub-Trusts in the following proportions:

| | |
|---|---|
| Balanced TOPS Fund | 10% |
| European TOPS Fund | 70% |
| Market Neutral TOPS Fund | 20% |

## BACKGROUND TO THE COMPANY (CONTINUED)

The investment process of Marshall Wace Investment Strategies comprises a framework of proprietary applications and models that seeks to capture, analyse, optimise and act upon the investment ideas of contributors from the brokerage community and to aggregate them in a dynamic portfolio construction process. At the end of March 2010, the Investment Manager was polling contributors from 333 firms located in over 50 countries.

The Investment Manager believes that investment advice received from the brokerage community, if systematically monitored and analysed, can be combined into a diversified portfolio with attractive risk-reward characteristics.

The assets of the Sub-Trusts are used to trade systematically ideas selected by optimisation models developed by the Investment Manager to exploit these opportunities and to effect additional investment opportunities chosen by the Investment Manager.

The investment process of the Balanced TOPS Fund is to trade investment ideas driven by valuation and fundamental criteria, prevailing market themes and stock-specific events. The resulting portfolio is expected to be liquid and characterised by medium to long-term holding periods. The Investment Manager expects that the Balanced TOPS Fund's portfolio will exhibit higher levels of volatility than the other sub-trusts with more diversified strategies. The Investment Manager may also pursue a discretionary hedging policy to control market, sector and thematic exposures. The Balanced TOPS Fund's net market exposure will vary but will not normally exceed a range from 20 per cent net short to 80 per cent net long. Where deemed appropriate, the Balanced TOPS Fund may employ leverage including, without limitation, through borrowing securities and other investments and by entering into derivatives transactions. The gross exposure of the Balanced TOPS Fund will not exceed 500 per cent of its NAV.

The investment process of the European TOPS Fund is to trade investment ideas driven by: (a) general factors such as stock and market momentum, and prevailing market themes and events affecting an individual stock in particular (e.g. a merger or takeover, and earnings release, changes to the management of the issuer, or any other commercially significant event); and (b) valuation and fundamental criteria such as earnings growth and outlook for a specific stock. The resulting portfolio is expected to be relatively liquid and diversified and characterised by relatively high turnover.

The Investment Manager may pursue a discretionary hedging policy to limit drawdown and preserve investors' capital. Additional hedging positions will be used to control market, sector and thematic exposures. The net market exposure of the European TOPS Fund will vary according to the Investment Manager's view of market prospects and the Investment Manager will have discretion to be net short of markets. However, the overall net market exposure of the European TOPS Fund is not normally expected to exceed a range from 50 per cent net short to 150 per cent net long. Where deemed appropriate, the European TOPS Fund may employ leverage including, without limitation, through borrowing securities and other investments and by entering into derivatives transactions. The gross exposure of the European TOPS Fund will not exceed 300 per cent of its NAV. The Investment Manager may from time to time consider hedging currency exposure, but will not generally enter into contracts involving a speculative position in any currency.

The investment process of the Market Neutral TOPS Fund is to trade on the basis of investment ideas driven by (a) general factors such as stock and market momentum and prevailing market themes and events affecting an individual stock in particular (e.g. a merger or takeover, an earnings release, changes to the management of the issuer, or any other commercially significant event); and (b) valuation and fundamental criteria such as earnings growth and outlook for a specific stock. The resulting portfolio is expected to be relatively liquid and diversified. The Investment Manager will pursue a discretionary hedging policy to preserve investors' capital in line with its long-term investment strategy.

Although the investment objective of the Market Neutral TOPS Fund is to provide investors with consistent absolute returns by implementing a long term market neutral investment strategy, the net market exposure of the Market Neutral TOPS Fund may temporarily vary according to the Investment Manager's view of market prospects and the Investment Manager will have discretion to be net short of markets. However, the overall net market exposure of the Market Neutral TOPS Fund is not normally expected to exceed a range from 15 per cent net short to 15 per cent net long. Where deemed appropriate, the Market Neutral TOPS Fund may employ leverage including, without limitation, through borrowing securities and other investments and by entering into derivatives transactions. The gross exposure of the Market Neutral TOPS Fund will not exceed 600 per cent of its NAV.

# DIRECTORS' REPORT
**For the period from 1 October 2009 to 31 March 2010**

The Directors present their report and unaudited financial statements for the period ended 31 March 2010.

## Principal Activities

MW TOPS Limited (the "Company") invests substantially all of its assets in the units of three Sub-Trusts of Marshall Wace Investment Strategies (the "Master Fund") namely the Balanced TOPS Fund, the European TOPS Fund and the Market Neutral TOPS Fund. The overall investment objective of each of the Sub-Trusts is to provide investors with consistent absolute returns primarily through investing and trading in equities of companies incorporated in or whose principal operations are in Europe (including Eastern Europe).

The Sub-Trusts seek to preserve capital through the use of various risk management techniques.

## Review of Recent Developments

Towards the end of 2009, fears over a deeper global recession receded as the monetary and fiscal policies of various governments supported the return to growth. The improvement in economic activity, progress in various leading confidence indicators, low interest rate environment and injection of liquidity into the financial system served as a fertile ground for global equity markets. However, within the Eurozone, the recovery was haphazard, with Germany and France most heavily benefiting from the cycle reversal while Spain and Greece remained convalescent. In addition, within Q4 2009 there were sharp sector rotations within European equity markets and high levels of dispersion at the individual stock level. It is noteworthy that the Investment Manager's composite early warning indicator spiked in Q4 2009 from a relatively benign 2 (the signal ranges between 1 and 5, where 5 is the highest level) to a more risky 3 for the first time since March 2009. This increase drove a de-risking program within the underlying TOPS strategies into which the Company invests, as we headed towards the end of 2009.

During 2009, the Investment Manager invested substantially in its global execution and trading platform, primarily in improving technology and quantitative research to promote the more automated, predictable and cost effective trading of both MW TOPS process-led and fundamental long/short strategies. The real-time optimiser is constantly run to re-forecast intra-day volume, volatility, spreads, stock alpha, predicted impact cost, risk and overnight carry portfolios. While the scheduling algorithm continuously attempts to change market participation rates to handle changing trading portfolios and stock specific market parameters. Amongst the benefits delivered thus far are:

- A 20% reduction in the average commission rate paid by funds managed by the Investment Manager compared to 2008; and
- A 25% reduction in execution shortfall versus impact forecast.

From 30 September 2009 to 31 March 2010, the NAV of the Euro share class has returned +0.97%. During this period, the underlying European TOPS Fund, delivered a gross return of 2.78% with an average net market exposure of 24.33%. This corresponds to cumulative alpha generation of +1.50%. During the same 6-month period, the Market Neutral TOPS Fund delivered a gross return of +1.15%.

The liquidity profile of the Company remains strong, as an average for the month of March, 96.38% of the holdings of the portfolios in which the Company invests could be liquidated within one trading day (calculation based on trading a third of the 20 day average volume).

From a contributor management perspective, the Investment Manager focused on reinforcing its country specialist teams with the aim of ensuring that TOPS is tapped into the best research and sales teams at the local level. To this end over the last 6 months the Investment Manager has met with a number of new local sales people at its offices and as a result has increased the number of portfolios in some of its specific geographic markets.

### Consultation with Shareholders prior to AGM in July 2010

Following an initial consultation with shareholders carried out in March and April by the Company's broker, RBS Hoare Govett Limited, the Board of the Company has asked the Investment Manager to consult further with shareholders on the future of the Company. Following the completion of this consultation process, and depending on the feedback received from shareholders, the Board will consider whether to present proposals for any form of corporate action (which could include a re-structuring) in respect of the Company to shareholders at the forthcoming Annual General Meeting to be held in July.

### Results for the period and state of affairs at 31 March 2010

The Statement of Financial Position and the Income Statement for the period ended 31 March 2010 are set out on pages 10 and 11, respectively.

### Dividends

The Directors did not recommend the payment of a dividend in the period.

### Directors

The Directors at the date of this report are listed on page 34. Duncan Ford is Chief Operating Officer of the Investment Manager, and John Le Prevost is a director and controller of the Administrator, Secretary and Registrar. Save as disclosed in these financial statements, the Company is not aware of any other potential conflicts of interest between any duty of any of the Directors owed to it and their respective private interests. Each Director, with the exception of the Chairman and Duncan Ford, is paid an annual fee of £22,000. The Chairman receives an annual fee of £70,000. Duncan Ford has waived his right to payment of any fee by the Company. Nicholas Falla also receives £5,000 for his Chairmanship of the audit committee.

### Directors' interests in shares

As at 31 March 2010, Nicholas Falla had invested, directly or indirectly, in 5,000 (30 September 2009: 5,000) Sterling class shares of the Company, John Le Prevost had invested, directly or indirectly, in 1,000 (30 September 2009: 1,000) Sterling class shares of the Company and Duncan Ford had invested, directly or indirectly, in 494,414 (30 September 2009: 494,414) Sterling class shares of the Company.

By order of the Board.

| | |
|---|---|
| Cameron Mc Phail | Nicholas Falla |
| Chairman | Director |

Detailed in the Director's Report on pages 6 and 7 of this report and in Note 7 to the financial statements is a description of important events which have occurred since the end of the reporting period and the principal risks and uncertainties for the remaining six months of the financial year.

As at 31 March 2010, MW TOPS Limited (the "Company") held 7.10% of the Balanced TOPS Fund, 44.79% of European TOPS Fund and 6.01% of the Market Neutral TOPS Fund. These entities are managed by the Investment Manager and are deemed related parties in accordance with IAS 24 (Related Party Disclosures). No other material related party transactions took place during the first six months of the financial year.

This half-yearly financial report has not been audited or reviewed by auditors pursuant to the Auditing Practices Board guidance on Review of Interim Financial Information.

### Going Concern

The performance of the investments held by the Company over the reporting period and the outlook for the future are described in the Directors' Report. The Company's financial position, its cash flows and liquidity position are set out in the financial statements and the Company's financial risk management objectives and policies, details of its financial instruments and its exposures to market price risk, credit risk, liquidity risk and interest rate risk are set out at note 7 to the financial statements. After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future.

In light of the announcement to the London Stock Exchange on 22 April 2010 which stated that the Company's Investment Manager and corporate broker would consult with shareholders on the future direction of the Company, there remains the possibility that the Board will present proposals to shareholders at the forthcoming Annual General Meeting to be held in July 2010 which could include a re-structuring of the Company. Notwithstanding the possibility of such proposals being tabled at the Annual General Meeting (which may result in the passing by shareholders of a resolution which places the Company into members' voluntary liquidation), the financial statements have been prepared on a going concern basis as the business of the Annual General Meeting has yet to be determined by the Directors and, in any event, it is not possible to predict the outcome of the Annual General Meeting and voting on any specific resolutions that are put to shareholders.

### Responsibility Statement

The Board of directors jointly and severally confirm that, to the best of their knowledge:

(a) The financial statements, prepared in accordance with International Financial Reporting Standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and

(b) This Interim Management Report includes or incorporates by reference:

   a. an indication of important events that have occurred during the first six months of the financial year, and their impact on the financial statements;
   b. a description of the principal risks and uncertainties for the remaining six months of the financial year;

c. confirmation that there were no related party transactions in the first six months of the current financial year that have materially affected the financial position or the performance of the Company during that period; and

d. changes in the related parties transactions described in the last annual report that could have a material effect on the financial position or performance of the Company in the first six months of the current financial year.

| | |
|---|---|
| Cameron Mc Phail<br>Chairman | Nicholas Falla<br>Director |

26 May 2010

## STATEMENT OF FINANCIAL POSITION
### As at 31 March 2010 and 30 September 2009

| | Note | 31 Mar 2010 | 30 Sep 2009 |
|---|---|---|---|
| | | € | € |
| **Assets** | | | |
| Cash and cash equivalents | | 84,331 | 16,572 |
| Financial assets at fair value through profit or loss | 4 | 158,021,283 | 156,894,633 |
| Trade and other receivables | | 76,995 | 29,523 |
| Total assets | | 158,182,609 | 156,940,728 |
| **Liabilities** | | | |
| Financial liabilities at fair value through profit or loss | 4 | - | 3,372,891 |
| Investment management fee | 6 | 263,207 | 255,693 |
| Administration fees | 6 | 10,050 | 9,820 |
| Trade and other payables | | 227,966 | 147,147 |
| Total liabilities excluding net assets attributable to participating shares | | 501,223 | 3,785,551 |
| **Net Assets** | | 157,681,386 | 153,155,177 |
| **Net Assets Attributable to:** | | | |
| **Management shares** | | | |
| Share capital | 9 | 2 | 2 |
| **Participating shares** | | | |
| Other distributable reserves | | 317,237,844 | 317,237,909 |
| Retained earnings | | (159,556,460) | (164,082,734) |
| | | 157,681,386 | 153,155,177 |

| | **Net Asset Value per share as at 31 Mar 2010** | **Number of shares in issue 31 Mar 2010** | **Net Asset Value 31 Mar 2010** |
|---|---|---|---|
| Euro Class Participating shares | €10.41 | 6,022,067 | €62,689,717 |
| Sterling Class Participating shares | £10.55 | 7,115,757 | £75,071,236 |
| US$ Class Participating shares | $10.27 | 1,427,306 | $14,658,433 |
| Management shares | €1.00 | 2 | €2 |

| | **Net Asset Value per share as at 30 Sep 2009** | **Number of shares in issue 30 Sep 2009** | **Net Asset Value 30 Sep 2009** |
|---|---|---|---|
| Euro Class Participating shares | €10.31 | 5,678,426 | €58,541,594 |
| Sterling Class Participating shares | £10.43 | 7,300,798 | £76,174,104 |
| US$ Class Participating shares | $10.17 | 1,618,575 | $16,467,763 |
| Management shares | €1.00 | 2 | €2 |

The financial statements were approved by the Board of Directors on 27 May and are signed on its behalf by:

Cameron McPhail
Chairman

Nicholas Falla
Director

See notes to the financial statements.

## STATEMENT OF COMPREHENSIVE INCOME
**For the period from 1 October 2009 to 31 March 2010 and from 1 October 2008 to 31 March 2009**

| | Note | 1 Oct 2009 to 31 Mar 2010 | 1 Oct 2008 to 31 Mar 2009 |
|---|---|---|---|
| | | € | € |
| **Investment income** | | | |
| Interest income | | 215 | 969,025 |
| Other income | | 36,909 | - |
| Net realised gain/(loss) on financial assets at fair value through profit or loss | 4 | 7,913,601 | (47,433,171) |
| Net realised (loss)/ gain on foreign exchange | 4 | (965,530) | 2,136,201 |
| Net unrealised (loss)/gain on financial assets at fair value through profit or loss | 4 | (4,502,405) | 16,192,908 |
| Net unrealised gain/(loss) on foreign exchange | 4 | 3,896,631 | (19,860,652) |
| Total investment income/(loss) | | 6,379,421 | (47,995,689) |
| **Expenses** | | | |
| Investment management fees | 6 | 1,547,140 | 5,889,179 |
| Other expenses | | 108,927 | 517,334 |
| Directors' fees | | 100,890 | 100,890 |
| Administration fees | 6 | 55,083 | 55,966 |
| Audit fees | | 29,918 | 56,061 |
| Custodian fees | | 7,480 | 28,265 |
| Legal fees | | 3,709 | 67,404 |
| Interest expenses | | - | 236,034 |
| Total expenses | | 1,853,147 | 6,951,133 |
| **Increase/(decrease) in net assets attributable to participating shares** | | **4,526,274** | **(54,946,822)** |

**Basic and Diluted earnings per share**

| | | 1 Oct 2009 to 31 Mar 2010 | 1 Oct 2008 to 31 Mar 2009 |
|---|---|---|---|
| Euro Class Participating shares € | 5 | €0.12 | (€0.50) |
| Sterling Class Participating shares £ | 5 | £0.37 | (£2.88) |
| US$ Class Participating shares $ | 5 | $0.75 | $0.85 |
| Management shares € | | €0.00 | €0.00 |

See notes to the financial statements.

## STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO PARTICIPATING SHARES

**For the period from 1 October 2009 to 31 March 2010**

| | Share Capital | Other distributable Reserves | Retained Earnings | Total |
|---|---|---|---|---|
| | € | € | € | € |
| **EURO CLASS** | | | | |
| Balance at 1 October 2009 | 2 | 77,677,929 | (19,136,337) | 58,541,594 |
| Conversion of shares | - | 3,485,308 | - | 3,485,308 |
| Gain | - | - | 662,815 | 662,815 |
| Balance at 31 March 2010 | **2** | **81,163,237** | **(18,473,522)** | **62,689,717** |
| **STERLING CLASS** | | | | |
| Balance at 1 October 2009 | - | 215,193,123 | (131,845,635) | 83,347,488 |
| Conversion of shares | - | (2,238,571) | - | (2,238,571) |
| Gain | - | - | 3,049,586 | 3,049,586 |
| Balance at 31 March 2010 | **-** | **212,954,552** | **(128,796,049)** | **84,158,503** |
| **US$ CLASS** | | | | |
| Balance at 1 October 2009 | - | 24,366,857 | (13,100,762) | 11,266,095 |
| Conversion of shares | - | (1,246,802) | - | (1,246,802) |
| Gain | - | - | 813,873 | 813,873 |
| Balance at 31 March 2010 | **-** | **23,120,055** | **(12,286,889)** | **10,833,166** |
| **TOTAL** | | | | |
| Balance at 1 October 2009 | 2 | 317,237,909 | (164,082,734) | 153,155,177 |
| Conversion of shares | - | (65) | - | (65) |
| Gain | - | - | 4,526,274 | 4,526,274 |
| Balance at 31 March 2010 | **2** | **317,237,844** | **(159,556,460)** | **157,681,386** |

See notes to the financial statements.

# STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO PARTICIPATING SHARES
**For the year ended 30 September 2009**

| | Share Capital | Other distributable Reserves | Retained Earnings | Total |
|---|---|---|---|---|
| | **€** | **€** | **€** | **€** |
| **EURO CLASS** | | | | |
| Balance at 1 October 2008 | 2 | 443,905,120 | (9,468,928) | 434,436,194 |
| Buy-back of shares | - | (11,191,029) | - | (11,191,029) |
| Conversion of shares | - | 68,453,795 | - | 68,453,795 |
| Redemptions | - | (423,489,957) | - | (423,489,957) |
| Loss | - | - | (9,667,409) | (9,667,409) |
| **Balance at 30 September 2009** | **2** | **77,677,929** | **(19,136,337)** | **58,541,594** |
| **STERLING CLASS** | | | | |
| Balance at 1 October 2008 | - | 349,893,933 | (90,572,903) | 259,321,030 |
| Buy-back of shares | - | (9,166,313) | - | (9,166,313) |
| Conversion of shares | - | 45,202,734 | - | 45,202,734 |
| Redemptions | - | (170,737,231) | - | (170,737,231) |
| Loss | - | - | (41,272,732) | (41,272,732) |
| **Balance at 30 September 2009** | **-** | **215,193,123** | **(131,845,635)** | **83,347,488** |
| **US$ CLASS** | | | | |
| Balance at 1 October 2008 | - | 266,240,797 | (25,212,561) | 241,028,236 |
| Buy-back of shares | - | (7,279,250) | - | (7,279,250) |
| Conversion of shares | - | (113,656,701) | - | (113,656,701) |
| Redemptions | - | (120,937,989) | - | (120,937,989) |
| Profit | - | - | 12,111,799 | 12,111,799 |
| **Balance at 30 September 2009** | **-** | **24,366,857** | **(13,100,762)** | **11,266,095** |
| **TOTAL** | | | | |
| Balance at 1 October 2008 | 2 | 1,060,039,850 | (125,254,392) | 934,785,460 |
| Buy-back of shares | - | (27,636,592) | - | (27,636,592) |
| Conversion of shares | - | (172) | - | (172) |
| Redemptions | - | (715,165,177) | - | (715,165,177) |
| Loss | - | - | (38,828,342) | (38,828,342) |
| **Balance at 30 September 2009** | **2** | **317,237,909** | **(164,082,734)** | **153,155,177** |

See notes to the financial statements.

## STATEMENT OF CASH FLOWS

**For the period from 1 October 2009 to 31 March 2010 and from 1 October 2008 to 31 March 2009**

| | 1 Oct 2009 to 31 Mar 2010 | 1 Oct 2008 to 31 Mar 2009 |
|---|---|---|
| | € | € |
| **Cash flows from operating activities** | | |
| Net result attributable to participating shares | 4,526,274 | (54,946,822) |
| **Adjustments to reconcile profit/(loss) from ordinary activities to net cash used in operating activities:** | | |
| (Increase)/decrease in trade and other receivables | (47,461) | 91,298 |
| Increase in interest receivable | (11) | (62) |
| (Decrease)/increase in interest payable | - | (3,704,288) |
| Increase/(decrease) in management fee payable | 7,514 | (1,331,807) |
| Increase/(decrease) in administration fee payable | 230 | (784) |
| Increase in trade and other payables | 80,819 | 67,917 |
| Add movement in unrealised loss/(gain) on investments at fair value through profit or loss | 4,502,405 | (16,192,908) |
| Less unrealised (gain)/loss on forward foreign exchange | (3,896,130) | 20,027,159 |
| Less realised (gain)/loss on investments | (7,913,601) | 47,433,171 |
| **Net cash outflow from operating activities** | **(2,739,961)** | **(8,557,126)** |
| **Cash flows from investing activities** | | |
| Purchase of investments in financial assets | (160,971,408) | (70,397,307) |
| Sale of investments in financial assets | 163,779,193 | 944,834,967 |
| **Net cash inflow from investing activities** | **2,807,785** | **874,437,660** |
| **Cash flows from financing activities** | | |
| Issue of shares | 13,400,177 | - |
| Buy-back of shares | - | (57,621,211) |
| Conversion of shares | - | (16) |
| Redemptions | (13,400,242) | (715,165,177) |
| Loan payable | - | (95,000,000) |
| **Net cash outflow from investing activities** | **(65)** | **(867,786,404)** |
| Net decrease in cash and cash equivalents | 67,759 | (1,905,870) |
| Cash and cash equivalents at beginning of period | 16,572 | 1,916,196 |
| **Cash and cash equivalents at end of period** | **84,331** | **10,326** |
| Supplementary cash flow information: | | |
| Cash received for interest | 207 | 968,963 |
| Cash paid for interest | - | 3,940,322 |

See notes to the financial statements.

## 1. ORGANISATION

MW TOPS Limited (the "Company") was registered as a closed ended investment company in Guernsey on 25 October 2006 and commenced operations on 8 December 2006. The Company is organised as a feeder fund with three share classes.

In December 2009 the Board announced a change in the underlying sub-trusts in which the Company invests. All, or substantially all, of its holdings in each of Sub-Trust H (Balanced Europe), Sub-Trust European TOPS and Sub-Trust N (Market Neutral) (each a sub-trust of the Marshall Wace TOPS Trust) were redeemed and the Company re-invested all, or substantially all, of its assets in equivalent units of the Balanced TOPS Fund, the European TOPS Fund and the Market Neutral TOPS Fund respectively, each of which is a Sub-Trust of Marshall Wace Investment Strategies (the "Master Fund"), an umbrella unit trust established under the laws of Ireland. The investment objective and policy of each of the Sub-Trusts is the same as of the respective sub-trust of Marshall Wace TOPS Trust in which the Company previously invested. The Sub-Trusts are independently valued on a weekly basis and investments may be subscribed or redeemed at each valuation point.

The Company's investment objective is to provide consistent absolute returns primarily derived through trading in equities of companies incorporated in or whose principal operations are in Europe (including Eastern Europe). There is no assurance the Company will meet its investment objective.

The Company's share capital comprises four classes of shares: Euro shares, Sterling shares, US$ shares and Management shares. The Euro shares, Sterling shares and US$ shares are each traded on the London Stock Exchange. Management shares are not redeemable; do not carry any right to dividends and in a winding up rank only for a return of the amount of share capital paid up on them.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### (a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"), interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") and with applicable requirements of the Companies (Guernsey) Law, 2008 (as amended).

The accounting policies adopted are consistent with those of the previous financial period.

Amendment to IFRS 7 was issued by the IASB in March 2009, effective for annual periods beginning on or after 1 January 2009. The amendment to IFRS 7 requires fair value to be disclosed by the source of inputs, using a three-level hierarchy:

Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);

Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2);

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**(a) Statement of compliance (continued)**

Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

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 1 (revised November 2008) *First time adoption of International Financial Reporting Standards – Revised and restructured.* Effective for annual periods beginning on or after 1 July 2009.

IFRS 2 *Share-based Payment-Amendment relating to group cash-settled share-based payment transactions.* Effective for annual periods beginning on or after 1 January 2010.

IFRS 3 *Business Combinations- comprehensive revision on applying the acquisition method.* Effective for annual periods beginning on or after 1 July 2009.

IFRS 9 *Financial Instruments – Classification and Measurement.* Effective for annual periods beginning on or after 1 January 2013.

IAS 24 *Related Party Disclosures – revised definition of related parties.* Effective for annual periods beginning on or after 1 January 2011.

IAS 27 *Consolidated and Separate Financial Statements – Consequential amendments arising from amendments to IFRS 3.* Effective for annual periods beginning on or after 1 July 2009.

IAS 28 *Investments in Associates – Consequential amendments arising from amendments to IFRS 3.* Effective for annual periods beginning on or after 1 July 2009.

IAS 31 *Interests in Joint Ventures – Consequential amendments arising from amendments to IFRS 3.* Effective for annual periods beginning on or after 1 July 2009.

IAS 32 *Financial Instruments: Presentation – amendments relating to classification of rights issues.* Effective for annual periods beginning on or after 1 February 2010.

IAS 39 *Financial Instruments: Recognition and Measurement – Amendments for eligible hedged items.* Effective for annual periods beginning on or after 1 July 2009.

IFRIC 17 *Distributions of Non-cash Assets to Owners.* Effective for annual periods beginning on or after 1 July 2009.

IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments*. Effective for annual periods beginning on or after 1 July 2010.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**(a) Statement of compliance (continued)**

The Directors do not anticipate that the adoption of these Standards and Interpretations in future years will have a material impact on the financial statements of the Company when the relevant Standards and interpretations come into effect.

**(b) Basis of preparation**

The financial statements have been prepared on a historical cost basis, except for financial instruments classified as at fair value through profit or loss that have been measured at fair value.

The Company operates as one geographic and one economic segment. Consequently no segment reporting is provided in the Company's financial statements.

**(c) Financial instruments at fair value through profit or loss**

*(i) Classification*

The Company designates some of its financial assets and liabilities, except loans payable, as at fair value through profit or loss. The category of financial assets and liabilities at fair value through profit or loss comprises the following items:

*Financial instruments at fair value through profit or loss*

These include forward contracts and collective investment schemes. These instruments are acquired or incurred principally for the purpose of generating a profit from short-term fluctuation in price. Derivatives are categorised as held for trading, as the Company does not designate any derivatives as hedges for hedge accounting purposes as described under IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39").

*Loans*

Loans represent non-derivative financial liabilities with fixed or determinable payments that are not quoted in an active market.

*(ii) Initial measurements*

Purchases and sales of financial instruments are accounted for at trade date. Realised gains and losses on disposals of financial instruments are calculated using the first-in-first-out (FIFO) method.

Financial instruments categorised as at fair value through profit or loss are measured initially at the fair value of the consideration granted. Transaction costs for such instruments are recognised directly in the Income Statement.

Financial liabilities, other than those at fair value through profit or loss, are recognised initially at fair value plus transaction costs that are directly attributable to their acquisition or issue.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**(c) Financial instruments at fair value through profit or loss (continued)**

*(iii) Subsequent measurement*

After initial measurement, the Company measures financial instruments which are classified as fair value through profit or loss, at fair value. Fair value is the proportion of the net asset value of the Master Fund held by the Company. Financial assets are priced at their current bid prices, while financial liabilities are priced at their current offer price.

The fair value of forward contracts is based on their quoted market prices on a recognised exchange or sourced from a reputable broker/counterparty, in the case of non-exchange traded instruments, at the reporting date without any deduction for estimated future selling costs.

Loans payable are measured at amortised costs using the effective interest method.

**(d) Offsetting financial instruments**

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

**(e) Cash and cash equivalents**

Cash comprises cash on hand and demand deposits. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant changes in value.

**(f) Functional and presentation currency.**

Items included in the Company's financial statements are measured and presented using the currency of the primary economic environment in which it operates (the "functional currency"). This is the Euro, which reflects the Company's primary activity of investing in European securities and derivatives.

**(g) Foreign currency transactions**

Monetary assets and liabilities denominated in currencies other than the Euro are translated into the Euro at the closing rates of exchange at each period end. Share capital is valued at historic cost. Transactions during the period including purchases and sales of securities, income and expenses, are translated at the rate of exchange prevailing on the date of the transaction. Foreign currency transaction gains and losses are included in realised and unrealised gain and loss on foreign exchange on the Statement of Comprehensive Income.

The Company does not isolate that portion of the results of operations resulting from changes in foreign exchange rates on investments, from the fluctuations arising from changes in the market prices of securities. Fluctuations in the value of foreign currency hedging instruments are included in the net realised and unrealised gain or loss on foreign exchange.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**(h) Guernsey tax exemption**

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.

**(i) Interest income and expense**

Interest income and interest expense are recognised in the Statement of Comprehensive Income for all interest bearing instruments on the effective interest method.

**(j) Management shares**

The Company's Management shares are issued for administrative purposes only in accordance with the Company's Articles of Association. These shares do not participate in the profits of the Company.

**(k) Participating shares**

Participating shares have been classified as liabilities in accordance with IAS 32 because they meet the definition of puttable instruments, the Company as a whole does not have the power to decline a cash exit vote by any share class under either discount management provisions of the Articles or at the 2013 and every seventh subsequent annual general meeting.

**(l) Going concern**

The Company has adequate financial resources and as a consequence, the directors believe the Company is well placed to manage its business risks successfully despite the current economic climate. After making enquiries the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the directors have adopted the going concern basis in preparing the financial information.

## 3. SHARE BUYBACK PAYABLE

The amount of share buy-backs payable as at 31 March 2010 was €Nil (30 September 2009: €Nil).

## 4. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | 31 Mar 2010 | | |
|---|---|---|---|
| | **Cost** | **Appreciation** | **Fair Value** |
| | **€** | **€** | **€** |
| **Financial assets at fair value through profit or loss** | | | |
| Hedge funds | 152,868,418 | 4,629,626 | 157,498,044 |
| Forward contracts | - | - | 523,239 |
| Total held for trading | **152,868,418** | **4,629,626** | **158,021,283** |

## 4. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

| | 30 Sep 2009 | | |
|---|---|---|---|
| | Cost | Appreciation | Fair Value |
| | € | € | € |
| **Financial assets at fair value through profit or loss** | | | |
| Hedge funds | 147,762,603 | 9,132,030 | 156,894,633 |
| Total held for trading | 147,762,603 | 9,132,030 | 156,894,633 |

| | 31 Mar 2010 | |
|---|---|---|
| | Fair Value | Net Asset |
| **Schedule of investments** | € | % |
| (Investment in Sub-Trusts divided by net assets of the Company) | | |
| Marshall Wace Investment Strategies | | |
| European TOPS Fund, | 111,973,137 | 71.01% |
| Balanced TOPS Fund | 15,476,629 | 9.82% |
| Market Neutral TOPS Fund | 30,048,277 | 19.05% |
| Total investment in Marshall Wace Investment Strategies | **157,498,044** | **99.88%** |

| | 30 Sep 2009 | |
|---|---|---|
| | Fair Value | Net Asset |
| **Schedule of investments** | € | % |
| (Investment in Sub-Trusts divided by net assets of the Company) | | |
| Marshall Wace TOPS Trust | | |
| Marshall Wace TOPS Trust Sub-Trust H | 15,682,881 | 10.24% |
| Marshall Wace TOPS Trust Sub Trust European TOPS | 110,950,487 | 72.44% |
| Marshall Wace TOPS Trust Sub-Trust N | 30,261,265 | 19.76% |
| Total investment in Marshall Wace TOPS Trust | 156,894,633 | 102.44% |

| | 1 Oct 2009 to 31 Mar 2010 | 1 Oct 2008 to 31 Mar 2009 |
|---|---|---|
| | € | € |
| **Net (loss)/gain on foreign exchange and financial assets at fair value through profit or loss** | | |
| Net realised gain/(loss) on financial assets at fair value through profit or loss | 7,913,601 | (47,433,171) |
| Net realised (loss)/gain on foreign exchange | (965,530) | 2,136,201 |
| Net unrealised (loss)/gain on financial assets at fair value through profit or loss | (4,502,405) | 16,192,908 |
| Net unrealised gain/(loss) on foreign exchange | 3,896,631 | (19,860,652) |
| | **6,342,297** | (48,964,714) |

| | 31 Mar 2010 | 30 Sep 2009 |
|---|---|---|
| | Fair Value | Fair Value |
| | € | € |
| **Financial liabilities at fair value through profit or loss** | | |
| Forward contracts | - | (3,372,891) |
| Total held for trading | - | (3,372,891) |

## 4. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

The financial instruments of the Company have been classified as Level 2. This is in accordance with the fair value level hierarchy.

Details of each classification are shown in the table below. Values are based on the market value of the financial instrument as at the reporting date.

| Financial assets designated as at fair value through profit or loss | Fair Value | Fair Value |
|---|---|---|
| | % | € |
| Level 2 | 100 | 158,021,283 |
| **Total** | 100 | 158,021,283 |

## 5. BASIC EARNINGS PER SHARE

The basic earnings per each class of share are based on the net gain for the period of £2,720,297 (period ended 31 March 2009: £46,716,551 loss) and 7,363,027 (31 March 2009: 16,203,343) shares in the Sterling share class, €662,815 gain (period ended 31 March 2009: €16,427,563 loss) and 5,718,687 (31 March 2009: 32,866,253) shares in the Euro share class and $1,101,258 gain (period ended 31 March 2009: $15,818,658 gain) and 1,462,051 (31 March 2009: 18,514,854) shares in the US$ share class, each being the weighted average number of shares of each class in issue during the period. Earnings is pro-rated between the different classes of share after adjustments for subscriptions, redemptions, conversions and forward foreign currency contracts relating to specific share classes. Basic earnings per share differs from the changes in NAV per share because of the effects of the currency hedging programme, the facility for conversion between share classes and the liquidity enhancement programme and the cash exit offer during the period.

## 6. FEES AND EXPENSES

**Investment management and distribution fee**

Pursuant to the investment management agreement, the Investment Manager receives monthly from the Company an investment management fee equal to one-twelfth of 2% of the Net Asset Value of the Company (before deduction of that month's investment management fee and before deduction for any accrued performance fees) as at each valuation day.

90% of estimated management fees are paid on the valuation date to the Investment Manager and the remaining balance is then paid once the management fee figures are finalised following publication of the agreed month end NAV. The investment management fee charged for the period amounted to €1,547,140 (period ended 31 March 2009: €5,889,179), of which €263,207 (30 September 2009: €255,693) was payable at the period end.

Under the distribution agreement, the Investment Manager is entitled to receive a fee for its services in connection with the solicitation of subscriptions for shares. The fees did not exceed the expenses incurred by the Investment Manager. The distribution fee charged for the period amounted to €2,812 (period ended 31 March 2009: €79,672) of which €Nil (30 September 2009: €Nil) was payable at the period end.

## 6. FEES AND EXPENSES (CONTINUED)

**Performance fee**

The Investment Manager is also entitled to receive a performance fee from the Company calculated on a share-by-share basis so that each share is charged a performance fee, which precisely equates with that share's performance. The performance fee is calculated in respect of each twelve-month period ending on 30 September in each year (a "Calculation Period").

In respect of each Calculation Period, the performance fee is calculated by aggregating the monthly increase or decrease (as the case may be) in the net asset value of the relevant class of shares (as adjusted for any increases or decreases in net asset value arising from issues, repurchases or redemptions of shares or any conversions of shares from one class into any other class and before deduction for any accrued performance fees) disregarding any increases or decreases in the net asset value of the relevant class of shares that occur below the "high water mark" as at the relevant month-end NAV calculation date for each month during the relevant Calculation Period. The sum of the performance fee will equal 20% of such amount (if positive) payable only if the NAV of any class of shares at the end of a Calculation Period exceeds the "high water mark".

The performance fee is calculated and payable in any of the currencies in which the shares may be denominated and will normally be paid within 30 calendar days of the end of each financial year. The performance fee is deemed to accrue as at each month-end NAV calculation date. The Performance fees charged for the period amount to €Nil (31 March 2009: €Nil).

**Administrator and Secretary**

The Administrator is paid an annual fee of £40,000 (the "Base Administration Fee") plus 0.005% of the net asset value of the Company above €100m (the "Variable Administration Fee"), plus additional fees calculated on a time cost basis for services and involvement with matters of a non-routine or ad hoc nature, all payable monthly in arrears. Administrator fees charged for the period amounted to €55,083 (period ended 31 March 2009: €55,966) of which €10,050 (30 September 2009: €9,820) was outstanding at the period end.

The Sub-Administrator is also paid an annual fee of €36,000 plus reasonable out of pocket expenses in relation to certain administrative functions delegated to it by the Administrator. Sub-Administrator fees charged for the period amounted to €18,000 (period ended 31 March 2009: €18,000) of which €6,000 (30 September 2009: €6,000) was outstanding at the period end.

**Operating expenses**

The Company is responsible for all other normal operating expenses, including audit, legal and regulatory fees, and other charges, including expenses of acquiring and disposing of investments. These expenses are accrued throughout the period for which the Company receives the related benefit.

## 7. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS

Risk is inherent in the Company's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. The process of risk management is critical to the Company's continuing profitability. The Company is exposed to market risk (which includes currency risk, interest rate risk and other price risk), credit risk and liquidity risk arising from the financial instruments it holds.

As mentioned above, the Company invests substantially all of its assets in the units of three Sub-Trusts of the Master Fund, namely Balanced TOPS Fund, European TOPS Fund and Market Neutral TOPS Fund. As such, through its investment in the Master Fund, the Company is exposed to market risk (which includes currency risk, interest rate risk and other price risk), credit risk and liquidity risk arising from the financial instruments it holds. Further details of these risks are outlined below.

**Risk management structure**

The Directors are ultimately responsible for identifying and controlling risks. However, administration of the day-to-day management of the Company's risk has been delegated to the Investment Manager as investment manager of the Company and the Master Fund.

**Risk measurement and reporting system**

The Investment Manager of the Company combines proprietary models and systems with third party risk systems to produce, on a daily basis, a detailed risk profile of the Company, as well as computing annualised volatility and Value at Risk (VaR) for all client facing portfolios. This process is managed by a dedicated risk team within the Investment Manager. Calculations are performed via a proprietary risk platform using both internally developed and external risk models. Third party models incorporated into the platform include Axioma and Barclays. The risk models are used to measure the risk characteristics of the portfolio and to ensure that the portfolios operate within the pre-defined portfolio parameters.

VaR is a statistical estimation as to maximum losses which will not be exceeded with a given probability. VaR is a point in time calculation, reflecting positions as recorded at that date, which do not necessarily reflect the risk positions held at any other time. VaR is a statistical estimation and therefore it is possible that there could be, in any period, a greater number of days in which losses could exceed the calculated VaR than implied by the confidence level. Although losses are not expected to exceed the calculated VaR on 99% of occasions, on the other 1% of occasions losses will be greater and might be substantially greater than the calculated VaR.

## 7. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (CONTINUED)

**Risk measurement and reporting system (continued)**

Estimated VaR for each of the Sub-Trusts as at 31 March 2010 and 30 September 2009 is disclosed below (based on a confidence level of 99%, one month), based upon a 52 week calibration period. The period of one month has been used as it is considered industry standard.

| | 31 Mar 2010 | 30 Sep 2009 |
|---|---|---|
| Sub-Trust European TOPS | - | 5.71% |
| Sub-Trust H (Balanced Europe) | - | 4.18% |
| Sub-Trust C (Opportunistic-Hedged) | - | 5.05% |
| Sub-Trust D (Fundamental-Hedged) | - | 4.49% |
| Sub-Trust N (Market Neutral) | - | 2.08% |
| Market Neutral TOPS Fund | 1.48% | - |
| European TOPS Fund | 5.05% | - |
| Balanced TOPS Fund | 2.79% | - |

**Objectives and limitations of the VaR methodology**

The Investment Manager uses simulation models to assess possible changes in the market value of the trading portfolio based on historical data from the past five years.

The VaR models are designed to measure market risk in a normal market environment. The models assume that any changes occurring in the risk factors affecting the normal market environment will follow a normal distribution. The distribution is calculated by using exponentially weighted historical data.

The use of VaR has limitations because it is based on historical correlations and volatilities in market prices and assumes that future price movements will follow a statistical distribution. Due to the fact that VaR relies significantly on historical data to provide information and may not clearly predict the future changes and modifications of the risk factors, the probability of large market moves may be underestimated if changes in risk factors fail to align with the normal distribution assumption. VaR may also be under- or over-estimated due to the assumptions placed on risk factors and the relationship between such factors for specific instruments. Even though positions may change throughout the day, the VaR only represents the risk of the portfolios at the close of each business day, and it does not account for any losses that may occur beyond the 99% confidence level.

In practice, the actual trading results will differ from the VaR calculation and, in particular, the calculation does not provide a meaningful indication of profits and losses in stressed market conditions. To determine the reliability of the VaR models, actual outcomes are monitored regularly to test the validity of the assumptions and the parameters used in the VaR calculation. Market risk positions are also subject to regular stress tests to ensure that the Company would withstand an extreme market event.

**Risk mitigation**

The Investment Manager has investment guidelines that set out its overall investment strategies, its tolerance for risk and its general risk management philosophy and has established processes to monitor and control economic hedging transactions in a timely and accurate manner. The Investment Manager uses derivatives and other instruments in connection with its risk management activities.

## 7. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (CONTINUED)

**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 interest rate risk, foreign currency risk and "other price risks", such as equity risk. The Company's market risk exposure is primarily through its investments in the Master Fund.

The Master Fund market price risk is managed through diversification of the investment portfolio. Additionally, the Investment Manager uses derivative instruments to hedge the investment portfolio against market risk.

The Investment Manager rebalances the allocations in the Sub-Trusts on an ad-hoc basis as deemed necessary. This was last done in August 2009 when the ratio was set at 10% Sub-Trust H (now Balanced TOPS Fund), 70% Sub-Trust European TOPS (now European TOPS Fund) and 20% Sub-Trust N (now Market Neutral TOPS Fund). No rebalancing has been done since this date.

Securities sold short and options written represent obligations of the Master Fund to deliver the specified security at the contracted price, and thereby create a liability to repurchase the security in the market at prevailing prices. Accordingly, these securities may result in off-balance sheet risk as the Master Fund satisfaction of the obligations may exceed the amount recognised in the Statement of Financial Position.

**Equity price risk**

Equity price risk is the risk that the fair values of equities decrease as the result of changes in the levels of equity indices and the value of individual stocks. The trading equity price risk exposure arises from the Master Fund investment portfolio. The Investment Manager manages this risk through diversification of its portfolio and the use of derivatives. The derivative contracts that the Master Fund holds or issues are forward contracts, futures and CFDs.

**Interest rate risk**

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 majority of the Company's and Master Fund's financial assets are equity shares and other instruments which neither pay interest nor have a maturity date and as a result the Company is not subject to significant amounts of risk due to fluctuations in the prevailing levels of market interest rates.

**Currency risk**

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The shares of the Company are denominated in Euro, Sterling and US$. Certain of the assets of the Master Fund may, however, be invested in securities and other investments that are denominated in currencies other than the currencies mentioned above. Accordingly, the value of the Company's assets may be affected favourably or unfavourably by fluctuations in currency rates and therefore the Company will necessarily be subject to currency risk.

## 7. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (CONTINUED)

**Currency risk (continued)**

The primary purpose of the Company's and Master Fund's foreign currency economic hedging activities is to protect against the volatility associated with investments denominated in foreign currencies and other assets and liabilities created in the normal course of business. The Company and Master Fund primarily utilise forward exchange contracts with maturities of less than twelve months to hedge foreign-currency-denominated financial assets and liabilities.

Increases or decreases in the Company's and Master Fund foreign-currency-denominated financial assets and liabilities are partially offset by gains and losses on the economic hedging instruments.

**Concentration of direct currency exposure:**

| 31 March 2010 | € | £ | $ | Total |
|---|---|---|---|---|
| Assets | 157,627,674 | 454,435 | 100,500 | 158,182,609 |
| Liabilities | (501,223) | - | - | (501,223) |
| Net Assets | 157,126,451 | 454,435 | 100,500 | 157,681,386 |
| Effect of Forwards Foreign Exchange Contracts | (95,318,888) | 84,447,692 | 10,871,196 | - |
| Net exposure | 61,807,563 | 84,902,127 | 10,971,696 | 157,681,386 |

**Concentration of direct currency exposure (continued):**

| 30 September 2009 | € | € | € | Total |
|---|---|---|---|---|
| Assets | 156,930,007 | 2,713 | 8,008 | 156,940,728 |
| Liabilities | (3,785,551) | - | - | (3,785,551) |
| Net Assets | 153,144,456 | 2,713 | 8,008 | 153,155,177 |
| Effect of Forwards Foreign Exchange Contracts | (94,771,404) | 83,487,767 | 11,283,637 | - |
| Net exposure | 58,373,052 | 83,490,480 | 11,291,645 | 153,155,177 |

Forward foreign exchange contracts are held to hedge the USD and GBP share class exposure.

**Liquidity risk**

Liquidity risk is the risk that the Company will encounter difficulty in realising assets or otherwise raising funds to meet financial commitments. Those financial commitments are represented from time to time by fees payable and other expenses of the Company, amounts payable for share buy-backs, repayment of short-term borrowing in connection with the Company's buy-back programme, interest expenses and amounts payable under forward foreign exchange contracts. The Company manages its ability to fulfil these commitments through redemptions of units in the Master Fund.

The Company may redeem its units, shares or interests in the Master Fund only on a weekly basis and does not have any special or preferential rights in the Master Fund.

## 7. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (CONTINUED)

**Liquidity risk (continued)**

All financial liabilities as at 31 March 2010 and 30 September 2009 were due to settle within one month.

Forward foreign exchange contracts are settled net, the amounts receivable/(payable) at 31 March 2010 were €523,239 (30 September 2009: € (3,372,891)).

Although the investments held by the Master Fund are highly liquid, the Master Fund itself is relatively illiquid. There is currently no active market in any of the units, shares or interests of the Master Fund and none is expected to develop. Accordingly, in order to realise its investment in the Master Fund, the Company will need to exercise its redemption rights as a holder of units, shares or interests in the Master Fund. The Company may redeem its units, shares or interests in the Master Fund only on a weekly basis, subject to giving 30 days notice, and does not have any special preferential rights in the Master Fund.

Furthermore, the Trustee of the Master Fund has the ability, subject to certain time restrictions, to suspend temporarily the right of investors in each of the Initial Funds to redeem their investment in certain circumstances.

These limitations on the Company's ability to redeem its investments in the Master Fund may limit the ability of the Company to realise its investments at the optimal time and/or price. These limitations on the Company's ability to respond to general adverse economic or market changes, as well as adverse changes in the Master Fund, may adversely impact the value of its investments as well as the value of the shares. Shareholders could therefore also be adversely affected.

**Credit risk**

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. It is the Master Fund's policy to enter into financial instruments with a range of reputable counterparties. Therefore, the Master Fund does not expect to incur material credit losses on its financial instruments.

The Master Fund's maximum exposure to credit risk (not taking into account the value of any collateral or other security held) in the event that counterparties fail to perform their obligations as of 31 March 2010 in relation to each class of recognised financial assets, other than derivatives, is the carrying amount of those assets as indicated in the Statement of Financial Position of each of the Sub-Trusts.

With respect to derivative financial instruments, credit risk arises from the potential failure of counterparties to meet their obligations under the contract or arrangement. The Company's and Master Fund's maximum credit risk exposure for forward foreign exchange contracts is the full amount of the foreign currency the Company or Master Fund will be required to pay or purchase when settling the forward foreign exchange contracts, should the counterparties not pay the currency they are committed to deliver to the Company or Master Fund. The counterparty to the Company's forward foreign exchange contracts held directly by the Company were Market Neutral TOPS Fund US$2,942,000 and £15,065,900 (30 September 2009: US$3,298,700 and £15,260,500), Balanced TOPS Fund US$1,471,000 and £7,533,000 (30 September 2009: US$1,649,300 and £7,630,300) and European

## 7. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (CONTINUED)

**Credit risk (continued)**

TOPS Fund US$10,296,900 and £52,730,700 (30 September 2009: US$11,545,400 and £53,411,800).

The Company's cash and cash equivalents are held with one bank whose credit worthiness is monitored by reference to published ratings by Moody's and Standard & Poor's and through the Investment Manager's own internal due diligence processes.

**Significant concentration of credit risk**

The Master Fund's portfolio of financial instruments is broadly diversified along industry, product and geographic lines, and transactions are entered into with a range of counterparties, thereby mitigating any significant concentration of credit risk.

**Capital management**

In managing the capital of the Company the Investment Manager seeks to provide consistent absolute returns derived through trading in equities of companies in accordance with the Company's investment objectives and policies. The capital structure of the Company consists of Net Assets attributable to participating shares of €157,681,386 (30 September 2009: €153,155,177) and short-term debt of €Nil (30 September 2009: €Nil). The Company is not subject to any externally imposed capital requirements. The Company operates a share buy-back programme designed to manage the discount of share price to net asset value.

## 8. DERIVATIVE CONTRACTS

Typically, derivative contracts serve as components of the Company's investment strategy and are utilised primarily to structure and hedge investments, to enhance performance and reduce foreign exchange risk to the Company (the Company does not designate any derivatives as hedges for hedge accounting purposes as described under IAS 39). The derivative contracts that the Company holds or issues are forwarded contracts.

The Company records its derivative activities on a fair value basis. Fair values are determined by using quoted market prices.

As of 31 March 2010, the following derivative contracts were included in the Company's Statement of Financial Position at fair value through profit or loss:

## 8. DERIVATIVE CONTRACTS (CONTINUED)

| Purchase Currency | Notional Amount | Sale Currency | Notional Amount | Settlement Date | Unrealised Gain € |
|---|---|---|---|---|---|
| GBP | 75,329,600 | EUR | (84,016,301) | 1 Apr 10 | 431,390 |
| USD | 14,709,900 | EUR | (10,779,347) | 1 Apr 10 | 91,849 |
| | | | | | 523,239 |

As of 30 September 2009, the following derivative contracts were included in the Company's Statement of Financial position at fair value through profit or loss:

| Purchase Currency | Notional Amount | Sale Currency | Notional Amount | Settlement Date | Unrealised Gain € |
|---|---|---|---|---|---|
| GBP | 76,302,600 | EUR | (86,651,117) | 1 Oct 09 | (3,163,350) |
| USD | 16,493,400 | EUR | (11,493,178) | 1 Oct 09 | (209,541) |
| | | | | | (3,372,891) |

Forward contracts entered into by the Company represent a firm commitment to buy or sell an underlying asset, or currency at a specified value and point in time based upon an agreed or contracted quantity. The realised/unrealised gain or loss is equal to the difference between the value of the contract at the onset and the value of the contract at settlement date/period end date and is included in the Statement of Comprehensive Income. The Company would be contractually required to pay this amount at maturity.

## 9. SHARE CAPITAL

The authorised share capital of the Company is an unlimited number of shares of no par value and 100 Management shares of par value €1 each. The issued share capital comprises 2 ( 30 September 2009: 2) Management shares and 14,565,130 (30 September 2009: 14,597,799) Redeemable Participating Preference shares. Shareholders have the right to receive notice of and to attend and vote at general meetings of the Company.

Each share has equal dividend, distribution and liquidation rights. Each Shareholder who is present at a general meeting in person or by proxy shall be entitled to one vote per Euro share held and such number of votes in respect of each Sterling share and US$ share as shall be equal to the Net Asset Value per share of the Sterling shares or US$ shares (each calculated in Euros), as the case may be, divided by the Net Asset Value per share of the Euro shares, each as at the relevant Net Asset Value calculation date. On a winding up, shares are entitled, in priority to the Management shares, to the return of capital paid up thereon and to the surplus assets of the Company. Management shares only have the right to vote when there are no redeemable Preference shares of the Company in issue and do not carry any rights to dividends.

Shares that have been bought back are held in a Treasury account and have been removed from the open market. Such shares may not exceed 10% of the total shares in issue for the relevant class, with any subsequent share purchases cancelled by the Company.

## 9. SHARE CAPITAL (CONTINUED)

Shareholders of any one class of shares have the right to convert all or part of their holding into any other class of shares to an equivalent net asset value on a monthly basis in accordance with the detailed provisions of the Articles.

Pursuant to an application to the Royal Court of Guernsey share premium was converted to distributable reserves on 15 December 2006.

On 19 November 2008, the Directors offered all Shareholders in the Company the opportunity to redeem any number of their shares, at a redemption price per Share equal to the Net Asset Value per share of the relevant class as at 23 January 2009, less the costs of implementing the redemption offer.

As a result of the redemption offer, 46,529,177 Euro class shares, 17,337,463 Sterling class shares and 17,228,171 US$ class shares were redeemed by Shareholders and subsequently cancelled by the Company at a redemption price of €9.0880, £9.2008 and $8.9649 respectively.

Pursuant to the Discount Management Provisions of the Company's Articles of Incorporation, if in any period of 12 months, the shares of any class had traded, on average, at a discount in excess of 5% of the average Net Asset Value per share of that class taken over the 12 month-end NAV calculation dates in the period, the Directors were required to convene a General Meeting of Shareholders of that class in order for Shareholders of that class to consider a continuation vote.

During the previous period, the requirement to convene a General Meeting of Euro Shareholders in respect of the Euro Share class was triggered. At a General Meeting of Euro Shareholders on 8 January 2009, Euro Shareholders voted in favour of a resolution to waive the requirement for a continuation vote in respect of the Euro Share class.

At an Extraordinary General Meeting of all Shareholders on 8 January 2009, Shareholders voted in favour of the following resolutions of amendment to the Articles:

1. To delete the Discount Management Provisions of the Company and to replace such provisions with an annual cash exit facility, under which the Directors may, in their absolute discretion, offer to redeem up to all of the shares in issue in a particular class or classes, once in any 12 month calendar period on or about the time of the general meeting commencing in 2010, at the NAV per share in the relevant class, less the aggregate of a discount of up to 2 per cent of such NAV per share and the costs and expenses of implementing such an offer; and
2. To insert additional provisions empowering the Board to redeem compulsorily Shares of any class if the aggregate Net Asset Value of the Shares in issue of the relevant class, or the number of holders of shares of the relevant class, are such that the continued existence of such class, in the Boards opinion, ceases to be viable.

## 9. SHARE CAPITAL (CONTINUED)

Share capital transactions in the Company's shares for the period ended 31 March 2010, were as follows:

| | Number of shares | Treasury shares |
|---|---|---|
| **Euro Class shares** | | |
| Balance outstanding at the beginning of the period | 5,678,426 | 599,600 |
| Shares bought back | - | - |
| Shares converted | 343,641 | - |
| Share redemption and cancellation | - | - |
| Shares cancelled | - | (66,815) |
| Balance outstanding at the end of the period | 6,022,067 | 532,785 |

| | Number of shares | Treasury shares |
|---|---|---|
| **Sterling Class shares** | | |
| Balance outstanding at the beginning of the period | 7,300,798 | 569,900 |
| Shares bought back | - | - |
| Shares converted | (185,041) | - |
| Share redemption and cancellation | - | - |
| Shares cancelled | - | - |
| Balance outstanding at the end of the period | 7,115,757 | 569,900 |

| | Number of shares | Treasury shares |
|---|---|---|
| **US$ Class shares** | | |
| Balance outstanding at the beginning of the period | 1,618,575 | 150,000 |
| Shares bought back | - | - |
| Shares converted | (191,269) | - |
| Share redemption and cancellation | - | - |
| Shares cancelled | - | - |
| Balance outstanding at the end of the period | 1,427,306 | 150,000 |

Share capital transactions in the Company's shares for the year ended 30 September 2009, were as follows:

| | Number of shares | Treasury shares |
|---|---|---|
| **Euro Class shares** | | |
| Balance outstanding at the beginning of the year | 45,789,776 | 4,624,620 |
| Shares bought back | (1,275,899) | 1,275,899 |
| Shares converted | 7,693,726 | - |
| Share redemption and cancellation | (46,529,177) | - |
| Shares cancelled | - | (5,300,919) |
| Balance outstanding at the end of the year | 5,678,426 | 599,600 |

## 9. SHARE CAPITAL (CONTINUED)

| | Number of shares | Treasury shares |
|---|---|---|
| **Sterling Class shares** | | |
| Balance outstanding at the beginning of the year | 21,302,908 | 2,167,420 |
| Shares bought back | (811,359) | 811,359 |
| Shares converted | 4,146,712 | - |
| Share redemption and cancellation | (17,337,463) | - |
| Shares cancelled | - | (2,408,879) |
| Balance outstanding at the end of the year | 7,300,798 | 569,900 |

| | Number of shares | Treasury shares |
|---|---|---|
| **US$ Class shares** | | |
| Balance outstanding at the beginning of the year | 36,117,560 | 1,949,395 |
| Shares bought back | (1,129,245) | 1,129,245 |
| Shares converted | (16,141,569) | - |
| Share redemption and cancellation | (17,228,171) | - |
| Shares cancelled | - | (2,928,640) |
| Balance outstanding at the end of the year | 1,618,575 | 150,000 |

## 10. RELATED PARTIES

The members of the Board of Directors are shown on page 34 of the financial statements.

John Le Prevost receives an annual fee of £22,000. Nicholas Falla (as chairman of the Audit Committee) receives an annual fee of £27,000. The Chairman receives an annual fee of £70,000. Duncan Ford has waived his right to payment of any fee by the Company.

The Directors are also entitled to payment of all reasonable expenses incurred in connection with their appointment as Directors of the Company. Directors' fees charged for the period amounted to £100,890 (31 March 2009: £68,422) with £37,321 (30 September 2009: £2,745) payable at the period end.

Duncan Ford is a partner of Marshall Wace LLP, the Investment Manager. During the period management fees of €1,547,140 (31 March 2009: €5,889,179) have been earned by Marshall Wace LLP, of which €263,207 (30 September 2009: €255,693) were payable at 31 March 2010.

John R Le Prevost is a director and controller of Anson Fund Managers Limited, the Company's Administrator and Secretary, and Anson Registrars Limited the Company's Registrar. Administrator fees charged for the period amounted to €55,083 (31 March 2009: €55,966).

As at 31 March 2010, Nicholas Falla had invested, directly or indirectly, in 5,000 (30 September 2009: 5,000) Sterling class shares of the Company. Duncan Ford had invested, directly or indirectly in 494,414 (30 September 2009: 494,414) Sterling shares of the Company. John Le Prevost had invested, directly or indirectly, in 1,000 (30 September 2009: 1,000) Sterling shares of the Company.

Principals of Marshall Wace LLP, the Investment Manager, have collectively invested directly, or indirectly, in Nil Euro class shares (30 September 2009: Nil), 281,121 Sterling class shares (30

## 10. RELATED PARTIES (CONTINUED)

September 2009: 281,121) and 250,000 US$ class shares (30 September 2009: 250,000). This excludes the personal holdings of Duncan Ford of 494,414 Sterling class shares (30 September 2009: 494,414 Sterling class shares).

As at 31 March 2010, the Company held 6.01% of Market Neutral Tops Fund, 44.79% of European Tops Fund and 7.10% of Balanced Tops Fund. These Sub-Trusts are managed by the Investment Manager and are deemed related parties in accordance with IAS 24 Related Party Disclosures. The Company's investment in the Master Fund is detailed in note 4.

## 11. EVENTS AFTER THE BALANCE SHEET DATE

There were no material events subsequent to 31 March 2010.

## COMPANY INFORMATION

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Nicholas Falla
Duncan Ford
John R Le Prevost

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Further information regarding the Company can be found on its website at: www.mwtops.eu.